

## **Defence**

### ***Intelligence Capabilities***

**W23**

**Byrne Review**

**Senator Evans**

(PBS 2007-08, p116) Please explain the rationale for the funding flowing from the Byrne Review.

#### **RESPONSE**

The funding detailed in Table 4.7 on page 116 of the *Portfolio Budget Statements 2007-08* is for additional civilian employee expenses to be incurred from 2007-08 to 2010-11 for additional liaison positions identified as part of the Byrne review of liaison and exchange positions in the US. These positions will manage the increased interaction between intelligence agencies as well as providing additional support to operational deployments.

## **Defence**

### ***Defence Support***

#### **Question 7**

#### **Major Capital Facilities Program**

**Senator Evans, Hansard, 30 May 2007, p101**

Can Defence account for the \$87m announced in 2004 as part of the Capital Facilities Program for the upgrade of RAAF Pearce?

#### **RESPONSE**

Yes. In September 2004, the then Minister for Defence, Senator Robert Hill, announced Defence's intention to refurbish RAAF Pearce and cited a figure of \$87 million.

At that time, the planning of the project was in the early stages.

Development and refinement of the project continued over the next two years.

In early 2007, Defence sought Government approval for RAAF Pearce Redevelopment Stage 1 project at an out-turned price of \$142.2m.

This project will provide new and refurbished infrastructure including an upgrade and replacement of base wide engineering services, a fuel farm, aircraft movements and maintenance facilities, a new combined mess, and living-in accommodation. Subject to parliamentary clearance, construction is anticipated to commence in 2008, with completion expected in 2011.

**Question 9**

**Mental health problems following deployment**

**Senator Hogg, Hansard, 31 May 2007, p12**

From May 2006, what are the numbers of personnel who have been deployed to Afghanistan, Iraq and East Timor who have returned with psychological or psychiatric disorders? Can this information be broken up by deployment and into the following parts:

- (i) Officers
- (ii) NCOs
- (iii) Other ranks
- (iv) Number diagnosed after first deployment, second deployment and subsequent deployments
- (v) Nature of the condition
- (vi) Number subsequently discharged after diagnosis
- (vii) If discharged, number subject to ongoing treatment
- (viii) If discharged, number who have committed suicide
- (ix) If not discharged, number who have committed suicide

**RESPONSE**

The information sought is not readily available and Defence is not able to devote the considerable time and resources required to gather this information. To answer the question would require the physical examination of thousands of medical records. Any evidence of a psychological or psychiatric disorder subsequent to deployment to Afghanistan, Iraq and East Timor would then have to be examined to ascertain if the disorder might be related to that operational service.

**Question 11**

**Expansion of RAAF Amberley – impact on Amberley State School**

**Senator Hogg, Hansard, 31 May 2007, pp20-24**

- a) When does the Amberley State School have to move by?
- b) What are the consequences if the Queensland Government refuses to relocate the school?
- c) Has there been any precedent for this issue anywhere else in Australia?

**RESPONSE**

- a) The Queensland Education Department has advised that it has been considering sites for a new school with a view to building prior to the commencement of the 2009 school year.
- b) The school will be located in close proximity to an operational Defence base and the school's teachers and students would be subject to impacts from base activities.
- c) No.

**Question 15**

**Depleted uranium**

**Senator Faulkner, Hansard, 31 May 2007, p43**

- a) Is Defence aware of the identity of the two soldiers who allegedly tested positive for depleted uranium contamination, as reported in the media on 27 March 2007?
- b) Has any information in relation to depleted uranium contamination of Australian soldiers come to the attention of Defence?

**RESPONSE**

- a) No.
- b) No.

**Question 17**

**Greenhouse gas emissions**

**Senator Nettle, Hansard, 31 May 2007, pp72-73**

Please provide the most recent data on Defence's greenhouse gas emissions.

**RESPONSE**

The greenhouse gas emissions from Defence energy consumption for 2005-06 are calculated to be 1.62 million tonnes of CO<sub>2</sub>. The components making up this total are:

- Defence operational fuels - 862,536 tonnes CO<sub>2</sub>;
- Defence bases - 658,747 tonnes CO<sub>2</sub>;
- Laboratories - 35,144 tonnes CO<sub>2</sub>;
- Office - tenant light and power - 31,057 tonnes CO<sub>2</sub>;
- Office - central services - 25,047 tonnes CO<sub>2</sub>;
- Passenger vehicles - 5,910 tonnes CO<sub>2</sub>; and
- Other transport - 2,045 tonnes CO<sub>2</sub>.

**Question 18**

**Military operations in Antarctic waters**

**Senator MacDonald, Hansard, 31 May 2007, p74**

Does Defence have a legal ability to apprehend illegal fishermen in Australia's Antarctic waters?

**RESPONSE**

The waters adjacent to the Australian Antarctic Territory are not part of the Australian Fishing Zone. Therefore, the *Fisheries Management Act 1991* and the offences it creates do not apply in those waters.

**W39**

**Single LEAP**

**Senator Evans**

- a) What is the total value of the Public-Private Partnership arrangement for the provision of Single LEAP housing across Australia?
- b) How rigorous was the selection process between the various bidders? Can Defence provide an overview of the reasons for selecting the final provider, Plenary Living Consortium? What reassurance can Defence provide the public that this process was fair, if not transparent?
- c) Is it justifiable that a Defence contract worth approximately \$1 billion should not have details of the provider's selection publicly available?
- d) Has any study been undertaken on the broader impacts of this housing program on public works and infrastructure, including water infrastructure? If so, what were its findings?
- e) Have Defence or the Plenary Living Consortium sought to engage local government in the planning process to support the development of Single LEAP accommodation? If so, please provide detail of this process. What resources and contribution, if any, would be required of local government and what support would be provided by Defence?

**RESPONSE**

- a) The total value of Single LEAP is commercially sensitive and cannot be disclosed at this point in time as Defence has recently commenced procurement activity for Phase 2. Following Phase 2 contract signature, the finance arrangements associated with both phases of Single LEAP will be disclosed in accordance with Government reporting obligations.
- b) Single LEAP Phase 1 was subject to a two-stage procurement process, in accordance with the principles of Commonwealth Procurement Guidelines with probity oversight provided by the Australian Government Solicitor. Selection of the preferred Strategic Partner was based on a value for money assessment. Detailed feedback and formal de-briefs were undertaken in accordance with Commonwealth Procurement Guidelines.
- c) See a) above.
- d) As part of the project procurement activity, reviews of each site have been undertaken to determine technical infrastructure services requirements. Further specific studies have been identified and are either underway or planned to be undertaken in the near future.



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The preferred Strategic Partner for both phases of the project will be required to adhere to and address all Commonwealth, state and local legislation and regulations. The Strategic Partner is required to consult with federal and state authorities to ensure the most efficient outcomes for the Commonwealth with regard to all environmental issues including water conservation.

Defence is committed to the implementation of ecologically sustainable development (ESD) principles in the delivery of infrastructure projects. The key targets in the Green Building Requirement are quantifiable measures related to energy efficiency, water efficiency, waste minimisation and overall environmental performance of the building. For example the Strategic Partner is required to achieve the Defence Water Management Strategy 2006-09 target for all new buildings, facilities and major refurbishments. This requires a water-use efficiency figure of 30 per cent better than the design reference building described in the Building Code of Australia .

- e) Defence regularly chooses to engage with local and state governments on a range of infrastructure issues relating to its estate. This consultation is not obligatory. Project Single LEAP, like other base redevelopment projects, continues to inform these discussions. With regard to planning for Phase 1 Single LEAP, Defence continues to routinely consult with the local councils at Ipswich (RAAF Amberley), the Enoggera Ward (Gallipoli Barracks) and Liverpool (Holsworthy Barracks). The project team has delivered briefs and presentations to councils and continues to engage these councils via meetings and information releases. Each council has advised of general support for Project Single LEAP via this consultation.

Planning for construction on the three Phase 1 Single LEAP sites commenced early in 2007. The Plenary Living architect, Woods Bagot and its construction company, Watpac, retain subject matter experts who provide appropriate building certifications in accordance with any relevant local government regulations. As a result, to date, Plenary Living has not needed to engage local government in the planning and development processes of the project. Any resource implications associated with the engagement of local councils would be met by Plenary Living as part of its contractual obligations to Defence.

**W40**

**Headquarters Joint Operations Command Project**

**Senator Hogg**

- a) Has Defence undertaken any traffic investigation studies related to its new headquarters on the Kings Highway?
- b) Does Defence expect the location to involve significant extra vehicle movements through Queanbeyan?
- c) Does Defence expect the location to involve significant extra vehicle movements on approach roads to Queanbeyan from either the Airport precinct, which is heavily overloaded already. or from the Tuggeranong area?
- d) What road upgrades are being done to the Kings Highway to support increased vehicle movements?
- e) Who is paying for them?
- f) Does Defence intend to contribute any financial assistance to road upgrades to support its new facility?

**RESPONSE**

- a) Defence has commissioned two significant traffic studies in relation to the establishment of the new facility for the Headquarters Joint Operations Command (HQJOC) near Bungendore. The first study formed part of the project's Environmental Impact Statement (2003 draft report and 2005 final report). It was based on the original 1,185 Defence staff numbers for the facility which were subsequently reduced in late 2005. The project has commissioned another traffic study which is based on revised Defence staff numbers (about 750 personnel) and contractor site support staff (about 100). The result of this study was provided to Defence in April 2007 and, once analysed, will be released to the NSW RTA and Roads ACT for comment. A traffic plan for the Kings Highway will then be submitted to Government for approval as required by the Project's EIS Conditions of Approval.
- b) Based on a direct analysis of staffing levels at the new site, there could be an increase in existing peak period traffic through Queanbeyan. The military working routine at the new facility will result in different to normal traffic considerations as the military peak is likely to be earlier in the morning and later in the afternoon/evening than the current Queanbeyan peak traffic timings. Further analysis is to be undertaken of the latest traffic study to provide greater clarity of this issue.

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- c) Defence Housing Australia (DHA) will be providing housing for eligible Defence staff throughout the Canberra and Queanbeyan region. An analysis of DHA housing locations alone does not reflect the total picture as some Service personnel will rent accommodation on the private housing market and others will purchase their own homes. It is therefore not possible to fully predict the extent of vehicle movements from Tuggeranong or from the airport into Queanbeyan.
- d) Defence has constructed a new roundabout at the new turn-off on the Kings Highway to meet the new traffic flow to the Headquarters and to meet Roads ACT requirements. The roundabout and associated road works have now been completed and will soon be handed back to the ACT Government.
- e) The Commonwealth has funded the construction of the intersection.
- f) The Commonwealth's position regarding funding for upgrades to local roads remains as that provided in the February 2006 Estimates Hearing. That is, it is principally a state and local government responsibility.

**W63**

**Mental Health**

**Senator Evans**

- a) (PBS 2007-08, p104) On detection that an ADF member is suffering a mental health disorder, what is the process for treatment and rehabilitation?
- b) At what stage is a determination made as to whether the condition is temporary or permanent, and who makes that decision?
- c) At what stage is discharge considered and when does Defence wash its hands and pass the person to DVA for compensation?
- d) What is the average time for which Defence retains the employment of a person with a mental health disorder, and what is considered an appropriate time for rehabilitation and treatment?
- e) How many ADF personnel have been discharged in each of the last three years for reasons of mental health, and how many have continued to receive treatment after discharge?
- f) What efforts are made to redeploy the person in an administrative job, or convert them to civilian status rather than condemning them to the compo stream?
- g) What is Defence's response to the view of the Defence Association who is sceptical of the mental health route to compensation (i.e. that compensation is a disincentive to get better and hence the alleged coaching on symptomology)?

**RESPONSE**

- a) Members detected with possible mental health problems are referred to a mental health professional. Should a positive diagnosis be made, the member is referred to a mental health specialist (psychiatrist or clinical psychologist) for appropriate treatment and management.
- b) A positive diagnosis of a mental health condition will result in a member being classified as unfit for deployment in the medium term (up to 12 months). Should the member's condition not resolve sufficiently in that time for a return to deployable status, the member will be considered unfit for deployment in the long term. The decision will be made by a Medical Employment Classification Review Board based on advice received from the Director Joint Health Support Agency and the relevant medical specialist.
- c) A member who is found unfit for deployment in the long term or non effective on medical grounds for a period in excess of four months will be considered for medical discharge. The member will not be discharged if a medical or critical skills waiver is granted. Defence recognises its ethical and moral

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obligations toward its members and will not discharge them until the transition process has taken place with the member under the care of the Department of Veterans' Affairs (DVA) or other appropriate body. It would be most unusual for a mental health condition not to be recognised by DVA as related to, or exacerbated by, service.

- d) Resources are not available for Defence to determine the average time of retention in such cases. Defence makes such determinations case-by-case giving due consideration to the member's illness, the rehabilitation process and the prognosis.
- e) The information sought is not readily available. Defence is not able to devote the considerable time and resources required to provide this information.
- f) Defence is supportive of efforts made by serving personnel who are being medically retired to obtain all types of civilian employment. This is particularly so in the case of a member wishing to bring valuable skills into Defence. However, the options for the employment of non-deployable personnel within the ADF have been significantly diminished since the Government initiated the Commercial Support Program in the early 1990s. While Defence is cognisant of the value of transferring such people to civilian status and retaining them in Defence, it is recognised that this must be done in accordance with Public Service Regulations and principles of equity. Defence in no way supports the 'condemning' of its members to the 'compo stream'.
- g) It would be inappropriate for Defence to comment on a matter which is clearly the responsibility of another Government department.

**W64**

**Health Services**

**Senator Evans**

- a) (PBS 2007-08, p104) What are the psychological issues noted?
- b) At the end of third dot point a number of locations are identified for health research. Why was Afghanistan excluded?

**RESPONSE**

- a) The psychological issues include:
  - The Human Dimension of Operations survey which is an organisational climate measure administered on operations;
  - The Profile of Unit Leadership, Satisfaction and Effectiveness, which is administered in a garrison/base environment;
  - The development and delivery of unit level interventions to enhance readiness;
  - Continuing psychological education on such matters as stress management, fatigue management, coping with the recovery of human remains and dealing with refugees and internally displaced persons;
  - Psychological preparation for operational deployment;
  - The conduct of resilience training at the Army Recruit Training Centre, a program which is intended to be expanded to other training establishments; and
  - The conduct of the ADF longitudinal resilience study.
- b) Afghanistan has not been excluded. The designated Middle East Area of Operations includes Afghanistan.

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**W65**

### Defence Estate

**Senator Evans**

- a) (PBS 2007-08, p208) Please list all plans to dispose of surplus defence properties.
- b) How many Golf courses does Defence operate? What plans exist for their sale or disposal?

### RESPONSE

- a) The following properties are currently scheduled for possible disposal during 2007-08 subject to Government approval:

Property	Location	State	Post Code	Description
Fairbairn	Pialligo Avenue, Majura Road	ACT	2600	Part of former RAAF Fairbairn.
Gungahlin	Barton Highway	ACT	2912	Former RAAF Transmitter Station.
Moorebank	ANZAC Road, Moorebank.	NSW	2170	Integral Energy substation.
Moorebank ('West Wattle Grove')	ANZAC Road, Moorebank.	NSW	2170	Former ammunition depot.
Neutral Bay	High Street	NSW	2089	Transfer of Former HMAS Platypus.
Schofields	Nirimba Drive	NSW	2762	Former aerodrome and training facility.
Berrimah	Stuart Highway	NT	0820	Part of Defence Establishment Berrimah.
Alice Springs	Various	NT	0870	Surplus houses as identified by the United States Government. The Commonwealth receives part payment only.
Werribee	Ballan Road	VIC	3030	Former air weapons range.
Fremantle	Bert, Tuckfield and Queen Victoria Streets,	WA	6160	Part of Artillery Barracks ('Housing Precinct').

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	Fremantle.			
Bullsbrook	Great Northern Highway	WA	6084	Neaves Road - Defence land used as a public road.
Bullsbrook	Great Northern Highway	WA	6084	Vacant Land.

- b) Defence does not operate any golf courses, but there are 19 golf courses situated on Defence property. No golf courses are scheduled for disposal during 2007-08.



**W66**

**Qantas Contract**

**Senator Evans**

- a) What opportunities have been included for audit of performance under the contract to ensure that the 'lowest fare of the day' principle apply?
- b) What potential is there to review such a contract over time?

**RESPONSE**

a and b) The contract is reviewed on a quarterly basis with performance measured against the deliverables and performance indicators set out in the Annual Business Plan. This includes Qantas' obligations to offer Defence travellers what the consultant identifies as Best Fare of the Day based on the information provided to them.

Defence also intends to undertake a continuous improvement project activity this calendar year that will, in conjunction with Qantas Business Travel, review the booking process. The project aims to:

- Maximise the value provided by Qantas Business Travel consultants;
- Improve management information capabilities across the program; and
- Monitor the selection of best fare of the day by Defence personnel.

Specific contract clauses also provide Defence with the ability to undertake audits at any time.

The contract also contains provisions for termination for convenience. These provisions ensure Defence has the required flexibility should it wish to amend its travel program and, in doing so, any of its travel contracts, to adjust to market variations or technology improvements.

**W67**

**Firefighter Redundancies at Victorian Bases**

**Senator Evans**

- a) Is Defence aware of the concerns raised by the Firefighters' Union that firefighting services at Puckapunyal, East Sale and HMAS Cereberus may be jeopardised following an alleged decision by the relevant contractor to make seven firefighters redundant?
- b) When did Defence become aware of the decision to make firefighters redundant?
- c) Did Defence hold any discussions with the contractor in relation to these redundancies? If yes, when and what did they entail?
- d) What is Defence doing to address these concerns?

**RESPONSE**

- a) Defence is aware of the concerns raised by the United Firefighters Union. Defence is in dialogue with Transfield Services (Aust), the contracted service provider, and is considering a number of options.

It is important to note that firefighting services and firefighter staffing levels at Puckapunyal have not been affected. As part of its successful tender response, the contracted service provider proposed a model for firefighting services which provided a standard personnel structure for each base and met the service delivery outcomes required by Defence. This model is currently in use at the Puckapunyal Army base and has operated with success over a number of years.

- b) On 21 May 2007, Defence became aware of the issue when advised by Transfield during a contract transition meeting.
- c and d) Since 23 May 2007, Defence has held a number of transition meetings with Transfield to work through the detail of the transition of services to ensure Defence capability is supported effectively. Defence is in active dialogue with Transfield on assessing options to reduce the need for redundancies.

**W68**

**Positive Tests to Depleted Uranium**

**Senator Evans**

- a) Is it correct that the ADF used depleted uranium in ammunition only between 1981 and 1990?
- b) Can you explain how troops tested positive to depleted uranium contamination more than 15 years after their return from the first Gulf War?
- c) Can you provide reassurance that Australian troops currently serving in Iraq and Afghanistan will not be exposed to depleted uranium?
- d) What precautions has the Government taken to ensure that Australian troops in Iraq and Afghanistan are not exposed to depleted uranium?
- e) What tests are given to troops serving or returning from Iraq and Afghanistan in respect of depleted uranium? In your view, are these adequate? If so, how do you know (by what standard)?
- f) What follow-up and assistance is provided to an ADF member if he or she tests positive to depleted uranium?

**RESPONSE**

- a) Yes.
- b) Normal urinary proteins can cause a false positive in some testing methods. While this may have been the reason, independent testing in an accredited laboratory would be required before it could be confirmed.
- c) Under normal conditions of service there is very little risk that Australian members will be exposed to depleted uranium.
- d) The risk of exposure has been assessed by a number of hazard assessment teams which Australia has deployed to our operational areas. The results have shown only normal background levels of uranium.
- e) All members returning from Iraq and/or Afghanistan are offered a non-mandatory urinary uranium test. If this result were to be high, then further testing would look for the U-238/U-235 isotope ratio. To date, no test has shown a urinary uranium level above the normal background level, for example, less than 70 nanograms of uranium per litre (parts per trillion). The Australian Nuclear Science and Technology Organisation conducts the tests using inductively coupled plasma mass spectrometry, which has been confirmed by independent studies as a rapid, sensitive and accurate analytical technique.

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- f) Further follow-up and advice would be provided on a case-by-case basis, taking into account the circumstances of the exposure and the level of residual uranium in the body.

**W69**

**Keswick Barracks**

**Senator Evans**

- a) When will a decision be made in regards to the future of Keswick Barracks?
- b) What analysis has been conducted by Defence in relation to the effect a closure of these barracks would have on the Reserve and Cadet units that make use of the facilities at these Barracks?
- c) Can Defence please provide a copy of this analysis?

**RESPONSE**

- a) The Government is currently considering the future of Keswick Barracks through the Force Disposition Program.
- b) As part of the Force Disposition Program, Defence has conducted a cost benefit study to examine the future of Keswick Barracks. The program is considering a number of base collocation proposals aimed at creating larger, more operationally and cost efficient military bases around Australia.

The study with respect to Keswick Barracks has analysed the costs and benefits of relocating all Defence units/functions or retaining them in place.

The study examined the potential impacts on ADF capability and retention, including that of the Army Reserve and Cadets.

- c) The study supporting Defence's proposals for Keswick Barracks is subject to Government consideration. Accordingly, it is not appropriate to release it.

**W70**

**Greenbank Military Reserve**

**Senators Evans and Faulkner**

- a) Are you aware of suggestions by King & Co Property Consultants that Defence might contemplate the sale of the Greenbank Military Reserve?
- b) Have any discussions been held with King & Co Property Consultants or with anyone else on such a proposal?
- c) Does Defence have any plans for the sale of part or all of the Greenbank Military Reserve?
- d) If so, can Defence provide details on the time frame for the sale and any planned developments on the site?

**RESPONSE**

- a) Yes. Correspondence has been received from Mr Craig Emerson MP, Federal Member for Rankin, which made reference to a proposal by King and Co Property Consultants to develop the Green Bank Training Area (GBTA) into an inter-modal transport hub.
- b) No. Defence is not aware of any discussions with King and Co or anyone else on such a proposal.
- c and d) The GBTA is a key asset in support of Defence capability and Defence has an ongoing requirement for this training area. Therefore, there are no intentions, at this stage, to dispose of any part of the training area.

**W71**

**Moorebank and Greenbank**

**Senator Evans**

- a) Is the land required for current Defence purposes?
- b) Is the land required for future Defence purposes?
- c) Is the land surplus to Defence requirements?
- d) What is the area of the land? How many hectares?
- e) Are there any land use constraints for environmental, adjacent land use, or any other reasons?
- f) What are Defence's plans with respect to land banking, development or disposal of the land?
- g) How is the land currently managed and what is it used for?
- h) Have any discussions been held with the State Government about the future use of this land? If so, what was the nature and outcome of those discussions?
- i) Have any discussions been held with local community groups about the future use of this land? If so, what was the nature and outcome of those discussions?
- j) Have any discussions been held with the private sector – for example, freight and logistics companies – about the future use of this land? If so, what was the nature and outcome of those discussions?

**RESPONSE**

As there are a number of Defence sites within the Moorebank and Greenbank areas, the particular focus of the question is unclear. Clarification was sought from Senator Evans, via the Senate Standing Committee on Foreign Affairs, Defence and Trade Committee Secretariat, but no response was received to allow Defence to appropriately answer the question.

**W72**

**HMAS Melbourne/Voyager Litigation**

**Senator Evans**

- a) How many HMAS *Melbourne* compensation cases are still underway?
- b) How many compensation cases have been finalised in the past 12 months? How many of these resulted in successful compensation claims?
- c) What was the size of compensation for those successful claims in the past 12 months (either individual or an average)?
- d) On average, how long have cases taken to be finalised?
- e) How much has been spent to date on legal fees for HMAS *Melbourne* claimants?
- f) How much has been spent in the past 12 months on legal fees for HMAS *Melbourne* claimants?
- g) How would you describe the litigation tactics employed on this issue by Australian Government Solicitors and Defence? Does Defence agree that it is a 'win at all costs' approach?
- h) How does Defence respond to recent criticism that the Government and the Minister are intentionally dragging out this process?

**RESPONSE**

- a) 70.
- b) For the period June 2006 to date, 32 common law damages claims were resolved. Of the 32 claims, 23 were resolved on terms that included payments of damages.
- c) The average of damages was \$111,681.96.
- d) Of the 32 common law claims noted in b), 5.4 years.
- e) It is not possible to provide an answer.
- f) Between 1 July 2006 and 21 June 2007, a total of \$2,288,121.17 was expended on legal professional fees and \$2,111,045.77 on disbursements (including travel).
- g) The conduct of Defence and its external legal services providers in litigation accords with Legal Services Directions instructions issued by the Attorney General under section 55ZF of the *Judiciary Act 1903*. More specifically, Defence and its external legal services providers comply with Directions on "The



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Commonwealth's Obligations to Act as a Model Litigant" at Appendix B to the Legal Services Directions.

- h) Defence disagrees with the assertion.

**W73**

**Unexploded ordnance**

**Senator Evans**

- a) Has Defence done any exploratory work to investigate the possibility of unexploded ordnance in other ports [other than Albany, WA], harbours or waterways around the country?
- b) Is Defence aware of any other ports or harbours or waterways around the country where there is unexploded ordnance?
- c) What are the details of these other locations?
- d) Has Defence sought any legal advice as to whether a full settlement with the Albany Port Authority would open it up to claims in other areas where there is unexploded ordnance?

**RESPONSE**

- a) Yes. Exploration of the seabed was conducted in Darwin Harbour in the 1970s during Operation 'Dragons Teeth'. There has been no other recent underwater exploration of harbours or waterways.
- b to d) No.

## **Defence**

### ***Defence Science and Technology Organisation***

#### **W61**

#### **DSTO Staffing**

#### **Senators Evans and Faulkner**

- a) What is the salary budget for the DSTO?
- b) Please list the break downs for SES, EL2 and EL1
- c) How many consultants are employed by DSTO, and at what cost?

#### **RESPONSE**

- a) DSTO's budget for employee expenses for 2006-07 is \$244.341m.
- b) As at 4 May 2007 DSTO has the following numbers of SES, EL2 and EL1 staff:
  - 20 Senior Executive (and equivalent) Staff:
    - 1 x SES3
    - 2 x SES1
    - 3 x CoD3
    - 14 x CoD2
  - 749 Executive Level 2 (and equivalent) staff:
    - 51 x S&T8
    - 155 x S&T7
    - 519 x S&T6
    - 24 x EL2
  - 600 Executive Level 1 (and equivalent) staff:
    - 539 x S&T 5
    - 61 x EL1
- c) During the period July 2006 to March 2007, DSTO employed 20 consultants at a cost of \$466,000.

## **Defence**

### ***Joint Logistics***

#### **Question 3**

##### **Selling of decommissioned munitions to other countries**

**Senator Evans, Hansard, 30 May 2007, p67**

Does Defence sell any munitions that are not due for disposal but are no longer issued to ADF personnel?

#### **RESPONSE**

No.

**W62**

**Tritium**

**Senator Evans**

- a) Are there any other bases around the country (Navy, Army or Air Force) that are storing radioactive material?
- b) Why did it take until 2003 for Defence to 'sub out' a cleaning contract with Queensland Health Scientific Services (QHSS) when they had been aware of tritium contamination at Bulimba since 1998 via the British optical firm?
- c) Why did QHSS suppress the first report (ie made confidential)?
- d) Why were QHSS sub-contracted cleaners not told they were mopping up radioactive waste (they used chux super whites and bare hands)?

**RESPONSE**

- a) Radioactive material in a variety of forms is found on all Defence bases. This ranges from commercial and industrial equipment such as smoke detectors; radioactive material found in naturally occurring substances such as mineral sands; and a wide range of military equipment, for example, devices containing gaseous tritium light sources such as weapon sights and compasses. The management and storage of radioactive material in Defence is undertaken in accordance with the relevant national codes and standards, under a licensing and inspection regime administered by the Australian Radiation Protection and Nuclear Safety Agency.
- b and d) The review into Defence's management of gaseous tritium light sources is examining the circumstances surrounding the clean up of tritium contamination at Bulimba Barracks in 2003. The findings will be contained in the review report.
- c) The QHSS report was not made confidential and was not suppressed.

## **Defence**

### ***Operations – immediate neighbourhood***

#### **W12**

#### **Australian Training Support Team—East Timor**

#### **Senator Evans**

- a) What was the purpose and role of the Australian Training Support Team (East Timor)?
- b) What conditions were faced by the Australian Training Support Team (East Timor)?
- c) How many personnel were deployed with the Australian Training Support Team (East Timor) over the course of their whole deployment?
- d) Why was this deployment classified as only peacetime training in a warlike country? Why was it not classified as warlike?

#### **RESPONSE**

- a) The Australian Training Support Team – East Timor was responsible for all direct ADF defence cooperation training for the East Timor Defence Force (ETDF). The team's functions included delivering specialist training such as English language training and assisting ETDF personnel in preparation for and subsequent management of the ETDF Training School.
- b) The ATST-EM carried out difficult training duties in a warlike environment while unarmed. Living conditions were basic and similar to those endured by ADF personnel deployed throughout East Timor on warlike service.
- c) Approximately 140 members deployed to East Timor as part of the team over the course of its deployment.
- e) Cabinet-endorsed policy in 1993 sets out guidelines for determining the nature of service for ADF personnel on operations, and for then determining associated conditions of service. These guidelines make a distinction between warlike, non-warlike and peacetime service. At the time an assessment of the deployment was made by the CDF, who determined that service of the ATST-EM should be classified as peacetime due to the nature and role of the team.

The classification of the deployment is currently under review and an announcement on the outcome is expected before the end of 2007.

**Defence**

*Operations – wider interests*

**W42**

**Operation Slipper**

**Senator Evans**

Why is the cost of Operation Slipper expected to be zero in 2010-11?

**RESPONSE**

The Government has not allocated funding to Operation Slipper beyond 2009-10.

**W43**

**Iraq**

**Senator Evans**

- a) Is the Government actively investigating whether Australian troops are at greater risk directly as a result of the Baghdad surge strategy pushing violence out to other areas and potentially those areas where our combat troops are currently located near Talil airbase?
- b) To what extent are Australian soldiers responsible for modifying the doctrine of the Iraqi security forces as part of their training?
- c) In reference to the Defence Minister's comments in the *Canberra Times* (22/5/07) that: "There is some evidence that there is some targeting of our troops in southern Iraq and it is essentially because they are doing an excellent job."
  - (i) Has the Government requested advice as to who is perpetrating those attacks on our combat troops?
  - (ii) In particular, are they from al Qaeda-backed Sunnis or Shite militias with connections into the Iraqi administration?
  - (iii) Is it not essential to identify who the attackers are in order to develop effective strategies to counter the threat?

**RESPONSE**

- a) The Australian Government receives regular updates from Defence on the risks and threats that our forces are subjected to on operations. There is no evidence to suggest that the current troop surge in Baghdad is affecting current ADF operations in southern Iraq. Defence is closely monitoring the situation with Coalition partners.
- b) The ADF does not directly contribute to Iraq military doctrine. Defence has contributed staff with accredited training backgrounds who are involved in syllabus development at the various training institutes that the ADF has supported in Iraq. ADF development of course content is closely coordinated with the Multinational Security Transition Command Iraq, which is responsible for monitoring the collective outputs of Iraq's military training institutions.
- c)
  - (i) Yes. Defence undertakes a follow up after each attack to determine which organisations might have been responsible for attacks against Australian troops. In response to the attacks against the Overwatch Battle Group on 23 April, commented on by the Minister in the *Canberra Times*, a series of meetings with provincial leaders was conducted. The intent of these meetings was to improve awareness of the security situation and also identify the positions and attitudes of the



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key provincial leaders in response to the attacks. The information gained is not releasable.

- (ii) This information is not releasable.
- (iii) Yes. The ADF cooperates with the Coalition and the Iraqi Security Forces to identify and curtail the effectiveness of the organisations that might attack Australian Forces.

## **Defence Materiel Organisation**

### *Capability Acquisition*

#### **Question 4**

#### **DMO deferred projects**

**Senator Bishop, Hansard, 30 May 2007, p75**

Please provide a list of projects above \$10 million that have been deferred and the reasons for their deferral in terms of rescheduling over the period of the forward estimates on a project-by-project basis.

#### **RESPONSE**

A total of 119 projects over \$10m have variations identified as underspend against the forecast 2006-07 plan. The total forecast under expenditure for these projects is \$869m.

The reasons for the variations include: cost savings; reduction in project scope; and contractor schedule slippage and therefore withholding of contractor payments.

The public release of the project-by-project information on these variations is not appropriate for both commercial and security reasons. Detailed information on the Top 30 projects, which covers over 75 per cent of major capital equipment expenditure, is contained in Defence's statutory reports.

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**W25**

**DMO**

**Senator Evans**

(PBS 2007-08, pp258-259) Please provide the reasons for the level of the real variation for each project listed as shown in column 5?

**RESPONSE**

The reasons for the variations are reflected in columns 7 – 10 of Table 3.4 with the majority (\$3.6 billion) of the increases attributed to capability enhancements (scope increase) and new projects via Government Second Pass approval (\$2.4 billion); for example, the second phase of the new Multi Role Helicopter. There are also variations associated with some project phases revisions, amalgamations and closures as part of normal approved business practices that dictate funds be moved accordingly.

**W26**

**White Paper funding**

**Senator Evans**

(PBS 2007-08, p9: carryover of funds ["reprogramming"] is set at \$1,129.4m)

(PBS 2007-08, Table 3.2, p69: carryover is stated to be \$1,140m)

- a) Why are these numbers different?
- b) Which projects relate to the funds being reprogrammed?
- c) What will be the impact of this reprogramming on the delivery of capability under these projects?
- d) Have any of projects been scrapped as part of this reprogramming?
- e) How many projects have been delayed? Which ones?
- f) Please explain why Defence has had to defer large amounts of planned capital equipment expenditure in every year since the White Paper and original Defence Capability Plan were released in 2000-01.
- g) When will these problems be overcome?
- h) Will Defence be able to spend the revised allocation of \$1,688m in 2007-08?
- i) What guarantees are there that Defence will be able to handle/manage the increased budgets of \$2,889m in 2008-09, \$3,749m in 2009-10 and \$3,972m in 2010-11? Has Defence not been able to handle/manage far lesser amounts in previous years?
- j) What are the main projects that have been delayed as a result of the billions of dollars worth of deferrals over the last three years?
- k) Please provide a list and an explanation why the delays occurred.
- l) Please confirm that \$622m out of the \$1,140m relates to already approved major equipment projects. What are these projects?
- m) Given that projects have been deferred in each year since the White Paper, can we expect further deferrals over the coming years?
- n) Are there any estimates of the value of further deferrals in 2008-09?
- o) What about in subsequent years? Is there a chance that Defence will continue to under spend its capital budget? Why is this the case?

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- p) Please confirm that Defence will be unable to spend all its 2000 White Paper allocations by the original White Paper end date of 2010-11 (note that \$1333 million has already been delayed until after this date).

**RESPONSE**

- a) The numbers are different because they are presented in a different price base.
- b) The reprogramming adjustment is the product of identified changes in anticipated project expenditure in a number of projects at the recent review of the Approved Major Capital Investment Program. The projects that reported significant changes (ie greater than \$20m) in their 2007-08 requirement were:
- AIR 5077 Phase 3 – AEW&C
  - LAND 106 – M113 Upgrade
  - AIR 5376 Phase 2 – HUG
  - SEA 1390 Phase 4B – SM-1 Missile Replacement
  - AIR 87 Phase 2 – Armed Reconnaissance Helicopter
  - AIR 5402 – Air to Air Refuelling
  - DEF 224 Phase 2B – Bunyip
  - JP 2070 Phases 2 and 3 – Lightweight Torpedo
  - AIR 5418 Phase 1 – Follow-On Stand-Off Weapon
  - JP 2072 Phase 1; and
  - AIR 8000 Phase 3 – C-17 Globemaster.

In terms of the Unapproved Program, funding is reprogrammed based on anticipated project performance and expenditure rates. No specific projects have been delayed as a result of this reprogramming.

- c) Details of significant changes to in-service dates are in the table below.

**ISD STATUS OF PROJECTS REPROGRAMMING 2007-08 FUNDING**

<b>Project Number</b>	<b>Project Description</b>	<b>Jan 2006 ISD</b>	<b>Dec 2006 ISD</b>
AIR 5077 - Phase 3	AEW&C	31/12/2007	mid-2010
AIR 5376 - Phase 2	HUG	30/12/2007	IOC 10/12/2009; FOC late 2011 <sup>(1)</sup>
JP 2070 - Phase 2	Lightweight Torpedo	31/08/2006	31/12/2007

Notes:

(1) ISD expressed as a range in terms of Initial and Full Operating Capability (IOC and FOC) reflects the multi-phase nature of the project. Fleet modification schedule under Phase 2.2 is expected to be complete in Dec 07 per original ISD however delays associated with Radar Warning Receiver under Phase 2.3 mean that part of Initial Operating Capability is delayed until Dec 2009 and Full Operating Capability of the project will be delayed until May 2011.

- d) No.
- e) Refer to answers at questions b) and c) above.

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f and g) Most of the reprogramming reflects a reassessment of industry capacity to deliver projects in the planned timescales. Australian and international industry are reaching maximum capacity in certain areas affecting Defence acquisitions. For some projects, delays have been caused by engineering challenges as we acquire technological leading-edge capability needed for our Defence Force.

For the unapproved program, funding is reprogrammed based on anticipated project performance and expenditure rates. While in some years funding has been deferred (2004-05 and 2007-08), in other years it has been advanced (2005-06 and 2006-07). This fine-tuning of planned funding will always be needed given the complex nature of Defence procurement.

h) Yes, subject to industry performance.

i) Defence and DMO are implementing reforms aimed at improving both our cost and schedule estimates as part of the project approval processes. This work is leading to improved estimates for those projects which have been approved in the last two years. However, reprogramming will always be needed given the complex nature of defence procurement.

j) See b) above.

k) Explanations for the need to reprogram funds by the projects previously identified at b) are provided in Section 2 of the 2007-08 Defence Portfolio Budget Statements

l) See b) and c) above.

m to o) In terms of the unapproved program, Defence will only bring forward projects to the Government for approval that are supported by appropriate information. It should not be surprising that some of the many complex projects under development are sometimes delayed as quality decision information is not always easy to develop. At this stage, no specific deferrals or delays are anticipated although history shows they may occur. For the current approved program, this will continue to depend on industry capacity and performance.

p) Refer to Chapter 2 of the 2007-08 Defence Portfolio Budget Statements

**W27**

**High Frequency Modernisation**

**Senators Evans and Faulkner**

- a) The ANAO report shows the planned HF upgrade has been extensively scaled back, eliminating 10 platforms from the project. What are the platforms that will not receive the upgrade?
- b) Why was the project so extensively scaled back?
- c) Is there an alternative back-up communications system for the platforms have been pared back in the upgrade? If not, why not?
- d) Please explain the rationale behind the original project.
- e) Was the decision to retain HF systems based on historic precedent, i.e. that this was the technology used since World War II?
- f) What is the total value of milestone payments paid to Boeing for this contract?
- g) What are the total "earned value" payments that have been withheld?
- h) Responding to the ANAO report, Defence advised it had "instituted more rigorous requirements for development processes" in this project. Please advise what these are.
- i) Are the installed receivers and transmitters capable of any other function, or are they dependent on the software to be fully operational?
- j) How will this delay impact on the capability of these platforms?
- k) What risk strategy was implemented in the developmental phase of the contract?
- l) How confident is Defence the 2010 completion date will be met?
- m) What contingency plans are in place should this timeframe not be met?
- n) Please identify any liquidated damages in this project.

**RESPONSE**

- a) The ANAO Report refers to a reduction of platforms from the Prime Contract as distinct from the overall Government approved Project. All platforms in the project scope for Phase 3A were originally included in the Prime Contract. Table 3.2 on page 48 of the ANAO's report on "High Frequency Communication System Modernisation Project" provides details of the changes to the mix of platforms originally to be upgraded and those now to be upgraded.

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- b) The changes to the platforms to be upgraded resulted from changes in Defence's operational requirements.
- c) All the platforms have a basic high frequency communications capability and some also have a satellite communications capability. That part of the project, which has now been successfully operating since late 2004 (the core system), provides a capability to communicate with all those existing high frequency communications fitted platform. The upgrades to be installed within the project will provide enhanced capabilities, including for automatic link establishment, automatic end-to-end voice communications and automated data services.
- d) The project was established to modernise the ADF's high frequency communication system. It would replace ageing systems which had been in operation, in some cases, for over 40 years, were manpower intensive and had become uneconomical to maintain. In addition, the project was to provide enhanced and new communications capabilities consistent with modern technology and Defence operational requirements.
- e) No. Defence now uses satellite communications as its primary system for high and medium speed communication with mobile ADF platforms such as ships, aircraft and vehicles. Vulnerabilities in satellite communications make it necessary for Defence to have alternative means of long distance communications. High frequency communication capabilities provide this alternative. High frequency communications systems provide the primary communications capability for ADF platforms not fitted for satellite communication.
- f) Milestone payments of \$152.14m (Base date - August 1996 - prices) and earned value and price variation payments of \$129.42m have been paid.
- g) No earned value payments are being withheld. In 2004, earned value as a means of payment was taken out of the contract and payment on completion of prescribed milestones became the only means of payment. Prior to 2004, the prime contract provided for earned value payments to be withheld if critical milestones were not completed on time. This contract provision was exercised in April 2002. Payments remained suspended until the prime contract was rebaselined in 2004.
- h) The more rigorous requirements processes comprise the preparation and approval of an Operational Concept Document, Function and Performance Specification and Test Concept Document before Government approval. Previously, specifications and test plans were prepared post approval.
- i) The installed receivers and transmitters have been in operational use since 2004 and they will support the enhanced level of capability to be provided in the final system. In both the core and final systems, software is integral to



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provision of the overall required capability, and the modernised communication system would not function without it.

- j) All platforms with a high frequency communications capability are able to use the core capability of the modernised system for high frequency communications. The enhanced level of capability including greater automation to be provided with the final system will only be available to upgraded platforms.
- k) From the outset, the project office has had a risk management plan and its Risk Management Panel met regularly. The early stages of the project followed the then Defence acquisition development methodology which incorporated a Network Definition Study and Project Definition Studies. Following selection of the preferred tenderer, comprehensive pre-contract negotiation discussions were held to better define areas of concern which had been raised during the tender evaluation for inclusion in the contract.
- A requirement of the prime contract was for Boeing to have a risk management plan and a consequent risk management system. The prime contract also mandated a system of reviews at various stages of the development cycle to review such things as requirements identification and analysis, design progress, construction progress, test readiness and test results analysis. Regular progress reviews were also held at the project and executive management level between Defence and the contractor.
- l) There is risk that the upgrade of all the mobile platforms in the scope of the project will not be completed by the end of 2010, due primarily to the lack of availability of platforms on which to undertake the modifications as a result of operational priorities.
- m) DMO is planning to provide an interim upgrade to those platforms within the project scope where the need for upgrade of the high frequency communications capability is more urgent. This will involve provision of automatic link establishment capable radios as the first stage, with the final enhanced capability being fitted when available.
- n) The Government has recovered \$5.840m in liquidated damages from Boeing.

**W29**

**Project Air 5333 – Vigilare**

**Senators Evans and Faulkner**

- a) What is the current status of project Air 5333?
- b) When was this project originally scheduled to be brought to a successful conclusion?
- c) Why has this project been delayed?
- d) What was the original budget for Air 5333?
- e) What is the current budget for this project?
- f) How much has been spent on this project so far?
- g) What are the implications for Australia's national security from the delay of this project?
- h) If there are no adverse implications for national security, and the current workaround solution is satisfactory, why are we persisting with this project?

**RESPONSE**

- a) The project has passed the preliminary design review milestone and is currently working towards the critical design review milestone. This milestone is currently scheduled to be closed out in January 2008, approximately two years late. To date, seven of nine sub-system critical design reviews have been conducted. The project is currently showing a delay to final acceptance of three years.
- b) December 2007.
- c) Delays have resulted from an underestimation of required effort by the contractor, and delayed delivery of required interfaces by Defence.
- d) \$233.8m (January 2004 prices).
- e) \$254.4m (January 2007 prices).
- f) \$95m.
- g) None at this time.
- h) The interim air defence command and control system, which is to be replaced by Air 5333, is currently operating satisfactorily but represents less than half

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of the specified functionality of Air 5333, does not have the level of integration that Air 5333 will deliver, and is experiencing increasing levels of obsolescence.

**W30**

**Project Land 121 – Overlander**

**Senators Evans and Faulkner**

- a) When is it expected that decisions will be announced regarding contract for the various stages of project Land 121?
- b) Given the dangers currently faced by Australian soldiers deployed in Iraq and Afghanistan, particularly from roadside bombs and other Improvised Explosive Devices, has any determination been made about the number of vehicles to be purchased under Land 121 that will need armoured protection?
- c) What allowance has been made for extra expenditure to cover the cost of increased armoured protection?
- d) If no extra money is available, will the number of vehicles to be purchased have to be reduced?
- e) What investigations have been made by Defence on the best available armoured protection for the relevant vehicle types?

**RESPONSE**

- a) Defence is developing options for Government consideration of the number and types of vehicles to be acquired under Land 121. An announcement will be made after the Government has considered Defence's advice.
- b) The level of protection acquired will be part of Defence's advice to the Government.
- c and d) Defence will be seeking an appropriate level of funding to acquire the number of protected vehicles it needs.
- e) The Land 121 Phase 3A Request for Tenders, released to industry on 13 December 2005, sought information regarding armoured protection.

**W32**

**Wedgetail project**

**Senators Evans and Faulkner**

- a) Does the radar system to be used on Wedgetail work properly yet? Does it completely meet the specified requirements?
- b) What progress has been made on systems integration with the Wedgetail package?
- c) Has the radar and associated systems been flight tested yet, and if so to what result?
- d) Have any problems with electro magnetic interference been resolved yet?
- e) What other issues remain to be resolved with the Wedgetail project?
- f) Has Boeing made good on its commitment to allocate the resources necessary to fix the problems with the Wedgetail as quickly as possible?
- g) When will the first fully functional aircraft now be delivered?

**RESPONSE**

- a) The Wedgetail Radar/Identification Friend or Foe (IFF) system is still in development and currently undergoing integration and developmental testing. Many aspects of its performance have been satisfactorily demonstrated, but extensive flight testing will be required to evaluate and optimise the radar performance. Actual performance against the specified requirements will be determined through acceptance test and evaluation, which is planned to commence in the third quarter of 2007.
- b) The integrated Wedgetail system is currently undergoing developmental testing, including mission computer integration. The integration of some sub-system development has lagged, in particular Radar/IFF, ESM and datalinks, but remediation plans have been incorporated into the revised integrated master schedule (IMS). The progress of the ground support systems is currently under review. More recently, Boeing achieved the level of integration required to enter the first phase of incremental Federal Aviation Authority Type Certification testing, which has been a significant undertaking and the first major achievement under the new Boeing management and revised IMS.
- c) The Radar/IFF system has been ground and flight tested since 2005. Preliminary indications are promising, but further evaluation and optimisation are still required. Flight testing of the communications and datalinks system is also underway, with promising early results. Mission computing software builds will incrementally introduce increased functionality throughout the

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remainder of 2007. Developmental and integration flight testing will continue throughout the remainder of the 2007 and through 2008, with incremental acceptance testing to commence in the third quarter of 2007.

- d) The majority of electromagnetic environmental effects testing has been undertaken. Some relatively minor design issues have emerged and these are being resolved. Electromagnetic compatibility testing at the component level is largely completed and system-level testing is underway, again with general success but some issues have arisen and are being treated. Compatibility of the EW system with the Radar/IFF system has yet to be investigated due to the developmental status of the systems.

The Wedgetail capability is a 'first of type' and includes highly developmental elements, in particular the radar/IFF. The immediate efforts will be to increase the stability and maturity of the radar/IFF, ESM and mission computing to support integration and developmental testing. Subsequently, system functionality and performance will be performed. The remainder of 2007, in particular the conduct of flight test, will increase our understanding of system performance and identify the remaining technical and schedule risks. The ongoing technical and related schedule risk is acknowledged and is being proactively managed.

- e) Yes. The commitment of Boeing to the Wedgetail program is apparent in the senior management oversight, organisational changes and additional resources applied to the program. This Boeing commitment has also resulted in renewed commitment and changes in Northrop Grumman, BAE Systems Australia and Boeing Australia Limited. In particular, project management and system engineering resources have been applied across the program enabling more effective scheduling, resource management and pro-active risk management.
- f) Boeing plans to deliver the first two aircraft in March 2009.

**W33**

**Seasprites**

**Senator Evans**

- a) Has Defence responded to Kaman's letter requesting that the Hansard be corrected following the last Senate budget estimate hearings (the request particularly related to comments by Commodore Campbell)? If so, what is the response to Kaman's comments? If no response has been made, why not?
- b) Please detail the series of "controlled steps" to assess Kaman's performance and to ensure the safety, performance and reliability of the Seasprite as outlined in the Minister's statement of 25 May on the aircraft's return to flying?

**RESPONSE**

- a) Yes. The Minister for Defence responded to Senator Payne on 15 May 2007 rejecting the Kaman assertions that the testimony was inaccurate or misleading, further stating that he was satisfied that the Hansard was an accurate reflection of the situation with the Seasprite program and not in need of further correction.
- b) The controlled steps for a return to Seasprite flying and assessment of adequate Kaman performance are:
  - (i) Automatic Flight Control System (AFCS) Phase 1 Remediation. This step addresses basic system safety and is largely complete.
  - (ii) Mode Reversion Testing. Structured flight testing to confirm the safe operation of the Phase 1 software within the aircraft flight envelope. It is being conducted on the prototype aircraft in the U.S. and is currently in progress.
  - (iii) AFCS Phase 2 and Acquisition Completion. As part of AFCS Phase 2 remediation, currently under negotiation, Kaman is required to deliver a System Safety Program Plan, Functional Hazard Analyses, System Safety Analysis and a Safety Assessment Report. Additionally, Kaman will be required to meet more stringent, contemporary software standards. This activity will be monitored through design reviews and compliance audits, supported by independent auditors with experience in Federal Aviation Regulation compliant structures. Kaman will be required to meet set performance and technical metrics at each step in order to progress further or be paid.

**W49**

**New Air Combat Capability**

**Senators Evans and Faulkner**

- a) Has Australia made a formal application to the US for access to the F-22 Raptor? If so, when and what was the outcome?
- b) If not, why not? Given the schedule delays and cost increases for the F-35 Joint Strike Fighter, would it not make sense to explore all the potential options?
- c) Are you aware of applications from both Japan and Israel for access to the F-22 and moves within the US administration to grant such access?
- d) Are you aware of work by Lockheed Martin to develop strike capability for the F-22?

**RESPONSE**

- a) No.
- b) Defence's assessment of the full range of aircraft available to satisfy Australia's future air combat needs showed that the JSF had clear cost and capability benefits. On that basis, Australia became a partner in the JSF Program in 2002. Defence maintains a 'watching brief' on developments in all the original AIR 6000 contenders, including the F-22, but nothing has changed since 2002 that would affect the clear preference for the JSF.
- c) There has been media speculation that Japan and Israel have expressed an interest in acquiring the F-22. Within the US Congress, there has been a proposal to lift the ban on the export of the F-22, but the ban remains in place.
- d) The F-22 has an inherent, but limited strike capability. The USAF has plans to enhance its strike capability by including an enhanced radar targeting capability, but the F-22 will always have fewer sensors than the JSF and will be able to carry fewer and smaller air-to-ground weapons..



**W50**

**JSF Costs**

**Senator Faulkner**

- a) What is the relevant cost increase for the JSF that the Government expects to apply?
- b) Precisely how is this calculated, using what assumptions and methods?
- c) What is the base year for the current JSF costings?
- d) Have these figures been rebaselined as has occurred in the US Department of Defense?
- e) Does defence accept that US GAO report and the US Department of Defense report findings?
- f) Why will increased costs from the US project not apply directly to Australian JSF purchases?
- g) Please provide the details of any risk assessment undertaken by DMO to the costs of the proposal as a result of the revaluation of the cost project by US Department of Defense.

**RESPONSE**

- a) Assuming this is in reference to the recently released December 2006 Selected Acquisition Report, the total real cost increase for the Australian fleet was approximately six per cent, of which all but one per cent was already incorporated into First Pass funding calculations.
- b) There was an approximate four per cent real cost increase to the JSF Program, but only a two per cent increase to the average cost to the USAF of the Conventional Take-Off and Landing (CTOL) variant. The Australian average CTOL cost would have increased by about six per cent as the Australian fleet will be acquired relatively earlier in comparison to the average price, and all but about one per cent was taken into account at first pass consideration of the project; which included the decision to defer acquisition of the first JSF aircraft for Australia to 2013. The cost drivers which caused this increase were primarily associated with increasing material costs, reduced aircraft procurement rates and incorporating actual costs from SDD aircraft.
- c) The base year for the US JSF Program cost estimate is 2002. However, the US also budgets this project in 'then year' dollars in such documents as the Selected Acquisition Report. Australian estimates are always in Australian current year dollars.

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- d) The US has not re-baselined the JSF program cost since 2002. The Australian buy is updated each year for both inflation and foreign currency fluctuations, and any changes to the proposed Australian buy profile. This ensures the estimates are always in Australian current year prices.
- e) Defence is unsure which particular GAO / US Dept of Defence Reports this question is referring to as there have been many GAO reports on the JSF.
- f) Costs need to be considered in terms of the development component and the production/acquisition component. In terms of development costs, Australia's contribution towards the System Development and Demonstration phase is a fixed contribution of US\$150m – changes to the US budget do not affect Australia. In terms of production/acquisition, Australia will pay the same amount for aircraft as the US in any particular year but because our buy profiles are different, the average price for our aircraft will be different. There is therefore no direct correlation between US and Australian average aircraft prices.
- g) While the recent price increase has not initiated any specific additional activity – it was already factored in to the first pass consideration – the New Air Combat Capability (NACC) project office continues to analyse data provided by the JSF Project Office. From this analysis, the NACC project will make an assessment of likely cost and schedule slips that may occur and factor these into the second pass estimates. Additionally, the NACC Project currently is contracting for an independent risk assessment to assess potential cost and schedule slips to the project. The outcome of this study will be incorporated into the second pass costing assessments.

## **Defence Materiel Organisation**

### ***Capability Sustainment***

**W28**

#### **FFG Upgrade**

**Senators Evans and Faulkner**

- a) What was the original (not re-baselined) in-service date for HMAS *Sydney* after the ship had been through the FFG Upgrade program?
- b) When is it anticipated that HMAS *Sydney* will be fully accepted back into service with the Royal Australian Navy?
- c) Is HMAS *Sydney* currently capable of firing and accurately targeting an SM1 missile?
- d) When will the upgraded FFGs receive the capability of firing SM2 missiles?
- e) Will an upgraded FFG combat system be capable of supplying the necessary targeting and guidance to an SM2 missile?
- f) Has the Australian Distributed Architecture Combat System fitted to HMAS *Sydney* met the originally stipulated capability requirements. If not, which specific requirements has the system failed to meet?
- g) Does the Commonwealth still intend to upgrade four FFG Frigates? If not, how many will now be upgraded?
- h) What use is being made of the two extra ship sets of upgrade equipment originally ordered when the program was intended to upgrade six FFGs? What is the current dollar value of those two extra ship sets of equipment?
- i) Are options for abandoning the FFG Upgrade being considered?
- j) How much money has been spent on the FFG Upgrade project to date?
- k) What was the original budget for the FFG Upgrade project?
- l) Will the Commonwealth be pursuing liquidated damages from the prime contractor for delays and failures to meet requirements on the FFG Upgrade?

#### **RESPONSE**

- a) 17 May 2003 was the originally contracted date for delivery or provisional acceptance of HMAS *Sydney* from the prime contractor to DMO.

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- b) ADI Pty Ltd (trading as Thales Australia) is required to rectify the deficiencies before full acceptance scheduled for completion by 18 November 2008.
- c) Yes.
- d) The initial in-service date for the Guided Missile Frigate SM-2 lead ship is 2009.
- e) Yes.
- f) The overall functionality of the system architecture and software is assessed as superior to the pre-upgrade system, but technical and performance issues are still to be resolved for the underwater systems and electronic support system for the first of the three baselines of software intended. Only the initial software build has been delivered. This allows for incremental delivery of both the software and contracted capability and assists in mitigating technical risk that is inherent in the overall complexity of the combat system. The second software baseline build is now being tested.
- g) Yes.
- h) The principal use of the ship sets five and six equipment will be to support the four upgraded ships reducing the number of spares to be procured, as well as the following uses:
- A MK41 Vertical Launch System (VLS) was installed in the ANZAC System Support Centre at HMAS *Stirling* for the in-country conduct of MK 41 VLS system training for the Royal Australian Navy.
  - The establishment of a shore-based MK-92 Fire Control System to deliver in country maintenance and operation training, replacing the training previously provided in the US, and as mitigation against assessing government furnished equipment condition.
  - Items of the FFG Upgrade Ship six equipment, namely the Lockheed Martin Solid State Continuous Wave Illumination and the AAI Corporation On-Board Training System equipment are necessary for FFG SM-2 system development and test in the US. These items have been pre-positioned at the Original Equipment Manufacturers' facilities in accordance with the SEA1390 Phase 4B Acquisition Strategy.
- The current value of the ship sets five and six equipment is \$108m.
- i) No.
- j) The life-to-date sum spent on the FFG Upgrade project at 28 May 2007 was \$1,060.663m.
- k) The Government approved the initial budget of \$1,266m in December 1997. The budget has been adjusted for both price and exchange variations over the time of the contract and is currently \$1483.697 million (January 2007) prices.

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- 1) Liquidated damages will be pursued within the provisions of the Contract if the contract requirements are not met. To date, the liquidated damages provisions have not been triggered contractually.

**W31**

**Upgrade of the M-113**

**Senators Evans, Faulkner and Bishop**

- a) Please provide a status report on the upgrade of the M-113s.
- b) What is the number now contracted as compared with the original plan?
- c) When was the contract first let?
- d) What proportion of these vehicles are currently serviceable and in active use?
- e) Is it fair to say that the Army has not been troubled by the non availability of the M-113s?
- f) Has the problem regarding the over-heating of the brakes been resolved? If not, when is it likely to be fixed?
- g) Has Tenix indicated it can successfully complete the upgrade by 2010?
- h) Of the total contracted fee, how much has been paid to the contractor and how much remains outstanding?
- i) What measures does the Government have in place should this upgrade experience more delays?
- j) Are there liquidated damages in the contract?
- k) What measures does the ADF have in place should the upgrade not be completed on time?
- l) Has there been an analysis of the effectiveness of the M-113 since the upgrade was commissioned in 1992?
- m) Is the ADF looking at alternatives to these vehicles?
- n) Was the Army given a briefing by the Israeli Army that indicated the M-113s were not suitable for modern urban warfare environments?
- o) Has any consideration been given to scrapping them and the contract due to non performance?
- p) Has an assessment been done by the ADF of the alternative Infantry Fighting Vehicles (IFVs)?
- q) Has any consideration been given to the alternative US Bradley class?

**RESPONSE**

- a) Project Land 106 aims to upgrade 350 M113 vehicles to improve armour protection, mobility, firepower and habitability. The upgrade replaces most of the vehicle, retaining only the hull, hatches, rear door and communications systems, and stretches most vehicles, adding an additional wheel station, to overcome space and weight limitations of the present vehicles. It provides a new armoured turret, adds armour protection, relocates fuel tanks to outside the vehicle, and replaces the drive train and automotive systems with modern equipment.

The final Reliability Qualification Test was concluded on 11 May 2007. The braking performance of the vehicle was good, but reliability issues were identified. An improved brake system modification has been successfully tested in Germany and is being tested by Tenix in Australia. Defence is conducting its own brake testing in July and August 2007. Tenix is committed to supporting the November 2007 Introduction into Service date. There remains a risk that the brakes will not meet Defence's reliability requirements and introduction into service may be slipped into 2008. Tenix remains committed to meeting final deliveries by the end of 2010 as contracted.

- b) The project was initially to deliver a minimum upgrade in two stages. The first stage was to upgrade 537 vehicles and the second was to upgrade the remainder (total of 766 vehicles). This was later changed to 360 vehicles of an improved standard (minimum upgrade with a new powerpack and drive train). This was subsequently amended during the Defence 2000 White Paper review to the current scope of 350 vehicles, with an increase in carrying capacity provided by stretching the hulls of a number of the vehicle variants.
- c) The current contract was let on 15 July 2002.
- d) There were originally 766 A1 standard vehicles (unmodified). 235 of these A1 vehicles are currently issued to user units. Of the remainder, some are earmarked as fleet rotation stock, and some will be used to feed the M113 Upgrade production line. Upgraded vehicles are not scheduled to enter service until November 2007.
- e) The Army wants the upgraded vehicles as soon as possible, but there are sufficient stocks of the A1 variant for current operations. The Hardened and Networked Army initiative requires the 350 upgraded vehicles to be in place by 2011.
- f) Brake over-heating has not been an issue in itself. The issue has been the reliability of the brake system, as indicated in a) above.
- g) The new CEO of Tenix has recently stated publicly that Tenix remains committed to meeting final deliveries by the end of 2010 as contracted.

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- h) The financial details of the contract with Tenix are commercial-in-confidence and cannot be released publicly without the contractor's approval.
- i) Brake reliability remains the key schedule risk. As a fallback plan, an additional brake modification is being finalised and tested in Germany. Alternative vehicle options have also been recently reviewed. There is no comparable alternative family of vehicles on the world market that provides the additional vehicle functions of digitally controlled electric turret, maintenance, recovery, ambulance, command and control, mortar and cargo.
- j) Yes, liquidated damages claims have been made and paid.
- k) The ADF will continue to use other in-service armoured vehicle types including the current M113A1, ASLAV and Bushmasters for current operations. Land 400 is a project currently under development for the eventual replacement of all armoured vehicles. There remains an option to bring this project forward if the need arises. However, Defence is confident that a solution will be found to the current brake issue.
- l) The effectiveness of the current M113A1 fleet was addressed in the business case for approval of the upgrade project. The technical specification for the upgraded M113 was agreed by Defence and included as an attachment to the contract signed on 15 July 2002. The upgrade requirements are reviewed at stakeholder management meetings conducted usually twice per year.
- m) See i) above.
- n) There are many opportunities for informal discussions between ADF and Israeli defence officials. On one such occasion, an Israeli general stated that the Israeli Defense Force used M113s in preference to tanks during the disengagement in the settlements due to the presence of Israeli citizens and the collateral damage that may occur. He also indicated that the M113s were vulnerable in urban and built up areas without the joint presence of tanks in support. This is a common employment procedure when operating in hostile conditions. The role of an armoured personnel carrier is to take soldiers into battle in comparative safety from landmines, shrapnel and bullets. A major advantage of a tracked vehicle such as the M113 is its ability to traverse extremely rough and difficult terrain and to advance close behind artillery fire support. An armoured personnel carrier is not a fighting vehicle. 5 RAR and 7 RAR operate the M113A1, which has recently provided good service in East Timor.
- o and p) Defence has reviewed the capability requirement and confirmed the continued suitability and need for this family of vehicles. The option of cancelling the project would leave a significant gap in the ADF's capability and is not being considered at this stage.



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- q) The Bradley Fighting Vehicle was considered by Defence in late 2006. Although it is a capable vehicle, the Bradley is not suitable because it has significantly higher acquisition and operating costs, limited passenger capacity, a limited range of support variants, there are training implications and, due to being almost twice the weight of an upgraded M113, it has reduced strategic deployability.

## **Defence Materiel Organisation**

### ***Policy Advice and Management Services***

#### **W34**

#### **DMO Staffing**

#### **Senators Faulkner and Evans**

(DMO Annual Report, Table 5.2, p82) Please indicate:

- a) The number of EL1, EL2 and SES personnel employed as APS currently in the DMO.
- b) The average value of remuneration applied to persons employed as Professional Service Providers.

#### **RESPONSE**

- a) The number of EL1, EL2 and SES personnel employed as APS currently in the DMO, as at 30 May 2007, is:

EL1 employees	992
EL2 employees	332
SES employees	29

- b) Professional Service Providers (PSPs) are contractually engaged as bodies corporate with the DMO, not as individual persons. As at 31 May 2007, the average expenditure on PSP contracts for 2006-07 was \$0.398m. Note that PSP contracts can provide for more than one contracted employee to be working under the terms of the contract.

**W35**

**DMO's General Counsel Gillian Marks**

**Senators Evans and Faulkner**

- a) Please outline the status of the internal investigation into the DMO's General Counsel Gillian Marks. Is the investigation complete, and if so, what is the outcome?
- b) Please elaborate on Ms Marks' recent departure, and advise if she is still being paid by Defence, and if so, at what cost? And what is her current status? (i.e. sick leave, stress leave)
- c) Please advise at what cost was Norman Fry (from a US law firm) brought out to help on the Procurement Improvement Program (PIP), and what was his role?
- d) Did Ms Marks hire a Deputy General Counsel? And if so, how long was he in that role?
- e) Has Ms Marks filed any lawsuits against anyone in Defence?

**RESPONSE**

- a) The actions arising out of the Inspector-General's investigation involving the General Counsel DMO Division are continuing.
- b) Ms Marks remains a non-ongoing employee of the DMO and is in receipt of her usual salary and entitlements. She is currently on leave.
- c) Mr Fry was a member of the teams provided by the legal firms. In relation to the cost of work awarded to legal firms on the Procurement Improvement Program, see the response to Question 8 from 29 March 2007 JCPAA hearing.
- d) DMO has engaged two officers to act in the position of Deputy General Counsel, the first from 30 September to 5 December 2005, and the second from 30 January to 23 May 2006.
- e) Yes, but the law suit has been discontinued.

**W36**

**DMO Personnel Gillian Marks**

**Senator Bishop**

- a) When did Gillian Marks start employment with the DMO?
- b) What was her position at commencement of employment?
- c) Did she have a performance agreement? If so, how many occasions was an assessment made?
- d) Was Ms Marks ever told her performance not satisfactory?
- e) What reference checks did DMO carry out on Ms Marks as part of its recruitment? Were previous employers consulted? If so, whom?
- f) Did these references uncover any links Ms Marks may or may not have had with previous legal firms?
- g) What was the role of Ms Marks in the PIP?
- h) Have answers been finalised to questions on notice regarding Ms Marks from the JCPAA Committee? If not, why not? When is Defence likely to provide those answers?
- i) Is Ms Marks still in the employment of the DMO? If not, what settlement has been reached in terminating her contract?
- j) Was DMO aware of Ms Mark's role in the \$16m IT outsourcing contract to Shaw Pittman in 1998?
- k) How many of DMO's legal contracts have been outsourced to:
  - (i) Freehills;
  - (ii) Shaw Pittman; and
  - (iii) What was the total value in each case for each of the last three years?

**RESPONSE**

- a) and b) Gillian Marks took up the new appointment of the General Counsel in the DMO on 1 November 2004.
- c) Yes. Performance was assessed annually, at the end of each financial year.
- d) The outcomes of individual performance reviews are not publicly available.

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- e) Standard recruiting procedures, including consultation with referees, were followed in relation to Ms Marks' application for the General Counsel position.
- f) See response to question 10 from 29 March 2007 JCPAA hearing.
- g) In her role as General Counsel, Ms Marks was responsible for management of the program.
- h) Yes, the responses have been provided to that committee.
- i) See response to W35 b).
- j) The DMO was aware of Ms Marks' previous employment with the then Office of Asset Sales and Information Technology Outsourcing (within the Department of Finance and Administration), but not aware of the specific details of her activities.
- k) Details of payments made by the DMO for the provision of legal services by Freehills and Shaw Pittman for each of the last three financial years are as follows. This includes payments associated with the Procurement Improvement Program.

**Freehills**

2004-05 Financial Year: \$326,544.52

2005-06 Financial Year: \$692,922.35

2006-07 Financial Year (to date): \$1,104,822.58

**Shaw Pittman**

2004-05 Financial Year: Nil.

2005-06 Financial Year: \$887,051.32

2006-07 Financial Year (to date): Nil.

**W37**

**DMO Financial Operations**

**Senators Faulkner and Evans**

- a) Is the DMO service fee in the financial accounts the user charge to Defence for the contracting function?
- b) Please indicate how this is calculated, what method is used?
- c) Is there a fee charged on a mark up basis or using commercial rates of return?

**RESPONSE**

- a) The DMO Service Fee includes the costs of staff employed in acquisition projects, including engineering services, and to sustain equipment in service. The Service Fee also pays for staff employed in corporate functions (finance, legal, human resources, IT, audit etc) to support these activities and associated supplier and other administrative costs.
- b) On the basis of workforce requirements of DMO to undertake acquisition and sustainment services.
- c) There is no fee charged on a mark-up basis or by using commercial rates of return.

**W38**

**DMO Currency transactions**

**Senators Evans and Faulkner**

The DMO has been criticised by the ANAO for not properly handling currency transactions.

- a) Indicate how DMO manages the issue of currency risk?
- b) What is the approach DMO takes to currency hedging?
- c) Is this hedging function performed solely in DMO?
- d) What financial advice does DMO receive in relation to the management of currency risk?
- e) What is the total value of foreign currency transactions DMO has undertaken since its inception?
- f) As a result of management of foreign currency risk has DMO made any foreign exchange profits? How much?
- g) As a result of management of foreign currency risk has DMO made any foreign exchange losses? How much?

**RESPONSE**

- a) DMO follows the guidelines issued by the Department of Finance and Administration for managing foreign currency exposures.
- b and c) DMO does not engage in currency hedging.
- d) DMO follows guidance issued by the Department of Finance and Administration.
- e) The Australian dollar equivalent of foreign currency transactions since DMO became a Prescribed Agency on 1 July 2005 to the end of May 07 was \$5,573m.
- f) No.
- g) No.