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Reference: Auditor-General's reports Nos 18 to 31 (2008-09)

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**JOINT STATUTORY
COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

Monday, 15 June 2009

Members: Ms Grierson (*Chair*), Mr Georgiou (*Deputy Chair*), Senators Barnett, Mark Bishop, Bushby, Feeney and Lundy and Mr Bevis, Mrs Bronwyn Bishop, Mr Bradbury, Mr Briggs, Mr Butler, Ms King, Mr Neumann and Mr Robert

Members in attendance: Senator Mark Bishop, Mrs Bronwyn Bishop, Mr Briggs, Ms Grierson and Mr Neumann.

Terms of reference for the inquiry:

To inquire into and report on:

Auditor-General's reports Nos 18 to 31 (2008-09)

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Committee met at 9.38 am

CAHILL, Mr Matt, Group Executive Director, Australian National Audit Office

LACK, Mr Steven, Executive Director, Australian National Audit Office

ROBINSON, Ms Kay, Senior Director, Australian National Audit Office

SADEIK, Mr John David, National Manager, Income Support, Support Division, Department of Veterans' Affairs

STEVENSON, Miss Peta Elizabeth, National Manager, Research, Development and Support Group, Department of Veterans' Affairs

TELFORD, Mr Barry, General Manager, Support Division, Department of Veterans' Affairs

CHAIR (Ms Grierson)—I open today's public hearing which examines the Auditor-General's report No. 28 2008-09: *Quality and integrity of the Department of Veterans' Affairs income support records* and I welcome the representatives from the Department of Veterans' Affairs. I ask participants to remember that only members of the committee can put questions to witnesses if this hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, I would ask them to direct comments to the committee. It will not be possible for participants to directly respond to each other. Secondly, given the short time available today, statements and comments by witnesses should be relevant and succinct. I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings in the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege.

CHAIR—Does either party want to make an opening statement?

Mr Cahill—We are happy to table our statement.

Mr Telford—We will just make a short opening statement. Firstly, thank you for the opportunity. I think, though, it is important to put the ANAO findings into context in respect of this report. Firstly, it should be noted that the ANAO found no instance of incorrect payments being made, specifically people not receiving more than their current entitlements. Secondly, the majority of data integrity issues highlighted has no bearing on the income support decisions on entitlements. Qualifying service is a gateway to a range of income support benefits, as people may understand, and when a claim for qualifying service or pension is made the department will access all relevant records, be they in paper files or electronic files. While working through paper files does take some extra time it is far less costly to the department than transferring all paper based information to electronic databases, especially when a large part of the information is rarely accessed from paper files once eligibility is determined. The ANAO found many of the records to be inaccurate because the veteran or the war widow was dead and the date of death was not on the electronic records. This has no impact on payments.

The cost of correcting these records, as I have said, is considerable and it is too resource intensive to move all information from paper files to electronic files. The department's priority is to ensure that the records of those clients currently in receipt of pensions, allowances and health care under the VEA are correct. In regard to income support records, the measures DVA has in place to ensure they are correct include a significant quality assurance program and data-matching activities. To ensure the currency of information there is automatic update of particular items such as shares and managed investments provided by qualified external sources—the same data used by Centrelink. The department has a compliance review program. This is a comprehensive process that reviews specific pensioner household assessments against a range of criteria as being at risk of not being paid the correct rate of pension. A rolling program of reviews in correcting data that the department knows is wrong or inadequate or have been corrupted.

Pensioners are also reminded regularly about their obligations to notify changes, and priority is given to correcting records that may affect the client's entitlements. Correcting or deleting inactive records cannot rank highly in comparison to other work that DVA undertakes in respect of entitlement and payments. However, we are responsive to the constructive feedback and will be working steadily to implement the agreed recommendations arising from this audit. DVA has accepted all of the ANAO recommendations and has already begun to address the issues identified in the ANAO report as a high priority. The current work ranges in scale from reviewing and strengthening data entry systems and procedural controls of client records to reinforcing that staff must take the opportunity presented by routine client contact to check and update the information held by the department. In conclusion, it is important that the committee note that we want to reinforce that veterans should in no way be concerned that the issues raised have a negative impact in any way on the support they currently receive from DVA or the correctness or accuracy of their payments.

CHAIR—Thank you, Mr Telford. That is now on the record. I understand that DVA would want to have the message out there clearly that payments are secure and that people do not need to have any uncertainty or insecurity. The issue we need to examine is that a certain amount of money has been committed to improving the integrity of data and making it more manageable—I would hope. If it were all recorded on the one system for a minister, or the department itself, to glean information from it, it would be much easier if it was all accessible electronically in some way. Also, it has been three years since the implementation of the Curam system and the Audit Office suggested that there was still a long way to go to have that data. Could you explain to us why you think it might be important for that process to be continued and completed, or whether you do not think it is a highest priority? I would like to know your views on the need to have the data accessible in a different way.

Mr Telford—I should just update the committee on some changes that have happened since this report was presented and our discussions with ANAO occurred. Earlier this year the Curam project was put into a pause situation. We are not proceeding along the same modernisation road map which we had intended some months ago. The reason for that is purely the finances that are available. The department is under considerable financial stress in terms of the reducing number of clients, as the report has pointed out, and indeed the need to meet the requirements the Department of Finance and Deregulation has put in place for us in respect of our funding for staffing. IT is a considerable part of that cost. When the new secretary took over earlier this year, as I said, he put a pause on Curam. What we are now about to embark upon is a significant ICT

review. The purpose of this review is to see which is the best platform and what is the best solution to our needs going forward.

Those needs may well include using the Curam database. But we have to ensure that, through a whole range of activities, including the consolidation and rationalisation of processing staff across the country and including what support they need in the ICT systems to enable that, consolidation and rationalisation in other matters. So we are now embarking on a new modernisation road map. It will certainly pick up on all of the issues raised here in the ANAO report. That said though, it is important, and I guess I made this comment in the opening statement, that the efforts of the department are directed towards the outcomes of the veterans and war widows we serve—and that means making sure that their pensions, their benefits and the other healthcare payments to providers are made accurately and in a timely manner.

Whether or not the ICT review makes recommendations that that should be all in one spot will be up to that review. It will undertake those considerations. But I do not think there is any value in actually taking all of the current paper file material and transferring it across to a single electronic database. Once the qualifying service or other eligibility criteria are determined, those records are rarely examined again. It is far more efficient for us to be able to look at those records and pull them as we need them from our various repositories rather than scanning into a system millions of records which we will never use and never access.

CHAIR—So is that what the system is? Is that what Curam is? It is just an over sheet, with all the specific data on a paper file behind it, or is it supposed to be a totally electronic file?

Mr Telford—There will always be a combination of paper and electronic files—no matter what system we use.

CHAIR—I would think that three years ago there would have been an ICT review of the needs of DVA and that out of that Curam would have been decided on as the way forward. Is that what happened in the past?

Mr Lack—I am unsure as to what the genesis of Curam was. I am assuming that it did reflect DVA's deviates external environment at the time. It did build into their overall one DVA strategy. I am unsure as to whether there was a specific IT review that led to Curam itself.

Mr Cahill—To place the comments in context, our focus was not necessarily on whether or not Curam was the right solution but rather recognising the challenge facing DVA in saying, 'Look we've got a changing client base and we need a 'one DVA' approach.' Our work was very much focused on the fundamental issues of controls and making the most of the opportunity of when you can update which data records. So they are not necessarily the inactive records. It is about making a choice and stratifying that population. It is about saying, 'Let's look at these 5,000 people. They are quite pivotal people who are going to be in the system for some time. How can we update them,' versus another subset of the population where you might say it is not cost-effective for us to update them or reflect them in the system.

CHAIR—It is difficult, isn't it? As members of parliament we really do know that our local DVA office provides an absolutely first-class service to their clients, and we value the fact that they put a lot of attention into that care and concern that we would expect them to show towards

our veterans. I still do not have a feel for it, though. Does every office do their own data entry? Is that what would be happening as you transfer people from one system to the other?

Mr Telford—It is actually not a case here of transferring data from one to the other. What the Curam system was about was actually to try to integrate better the various legacy systems we had. As the report points out, the transfer of the data from the legacy systems into Curam was going to be a very expensive exercise. We have in place a process for data cleansing—this is mentioned in the report—and that process was part of our response to the previous government's access card requirements. That was also part of the modernisation strategy in terms of being able to transfer that data across to the Curam under the Curam arrangements. Once that funding was not available through that particular process, we had to look at other ways to do this. We had to look at where the most important aspects were in respect of our daily business-as-usual work. We give priority to ensuring that the data in those areas is entered. As a claim comes in, the individual claims processor enters the data into the system and then there are various checks and so forth across those particular issues.

The other point I should make—and I think, Chair, you were alluding to this—is that the current state of our systems in no way fetters our capacity to inform government or inform anybody else about the current state of DVA's payments, benefits, expenditure and so forth. It has no impact on any of our accountability processes at all.

The **CHAIR**—If I am a client and I walk through a DVA office and I tell them my name, does someone just put my name into a computer and all my information comes up, or is that not possible?

Mr Telford—Basically, yes.

CHAIR—And that is on the Curam system?

Mr BRIGGS—What does 'basically, yes' mean?

Mr Telford—Well, you have to give them more than just your name; you clearly have to identify who you are and give a whole range of other bits and pieces; you just cannot walk in and say, 'I'm Barry Telford.' There could be another Barry Telford on the system. There are checks to ensure that we are talking to the right client. That is what I mean.

Mr BRIGGS—That was not the question; the question was, presumably when a person has been identified: 'Will all the correct information about their case come up?'

Mr Telford—All the correct information will come up that that person has access to. There may be situations where a particular officer at a front desk will not, for example, have access necessarily to all the medical records that we would hold on an individual, but they would have all the basic demographics and payment systems and so forth. The basics would be available, yes.

CHAIR—Is that system that comes up Curam or is that some other system?

Mr Telford—It is VIEW. It is called the ‘veterans’ information enquiry window’—VIEW. There is a Curam VIEW.

CHAIR—Can someone explain that to me.

Miss Stevenson—Curam is a very big thing. It is an end to end system. We have implemented components of Curam. It was meant to be the single platform that we would move to, so we have put certain systems in place. The very first one was our client records. If you go through that system, you can search for the person. You will get things like their name, their address, their gender, their date of birth—those sorts of things. If you then want to see a summary of their entitlements, you go to this system called VIEW that Mr Telford mentioned. It gives you a summary of their actual entitlements. Do they have a service pension? Is it maximum rate? Do they have any kind of disability pension? If yes, what is the amount of disability pension they receive; what are their accepted and rejected disabilities? Again, that is a summary of the person and gives a snapshot.

Mrs BRONWYN BISHOP—Will it have ISS and all the adjustment payments that are made?

Mr Telford—Yes.

Mrs BRONWYN BISHOP—What is that equalising payment—the initials of which always confuse me?

Mr Sadeik—DFISA.

Mrs BRONWYN BISHOP—Yes, that is the one.

CHAIR—So that is basically the skeleton of the system that is always used?

Miss Stevenson—Yes. It is a layered approach. So, if you want to know general things about the person, you go to Curam, at this stage; if you want to know a summary of their entitlements, you go to VIEW; if you want to know a lot more detail about a claim in the system—where that claim is at, who is responsible for it, what the details of the claim are—then you need to go to the next level down that manages that.

CHAIR—Is that a person? Do you then ring that section?

Miss Stevenson—Yes. That is what Mr Telford was referencing.

Mrs BRONWYN BISHOP—This is where it gets into the difficult part. That is, the decisions you have made to have, for instance, certain types of claims dealt with out of Brisbane, with other claims dealt with out of Tasmania, and clients find that very frustrating. Does all that show up on the database? Why was that done? Was that part of implementing this new system?

Mr Telford—It is one system. So, whether you are in Tasmania or Brisbane, and you want to find out—

Mrs BRONWYN BISHOP—Yes, but if your case manager is in Tasmania and you are in Sydney, Canberra or wherever else, it is not the best.

Mr Telford—The reason that we consolidated some of our functions into various sites was in order to be able to overcome some of the overheads of administration and management and so forth. So we pulled them together into one area. Because we had a shrinking number of claims, as I mentioned earlier, we were able to pull together individuals into a team in Brisbane or wherever. We then had a couple of things happen—reduced overheads in terms of management structures and so forth, but also had the capacity for a team to work and maintain their level of knowledge and skills, because they were dealing with enough information—

Mrs BRONWYN BISHOP—It sounds terrific, but it is not working for lots of people. One of the problems is that that system may have been fine for people who are in your historical base—basically people from World War II, or even Vietnam, with established disabilities and ongoing case management, whatever it may be—but for newly returned serving personnel who have claims for disabilities you need a different method to deliver their service. They need face-to-face. I think you have closed the Canberra office, haven't you?

Mr Telford—Not totally. There are different functions out of different offices now. But in terms of face-to-face—

Mrs BRONWYN BISHOP—But if I am an injured veteran and I am in Canberra, I cannot go in there and have a face-to-face case manager, can I?

Mr Telford—Yes, you can. If you are taking a person who is being case-managed through a rehabilitation process—in that instance you are talking about a returned injured person from Iraq, Afghanistan or somewhere—then what would happen is, once we had determined eligibility and all of that stuff we have talked about has gone through, the case manager who is appointed will be from a rehabilitation service in that location. So, if the person was in Canberra, they would have their case manager come from a rehabilitation service located here. That would be their interface.

Mrs BRONWYN BISHOP—I am going from my memory here. I know that I received a lot of correspondence from veterans who are unhappy about the changed arrangements with regard to Canberra, where they were having to deal with someone out of Brisbane, I think it was. And I think you were closing some operations in Tasmania. Can you refresh my mind as to what arrangements you changed with regard to those two places?

CHAIR—Mrs Bishop, I will have to bring us back to the report. The report is on other areas. I know that some of the members have been waiting for a question. If there is time at the end, we will follow those issues up. Mr Neumann, you had something to take up?

Mr NEUMANN—Yes. On page 62 of the report the ANAO talk about the analysis highlighting the relationship between data entry controls and data entry errors. It talks about the quality and integrity of the DVA's income support data and makes some recommendations about the need for quality assurance and training. I want to see whether you have taken up that recommendation, for example. Also, what steps have you taken to strengthen the controls? Finally, in terms of staff awareness of these errors happening, what steps have you taken to make

them aware that this is happening, at the grass roots level—the person who comes in at the coalface, as the chair said?

Mr Telford—I will let Mr Sadeik answer the detail of that question. But in terms of staff awareness there is considerable awareness of this report across DVA and the relevant areas, from the most senior staff down to the individuals working in various offices. We have issued various notices to staff, both broadly and specifically to make sure that every opportunity is taken to update the information on the electronic files. There is a lot of awareness and a lot of training going on in respect of those individuals to make sure they know about the sorts of data Miss Stevenson talked about in terms of demographics, if I can call it that. They are reminded the whole time, so there is a lot of awareness. But in terms of the response to QA, I will let Mr Sadeik respond to that.

Mr Sadeik—The department is already in the process of reviewing its procedures, and any changes that are identified will be implemented shortly thereafter. Further, the department already reinforces the validation of client data whenever we have contact with the clients, and we sent out a ‘business line’ to all system users and client contact staff just last week reinforcing the message that they follow the departmental protocols of updating all of the client data information, which picks up gender, title, date of birth, name, address and contact details for the client. That is already in place. We are expecting to conclude the longer term review in September and then to have a look at what comes out of that to reinforce the issues. The issue about quality assurance is just reinforcing with our quality assurance officers that those checks are already in our income support quality assurance protocols. We have reinforced that as far as checking the respective mandatory fields.

Mrs BRONWYN BISHOP—Page 116 of the report indicates a dramatic drop in 2006-07 in the satisfaction rate for handling complaints. Even more worrying is that there is a bit of a drop on page 117, figure 6.1, of the overall client satisfaction rate. Even more worrying is the comment in paragraph 614:

The absence of rigorous analysis by the department makes it difficult to determine why shifts occur and to identify the major contributing issues that influence changes.

That refers to the drop in satisfaction of handling of complaints. Complaints also rose from 198 in 2005-06 to 372, which is up around the level of 2001-02, when there was a 65 per cent satisfaction rate. It has plummeted to 51 per cent. Audits tells me it does not know why the satisfaction rate went down; perhaps you can.

Mr Telford—I will let Miss Stevenson talk about the complaints issue, but some of the reduction of the satisfaction relates to where the dissatisfaction is coming from.

Mrs BRONWYN BISHOP—Audits are telling me that they could not identify where you have it recorded, so when you are telling me about it will you also tell me where it is recorded so that you can tell me why you are able to tell me.

Mr Telford—We measure satisfaction through surveys throughout the year, and there are two main elements to that. One of the clients who we survey get their entitlements under the Veterans’ Entitlements Act and the other relates to satisfaction under the Military Rehabilitation

and Compensation Act and the Safety, Rehabilitation and Compensation Act—MRCA and SRCA. What we have found over the years is that the satisfaction rate for veterans under the VEA has remained extraordinarily high and there has been a great level of satisfaction amongst those individuals.

Where satisfaction has been lower than under the VEA has been for those people who are getting their entitlements under MRCA. It is a totally different arrangement under MRCA, as you would appreciate. It is a system where there is a greater emphasis on rehabilitation, they are younger individuals, they are people who have left the ADF, which they had seen as potentially their career for life, and they are people who are clearly in a situation where they need a lot more work and assistance in getting them back to the position they were in prior to their injury and their discharge from the ADF. So their satisfaction rates are understandably lower, and we are working very hard on increasing the level of satisfaction amongst those particular groups. If you measured those two bits separately, you would get a high and a medium rate; when you put them together it brings the whole percentage down.

Mrs BRONWYN BISHOP—That information you have just given me and the committee is vital information. That is the sort of information that is vital for opposition and government to have in developing new policy. If what you are telling me is that with the VEA we have satisfied customers and with the MRCA we are seeing dissatisfaction—and this is borne out by people who come to see me—there is something wrong with our delivery, there is something wrong with the policy. I think those figures need to be disaggregated. If you are telling me that there is a mixture, and the satisfaction rate under the old system is 51 per cent, that tells me that the satisfaction rate under the new system is probably in the 40s or 30s, if it is mixed up with high satisfaction rates. I think it is very important that we see a disaggregation of those figures and some real reporting on the nature of the problems and complaints of newly returned veterans. They are going to be our responsibility for a long time to come and, if they are not satisfied, we should be doing something about it.

Mr Telford—And we are.

CHAIR—Mr Telford, in giving feedback on that question, could you—

Mrs BRONWYN BISHOP—Sorry, you are what?

CHAIR—also say what you have done to respond to the fourth recommendation from the Audit Office in this report?

Mr Telford—In respect of the—

CHAIR—In respect of collecting the data accurately on—

Mr Telford—complaints handling mechanisms?

CHAIR—complaints and compliments.

Mr Telford—Yes.

Miss Stevenson—Chair, if I could explain, we have a feedback management system which has been the organisation's traditional receptacle of formal complaints. It is a labour-intensive, clumsy system because it has been around for a while, and it was built for a particular purpose and now we are asking more of it, with the kind of information that Mrs Bishop has suggested. There are a small number of users who are experts in that system. We get feedback through our website. We have 'contact us' and 'complaints' buttons on our website. Our deputy commissioners, as you would be aware, have a lot of contact with the ex-service community. So there are a range of sources of information, in addition to the formal surveys that Mr Telford referred to. Because the feedback management system is complex, at the moment not all of that has been fed into the system. So it tends to trap only the most considered complaints, I guess. We have a client contact facility, which now has a component that allows users to run through a script that records information.

Mrs BRONWYN BISHOP—That does not answer my question about disaggregation.

Miss Stevenson—Sorry; I was answering a different question.

CHAIR—Can you disaggregate the information? Can you identify what the complaints are about? Could you disaggregate the information you have, as Mrs Bishop has suggested, into the reasons for the complaints or the types of areas of complaint?

Miss Stevenson—There are two different things: the satisfaction surveys that Mr Telford was talking about and—

Mrs BRONWYN BISHOP—I want the satisfaction survey information disaggregated so we can see the nature of the complaints and why the people under the new system are so dissatisfied. I want exposed in that disaggregation, out of that 51 per cent, how many of the older veterans under the older system are satisfied. I suspect it will be about 65 per cent, which will push the satisfaction rate of the new entrants into the system under the new system way down. I want to know what it is. Is it 30 per cent? Does it go as low as 20 per cent?

Mr Telford—We can provide that information.

Mrs BRONWYN BISHOP—And, Mr Telford, you said to me, 'We are doing something about it.' What are you doing about it?

Mr Telford—There are two questions running, Chair, if I may just clarify.

CHAIR—Please go to Mrs Bishop's question.

Mr Telford—Miss Stevenson has outlined what we are doing in regard to the audit report. That is one bit of information. In respect of the first—

Mrs BRONWYN BISHOP—You told me you were doing something to assist with the dissatisfaction rate of new veterans. I said: what are you doing?

Mr Telford—Yes. A while ago, about 18 months or something of that nature, we set up a group headed up by a deputy commissioner, the younger veterans' task force. That group, in

consultation with members of the veteran community, staff and others, looked at the issues that we needed to address and the potential solutions to increase the levels of satisfaction amongst that clientele. A range of processes were put in place in respect of that. At the moment we are looking at how younger clients would prefer to communicate with the department. Are they seeking to communicate more on an electronic basis? Would they rather have the capacity to have their issues addressed on the web than on the phone? Are they looking for different sorts of material, and in what sorts of ways? How do they want to contact the department? There is a contact strategy that we are looking at in those respects.

We have introduced a single claim form. One of the concerns that people had was the complexity of the three pieces of legislation, particularly people who had dual entitlements—under the VEA and under the MRCA. That was causing some confusion. We now have a single claim form so that, irrespective of what piece of legislation you may be eligible under, you fill in the one form. We have a range of processes now to ensure better and faster information coming from Defence in terms of medical and service records. We are also now trialling a single health examination form so that the individual does not have to go to separate doctors or practitioners to get the reports in respect of the information that is required by the department, whether it be us or Centrelink or what have you.

Mrs BRONWYN BISHOP—The single form is good. But what I was really getting at is how you are improving the delivery. Let me give you an example of someone who is under the new scheme and who has a case manager who is not particularly sympathetic to that person. That person's condition is never going to change. He failed to turn up to another medical appointment. His father happened to die, so he went to the funeral and he forgot to advise the case manager about the date. The case manager rang up the veteran and said, 'If you don't get along to the next one we'll cancel your pension.' He is terrified because she has the power to influence the payment of his pension. That is not what I call sympathetic treatment, which vets are used to getting. So we have taken some action and hopefully there will be a different case manager dealing with this person. But the new veterans feel that, when they leave Defence, which, as you said, was their life—until suddenly they were injured so they could not have it any more—they are chucked out in the street and they become like any other compensation victim. There is no remainder or residual that would come from having an especially dedicated Veterans' Affairs department—not social welfare, veterans affairs. Could you tell me precisely the interaction that you have with Comcare about the way that veterans are getting their assistance now?

Mr Telford—I think I have answered this question. We have, as I was saying, a single point of contact for those individuals who are undergoing rehabilitation. We have professional organisations and individuals who are trained specifically to deal with these complex cases. If anybody has any concerns about individual problems with clients and passes them on to us, we are very happy to follow them up. We have regular contact through the case management and the coordinators with respect to what the other entitlements are. We have a working group which is headed by the secretary of the department and the secretaries of other organisations, such as Comcare, which meets regularly. We have done a whole range of things there with—

Mrs BRONWYN BISHOP—Tell me about the relationship with Comcare and how people are—

CHAIR—We have some points we do have to follow up regarding this report, and I know Senator Bishop has been waiting for some time. Did you specifically ask, Mrs Bishop, for a copy of the 2006-07 complaints disaggregated into type and client base?

Mrs BRONWYN BISHOP—Yes, I would like that, please, and I would like the most up to date one. There has to be one that is more up to date than 2006-07.

Mr Telford—We will get you the most recent information.

CHAIR—Would 2006-07 be the most up to date or would there be—

Mrs BRONWYN BISHOP—But I would like to see 2006-07 as well.

CHAIR—2007-08?

Mrs BRONWYN BISHOP—2007-08 and whatever else you have got. Also, if you would not mind giving me a detailed outline of how you are presently utilising Comcare for the treatment of veterans.

Mr Telford—We can do that on notice.

Senator MARK BISHOP—On the issue we are talking about, where is the five-yearly review of the MRCA at?

Mr Telford—As you will know, Senator, we have established a steering committee for that now. We have individuals from the various government agencies nominated and set in place. That group will meet, hopefully, before the end of this month in order to be able to put in place how they want to go forward with this. That includes a range of consultations around the bases with veterans, ex-service organisations and others, and that will take place over coming months. Submissions are being received and analysed and taken into account and we will be proceeding with that over coming months. It is all tracking along pretty well.

Senator MARK BISHOP—Thanks, Mr Telford. I just want to have that on the record. Can I ask that either you, as the senior officer here, or the committee secretary refer the *Hansard* of this discussion—particularly the discussion about the apparent high number of complaints from new clients who have left Defence and become entitled under the new act, and how that is working under the new act—to the review team that is looking at the policy and administration of the new act?

Mr Telford—Absolutely.

CHAIR—The secretariat will coordinate that.

Mr Telford—That is an important part of input to the review's considerations.

CHAIR—There are some specific questions we do want some answers to. ANAO found that more than 70 per cent of clients' asset records have not had all of their previously submitted

asset items fully updated for eight years or more. What is your view of that? Have you taken any steps to change that situation?

Mr Telford—I would have to take that on notice, if I could, thank you, Chair.

CHAIR—Have any steps been taken to correct the incomplete electronic records of service details, which affected 41 per cent of clients, as referred to on pages 75 and 76?

Mr Telford—I guess this goes back to the point I had been making before. Once qualifying service or eligibility has been determined, we do not consider the transfer of those to electronic files as being a priority because we just do not access those files once we have got the person in payment and eligible and we are confident of those particular details extracted from the paper files. Once that detail is there, we do not intend to move those across in any great number unless there is a specific thing for individual cases that we might need to put in. But in the main we are not going to do that.

CHAIR—Yes, and you have explained that. The ANAO has suggested that all invalid key data or missing information in active records of clients receiving any income support benefit should be corrected whenever the opportunity arises—for example, confirming information during any interaction with a client or correcting data during assurance or other records management activities. Do you think your staff are aware of the need to make that a constant in their processes?

Mr Telford—Absolutely, and Mr Sadeik referred to the communication which recently went out and which will continue to be reinforced in order to make sure that staff are conscious of the need to keep that information up to date.

CHAIR—So you have been sending guidelines out about the importance of correcting things when the opportunity arises?

Mr Telford—Absolutely, and one just went out last week.

CHAIR—You are not proactively having a process of updating when there is no particular—

Mr Telford—Yes. The message is: take the opportunity if you have the veteran on the phone or somewhere at the counter in order to be able to check those details as an ongoing process.

CHAIR—I guess one of the ones that comes out very strongly in the report is that DVA relies heavily—and I think we have all experienced that—on the corporate knowledge held by a few key staff about its IT systems and business processes. This does obviously present a risk if that knowledge is lost as staff retire or leave the organisation. What steps can DVA take and are they taking to mitigate that risk?

Mr Telford—We accept that.

CHAIR—Although I think they could work for a long, long time the way we are going with raising the retirement age!

Mr Telford—We accept that and we accept what the ANAO have said in that regard and we are very conscious of that ourselves. This relates in the main to heritage systems, where the expertise around some of the particular types of heritage systems that are needed is reduced because there are just not people using it anymore. That part of the ICT review I talked about will have to look at that. If we have got an area where we potentially have reduced expertise coming through and people not being trained in that particular type of programming in the future, we will need to say, ‘That has to be a priority which we have to shift onto a new arrangement to try to mitigate that risk in terms of those particular things.’ But that point is well taken and well understood by the department.

CHAIR—I think one of the important points that comes out of the discussion today is that, obviously for your client base in the 80-plus range, there will be more complex needs, perhaps, but there will not be much data change. We understand that. So, overintervention in those areas would not be welcome, would probably not be efficient and would not turn up any great efficiencies for the department or for anyone, really. But there will be new people entering, as Mrs Bishop has rightly pointed out, from the new theatres of war that we have been engaged in. I guess what I want to know is: have you looked at the experiences, the complaints, the compliments and the record keeping on those people that are now starting to emerge and at what system you would want to be in place for those people in the future and how you might change it? As you have put Curam on pause, I would hope it is not just on pause for no reason but that it is on pause to make sure that whatever system is put in place serves well our serving personnel who are recently involved and are going to become your clients for a long, long time.

Mr Telford—Yes, we are doing all that.

CHAIR—Tell us about it.

Mr Telford—I guess the point—and I think Miss Stevenson mentioned this—is that the Curam parts that are in place now have brought some significant benefits to us. We talked about the complaints-handling mechanism, which can be geared up in respect of increasing the capacity there. But the elements of Curam that allow greater and more accurate data entry are certainly there. The review we are undertaking in terms of the ICT, without necessarily pre-empting what it is going to say, will clearly have to give significant priority to our new application system, if I can put it that way—the MRCA systems—in terms of how they are developed and looked at in respect of the longer term need they are going to have. You rightly say that the very old veterans and the systems that they are currently using—

CHAIR—It would be very unlikely that the older veterans would want to look up their stuff online, wouldn’t it, whereas it might be very likely that the new veterans might want to use online methods of engaging et cetera.

Mr Telford—That is right. That is some of the channel strategy I talked about. Of course, it is not just the younger people; there are a lot of sons and daughters who are also looking after their parents’ affairs, in respect of the older veterans, who would benefit from those sorts of things. But all of this comes at a cost—that is the problem—and that is what we have got to try to balance out.

CHAIR—Have you had to shed staff under your resource changes?

Mr Telford—Yes, we have. We have been managing to do that through a range of ways and the consolidation function is assisting that. Through natural attrition we are losing people who we are not replacing. So we are having to reduce staff, clearly.

CHAIR—And you are meeting your efficiency dividend?

Mr Telford—Yes. It is all tough.

CHAIR—Are there any other questions or questions on notice?

Mrs BRONWYN BISHOP—Further in the report the Audit Office points out the enormous trouble it went to in looking at the unique identifying numbers. Admittedly the 25,000-odd people who have more than one have largely inactive client records. But I then read that with the Centrelink identifying number there are virtually no errors.

The thing that worries me more and more is that I do not want to see an attitude develop in DVA as the older veterans die out and the VEA is phased out—and I know this exists in the Public Service and in some other people's minds—that veterans are recipients of social security and should come entirely under the social security system. That attitude is one that is absolutely abhorrent to me. I find the fact that you can get all the records right with regard to Centrelink but cannot get your own records right worrying and indicative of that attitude. I would like a reassurance that that is not the case. I would like some real details not of the inquiry of the task force but of what you are actually doing to improve delivery of service for younger veterans.

The veteran I mentioned to you could be rehabilitated until the cows come home; it is not going to change. He has needs and they are not being met. So I want to know what strategies you are dealing with. Last year I went across to the United States and I met with people from the US Department of Veterans Affairs in Washington. They are doing much more for their younger veterans—the casualties coming back from the conflicts. I want to know if you have interactions with them and if you are looking at any of those programs, particularly the one that helps them get into small business and so on. I think there is whole new thinking that is needed with regard to younger veterans.

Mr Telford—We work closely with our colleagues in Canada, the US, New Zealand and the UK. We share and exchange information and get lots of program ideas from them. There are some things which clearly do not fall within the purview of what we can do here in Australia which happen overseas. But they learn from us and we learn from them. We certainly do that. I would not accept—if this is what you are suggesting, Mrs Bishop—that we are not taking a very significant and very active role in supporting our younger returning veterans in the same way that we have historically supported our older veterans. We have a proud history of very significant service to our veterans—

Mrs BRONWYN BISHOP—Yes, history.

Mr Telford—and that proud history will continue for our younger veterans in the same way that it has been continued for our veterans in the past.

CHAIR—On behalf of the committee, I would like to thank all the witnesses who have given evidence today. There may be additional questions to be taken on notice which the secretariat will forward to you. Thank you for your willingness to provide answers to other questions put today. Obviously, a four-week turnaround is our anticipation for those.

Evidence was then taken in camera but later resumed in public—

[11.09 am]

BOND, Mr Kim, Senior Director, Australian National Audit Office

CHAPMAN, Mr Steve, Deputy Auditor-General, Australian National Audit Office

HOLBERT, Ms Fran, Executive Director, Australian National Audit Office

WHITE, Mr Peter, Group Executive Director, Australian National Audit Office

GILLIS, Mr Kim, General Manager, Systems Division, Defence Materiel Organisation, Department of Defence

HINDMARSH, Mr Anthony (Tony), Director General, Change and Assurance, Defence Materiel Organisation, Department of Defence

RERDEN, Brigadier Malcolm (Mal), Head of Capability Development, Army, Department of Defence

SHARP, Mr Colin, Head, Land Systems, Defence Materiel Organisation, Department of Defence

CHAIR—I officially open this session of today's public hearing. We are examining *Audit Report No. 27 2008-09: Management of the M113 armoured personnel carrier upgrade project*. I welcome representatives from the Defence Materiel Organisation, the Department of Defence and the Australian National Audit Office. I ask participants to remember that only members of the committee can put questions to witnesses if this hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion then I would ask them to direct comments to the committee. It will not be possible for participants to directly respond to each other. Given the short time available today, statements and comments by witnesses and questions from committee members should be relevant and succinct.

I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings of the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Evidence given today will be recorded by *Hansard* and will attract parliamentary privilege. There being no opening statements we will proceed straight to questions.

The ANAO indicates in their report that there are still inconsistencies in determining what constitutes a scope change. What steps are being taken to better define what constitutes a scope change? I am referring to pages 56 and 57 of the report.

Mr Sharp—In reference to the comment on scope, that defence and DMO should set suitable threshold criteria for determining changes in scope to acquisition projects, we had a look at this in terms of the existing policy and where there needed to be changes made; and there was a

review. The *Defence Procurement Policy Manual*, or DPPM, is the primary reference document for defence procurement. That must comply with Commonwealth legislation and policy as well as a range of internal defence guidelines. We felt that many of the issues in the audit in regard to scope were addressed in the DPPM chapter 6.7. It says:

14 Where the proposed contract amendment will increase the value of the contract, Proposal Approval must also be exercised for the additional amount. Guidance on exercising Proposal Approval, including the competency requirements for Proposal Approvers, is contained in Section 1, Chapter 1.4.

The DMO has specified and supplied financial thresholds for the approval of changes to capital acquisition projects via defence material instructions. The DMI finance is a DMO specific instruction.

CHAIR—So if you look at financial information, would you look at a ratio that you would not proceed past?

Mr Sharp—What I am trying to give you is the framework. There are a number of delegations and a number of checks and balances that we go through in determining the scope. It involves both defence and the DMO—that is, defence delivering the project in accordance with the requirements of defence represented by capability development in this case. Our responsibility is to look at that change in scope—whether it is within the comprehension of the contract and government approval and certainly look at the value and magnitude of it. It is not just a financial consideration; it is about whether it breaches or is comprehended by the intent and the actual government approval. So there are processes there for us to review that, have a look at it and then bring it to government if we feel it needs government approval.

CHAIR—What have you done to ensure that decision makers are provided with, and I quote from the report, ‘sufficient, consistent and appropriate information and advice on potential scope changes’? Is there a process now to make sure everything is put on the table before a scope is ticked off?

Mr Sharp—We feel there is, if the process is followed—that is the key thing. It is the discipline in following the process. So we are looking at the system and the processes and saying, ‘Is there a system of checks and balances that ensure that we deliver in accordance with government approval?’ We have reached the conclusion that there are in the documentation. Then it is about administrative discipline and following those processes.

CHAIR—Is this a case where it would not have mattered what that information showed, it would have had to proceed anyway?

Brig. Rerden—I do not think that is the case. Every consideration for potential change in scope goes through a review and as a part of that process there is a series of decisions that are tested against the overall capability requirement. Each circumstance is going to bring about that review. As Mr Sharp said, it is not just about the cost involved, but about the capability you are trying to achieve.

CHAIR—That is why I said, ‘Do you think that the capability need would have overridden any other considerations?’

Brig. Rerden—It was obviously a driver, and a key driver for that. Understanding what was involved with capability change proposals was quite involved. As highlighted in this report, these changes were brought about as a result of the work done by DMO with the contractor in determining the best technical way to approach the capability requirement. That resulted in the changes that were proposed for this project.

Mr Sharp—Can I add that the three recommendations result from the first audit on the M113 not to the 2002 contract for the M113 upgrade. We would agree that the tortuous process of the project went through from 1992 up until the new project upgrade that comprehended the scope and came under the construct of not quite the Kinnaird process but a much more rigorous review and containment of the scope. So by 2002, when the contract was signed, one of the determinations was that there would be a rigorous process to contain the scope and make sure that we advised government, if there was going to be any scope change. So the recommendation talks about, in detail, out of the first report, as I said, the tortuous process of requirement change, the melding of phases, then finding there is not enough money and then the adding of money et cetera. That has not been the experience of this project.

CHAIR—This is the last question from me and then I will pass over to the committee. Before I do, what is the chance of this now being delivered meeting the current time line? What does DMO tell the minister is the chance of this actually being delivered in the current time?

Mr Sharp—I will just move around a little bit and then I will come straight back to the question.

CHAIR—Good.

Mr Sharp—This project has been a year late, up to date. The in-service date milestone was meant to be at the end of 2006; it was delivered in 2007. I am optimistic that this will be a project that will recover that 12 month schedule. It seems that we have worked very well and very hard with the company to get that commitment, and they are still committed to that. The company CEO has written to the CEO DMO saying that they are committed to this. We put incentives in the contract to help deliver that. But it is high risk. That is the answer to your question. We still assess this as high risk—that the 350 will be delivered by December 2010.

CHAIR—So the current delivery schedule is actually high risk as well?

Mr Sharp—I think so. We have always briefed that.

CHAIR—But you have not made any changes to it. You are driving it. You are saying that BAE now are really driving towards that time schedule?

Mr Sharp—We have put the onus squarely on the company. We have put incentives in there and we are monitoring it very closely and working with them. I can talk about it later—the remediation—

CHAIR—Is this the sort of contract you would put penalties into or is this not—

Mr Sharp—We do not put penalties in contracts. We do recover costs, though, through liquidated damages.

CHAIR—That is an expensive process.

Senator MARK BISHOP—Through their report and evidence, ANAO delivered three propositions this morning. I will summarise them and then comment upon them. Firstly, there was extensive late platform delivery of these units to Army. Secondly, because there was late platform delivery of the units to Army there was a consequent inability to train the numbers of troops on the platforms. The troops that were to have been trained at that time were required to be deployed elsewhere into operations in theatre. The third point was the capability that these platforms, if received and approved by Army, would have achieved if delivered by Army by other means in the relevant theatres. They were the three propositions advanced by ANAO.

That being the case, if the capability that these platforms, if operational, would deliver to Army could be achieved by Army in theatres of war, why do we need these platforms? That is the first question. Secondly, we are advised that there are difficulties in operations in Afghanistan, particularly with the RDGs and the IEDs and the need to further protect these vehicles through armour upgrades, side additions and materiel inside. The unit cost for approval, if it should be approved by NSC in due course, is something in the order of \$200,000 per unit and there are significant problems in terms of the timing of that upgrade—given there are only five bays in the production lines. What are the real time lines for Army to receive suitable platforms that can go into hotspots like Afghanistan to deliver protection to the people who use them and the capability that is required in battle? Could I have responses to those two questions, please?

Mr Sharp—This is a capability issue for army, clearly.

Brig. Rerden—I think the first thing to appreciate about these vehicles is that they provide a capability in various types of terrain and environments, including the most difficult terrain. The low centre of gravity and the tracked nature of these vehicles mean that they can be employed in tactical situations where some wheeled vehicles cannot be employed. So I guess the answer to the first question is that yes, these vehicles are very much needed to give Army the range of capabilities that it requires to respond to any operational tasks across the spectrum of potential conflict tasks that are envisaged by government. So the tracked vehicles provide you a capability that you can employ in hot, wet tropical environments where there is a lot of mud and things that wheeled vehicles will have trouble with. So they are very important for our capability suite to support our full complement—

Senator MARK BISHOP—Across our northern areas?

Brig. Rerden—And Northern Australia. It is very important.

Senator MARK BISHOP—Okay, that is a partial answer.

Brig. Rerden—The second issue in regard to—

Senator MARK BISHOP—I understand that point you make there, Brigadier, but they are currently not suitable to go into hotspots like Afghanistan.

Brig. Rerden—The issue there relates to the current threat environment. In each operational theatre we may deploy into there is a given threat environment, and it is the normal course to do a very detailed analysis of that threat environment to ensure you can, obviously, best prepare the forces for that. In terms of the platforms and vehicles that you may employ, with the suite of vehicles available to the ADF we will select the vehicle best suited to the particular threat environment at the time given the circumstances as we understand them.

In the case of Afghanistan, the best combat vehicle for that environment was in fact the ASLAV because of the nature of the terrain at the time and the threat environment. The best vehicles for general duties and protection were the Bushmasters. Those were the vehicles that were deployed. In any case, in each situation you may be required to do additional enhancements to those platforms, depending on the specific threats. Were we to consider employing the M113s in the current operational environment in Afghanistan, they would potentially have a requirement for some additional protection because of the nature of the specific threat in that environment. So that is what is being investigated at the moment in order to understand what that might be and what the cost of that might be.

Senator MARK BISHOP—The final point is: if there is an identified need to upgrade the M113s for hotspots like Afghanistan with the RPGs and the IEDs, and that is approved by DCG and NSC in due course, what about the timelines involved in doing the upgrades through the production process? When does that mean we are going to have a sufficient number of vehicles for such deployment, bearing in mind the low time production process?

Mr Sharp—At the moment we are running to the contract, so that is what we are focusing on. In addition, though, we are doing independent tests on passive protection measures from overseas solutions, and we are also looking at developing our own independently. Let me put it positively. If that becomes available, we or CEG or Army would look at going to government to say, 'This is how we would fit these out.' I think that the sensible thing to do would be to look at the costs of injecting those changes into the production line as early as possible. That is common sense. But we have not done any work with the contractor yet on how to do that and whether it will be add-on or changes to the structure because—

Senator MARK BISHOP—It has not been approved and you have not been instructed—

Mr Sharp—That is right.

Senator MARK BISHOP—I understand. I have one final question. Something in the order of 420 of these units are going to be delivered over time.

Mr Sharp—431.

Senator MARK BISHOP—We do not know what conflicts we will be going into in the next 10 years—the life of these things—out to 2020. Is there still serious value to Army and defence in these M113s being delivered if they are not suitable to be deployed to hotspots like Afghanistan?

Brig. Rerden—I would just like to clarify your statement because I do not think it is fair to say that these vehicles are not able to be deployed in hotspots—

Senator MARK BISHOP—No, I said ‘not suitable’.

Brig. Rerden—As I said before, each operational theatre will have its own distinct threat environment, and the assessment and investigation that is being done at the moment is in relation to the current specific threat environment in Afghanistan. But that does not mean that the vehicles are not more widely employable in other operational environments that may come along. It really is threat dependent. I think it would be incorrect to characterise the vehicles as not employable in hotspots, because that is not the case. When they have had the upgrades completed, they will be employable in a range of operational theatres that the ADF is expected to operate in.

Senator MARK BISHOP—But not Afghanistan, for example?

Brig. Rerden—Not to the level that you might want in Afghanistan right now, but things may change. Again, the vehicle capability that they will deliver is such that we would be prepared to use those vehicles in intervention operations where there may be a level of threat—

Senator MARK BISHOP—I understand that.

Brig. Rerden—but probably not in a place where there is sustained close combat expected on a daily basis.

Senator MARK BISHOP—I understand there is a qualitative difference between what we are doing in Afghanistan and all the other theatres where we have troops. I do understand that.

Mrs BRONWYN BISHOP—I want to follow up on some of those questions. I want to go directly to the report of the Auditor-General. These good old things were first deployed in Vietnam and most recently in Timor Leste. How many vehicles went to Timor?

Brig. Rerden—This is just from memory, but during my time in East Timor from September 2006 to July 2007 there were six M113s deployed as a part of the response capability for the International Stabilisation Force.

Mrs BRONWYN BISHOP—Were those six from the original group of M113s that were the first upgrade, the ones that had the new turret and the night vision and so on put on them, which are still down in Bandiana now?

Brig. Rerden—No, they were not. They were, in fact—

Mrs BRONWYN BISHOP—The second batch?

Brig. Rerden—the current fleet of vehicles from the original A1 fleet.

Mrs BRONWYN BISHOP—So they are the extended ones?

Brig. Rerden—No, they are not from the extended fleet. They are not from the new vehicles; they are from the original M113 fleet that we have had for over 30 years.

Mrs BRONWYN BISHOP—Ms Holbert, can you tell me if they are the ones I am talking about—the ones at Bandiana?

Ms Holbert—No. The A1 fleet are the original vehicles that Army had. The vehicles you are talking about, I believe, are the A3.

Mr Bond—AS3s.

Mrs BRONWYN BISHOP—AS3s.

Mr Bond—They were not sent to Timor.

Mrs BRONWYN BISHOP—Then we come to the discussion of the vehicles that we have sent over there—the Bushmaster and the ASLAV. They are referred to very specifically on page 26 of the report. I know, and you know, how highly regarded the Bushmasters are not only by our own people but by other forces that are serving under different flags. They have a high regard for the design, particularly, and their ability to withstand a mine blast. I might add that I can take some pride in that because I was the one that changed the specifications and said that it had to withstand a mine blast, because it was not originally meant to. I understand also that it withstands a mine blast almost better than the ASLAV, simply because of the V shape. Is that information that you have had?

Brig. Rerden—I think the difference between the ASLAV and the Bushmaster is not a significant one, but certainly the V-shaped hull of the Bushmaster does give it a high level of protection against mine blast effects.

Mrs BRONWYN BISHOP—Is there not a tracked vehicle like the ASLAV that Canada has, for instance?

Brig. Rerden—There are really only a number of tracked vehicles that are very similar in design to the M113 in terms of the position of the hull in relation to the ground and the drive wheels. It is the standard for the world in terms of tracked vehicles.

Mrs BRONWYN BISHOP—But the M113s do not have that, do they? They are flat.

Brig. Rerden—They are flat but, again, the difference between the two types of vehicles is a fundamental design issue here. For the tracks to work properly they need to be close to the ground. The drive wheel needs to be relatively close to the ground and therefore the chassis is going to be lower. It does not give you enough space to invert the hull, so you are just naturally pushed into the situation where you have that outcome.

Mrs BRONWYN BISHOP—I will go on to page 27 of the report, where it says:

Defence's aim was to achieve a major upgrade of the M113, as the 'capability to be provided by the M113 Upgrade Project is long overdue for meeting Army's current requirements'...

This next bit I am going to read is a quote from the Department of Defence capability systems statement January 2001. It says the project:

... aims to upgrade a portion of the Army's fleet of M113 vehicles to enable them to continue to provide effective service to around 2020, when a new common family of vehicles can be procured. Although the M113 upgrade is an interim or bridging capability, the vehicle should have some growth potential in order to meet changing situations until 2020, or in the event that the procurement of the new family of vehicles is delayed.

That seems to me to say: 'We've got the M113s; we'd better hang on to them because we might never get to replace them.' What I would really like to know is: at the time in which this extensive upgrade was being contemplated, was there a serious alternative put in place to buy new vehicles, and, with hindsight, would it have been a better buy?

Mr Sharp—I just got some information about the life-of-type dates, but that is to 2025, which is not germane to your question. I am aware that in the competition there were other vehicles from overseas countries that were considered. But I do not have the detail here of what was considered in the original tender at the time of the decision of the upgrade, but I believe other vehicles were considered.

Mrs BRONWYN BISHOP—Can you get us details of that?

Mr Sharp—Yes.

Mrs BRONWYN BISHOP—Thanks. One of the things that concerns me about this sort of contract is that it goes off into the never-never. We are spending a lot of money and we are not really getting anything in return for that money. Six vehicles went to Timor. We have heard the people who were training on the ones that have been upgraded have been deployed on to something else. They have gone to Afghanistan, but no vehicles have gone, so somebody else is now being trained to use them. It is a bit like with the sprite. We just kept pouring money into it when it really should never have been bought in the first place. I have to say at the time I did everything in my power to try and stop us buying that damn thing, the command, because it was just made no sense to me, but it had all gone too far by that stage. How can we prevent a contract like this just going on and on and on without really delivering us what we need when we need it?

Mr Gillis—I will go back to the statement the brigadier made, which was that the Army's view is that these are capable assets that are useful and that the Army will need over the next 10 to 20 years because of the range of contingencies we may face, specifically in Northern Australia and in some of the wet and tropical areas.

Mrs BRONWYN BISHOP—Before you go too much further on that, that is why I read out the words 'or in the event that the procurement of the new family of vehicles is delayed'. In other words, implicit in that statement is, 'We'd better hang on to what we've got because we might never get to buy something else.'

Mr Gillis—There has, however, been a specific upgrade to this program since 2001, so we have gone back to government on a number of occasions—

Mrs BRONWYN BISHOP—That is what I mean—it has morphed, hasn't it? It just keeps going and going—'Let's extend it,' 'Let's do this,' 'Let's do this.'

Mr Gillis—I was around during the period when we gave extensive briefings to government in respect of the risks associated with this program, and government's decision at the time was to extend.

Mrs BRONWYN BISHOP—I am not debating that. I am saying: how can we avoid keeping on doing it?

CHAIR—I am going to have to bring this to a conclusion because both Senator Bishop and I have a meeting that started 10 minutes ago and we have run over time. I would hope that witnesses will take questions on notice. I think this is the first defence one to come up to us—

Mrs BRONWYN BISHOP—Chair, I think it is terrific that you have a meeting to go to and we can just stop—

CHAIR—We are scheduled to finish at 11.30.

Mrs BRONWYN BISHOP—That is great—that is terrific. But I'd rather they came back.

CHAIR—We will discuss it at a private meeting, but I do have to bring this to a conclusion at this moment.

Mrs BRONWYN BISHOP—I know you have a meeting, and that is fine, but I would like to suggest that we reconvene—

CHAIR—We can discuss it at a private meeting.

Mrs BRONWYN BISHOP—We could adjourn this meeting. I would rather it be adjourned to a date to be fixed.

CHAIR—Senator Bishop has finished with questions. I think that will be up to the committee to decide, Mrs Bishop. On behalf of the committee I thank all witnesses who have given evidence today.

Mrs BRONWYN BISHOP—I would like it recorded in the minutes that I believe many more questions need to be asked about this particular audit. I find it unsatisfactory that we have to call it off now and that you, Chair, clearly do not want to have it again. I would just like that recorded in the minutes.

CHAIR—That is up to us to discuss at a private meeting. We do not discuss that in front of our witnesses.

Mrs BRONWYN BISHOP—Yes, we do. I would like it in the minutes.

CHAIR—There will be additional questions that we will put on notice, and we would like those answered as speedily as possible. Thank you very much.

Resolved (on motion by **Mrs Bishop**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 11.40 am