



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

**Estimates**

(Public)

WEDNESDAY, 9 NOVEMBER 2022

CANBERRA

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**FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE**

**Wednesday, 9 November 2022**

**Members in attendance:** Senators Antic, Birmingham, Cadell, Canavan, Chandler, Ciccone, Fawcett, Green, Lambie, McLachlan, Molan, Paterson, Payne, Barbara Pocock, Reynolds, Roberts, Shoebridge, Steele-John, Van, Whish-Wilson and White

**DEFENCE PORTFOLIO****In Attendance**

Senator McAllister, Assistant Minister for Climate Change and Energy

Senator Wong, Minister for Foreign Affairs

**Australian Signals Directorate**

Ms Rachel Noble PSM, Director-General

Ms Abigail Bradshaw CSC, Head of the Australian Cyber Security Centre and Deputy Director-General

Mr Ben Staughton, Deputy Director-General, Capability and Transformation

Mr Dale Furse, Chief Operating Officer

Ms Jessica Hunter, First Assistant Director-General, Cyber Security Resilience

Mr Mark Brown, First Assistant Director-General, Integrity, Security, Assurance and Compliance

Mr Phil Davies, Assistant Director-General, Finance and Business Management

Dr Derek Bopping, First Assistant Director-General, Cyber Engagement and Strategy

Mr Stephen McGlynn, First Assistant Director-General, People, Property and Legal

**Defence**

Mr Greg Moriarty, Secretary

**Afghanistan Inquiry Response Taskforce**

Rear Admiral Brett Wolski AM, RAN, Head

**Army**

Lieutenant General Simon Stuart AO, DSC, Chief of Army

Major General Jeremy King CSM, Head, Land Capability

**Associate Secretary Group**

Mr Matt Yannopoulos PSM, Associate Secretary

Mr Adrian D'Amico, Chief Counsel

Mr Ben Wright, First Assistant Secretary, Integrity

Ms Rowena Bain, First Assistant Secretary, Ministerial Executive Coordination and Communication

Mr James Peterswald, Acting First Assistant Secretary, Enterprise Transformation and Governance

Dr Maria Milosavljevic, Chief Data Integration Officer

Air Vice-Marshal Barbara Courtney AM, Head, Royal Commission Defence Veteran Suicide Task Force

**Air Force**

Air Marshal Robert Chipman AM, CSC, Chief of Air Force

Air Vice-Marshal Stephen Meredith AM, DSM, Deputy Chief of Air Force

Air Vice-Marshal Robert Denney AM, Head, Air Force Capability

Air Vice-Marshal Cath Roberts AO, CSC, Commander, Defence Space Command

**Capability Acquisition and Sustainment Group**

Mr Chris Deeble AO, CSC, Deputy Secretary

Ms Francesca Rush, Chief Counsel, Commercial and First Assistant Secretary, Australian Industry Capability

Mr Gavin Rawlins, Acting First Assistant Secretary, Joint Systems

Mr Shane Fairweather, First Assistant Secretary, Rotary, Aerospace and Surveillance Systems

Mrs Elizabeth Sisley, Group Business Manager

Air Vice-Marshal Leon Phillips OAM, Head, Aerospace Systems Division

Major General Jason Blain DSC, AM, CSC, Head, Armoured Vehicles

Major General Andrew Bottrell CSC and Bar, DSM, Head, Land Systems

Mr Cyril Karo, First Assistant Secretary, Integration

Mr Andrew Staines, First Assistant Secretary Procurement and Contracting

**National Naval Shipbuilding Group**

Mr Tony Dalton, Deputy Secretary  
Mr John Chandler AM, CSC, CSM, First Assistant Secretary, Submarines  
Ms Stacie Hall, First Assistant Secretary, National Naval Shipbuilding Office  
Rear Admiral Wendy Malcolm CSM, RAN, Head, Maritime Systems  
Ms Sheryl Lutz, First Assistant Secretary, Major Surface Combatants and Combat Systems

**Chief Information Officer Group**

Mr Stephen Pearson, Chief Information Officer  
Mr Jeff Goedecke, First Assistant Secretary, ICT Service Delivery and Reform

**Defence Finance Group**

Mr Steven Groves, Chief Finance Officer

**Defence People Group**

Ms Justine Greig, Deputy Secretary  
Mr David Nockels, First Assistant Secretary, People Policy and Culture  
Dr Paul Robards AM, Acting First Assistant Secretary, People Services  
Major General Wade Stothart DSC, AM, CSC, Head, People Capability

**Defence Science and Technology**

Professor Tanya Monro AC, FAA, FTSE, FOSA, FAIP, Chief Defence Scientist

**Joint Capabilities Group**

Lieutenant General John Frewen DSC, AM, Chief of Joint Capabilities  
Major General Susan Coyle AM, CSC, DSM, Head, Information Warfare  
Rear Admiral Sarah Sharkey, Commander, Joint Health/Surgeon General ADF  
Major General Jason Walk, Commander, Joint Logistics  
Air Vice-Marshal Stephen Edgeley AM, Commander, Australian Defence College  
Mr Andrew Byrne, First Assistant Secretary, Guided Weapons and Explosive Ordnance  
Major General Douglas Laidlaw AM, CSC, Head, Joint Support Services Division

**Navy**

Vice Admiral Mark Hammond AM, RAN, Chief of Navy

**Nuclear-Powered Submarine Taskforce**

Vice Admiral Jonathan Mead AO, RAN, Chief  
Mr Andy Cann, First Assistant Secretary, Nuclear Powered Submarine Delivery and Industry  
Ms Megan Lees PSM, First Assistant Secretary, Nuclear Powered Submarine Executive

**Security and Estate Group**

Ms Celia Perkins, Deputy Secretary  
Mr Dan Fankhauser, First Assistant Secretary, Infrastructure  
Ms Monique Hamilton, First Assistant Secretary, Service Delivery  
Mr Peter West, First Assistant Secretary, Defence Security

**Strategy, Policy and Industry Group**

Mr Hugh Jeffrey, Acting Deputy Secretary  
Ms Sam Higgins, Acting First Assistant Secretary, International Policy  
Dr Peter Sawczak, First Assistant Secretary, Strategic Policy  
Ms Gabrielle Burrell, First Assistant Secretary, Defence Strategic Review  
Mr Stephen Moore, First Assistant Secretary, Defence Industry Policy

**Vice Chief of the Defence Force Executive**

Vice Admiral David Johnston AC, RAN, Vice Chief of the Defence Force

Air Vice-Marshal Stephen Chappell DSC, CSC, OAM, Head, Military Strategic Commitments

**Department of Veterans' Affairs**

Ms Liz Cosson AM, CSC, Secretary

Ms Vicki Rundle PSM, Deputy Secretary, Veteran and Family Services Group

Mr Stuart Smith AO, DSC, Deputy Secretary, Enabling Services and Commemorations Group

Ms Kate Pope PSM, Deputy President, Veteran and Family Policy Group

Ms Leanne Cameron, First Assistant Secretary, Mental Health and Wellbeing Services Division

Ms Traci-Ann Byrnes, First Assistant Secretary, Client Engagement and Support Services Division

Ms Natasha Cole, First Assistant Secretary, Client Benefits Division

Ms Rachel Goddard, First Assistant Secretary, Commemorations and Transformation Division

Mr Glen Casson, Chief Financial Officer

Ms Leanne Yannopoulos, Chief Operating Officer

Ms Peta Langeveld, Acting General Counsel

Mr Mark Harrigan, First Assistant Secretary, Royal Commission, Reviews and Inquiries Implementation Team

Professor Jenny Firman AM, Chief Health Officer

Ms Veronica Hancock, First Assistant Secretary, Veteran and Family Policy Division

Ms Liane Pettitt, Assistant Secretary, Parliamentary and Governance

Ms Jane Stuart, Acting Assistant Secretary, Royal Commission, Reviews and Inquiries Team

Mr Mark Brewer, Assistant Secretary, Veterans' and Families' Hubs Program

Ms Alison Hale, Assistant Secretary, Community Policy

Mr Brian Eastman, Acting Assistant Secretary, Policy Development

Mr Dylan Kurtz, Assistant Secretary, Wellbeing Policy

Ms Laura Sham, Assistant Secretary, Channel Strategy and Digital Delivery

Mr John McKinnon, Acting Assistant Secretary, Commemorations

Ms Thy Huynh, Senior Executive Lawyer, Royal Commission Taskforce

Ms Joumana El Hassan, Assistant Secretary, Shared Services and Technology

Mr Mark Kalleske, Assistant Secretary, People Services

Mr Rodger McNally, Assistant Secretary, Integrity, Information and Security

**Committee met at 09:00**

**CHAIR (Senator Ciccone):** I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for the year 2022-23 and related documents for the Foreign Affairs and Trade and Defence portfolios. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has also set 18 November of this year as the date by which senators are to submit written questions on notice and 16 December this year as the date for the return of answers to questions taken on notice.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policy or factual

questions about when and how policies were adopted. I draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate into the *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

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

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

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

(1) If:

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

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

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

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

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

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

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

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

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

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

*(13 May 2009 J.1941)*

(Extract, Senate Standing Orders)

**CHAIR:** Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order; instead, witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

I ask members of the media to follow the established media guidelines and the instructions of the committee secretariat. As set out in the guidelines, senators' and witnesses' laptops, mobiles, other devices and personal papers are not to be filmed or photographed. I remind everyone in the gallery that they are not permitted to speak or interfere with the proceedings or with witnesses at any point during the hearing. Witnesses and senators who are seeking to table documents during the committee's hearing were requested to provide an electronic copy of those documents the day prior to the hearing so that documents could be circulated electronically during the hearing. Please liaise with the secretary if you need any assistance.

Today's committee proceedings will commence with representatives from the Department of Defence, but before I do that I just want to make a very brief statement, with the indulgence of the committee. Before commencing today's hearing, I note the passing overnight of the Hon. Peter Reith AM. Mr Reith served as Minister for Defence in 2001 in the Howard government. Whilst there'll be an opportunity to formally recognise Mr Reith when the Senate next meets, given that the Department of Defence is before us today, it is appropriate, I think, that we acknowledge him. I recognise that his death will be particularly felt by colleagues in the Liberal Party, and I extend condolences on behalf of the committee to them and to his family and colleagues.

### Department of Defence

[09:05]

**CHAIR:** On that note I now welcome Senator the Hon. Penny Wong, who is representing the Minister for Defence, and the secretary of the department and officers of the department. Would any of you like to make an opening statement?

**Mr Moriarty:** Chair and senators, Australia's strategic environment continues to deteriorate as geostrategic competition across the Indo-Pacific intensifies. In the Indo-Pacific, military modernisation continues to accelerate. We are seeing new capabilities at a larger scale, and grey zone activity is expanding in reach and impact. The brutal war in Ukraine demonstrates that the risks of military aggression are very real and the importance of deterrence has not gone away. The ADF must remain able to respond to a range of missions at the direction of government, from assistance to the civil community to preparing for complex military operations.

The government knows that getting the balance right is challenging, so on 3 August the government announced the establishment of a defence strategic review to consider Defence's force structure and force posture in light of the significant challenges we now face. Defence is providing support to the review's two independent leads, Professor the Hon. Stephen Smith and Sir Angus Houston, and facilitating comprehensive briefings from across the organisation to support their work. I believe the review will be important in informing government of the challenges posed by the strategic environment we face and of the need for difficult choices to be made in relation to capability priorities and force posture decisions.

The defence budget is already under pressure with the combined weight of expectations for more rapid capability acquisition and the inflationary and supply chain impacts that are manifesting in all parts of our economy. I am proud of what Defence has achieved this year. We are working with our partners to grow our shared capabilities and to build global resilience. We remain committed to prioritising partnerships with our Pacific neighbours and have elevated engagement with our counterparts in the Pacific. We are leveraging our longstanding record of positive defence engagement to further enhance cooperation, share information and improve interoperability between our forces.

Defence has supported the Deputy Prime Minister in undertaking bilateral visits to Nauru and Papua New Guinea, to Tonga to participate in the South Pacific defence ministers meeting and to Fiji, where he signed a bilateral status of forces agreement. Defence has also supported ministerial visits to the United States, the United Kingdom, France, Germany, India and Japan to advance cooperation and discuss issues of mutual concern. Australia's alliance with the United States remains vital to our security. We have deepened our engagement through enhanced force posture cooperation, as well as the rotations of US forces, including B-2 bombers, fifth-generation fighters and a nuclear-powered submarine.

The AUKUS partnership is progressing rapidly, driven through deep and broad engagement with our partners. The optimal pathway towards acquisition of a nuclear-powered submarine is being developed, and we expect to provide advice on that to government ahead of an announcement in early 2023. We are focused on developing at the highest possible non-proliferation, nuclear safety, security and regulatory standards and ensuring industrial and workforce readiness to support our current and future submarines. We already have ADF and APS personnel undertaking nuclear training in Australia, the US and the UK, and additional naval personnel will be training on board UK Astute-class submarines in the coming months. We are working to deliver an Australian nuclear-powered submarine capability at the earliest possible day.

Defence remains focused on developing an innovative Australian defence industry to deliver cutting-edge capability for the ADF. In recognition of the scale, complexity and importance of the naval shipbuilding enterprise, on 4 October Defence launched the naval shipbuilding and sustainment group. This is a dedicated entity that will partner with Navy and other parts of government and the private sector to deliver and sustain maritime capabilities and lead the development of a skilled workforce and a sovereign shipbuilding industrial base. We are pursuing greater integration in our defence industry partnerships. Industrial base collaboration was a key topic in discussions with government and industry during Deputy Prime Minister Marles's visits to India,

Japan and the United States. We are adapting to the challenges posed by climate change. Defence is working to lower its emissions and to identify alternative energy sources while maintaining our ability to meet contingencies both at home and abroad. Defence is also supporting the government's urgent risk assessment examining the impact of climate change across the national security spectrum.

Our people remain our greatest asset. We are attending to recruitment and retention challenges and working towards achievement of Defence's long-term growth requirements of 18,500 ADF and APS personnel by 2040, for example, through increased training and development opportunities, more contemporary ADF housing, health and education assistance and a renewed ADF recruitment contract. Building on the foundations laid by our Pathway to Change strategy, Defence is in the process of developing the next phase of our cultural reform program. Our unified defence values and behaviours will remain at its core.

The health and wellbeing of our defence personnel remains a top priority. Defence is fully supportive of the Royal Commission into Defence and Veteran Suicide and has commenced work to implement the government's response to the royal commission's interim report, in particular addressing how Defence and the Department of Veterans' Affairs provide access to information for ADF members and their families. The Chief of the Defence Force and I are committed to ensuring that any member or ex-serving member and their families can engage with the royal commission. We view the royal commission as a further opportunity to learn and strengthen our approach to the wellbeing of ADF personnel. I thank the committee for their indulgence and welcome questions.

**CHAIR:** Thank you very much, Secretary.

**Senator MOLAN:** My questions go to outcome 2, just touching on outcome 1 to begin with. Secretary, you do have an awful lot to be proud of, and I certainly back that up and many of the other statements that you made about what you have achieved over the last couple of years. My first question really goes to the fact that I have noticed the Prime Minister's comments on defence in the *Australian* over the last weekend, and I want to ask some questions specifically on those comments because this really is close to the government articulating or even implying the threat assessment that it has in the back of its mind and that I can only assume that the DSR will address at some stage. Of course, a threat assessment is basic to absolutely everything that the DSR will do or that we do strategically. I guess my first question is for the VCDF. The PM stated in the article I just referred to that the ADF is not preparing to fight a land war in central Queensland. As VCDF, what war are you preparing to fight?

**Vice Adm. Johnston:** Good morning, Senator. I would just indicate for the committee that the CDF is currently in the Pacific attending a long-planned joint heads of Pacific security meeting. It's the reason I've got the pleasure of representing him today. The work that we are doing with the Defence Strategic Review is the answer to your question of updating the circumstances in which Australian national security is being presented and understanding the priorities associated with that environment in which we find ourselves, as the secretary mentioned in his opening remarks this morning. That is work we're doing with the strategic review for the government to form a view of where its priorities for military capabilities lie.

**Senator MOLAN:** VCDF, do you see it as important that the DSR does come out with a statement or indication as to what war it is preparing to fight?

**Vice Adm. Johnston:** The strategic review will form those judgements. We are very closely engaged with and providing advice to them.

**Senator MOLAN:** The Prime Minister's comments in the *Australian* seem to focus on a threat horizon of five years. I'm slightly confused by this because four of the six tasks in the DSR terms of reference mention that they have to prepare those four tasks by 2032-33. Can you explain the difference—five years or 10 years?

**Mr Moriarty:** Senator, the leads are looking at the future strategic challenges facing Australia that may require an Australian Defence Force operational response. In their engagement with us they have been looking at what are the contingencies that we may need to respond to almost immediately, the circumstances that may throw up that the government may wish to make an ADF contribution to. So they are looking at very short-term contingencies, the sorts of challenges Defence can contribute to now, and they are looking then at how you grow the force, how you position the force in terms of disposition as well in terms of what we would want to be doing in 10 years and beyond—

**Senator MOLAN:** Sorry, for 10 years and beyond?

**Mr Moriarty:** Yes, but they are very much as well focused on the here and now and the coming years about how the ADF can be better able to be able to respond to the challenges we face. It's not bounded by particularly what we can do in two years, in five, in 10; they are looking at that full spectrum of challenges that we may face going forward.



**Senator MOLAN:** Sir, are you able to add anything to that?

**Mr Jeffrey:** Just to add to the secretary's remarks, the 2020 Defence Strategic Update, Senator Molan, which you'll be aware of, highlighted that we're in the most complex geostrategic environment our nation has experienced in 70 years. The rate of change and the accelerating rate of change in our region means that Australia can no longer rely on an extended lead time to prepare for conflict, and it also means that we need to be more focused on ensuring not only that we have the capability to defend ourselves in the event deterrence fails but also that we're in a position to contribute to deterring conflicts that would be catastrophic for our interests and for the interests of our region more broadly. So on the time horizons you referred to, the DSR is focused over the decade to think about both those challenges: how do we ensure that we're optimising the ADF's force structure and posture and industry inputs to ensure that we're in a position both to defend ourselves in the event deterrence fails but also to more robustly contribute to that deterrence now and into the future.

**Senator MOLAN:** Do you have a hedging strategy, should the five and the 10 years not be what an adversary within our region sees as their time line? Does the government have a hedging strategy not related to five or 10 years, should conflict occur much sooner?

**Mr Jeffrey:** Senator, with your military background you will know better than I that militaries go to war with the military that they have, in the event that conflict occurs in the near term. Our approach is to ensure that we are doing everything that we can now and into the future to ensure that we are contributing to deterrence and to maximise and optimise the defence of Australia. There are things we can do that will bear fruit in 10 years, there are things that we can do that will bear fruit in five years, there are things we're doing now that will contribute to the deterrent effect. All of the policy issues that we're dealing with—for example, the AUKUS initiative, both around nuclear-powered submarines and in relation to advanced capabilities—are all things we're doing now that we believe will have a deterrent impact straightaway but also into the future as these capabilities come on line. We're also doing a lot more to engage in our region to build and thicken a network of relationships that we also think will be vital to us now and into the future. So we would look at it as a spectrum from now right through to the next 10 years.

**Senator MOLAN:** VCDF, can you add anything to that—possibly in relation to the fact that an operational concept must feed into strategy?

**Vice Adm. Johnston:** We continue to look at the environment in which we find ourselves, what planning we might need to be doing to offer advice to government, to check the preparedness of the force. As you know, we go as we are, but we do continue the review the changes in technology and provide advice to government on what force changes might need to occur. We have been doing that as part of our regular force design process, and we continue to do so in supporting the strategic review.

**Senator MOLAN:** In the same week as the Prime Minister and now very recently the Minister for Defence came out, it was reported that the DSR interim report was handed to government. The Prime Minister stated his intention to reshape the ADF with an emphasis on missiles and drones. Do you know, and the question really is to anyone, has the DSR formed a conclusion, even a preliminary one, that the only threat to Australia is one requiring a response by missiles and drones?

**Mr Moriarty:** If I could, I think the DSR has given an update to the Deputy Prime Minister. They'll also have an opportunity to engage with other ministers, but it would be inappropriate to talk at this stage about conclusions that they're making. Their work is ongoing, and as I said before, they're looking at the full range of challenges.

**Senator MOLAN:** Yes, I thought you said that. I haven't got a copy of your statement yet. I thought you were speaking of a spectrum of threats, but the Prime Minister just seemed to focus on missiles and drones. Surely much more is required if, as you say, we're going to look at a spectrum of threats.

**Senator Wong:** The government have made clear that we are committed to a very careful assessment of Australia's strategic environment, that we are committed to delivering the required defence capability and posture, and the Prime Minister has said publicly we will do what is necessary. It's not optional; this is necessary. He has also made public comments, as have others, about the lack of preparedness as a consequence of the changes to the time line you described, the 10-year warning time, which your government was aware of. The review will make recommendations in relation to the force structure, posture and preparedness over the period 2023-24 to 2032-33 and beyond.

**Senator MOLAN:** It's interesting that the Prime Minister seems to be pre-empting the DSR.

**Senator Wong:** I think he's pointing to an issue which others publicly and senators in this forum have for some time, which is a capability which many regard as necessary which was announced but not delivered by your government.

**Senator MOLAN:** In forming those views about five or 10 years, I wonder if in the government's likely timings, likely considerations of five or 10 years, has consideration been given to the stated views of people such as Admiral Davidson, the White House and the Secretary of State, the US Chief of Naval Operations and US Strategic Command, which seem to indicate in statements that they have made that we may need a hedging strategy for contingencies on a much shorter time frame? Has consideration been given to the views of these people?

**Mr Jeffrey:** You may be aware the Defence Strategic Review leads have engaged in a comprehensive set of consultations not only within the Department of Defence in Australia but also with Australia's key partners, including of course the United States. They did travel to the United States, both to Washington DC and to Honolulu, where they engaged with a range of interlocutors—standing American political, legislative and military officials, so they will have been exposed to a whole range of views in relation to threat perceptions that the United States has and their own force development and preparations.

**Senator MOLAN:** Certainly the Prime Minister's article in the *Weekend Australian* stated that the Prime Minister intends to change the structure, or the government intends to change the structure, of the ADF. I wonder if there have been briefings on what he plans to change. Has the government briefed the DSR on what he plans to change, in addition to the terms of reference?

**Mr Jeffrey:** The DSR leads have updated the Deputy Prime Minister on their work. The Deputy Prime Minister has made clear in public that the DSR leads will provide their final report in February of next year, and the government will then be able to consider the report's recommendations.

**Senator MOLAN:** Are you able to provide details not of the content of the briefings but of the times that government has provided the DSR with briefings indicating its desire for missiles or drones or five or 10 years or any indication like this?

**Senator Wong:** I'm surprised you'd even ask a question like that, given your background. We're not going to be talking about particular capabilities until decisions are made, but we will take on notice what you are seeking, if I can try and put it in a more reasonable scope. What are you seeking?

**Senator MOLAN:** I'm seeking a list of the occasions on which a briefing has been provided by government to the DSR subsequent to the terms of reference.

**Senator Wong:** Why don't we look at what we can provide in relation to—I'll perhaps turn it the other way around—the DSR's activities and engagements with partners and other parts of government, and we'll take that on notice.

**Senator MOLAN:** The Prime Minister's article also stated that the PM intends to increase the defence budget and is determined and fully committed. Has the DSR been briefed by the PM on what magnitude of increase is contemplated? Has guidance been given to the DSR in relation to a financial cap? The PM has said he will provide anything that is required, but does that apply only to high-priority things? What guidance has the government provided to the DSR in relation to finances?

**Mr Moriarty:** Any engagement between the Prime Minister and the DSR leads or Mr Marles and the DSR leads obviously is confidential and a matter for the PM and for the Deputy Prime Minister.

**Senator Wong:** I can try and assist you. The PM and the DPM have both made clear the trajectory of defence spending is likely to increase, given the circumstances in which the country finds itself, and the DSR will obviously be the key process by which the capabilities are prioritised and optimising force posture and capabilities can occur. I just make the point that the usual processes which occur under governments of those capabilities, the work being done by Defence, to consider how those capabilities are acquired will continue. Your question seemed to imply a different sort of process.

**Senator MOLAN:** Yes, it did. There was no provision in the budget we've just been through. Would we expect that in the May budget?

**Senator Wong:** Provision for what?

**Senator MOLAN:** Funding for what you are talking about, Minister.

**Mr Moriarty:** Senator Molan, when the government receives the review, I anticipate that the government will consider its recommendations. It will then direct the department, as appropriate, to prepare new policy proposal submissions or to reprioritise the investment program through the appropriate mechanisms, and we would expect to do that through the budget process so that it gets the oversight that we would normally expect any changes to the defence budget to have.

**CHAIR:** I have a couple of questions I just want to ask of the department. I appreciate you may be limited in what you can say here, but the Deputy Prime Minister and Minister for Defence has said that there was enough information in the initial investigation on topics relating to ex-ADF personnel being approached to provide military-related training, particularly to China. Are you able to say how the department became aware of such an instance?

**Ms Perkins:** Thank you for the question. What I'll start by saying is we're aware of the Deputy Prime Minister's comments and statements, and we have been made aware through our engagement with security agencies that former ADF personnel may have been approached to provide military-related training services. As I said, we work closely with national security agencies on these matters, and they come to us when they may have information. Obviously these are quite sensitive national security matters, so I'm limited in the details that I can speak to today, other than to reassure the committee that we are aware, we are working closely with other agencies and at the Deputy Prime Minister's instigation I have commenced an internal inquiry or review into the adequacy of defence policies and procedures that would help us prevent, discourage or manage former ADF personnel undertaking any sort of post-ADF employment that would not be in Australia's interests.

**CHAIR:** And that internal review is separate to the initial investigation that has occurred?

**Ms Perkins:** There are limits to what I could say about the way that the national security agencies undertake that work. You'll respect, obviously, the sensitivity of that, but in Defence, at the Deputy Prime Minister's direction, we are both working closely with those agencies to support them in that work and separately doing a deep investigation of our own policies and procedures, our own knowledge and understanding of our members and our former serving members and what we might need to understand about this problem. I'd add that obviously all our people, but particularly our highly trained people, we know, are attractive targets. The onus is on us in our security policy controls and settings to support them and build really deep awareness in our community that what I'd describe as foreign actors will target our people for the unique skills that they have, and it's a really important part of our work to understand how we help manage and support that.

**CHAIR:** I appreciate you are limited in what you can say. What does the department intend to look at with this examination? I'm not sure if you're able to provide use with a bit more broader information than what you've just outlined.

**Ms Perkins:** Absolutely I will. After the Deputy Prime Minister requested that we undertake the internal consideration of our policies and settings, we developed detailed terms of reference. Now, those terms of reference are classified, so I won't share them in detail. But the intent of that work is to look at the adequacy of the policies that are in place for our members and former serving members for undertaking employment following their separation from the Australian Defence Force. I'd stress that for anyone who has access to sensitive information the same rules will apply. So we'll be looking closely at our internal policies, the ways in which we manage people's security clearances through their employment and following separation from their employment or what other controls we have or we might propose to the Deputy Prime Minister we feel we need as that foreign intelligence threat continues to be a challenge to us, if we believe that we need to strengthen our current policies, procedures and controls.

**CHAIR:** What's the time line of the examination?

**Ms Perkins:** We're moving quite quickly. I have got the defence's chief security officer, Peter West. I will lead the review. Peter West, our First Assistant Secretary Defence Security and our chief security officer, will be doing the hard work for me. We've assembled a team from across Defence from each of the three services—the Army, the Navy and the Air Force—and other interested parts of Defence, our legal people and so forth. We will be working with the countering foreign interference task force in that work, and I've made an undertaking to the Deputy Prime Minister that we will be reporting to him by 14 December.

**CHAIR:** Of this year?

**Ms Perkins:** Yes.

**CHAIR:** Is the department aware of any legal loopholes which would allow former ADF personnel to partake in such training?

**Ms Perkins:** I would be reluctant, as we commence that work, to give an opinion on legal loopholes. I think an important part of the work Peter and I will be undertaking and our consultations with other security agencies is what legal frameworks are in place and how they might be best applied, and of course that will inform potentially things that we might form positions on across government.

**CHAIR:** But you are aware of loopholes; you just can't go into that today?

**Ms Perkins:** No, Senator. I wouldn't form a position on loopholes. I would say that we will be looking deeply at whether the existing legislative frameworks or policies on post-separation employment remain appropriate when our people may be targeted by foreign actors.

**CHAIR:** What are the current legal ramifications then for ex-ADF members doing such training?

**Ms Perkins:** I don't know if Mr West wants to offer an early opinion. I remain cautious. We certainly have members of Defence Legal involved in this work. I'm personally not a lawyer, so I wouldn't want to speak before we've done that work to what the legal positions might end up being.

**Mr West:** I might just add I think one of the key first steps in the work is to define what we mean by ex-ADF members. Many ex-ADF members transfer to the Australian Public Service. They may retain security clearances as part of whatever work they moved onto. They may be members of the reserve. So I think there are a number of legal frameworks we need to look at about how we manage people who have moved on from the ADF and the security risks they face.

**CHAIR:** You can take this one on notice too, but is it the intent that, once the department does report back to the minister, potential legislative changes could arise out of such an examination?

**Ms Perkins:** That would be a matter for the government to consider and for our colleagues in the Attorney-General's Department to form a view on. I think what's important is that we look closely at defence personnel, former serving members of defence, as Mr West has just described, form submissions from that and then with other national security agencies work through where the implications might take us.

**CHAIR:** Has the department been made aware from allies or other countries of this behaviour?

**Mr West:** We are aware of the press reporting out of the UK and the fact that they have highlighted these security risks, but it wouldn't be appropriate to comment on the details of the investigation and any cooperation with allies.

**CHAIR:** But you are aware, okay. And was this something that the department was made aware of before it made it to the media?

**Ms Perkins:** Yes, Chair.

**Senator PATERSON:** I acknowledge the Deputy Prime Minister's statement this morning and the sensitivity of these issues. I also acknowledge that the opposition has been offered a briefing on this, and I'm appreciative of that, on behalf of opposition members. But I do just want to ask some follow-up questions, given the chair has opened up this issue for questioning, and I'm grateful that you've been candid in your responses to him. Just on that last question that you answered from him, to be clear, the department was aware of this issue before the press reports in the *Australian*?

**Ms Perkins:** Yes, Senator.

**Senator PATERSON:** When did the department first hear about this issue?

**Ms Perkins:** I might take that on notice, Senator, both to be precise but also to engage with other security agencies on how much they're prepared to share.

**Senator PATERSON:** I want to be clear about this inquiry or investigation the Deputy Prime Minister announced this morning. Is it just an inquiry into the potential policy ramifications and issues, or is there also an investigation into individuals who might have breached the law or their obligations to the ADF?

**Ms Perkins:** The detailed examination the Deputy Prime Minister has referred to this morning, as I understand it, is into Defence's policies and procedures. I intend in my directions to Mr West that as we do that work and as we work with other national security agencies we'll make recommendations to the Deputy Prime Minister first and foremost around our policies and procedures, and then as other matters continue to be considered the appropriate authorities will take those forward.

**Senator PATERSON:** So this is a policy-based inquiry; are there also any current investigations that you are aware of into individual current or former members of the ADF of a criminal or investigative nature?

**Ms Perkins:** Senator, that would be a matter not for Defence but for other national security agencies.

**Mr Moriarty:** If we become aware of any potential breaches of Australian law by ex-members of the ADF we will engage closely with the appropriate law enforcement agencies to provide whatever we can in terms of facts and information. We will be supporting any investigative work that any other agency undertakes. We will be supporting the review of policies and procedures. We are also very conscious that on joining Defence, everybody—APS and ADF—signs an official secrets acknowledgement. When they leave Defence they also sign a declaration of secrecy on cessation of duties, which reinforces that they are still under an obligation not to

discuss official information—and 'official information' is very broad—with any unauthorised person. That's separate to the proper agencies deciding whether a law has been breached and whether it is sufficient to take forward other work, but I believe that official secrets obligation is a very important one for all of our people and for all ex-members of the ADF that sticks with them for the rest of their life.

**Senator PATERSON:** Secretary, can I understand from the way in which you couched that statement, 'If we become aware, we will assist,' that you are not currently aware of individual ADF members who might have breached their obligations?

**Mr Moriarty:** Senator, I'm not prepared to go that far. We are collaborating very closely with the other security agencies, and I wish for the nature of that collaboration and the information that's being shared to remain confidential.

**Senator PATERSON:** Fair enough. Who are the other relevant agencies you may need to be cooperating with?

**Mr West:** Senator, primarily that is the joint ASIO-AFP countering foreign interference task force.

**Senator PATERSON:** We did have the AFP before us yesterday but did not have this news, so we didn't have the opportunity to ask them. But ASIO will be returning before the Legal and Constitutional Affairs Committee in a spillover session, so we might ask them about it then.

**Senator Wong:** I would hope these are not partisan issues. I would really encourage you to take up the briefing that has been offered, rather than to traverse these issues in open session with ASIO.

**Senator PATERSON:** Thank you, Minister; I do appreciate that. That's why in my opening remarks I acknowledged the sensitivity of these issues and I placed on the public record my appreciation of the offer of the briefing. I do note that the chair did ask a number of questions about this and those questions were answered, so I'm only seeking to pursue in the same way those issues.

**Senator Wong:** I don't think he asked about ASIO.

**Senator PATERSON:** I just asked which the agencies were involved, and the witness has volunteered—

**Senator Wong:** And then you said you were going to go and ask ASIO. That's not particularly responsible.

**Senator PATERSON:** I trust the director-general of ASIO understands the sensitivities of these issues too and would answer to the extent that he is able to in a public setting. This is an issue which will be of interest to Australians, and I trust the witnesses, who are very experienced, to understand the bounds of what they can say and not say. I don't have any—

**Senator Wong:** My concern is not with the witnesses understanding the boundaries, Senator.

**Senator PATERSON:** I understand the point you're making, Senator Wong, but it's obviously not possible for me to disclose classified or sensitive information, because I don't have it, so any question that I ask is up to witnesses to consider how they wish to answer. I noticed in your answer before, Ms Perkins, you said 14 December was the date by which you'd undertaken to return the report to the minister. How many officials in the department are working on this investigation?

**Ms Perkins:** I'll get Mr West to speak to the specific details. We have assembled a team with representatives from the Navy, the Army and the Air Force; Defence People Group; integrity division; Defence Legal; and Strategy, Policy and Industry Group internally—so that's eight, under Mr West's leadership. As I said, we'll also be engaging closely with the countering foreign interference task force, and we've invited them to participate as an observer in that work. That takes us to nine, and I understand Mr West has a small secretariat assisting. I wouldn't anticipate all nine of those people are working full time but rather bringing their expertise and knowledge of their service and their people to that task.

**Senator PATERSON:** Do you know how many Australian pilots have been approached?

**Ms Perkins:** No, Senator.

**Senator PATERSON:** Do you know how many Australian pilots have accepted the offer from the South African intermediary or any others?

**Ms Perkins:** Senator, as we said previously, we're really not going to speak to the detail of what information may have come forward. That needs to be worked through by the appropriate agency.

**Senator PATERSON:** I will leave it there and look forward to the briefing.

**Senator SHOEBRIDGE:** Thanks, everybody, for coming today. On the issue that the chair commenced questioning with, the ANAO estimated as long ago as I think 2004 that the cost of training a Hornet combat pilot

was something in order \$15.2 million. Do you have any idea of what the current cost is of training an RAAF pilot to the ADF?

**Air Marshal Chipman:** I'd have to take that question on notice.

**Senator SHOEBRIDGE:** It's a hugely expensive and lengthy undertaking though, isn't it, to train these pilots?

**Air Marshal Chipman:** It would be fair to say more than \$15 million, if that was the figure the ANAO quoted.

**Senator SHOEBRIDGE:** When the ADF engages in that kind of investment over years, is there any clear direction given to the personnel that we train that they can't just up and take that training to a foreign country and use it to train a potential future adversary? Is there a clear, unambiguous prohibition.

**Vice Adm. Johnston:** If I could answer perhaps on behalf of the ADF, because this issue clearly is not limited to Air Force pilots or to any other capability, it's very unambiguous at the point we join. We receive annual training on our security practices, principles and threats. If you are in the more particular and sensitive parts of defence capability, you get both the privileged access and the additional obligations of protecting that information, and as the secretary said, on departure that's a declaration that we make as we transition. I think it is very unambiguous and regularly reinforced what our expectations are.

**Senator SHOEBRIDGE:** The minister said this morning that there's an enduring obligation to maintain secrets as long as they are secrets, that persists post-employment and that's clear and unambiguous. That's the minister's position.

**Vice Adm. Johnston:** Senator, that's correct.

**Senator SHOEBRIDGE:** So I'm asking you, is the training provided to in this case RAAF pilots, at huge expense to the Australian taxpayer, an official secret?

**Air Marshal Chipman:** Senator, there is no doubt that the training that they undertake will include sensitive information that they are obligated to protect, and it is clear to them that they are required to protect that information while they're in service and once they've left the service.

**Senator SHOEBRIDGE:** You seem to be talking about elements of the training or parts of information that comes out; I'm talking to you about the inherent basic skills, trained over years at enormous cost to Australian taxpayers, in this case of flying a fighter plane. Is that an official secret for which, as the minister says, there's a clear and unambiguous obligation not to provide that information to a third party?

**Air Marshal Chipman:** I hadn't made the distinction. We have a layered protection system that protects our information. It protects our knowledge, it protects our capabilities and it protects our people. Any disclosure of official information to an unauthorised person is an offence.

**Senator SHOEBRIDGE:** So is that training covered by that restriction?

**Senator Wong:** That's the third time you have asked that. The official has answered the question.

**Senator SHOEBRIDGE:** It is unclear, I've got to say—

**Senator Wong:** Senator, you may not like the answer, but it's the answer the air marshal has given.

**Senator SHOEBRIDGE:** Is there any post-employment restriction other than under the official secrets? Is there a contractual obligation, for example, that members of the ADF enter into when they leave service?

**Ms Perkins:** I think there are a range of post-separation employment policies and procedures that apply to members of the Australian Defence Force and members of the Australian Public Service and in fact any holders of security clearances, and they are reinforced to members at the point of their departure from employment. As Mr West offered earlier, many people continue in a reserve capacity to maintain security clearances, and their obligations remain enduring. I think the review I referred to that I'll be leading with Mr West is the place where we will be asking these questions in detail to determine if the post-separation employment controls we have in place remain adequate in an environment where foreign actors may target our highly trained and highly skilled people.

**Senator SHOEBRIDGE:** From the information that's in the public domain it appears there are probably more post-employment restrictions when you cease working as a stockbroker for a bank than when you cease working as a fighter pilot for the ADF. Can you point to any standard contractual post-employment restrictions that go beyond the generic security restrictions you've referred to?

**Ms Perkins:** If you look to parts of our integrity controls, our security controls and our personnel policies there are a range of controls there, and that's what the Deputy Prime Minister has asked us to have a good, deep look at.

**Senator MOLAN:** I'd like to return to the DSR, if I may, and specifically some questions on scope and process. You may be aware that I made a submission to the DSR, and I just make that statement for disclosure purposes. But under the terms of reference of the DSR, and I think this is probably going to the minister, the review must outline the future strategic challenges facing Australia which may require an ADF operational response. Minister, was consideration given to a broader review of the entire nation's preparedness, including Defence, to face the strategic challenges mentioned in the terms of reference, and not just Defence?

**Senator Wong:** Meaning other portfolios?

**Senator MOLAN:** Correct.

**Senator Wong:** It is a good point that I have, with a different hat on, advocated quite strongly for and have sought to bring to the role that I now have, and I'm happy to talk about it tomorrow, which is that, given the circumstances the nation faces, we need to invest and utilise all aspects of state power, which include defence capability, which we're discussing now, but also diplomatic capability, including soft power. I think the secretary has outlined, and so have I, the nature of the focus of the Defence Strategic Review. I've no doubt, given the two gentlemen involved in doing the review, that they will bring that 'all elements of state power' perspective to the review, but the government's focus was very much on our concern that, coming into government, the present capability and suite of capability decisions did not match the urgency of the strategic circumstances. So the review is focused primarily there—and I'm using my words; I'm sure the secretary can correct me or perhaps augment them with more appropriate official words. But that is the focus, hence the shorter time frame, Senator Molan. If you were doing this five years ago or in 2020, when the DSU happened, an option for the government then would have been to do this sort of broad-ranging capability across government, which might have led to changing a whole range of policy settings.

**Senator MOLAN:** Yes. I guess we're talking about national security versus just defence.

**Senator Wong:** Correct. How do you secure the nation? What is your economic resilience and strategic resilience? Your sovereignty is protected and safeguarded by your defence capability, by your diplomatic capability and by your economic resilience, including supply chain resilience. You've written about this. There are a whole range of things a government and a community has to do to safeguard its polity and its sovereignty in these times.

**Senator MOLAN:** That's comforting to hear, and I look forward to that discussion tomorrow, certainly.

**Senator Wong:** It is always far easier to identify the problem than to identify the solution and implement it, but we're, hopefully, making a bit of progress.

**Senator MOLAN:** Thank you. I assume that the consultation will then occur within departments. Minister, if you discuss it tomorrow, is it likely to be—

**Senator Wong:** Discuss which—the general proposition about how a country protects its sovereignty or the DSR?

**Senator MOLAN:** The general proposition about how a nation must be as prepared as their defence force. You've answered the question, because I assume you'll speak about the general proposition tomorrow and not specifics. That's the question: will you speak about a general proposition in relation to national security tomorrow?

**Senator Wong:** I'm happy to answer the questions you put to me tomorrow, Senator Molan.

**Senator MOLAN:** Thank you.

**Senator Wong:** And thank you for giving me a bit of notice about your interest. But I would say—and I know we've taken on notice what we can provide about the conduct of the review—there has been good consultation across departments that I'm aware of anecdotally, including my own.

**Mr Moriarty:** Yes.

**Senator MOLAN:** As a general proposition—

**Senator BIRMINGHAM:** Minister, I just want to make sure that Senator Molan is not disappointed tomorrow, because I've had some of his line of questioning myself before. I suspect there are matters of industrial capability and other features that he is wanting to explore—

**Senator Wong:** I would probably disappoint you on that, because—

**Senator BIRMINGHAM:** and that may be better explored here than tomorrow.

**Senator Wong:** And/or in other departments.

**Senator MOLAN:** The issue really goes to the fact that the rest of the nation—that is, the entire nation—if we are considering national security and a changed strategic environment, must be as prepared as we hope the Australian Defence Force will be. So, Minister, if that could be the basis of your general proposition tomorrow, I would certainly appreciate it.

**Senator Wong:** I'm hoping some really smart people are listening and can assist tomorrow with that very broad ranging question.

**Senator MOLAN:** I think this is to the Minister again. What is the process if the DSR identifies a strategic challenge which is not within scope? The ones that I look at often are ports and shipping infrastructure, energy and liquid fuel security, pharmaceutical supply, communications and IT security, and supply chain problems—we all know these. Can we anticipate that your general proposition will move from being a general proposition sometime next year, possibly, towards an inquiry into these things?

**Mr Moriarty:** Certainly, those broader issues of national resilience are ones that the leads have turned their minds to. In terms of the normal work of the department, we see shaping as a primary mission for Defence, but Defence is often not the lead in terms of shaping. Our contribution to shaping a positive regional security environment is often in support of DFAT or in support of the Prime Minister's diplomatic initiative. In terms of the generation and the execution of statecraft, Defence sees that it has a legitimate part to play everywhere, from helping to build a positive regional perception of Australia, helping to develop partner capability, along that spectrum to being able to contribute forces to UN or other missions, and then to deter and, if necessary, to respond to threats against Australia. So we have definitely seen ourselves as a contributor to statecraft, sometimes a larger part of that total national response, but we would want to see ourselves as in support of the government's diplomatic objectives everywhere, from disaster resilience in the South Pacific through to the generation of high-end war-fighting capabilities for deterrence and other purposes.

**Senator MOLAN:** That's good. Certainly it is the government, not Defence, who would take this and who can co-ordinate all of these things through the National Security Committee of Cabinet.

**Senator Wong:** We can talk about it tomorrow, Senator Molan, but you have hit the nail on the head. These are appropriately matters that the NSC is seized of. I will do my best to answer some of those questions tomorrow. My point is that on some of those matters I will stay at a very general level.

**Senator MOLAN:** Certainly. Could I go to the use of the term, within the terms of reference of the DSR, prioritisation and reprioritisation? We know that the Prime Minister has said we will spend what it takes and we'll do what's necessary. Can you explain why reprioritisation is in the terms of reference? My concern is that this goes back to the two per cent cap on a DSR. The PM said 'We'll do what it takes.' Can I have an assurance that there is no spending cap on the DSR considerations?

**Mr Moriarty:** I think that Defence will need to do some reprioritisation. That is because in order to deliver capabilities, we have a limited workforce, we have a limited defence industrial base, and the government will say, if we want you to prioritise long-range strike, that means that we will look at the total workforce and say, 'If that is a government priority, what other tasks may we need to put a little bit less emphasis on in order to free up the human and other resources to respond to a government priority?' I am not interpreting that as some sort of hidden signal that the Defence budget is under threat. In fact, the recent Defence budget continued the trajectory of growth that had been set out in the 2016 white paper.

**Senator MOLAN:** So there are no grounds for me being concerned that that the Prime Minister's statement refers to the requirements that might be the highest possible requirements that the DSR comes out with.

**Mr Moriarty:** No. All I can say is that the Defence budget, of course, is set by the government in terms of its overall annual work, and Defence continues to contribute to that. Obviously we will work with the Defence budget that the government, through its appropriate processes, allocates to the department, and try and equip the resources that we are given to deliver against the government's priorities.

**Senator MOLAN:** Thank you. My last bracket of questions is starting now, so I could hand over in a couple of minutes, if that's okay.

**Senator BIRMINGHAM:** Could I ask a quick follow-up question?

**Senator Wong:** It might be useful, given the budget was raised, to get the CFO to the table, just to be clear about what the budget indicates.



**Mr Groves:** Just to continue on the secretary's comments, the latest October budget has continued the trajectory that was outlined first in the DSU, the Defence Strategic Update, and the Force Structure Plan. Funding for 2022-23 has been set at \$47 billion for Defence and \$203 billion over the forward estimates. The adjustments that were made to the Defence budget at the latest budget were the normal, regular ones that we do around foreign exchange. There were increases to Defence funding for that; and also a variety of measures that were largely election commitment related, but overall no major changes to Defence funding at the October budget.

**Senator BIRMINGHAM:** Thanks, Mr Groves. On Senator Molan 's questions about the scope of the DSR, can Defence clearly define for us, in relation to defence posture and force structure, what is out of scope of the DSR and place that on the record please?

**Senator Wong:** What does that mean?

**Senator BIRMINGHAM:** Are there any aspects of the IIP or the other tasks identified in the terms of reference that are out of scope?

**Mr Moriarty:** No, nothing is out of scope.

**Senator BIRMINGHAM:** So all aspects are on the table in terms of the prioritisation or reprioritisation that is involved.

**Senator Wong:** All aspects are on the table because defence spending is a function of strategic threat and complexity.

**Senator BIRMINGHAM:** I am just seeking to clarify that. There has been some debate previously about whether some things are out of scope for the DSR.

**Senator Wong:** The rational approach is to look at the strategic circumstances and identify what are the critical capabilities that the country needs in the near term and in the medium term, and work out, rather just announcing it, how to deliver it.

**Senator BIRMINGHAM:** I appreciate that. There has been public debate about whether, for example, nuclear powered submarines are out of scope. Mr Moriarty has made clear that everything is in scope.

**Senator Wong:** There's a bipartisan position on AUKUS, which you well know. So let's not try to be mischievous about a critical capability of our strategic partners in this estimates, particularly from someone of your seniority. There is bipartisan commitment to AUKUS. That policy setting is clear. You may not have been here, but the secretary in his opening statement talked about what the government has said about the time frame for an interim announcement. But if the question is, are we saying 'don't look at this', I don't believe there has been any such direction to the leads or the department.

**CHAIR:** Does that conclude your follow-up, Senator Birmingham?

**Senator BIRMINGHAM:** I don't want to take up Senator Molan 's time.

**CHAIR:** Senator Green has the call.

**Senator GREEN:** I have some questions about the Guided Weapons and Ordnance Enterprise. Am I correct that the abbreviation of this program is 'GWEO'?

**Mr Moriarty:** It gets a few contortions, but I think we use 'GWEO'.

**Senator GREEN:** On 31 March 2021, the former Prime Minister, along with Ministers Dutton, Price and Porter, released a media release that talked about the establishment of the enterprise. It said:

The Australian Strategic Policy Institute has estimated that Australia will spend \$100 billion in the next 20 years on missile and guided weapons purchases.

How much was allocated at the time for the GWEO enterprise?

**Mr Byrne:** That's correct, the ASPI estimate was that, by collating all of the allocations across the Force Structure Plan from 2020, the total sum allocated for all guided weapons and explosive ordnance was in the order of \$100 billion. Within that, as a subset of that, the allocation for the Guided Weapons and Explosive Ordnance Enterprise was in the order of \$35 billion.

**Senator GREEN:** That figure is for what Australia would need to purchase from other countries?

**Mr Byrne:** It's a mix. It includes a provision for the acquisition of weapons, including from overseas, but also for domestic manufacturing, and also for building up all of what we call the enabling elements of the GWEO Enterprise, which includes R&D, infrastructure, storage and distribution, and domestic manufacturing.

**Senator GREEN:** What was the \$1 billion of funding announced on 31 March 2021 by the former Prime Minister initially for?

**Mr Byrne:** That \$1 billion was initially earmarked for expanding our domestic manufacturing base for guided weapons and explosive ordnance.

**Senator GREEN:** There's a bit of a disconnect there in that ASPI says that we'll spend \$100 billion, and the announcement was for \$1 billion. Was that funding to establish the enterprise or actually to purchase weapons?

**Mr Byrne:** So that funding—

**Senator GREEN:** Or a bit of both?

**Mr Byrne:** That \$1 billion specifically was for establishing our domestic manufacturing base—for example, investing in additional manufacturing infrastructure.

**Senator GREEN:** In the media reporting around that announcement, it said the government plans to choose a corporate strategic partner this year. That didn't happen, though, did it?

**Major Gen. Bottrell:** Perhaps I can help. The announcement at the time was, if I recall correctly, appointing two strategic partners, was Lockheed Martin Australia and Raytheon Australia.

**Senator GREEN:** I'm loath to correct you, but my question is about what was said on 31 March 2021 about what the government planned to do, and what that \$1 billion announcement was for. At the time, the government said that they had planned to select those strategic partners within a year, but that didn't happen until 2022. Is that correct?

**Major Gen. Bottrell:** You're correct in that there was an announcement about a single strategic partner. We subsequently did a significant amount of analysis and provided advice to the government of the day. The decision then came out, and I'd have to check my notes on the actual announcement of that—it was late last year. Andrew, you may have that.

**Mr Byrne:** Senator, if I can help—

**Senator GREEN:** Major General, I'm asking about the timing. I understand there was an intention, possibly, to have one strategic partner. It ended up being two. That's what you're telling me. But my question is about timing. At the time, there was an intention to make that happen within a year but that didn't happen.

**Major Gen. Bottrell:** The announcement was made within the year. It was announced before 31 March this year, so it was within the 12-month period.

**CHAIR:** Mr Byrne, did you need to add something to that line of questioning?

**Mr Byrne:** Perhaps a slight correction there. There are two steps. The announcement on the two strategic partners was made on 5 April this year, but the decision to appoint them was taken earlier than that. It was on 5 April the government chose to announce that decision.

**Senator GREEN:** Okay. When the announcement was initially made in March 2021, the media release referred to an acceleration of guided weapons manufacturing as part of that announcement. What acceleration of any specific projects or any additional funding increase to stockpiles occurred?

**Major Gen. Bottrell:** There are several parts to this. I'll talk to two of them, and I think Andrew Byrne is best to talk to the third one, which is the manufacturer piece. There are essentially three ways that we have identified that we can increase our access to guided weapons. The first is about increasing what we can do on what we call maintenance repair and overhaul using our existing facilities. We have quite an extensive range of facilities around Australia, so part of that is in getting authorities, largely out of the US, to be able to do more of our maintenance here rather than having to send weapons back to the US for upgrades, repair et cetera. That is one part of it.

The second part is getting acceleration or getting higher priority on foreign military sales cases. This On that latter piece, we have undertaken a number of additional foreign military sales cases. I would suggest, after our third trip to the US in 12 months, that we have received significant additional priority on a number of those cases. I can go through some of those in further detail if you would like.

**Senator GREEN:** I am interested in what projects were accelerated under the enterprise?

**Major Gen. Bottrell:** There are a number of specific acquisitions on specific weapons, which we can talk to.

**Senator GREEN:** I'm not asking for general information about your acquisition program. I am talking about what this \$1 billion dollars of funding achieved in that first period of time. Sorry, I don't mean to verbal you. You're speaking in future tense. Is it that the planning has happened but the acceleration and the discussions and contracts is ongoing?

**Major Gen. Bottrell:** A number of announcements were made about specific weapons. A number of those contracts and those foreign military sales cases have been established and put in place. I think you might also be

referring to the third leg of how we increase access, and that is through manufacture. That's the longer, harder piece, and that's the one that Andrew Byrne can probably talk to in more detail.

**Senator GREEN:** Typically, in the first 18 months of this program, we have not been manufacturing weapons under the program—it has been about working with our strategic partners? Is that right?

**Mr Byrne:** We already have manufacturing of explosive ordnance in Australia. Under the auspices of the GWEO funding, the initial additional manufacturing that has been added to that is the domestic manufacturing of 500-pound aircraft bombs. We're also investing in enabling infrastructure that's going to be required to really start to accelerate manufacturing in Australia from the base that we have now, so investing in additional manufacturing infrastructure at our government owned munitions factories at Benalla and Mulwala. We're building additional storage infrastructure which we're going to need, additional explosive ordnance handling infrastructure. We're starting up a new masters program in explosive ordnance so we have the workforce ready to go as we start accelerating that manufacturing.

**Senator GREEN:** I'll come back to that in a moment. I have some questions on that work. But to be clear around the time though, the announcement around the strategic partners happened on 5 April 2022, is that right?

**Mr Byrne:** Correct.

**Senator GREEN:** What has happened with regard to the strategic partners so far? Has a contract been signed?

**Major Gen. Bottrell:** Initially we signed a deed which was essentially a cooperative development phase. That allowed other things to occur, firstly for us to start a number of work packages. Andrew can talk to those work packages, which talk to future manufacturing options, so the work to analyse what is feasible. Essentially, it needed to be right for us. It needed to be right for what the US government needed. It needed to be right for industry as well. That has been a complex undertaking. That has been done under that cooperative development phase and will continue once our heads of agreement contract agreement is signed.

**Senator GREEN:** When was the deed signed?

**Major Gen. Bottrell:** I would have to take that on notice. I may have the detail, otherwise I will have to come back to you with that deed. Subsequent to that we are working on a strategic partners heads of agreement, which we are working to have signed by late November or early December this year.

**Senator GREEN:** So since the 31 March 2021 announcement, we had a deed but no contract with the strategic partners.

**Major Gen. Bottrell:** The deed allowed us to undertake work in the absence of a long-term strategic—

**Senator GREEN:** No contract has been signed?

**Major Gen. Bottrell:** A deed is a form of commercial contract.

**Senator GREEN:** You know what I'm asking you. I'm being very clear about this. A deed is a deed—I do know the difference. What I am trying to understand is what work has been done with those strategic partners. There weren't a lot to pick from. There was a list on 31 March. I think there was a clear understanding of the key strategic partners that were possible. So I'm seeking to understand why it has taken so long to get to this point.

**Major Gen. Bottrell:** It's surprisingly more complex than most people would realise—

**Senator GREEN:** I understand that.

**Major Gen. Bottrell:** which is why we had to go back to government with further advice. Perhaps Andrew can talk to the work that has been ongoing with those strategic partners under that cooperative development phase.

**Mr Byrne:** To get to the point of your question, with both Raytheon and Lockheed Martin over the past several months we have been developing a number of manufacturing options to start building manufacturing of guided weapons, specifically missiles, in Australia. We'll be taking some of those options forward to government over the coming months for consideration.

**Senator GREEN:** In terms of working with suppliers and manufacturers in Australia, what have you been able to achieve since then?

**Major Gen. Bottrell:** Shortly after the announcement by government in March last year last year we undertook a very quick request for information across industry, firstly to get a sense of what the latent capability within the Australian industry base was; secondly to use that as a means to generate interest across industry. That was done several months after the announcement. We have used that as the basis to develop our understanding of the capability of how we can bring industry into this.

**Senator GREEN:** I have a list of people who are interested. The media release from the former government also said that the project would create 2,000 jobs across the country. How many jobs have been created since then under this project?

**Major Gen. Bottrell:** I don't know where those numbers came from.

**Senator GREEN:** You don't know where they came from?

**Major Gen. Bottrell:** No, I don't. That detail wasn't provided by Defence to government.

**Senator GREEN:** Mr Byrne, do you know where that figure came from?

**Mr Byrne:** No, I don't.

**Senator GREEN:** Mr Moriarty, it was a media release from the Prime Minister and the defence minister. They didn't just make that number up, did they?

**Mr Moriarty:** You would need to ask the former Prime Minister. It was his press release.

**Senator GREEN:** So it was an assumption based on we're not sure what, plucked out of the air, put in a media release talking about Defence manufacturing?

**Major Gen. Bottrell:** I can't talk to it other than to say that clearly if we—

**Senator GREEN:** Okay. You don't know where the figure came from. It's clear under this project that we have not got to the point of creating any of those 2,000 jobs, have we?

**Major Gen. Bottrell:** Not for manufacture, no. We have hired additional people for maintenance, repair and overhaul, but those are relatively low numbers at this stage.

**Senator GREEN:** I understand that Minister Conroy recently visited Washington and has had some productive meetings with US officials on this. Did any of those meetings canvass speeding up the acquisition of these missiles and dealing with the issue around technology transfer?

**Mr Deeble:** I was with the Minister for Defence Industry through many of those meetings during his recent visit. The acceleration of those options, especially for maintenance, repair and overhaul, including foreign military sales and how we could receive those weapons faster, was discussed in every meeting. They were very productive meetings. We spoke with a number of very senior people within the US government, in US government agencies, and they were very supportive of Australia's guided weapons enterprise.

**CHAIR:** Senator Molan, I think you had a follow-up question.

**Senator MOLAN:** It went exactly to the last point that was being made. Could I be assured, please, that there is a realisation in Defence and in government that the critical period of time we're talking about will be when there is no guarantee, when everyone is trying to get missiles, and there will be a requirement for us to address both a peacetime situation and a wartime situation?

**Vice Adm. Johnston:** Yes. We understand the distinction between the two.

**Senator MOLAN:** Thank you. I've been approached by an Australian company who believe they can make missile fuel. They have had great trouble getting a contact with someone. Could I speak to—

**Major Gen. Bottrell:** Yes.

**Senator MOLAN:** Thank you. I'll see you afterwards.

**Major Gen. Bottrell:** I may well know the company you're talking to. We are making ourselves available to any company that believes it can play a role here. We're actively courting those ideas.

**Senator MOLAN:** Fabulous. Thank you.

**CHAIR:** Senator Fawcett, you also had a follow-up question?

**Senator FAWCETT:** Yes.

**Senator Wong:** Also, I had a response to Senator Molan. I'm happy to do it after the break.

**CHAIR:** Okay. Senator Fawcett.

**Senator FAWCETT:** General Bottrell or Mr Deeble, could you confirm to the committee that one of the issues around actually signing a contract will be getting State Department approval in terms of ITAR controls? Have they actually been approved yet? Is that one of the preconditions for the contract?

**Major Gen. Bottrell:** As I'm sure you're aware, that's a standard process for any foreign military sale—getting the approval for that. We have traditionally not had an issue in that regard. Occasionally there may be a challenge or an issue raised by a US politician which may add a small amount of time to that, but we have not experienced any unusual delays in that regard. In fact, to the contrary, to follow up my point earlier, throughout this last 12

months, every visit that we've taken to the US to walk the floors of the various offices in, particularly, the Department of Defense, we have received greater recognition and acknowledgement for what we are trying to establish. I'd suggest that that is also following through across to the State Department, but they still have their process to work through.

**Senator FAWCETT:** My point is: there have been writings recently, from the Atlantic Council and others, that highlight that, even when the Pentagon is sharing information very freely with close allies like the UK around their submarine program, the State Department, because of ITAR controls, are sometimes putting delays of up to nine months, just due to their process of giving approvals. I'm interested to understand whether that is impacting on our programs.

**Major Gen. Bottrell:** For weapons, we've not seen that kind of delay. We've seen a couple of months where there has been a specific political issue raised. I can only recall one incident in the last 12 months where that has occurred.

**Senator FAWCETT:** My final question is in terms of FMS sales. This goes in part to Senator Molan's comments around week 2, month 2, of a conflict. Has the department looked at all of the FMS approvals that have been granted by the State Department for particular weapons—for example, SM series missiles, or AMRAAM, in the airborne case—and looked at Raytheon's productive capacity in the US to work out whether, given a global demand spike, we could actually expect to receive those?

**Major Gen. Bottrell:** We've had very, very close conversations with the US, including discussions around the capacity of their industrial base. So, yes, we have a very clear sense, and that's been the basis of many of our discussions: how can we assist in that regard in terms of playing our role of a second source of supply?

**CHAIR:** Very quickly, Senator Van, before we break.

**Senator VAN:** Mr Deeble, can you just confirm that the capability that we're seeking to build is sovereign capability, not just FMS?

**Mr Deeble:** Yes. Part of our endeavour is to look at the enterprise very broadly. Clearly, getting access to world-class missile technology from the States is going to be a critical part of that, but what we are looking at as we establish the supply chains—either in a maintenance, repair and overhaul context or as we're looking at manufacturing—is that leveraging Australian industry and Australian based capability to the maximum extent possible is part of what we're hoping to establish as part of that GWE0 Enterprise.

**Senator VAN:** As a follow-up to Senator Molan's point about existing companies: the Australian government, through Defence Innovation Hub, have financed some incredible innovations that already exist that could go to sovereign capability, including a rocket engine that is capable of mach 5 that could be manufactured right now as part of this program. Are we really looking at all our innovation across our sovereign capability and building that into this program, or are we prioritising FMS first?

**Mr Deeble:** We're looking holistically across that. Clearly we have a number of platforms in service. They have certain weapons that are integrated, and that will be our focus, in the aircraft, land and maritime contexts. So we have to take account of that. But, as we're looking at future manufacturing options and moving down there and building from maintenance, repair and overhaul—which is the natural journey to getting to the point of guided weapons manufacture in country—we'll be looking much more broadly and hoping to harness Australian industry outcomes and innovation.

**Senator VAN:** Can I just say that, rather than hope, we do?

**Mr Deeble:** Yes. On that, we guarantee it.

**CHAIR:** On that note, we'll break for morning tea.

#### **Proceedings suspended from 10:36 to 10:53**

**CHAIR:** I'll hand the call to Senator Shoebridge.

**Senator SHOEBRIDGE:** Through you, Minister, to the secretary, I thought I'd be untraditional and go to the budget papers—page 56 of the Defence portfolio. I know that's not usual practice in budget estimates! What I like about the Defence budget is that it's the only budget I know where you get a \$2.12 billion writedown in a footnote in eight-point times new roman. That's what we have here. You'll see that it's the cost summary for program 2.5, Navy capabilities. Do you see that?

**CHAIR:** What page are you referring to, just for the benefit of other senators?

**Senator SHOEBRIDGE:** It's on page 56 of the Defence portfolio budget. Are we there?

**Mr Groves:** Yes, Senator.

**Senator SHOEBRIDGE:** It says, 'On 16 September 2021 the then Prime Minister announced the Attack class submarine program SEA 1000 Phase 1B would no longer proceed.' And then it says, '2021-22 includes net writedown and net impairment of 2,128.6 million in relation to the Attack class submarine program resulting from accumulated capital costs that will not be reused or repurposed for the construction of the future defence asset.' Can you give more detail than we get in that footnote about what the net writedown and net impairment involved?

**Mr Groves:** Yes. The total defence costs associated with the Attack class program were \$3.4 billion, which has been quoted in the public domain. This \$2.128 billion relates to the capitalised component of that \$3.4 billion. They were recorded on the defence accounts as an asset under construction. On the decision to cease the program, they were written off as no longer representing value on our balance sheet.

**Senator SHOEBRIDGE:** So this was \$2.128 billion worth of buildings, equipment, material that was constructed under the previous contract that has either been torn down or is just not fit for purpose. Is that right?

**Mr Groves:** Not necessarily constructed—they were costs that were capitalised under the program.

**Senator SHOEBRIDGE:** What did the taxpayers get for \$2.128 billion? What did they get, apart from not a sub?

**Mr Dalton:** The Attack class submarine program—you can see referred to in the notes is known internally in defence as defence project SEA 1000 Phase 1B—had a total expenditure at the time of, now that we have totally closed the contracts, \$3.4 billion. That's consistent with what's been in the public domain. As Mr Groves has said, some of that was capitalised, and that's the element of it that has been written down. A lot of that concerns design artefacts that are associated with the new design for the Attack class submarine. That was done by both Naval Group and Lockheed Martin Australia.

**Senator SHOEBRIDGE:** When you say 'design artefacts', again, what does that mean? I'm trying to work out what taxpayers spent \$2.128 billion on that is now of no use. What are design artefacts?

**Mr Dalton:** That is activity that that was done by the two prime contractors and their subcontractors towards creating the design for 12 regionally superior conventional submarines.

**Senator SHOEBRIDGE:** So these are blueprints and other—

**Mr Dalton:** Intellectual property.

**Senator SHOEBRIDGE:** intellectual property that's now of no use to Australia?

**Mr Dalton:** It is not of use in constructing that particular conventional submarine, but there was a lot of knowledge, know-how and experience that was gained through the program by both people working in defence and the industry participants themselves that are still resident in Australia.

**Senator SHOEBRIDGE:** Were there any physical assets created for that \$2.128 billion writedown? Were there any physical assets that are of no use anymore?

**Mr Dalton:** I don't think there were physical assets created under the Attack class submarine program. There were certainly leases for facilities entered into, but I would have to take that on notice, Senator, and come back to you on whether there were actual prototyping artefacts that may have been produced as part of the program.

**Senator SHOEBRIDGE:** So it doesn't involve the naval shipyard costs, for example? I think \$470 million was sunk into ANI's of-defence budget?

**Mr Dalton:** That's correct, Senator.

**Senator SHOEBRIDGE:** The footnote then says, 'Further, the supplier expenses for 2021-22 includes the termination expenses associated with the Attack class submarine program, which were a one-off expense in 2021-22.' That's in addition to the \$2.128 billion?

**Mr Groves:** That's correct, yes, but part of the \$3.4 billion that Mr Dalton mentioned.

**Senator SHOEBRIDGE:** Is that the gap, the whole of the gap? It doesn't appear to be from the public commentary.

**Mr Groves:** The total of Defence's costs associated with the project was the \$3.4 billion. Some of that was capitalised, which is the 2.1. There were other costs of a significant size that were associated with the termination program that are reflected there. The balance of that difference up to \$3.4 billion would be other non-capitalised costs incurred by the program over its life.

**Senator SHOEBRIDGE:** Alright, but the termination payment was in the order of \$800 million? How much was that?

**Mr Groves:** 830.

**Mr Dalton:** The termination payment for Naval Group was 555 million euros. On the exchange rate over the period where those payments were made that's the equivalent of about \$832 million.

**Senator SHOEBRIDGE:** So the capital cost, which you tell me is largely intellectual property for a submarine we're no longer building, is \$2.128 billion. We've got the A\$830 million paid over to France that was the cost of breaking the contract. That brings us to \$2.958. We've still got an unexplained \$442 million. That's a lot of money. What did we specifically spend \$442 million on in not getting a sub?

**Mr Dalton:** An element of that will be the termination costs associated with the other prime contractor—that is, Lockheed Martin Australia. There will be elements of that cost that included things like above-the-line contractors and activities that were supporting the program but weren't capitalised.

**Senator SHOEBRIDGE:** How much did we pay to Lockheed Martin to get out of the contract?

**Mr Dalton:** We paid the direct termination costs. There was no settlement involved with Lockheed Martin Australia.

**Senator SHOEBRIDGE:** How much?

**Mr Dalton:** I can give you the total value of expenditure against Lockheed Martin, and that was—

**Senator SHOEBRIDGE:** Some of that was for performing the contract and some of that was compensation for the termination of the contract, yes.

**Mr Dalton:** That was \$438 million over the life of the program, and that does include that termination cost. That was a smaller contract. There were fewer subcontractors involved with Lockheed Martin Australia and there was no settlement element of that termination.

**Senator SHOEBRIDGE:** So we have capital costs, capital writedowns of \$2.128. We have the payment to France of \$830 million. And we have got \$438 million going to Lockheed Martin. That leaves, on my reading of it, only a tiny amount for any other costs associated with the program. We're talking maybe \$6 million or so.

**Mr Groves:** If I may, I think part of the Lockheed Martin cost may be the \$2.1 billion. We don't have a split of how much of it that is. What I would say is the difference between what you're calculating there, between the \$3.4 billion and those other, in the main, two components—being the capital component and the Naval Group termination—are, as Mr Dalton mentioned, a range of costs that we would not have capitalised over the six-year life of the project. So, they may have been above-the-line contractors. They might have been around project management costs—a whole range of—

**Mr Dalton:** [Inaudible.]

**Mr Groves:** Yes, there were science elements that were done as part of that as well. They were components that weren't capitalised.

**Senator SHOEBRIDGE:** But payments that have been made to Lockheed Martin, how would they end up being attributed, whatever they produced, as a capital writedown to the Commonwealth?

**Mr Groves:** Because they may have been capitalised, or they would have been capitalised, as part of the design work for the combat system that was being developed.

**Senator SHOEBRIDGE:** There must be somewhere in Defence an itemised list of what actually has been paid to make up the \$3.4 billion. It's not in the budget; it's not in the public domain. I'm trying to find out what it is here, and I've got numbers that don't match. I've just done the sums, and what went to Lockheed Martin and the capital sums and the French break costs actually exceed \$3.4 billion.

**Mr Dalton:** I can give you another number, Senator, which is the total expended on Naval Group across the life of the program. That was \$2.25 billion.

**Senator SHOEBRIDGE:** So we had \$2.25 billion that went to Naval Group.

**Mr Dalton:** And that includes the settlement cost.

**Senator SHOEBRIDGE:** There was \$438 million that went to Lockheed Martin, but some of that may be part of the break costs, some of that's part of the capital cost. You can't break them down?

**Mr Dalton:** Of that \$2.25 billion, the \$830 million is included in that.

**Senator SHOEBRIDGE:** Does that include the whole of the one-off expenses in 2021-22 referenced in the budget?

**Mr Dalton:** Yes.

**Senator SHOEBRIDGE:** What about the \$291 million that Defence is paying to ASC because the Attack class sub program halted? My understanding is that Defence has entered into a three-year \$291 million contract with ASC to maintain critical staff. Is that part of the \$3.4 billion?

**Mr Dalton:** No, Senator.

**Senator SHOEBRIDGE:** Where do I find the \$291 million going to ASC in the budget?

**Mr Groves:** It's not a specific measure. It is incorporated within our general cost base. It's not a specific item in the budget, Senator. It was money that the previous government had agreed would come out of the Attack class program, or the provision, to support that workforce to ensure that we had the workforce for the work around nuclear submarines moving forward.

**Senator SHOEBRIDGE:** So apart from the \$3.4 billion spent on not achieving the French subs, there's a further budget for the Attack class subs that's in addition. Is that a historical budget? Was that operating parallel to the \$3.4 billion budget during the life of the SEA 1000 Phase 1B?

**Mr Dalton:** No, Senator. The total government approved provision for SEA 1000 Phase 1B was \$5.3 billion. The \$3.4 billion came from that approved provision. At the time of the cancellation of the Attack class submarine program, which I might add was made because of our changing strategic circumstances not because of any performance of the Attack class submarine program or its prime contractors, the government also approved, or reauthorised some of that approved but unexpended budget to cover the cost of the sovereign shipbuilding talent pool. It's a forward-looking program to grow and help contribute to the growth of the shipbuilding workforce that will support the nuclear powered submarine.

**Senator SHOEBRIDGE:** So that came out of the \$1.9 billion that was left after we spent \$3.4 billion on not getting the French subs. Is that right?

**Mr Dalton:** The government re-authorised the expenditure against the Sovereign Shipbuilding Talent Pool from that remaining provision.

**Senator SHOEBRIDGE:** So that's a \$291 million contract over three years? That is what ASC said.

**Mr Dalton:** I think the actual contract value, I understand, is \$293 million. That is a not-to-exceed amount. ASC is paid on work that is done. That includes the salary of the individuals who were eligible to join the program and the additional work that they may undertake, including training, education and development, secondments and, potentially into the future, overseas secondments to grow that workforce and skills in supporting the nuclear powered submarines.

**Senator SHOEBRIDGE:** Apart from the \$293 million, are there any other defence expenditures that have been authorised or paid in relation to the Attack class submarine out of that \$5.3 billion initial allocation?

**Mr Groves:** In the other component, there was agreement to use the provision for the Attack class submarine program to support the costs associated with the Nuclear Powered Submarine Taskforce over two years.

**Senator SHOEBRIDGE:** And how much is that?

**Mr Groves:** I think that was \$300 million.

**Senator SHOEBRIDGE:** Did you say \$300 million—200, 300?

**Mr Groves:** It is 300.

**Senator SHOEBRIDGE:** Finally, on the ASC contract, the ASC Corporation advises that is for 219 jobs over three years. That works out at more than \$1.3 million a job. Is that your analysis?

**Mr Dalton:** No. As I perhaps tried to explain—poorly—just before, the Sovereign Shipbuilding Talent Pool has five work streams within it. The cost with ASC, the contract, is a not-to-exceed contract for those first three years. It does include more than salaries. It includes training, development, education, secondments and a whole range of other activities, including the sponsorship of additional post graduate education in nuclear sciences and a whole range of other activities that support the growth of that workforce into the future to be able to support Australia's nuclear powered submarine program.

**Senator SHOEBRIDGE:** We might come back to this.

**Senator Wong:** I had a response to Senator Molan when it is convenient.

**CHAIR:** Can I just ask if we can come back to this?

**Senator Wong:** I am happy to.

**CHAIR:** I understand there might be some follow-up questions on that. I will go to Senator Van and then Senator Fawcett and then I will come to you, Minister.



**Senator VAN:** Mr Dalton, please don't run away. You looked like you were about to take off.

**Senator Wong:** He was hoping.

**Senator VAN:** I think this question is best addressed to you. Over the life of the previous parliament, you took an awful lot of questions in this forum about the Attack class submarines. Is that a fair characterisation?

**Mr Dalton:** I think the department answered multiple questions on the Attack class program.

**Senator VAN:** Would you—and I assume this will be on notice—be able to provide the committee with how many questions were put to the department about the Attack-class submarines?

**Senator SHOEBRIDGE:** Is this a question on notice about questions on notice?

**Senator VAN:** Not necessarily.

**Senator Wong:** I really hope that, with everything people are doing, you're not going to ask them to go back and read every *Hansard* over the years. I'm not sure what the political point is. If it's whether we asked a lot of questions about the largest procurement in the nation's history, which was subsequently cancelled—yes, we did.

**Senator VAN:** Would it be fair to characterise those questions as largely critical of that program?

**Senator Wong:** It's up to you to characterise that.

**Senator VAN:** I think it's safe to say that the questions put in this form—chiefly by you, I'd imagine—were very critical of the program.

**Senator Wong:** We were critical, and remain critical, of your government's failure to deal with the capability gap that was looming in relation to submarines. Yes, we were critical about that, and we are seeking to address it.

**Senator VAN:** So you're critical of a program—

**Senator Wong:** But that is an issue—

**CHAIR:** Senators, please!

**Senator Wong:** You put the question to me; I will answer it.

**Senator VAN:** Were you critical of the French submarines?

**Senator Wong:** My recollection—and we were in opposition for a long time—is that the very substantial progress of the last few estimates rounds before the election was on the interaction between the Life of Type Extension of Collins, when you would see attack-class, and what that meant for Australia's capability. If I may say, we were right, but we've now got to deal with that. There was also the subsequent AUKUS and nuclear powered submarines acquisition announcement, for which the then opposition gave bipartisan support.

If you want me to acknowledge it, rather than making the department, with everything else that they have to do, go away and read every *Hansard* for many years, then yes, many questions were asked about this critical capability. We remain critical of some of those capability decisions—

**Senator VAN:** Which included the performance of Naval Group.

**CHAIR:** What's your question, Senator Van?

**Senator Wong:** What's your question, Senator Van? If you want to make a speech—

**Senator VAN:** That was a question.

**Senator Wong:** You're asking me if we were—

**Senator VAN:** Your questions included criticism of Naval Group; correct?

**Senator Wong:** I asked many questions. I don't recall every question I asked.

**Senator VAN:** I think we'll leave it there.

**Senator FAWCETT:** I was going to go to MRH, but I might continue on that topic. Mr Moriarty, in the October 2021 estimates, when the now minister made a similar comment that there was a capability gap because of the attack-class program cancellation, you said, 'I wouldn't accept your framing about the capability gap.' Do you stand by that comment?

**Mr Moriarty:** Yes.

**Senator FAWCETT:** Regarding the Collins class, in the PBS on page 118-121, table 55, I notice that in March this year expenditure was \$691 million and LOTE was \$104 million. We now have an expenditure of \$740 million and \$188 million for LOTE. Can you give us an update on why that additional expenditure has been required for the routine maintenance? I understand why LOTE has gone up—that's appropriate and I welcome that—but in terms of the routine maintenance and support of Collins, most of the stories we've been hearing about

the fleet's availability and performance are fairly positive. Vice Admiral Hammond, is this your first appearance at estimates in this capacity?

**Vice Adm. Hammond:** Yes, it is my first appearance here at Senate estimates.

**Senator FAWCETT:** Welcome. Congratulations.

**Vice Adm. Hammond:** Thank you very much. With respect to the Collins availability, you will note that we are below the benchmark target for the last 12 months. That is due to impacts of COVID-19 and also of the fire that we experienced on HMAS *Waller*, which had to go into the maintenance program as an additional overhead. We're expecting to recover benchmark performance within the next 12 months. The submarine availability overall—in my last role as the fleet commander—has been exceptional, given the context of the day. And I'd just like to note that one of our submarines, HMAS *Farncomb*, is deployed in the waters off Japan at the moment, working with our allies and partners in part of what has been a very extensive and very successful deployment.

**Senator FAWCETT:** And I think it's fair to say that on my last visit to INDOPACOM they were very complimentary about the Collins capability. In their opinion, for a diesel electric submarine, it is the best in the world. Is that still the opinion our allies have?

**Vice Adm. Hammond:** Yes. It is my opinion as well. I participated in first-of-class trials in HMAS *Collins* as the navigator many years ago. I've had command of one of our submarines. I've been to sea in five of the six, and I honestly believe they are the most capable conventional submarine.

**Senator FAWCETT:** That's good. I want to go to unit available days. On page 55, table 22, the figure for 2022-23 is 3,407 at the end of the forwards and for 2025-26 it's down to 3,058. I notice that that table is the same between the March budget and the October budget. The notes underneath talk about the fact that the *Hunter* transition and *Anzac* capability upgrades explain why there's a decrease in unit available days. I'm just wondering, in terms of Collins, with your comments about the fire and the impacts of COVID, does that mean that within that figure—which is one of the few that we get to see publicly—Collins availability as a proportion of that is actually increasing over the time?

**Vice Adm. Hammond:** In the context of the unit available days from a steady state of six submarines in the mix, that is steady. The unit availability performance, which was impacted by the fire in HMAS *Waller* and the COVID-19 delays, is on a recovery path.

**Senator FAWCETT:** In terms of this current budget cycle, are there any particular risks that you are able to talk to the committee about in terms of the sustainment of Collins? Or are there any risks to the life-of-type extension program that you're particularly focused on?

**Vice Adm. Hammond:** From a capability management perspective I'll offer a macro-level view and then I'll hand to my colleagues in Capability Acquisition and Sustainment Group. At a macro level—and, again, looking at the residual impacts of COVID-19 on the global supply chain, the additional impacts of disruption to global supply chains stemming from the conflict in Ukraine et cetera and then added to the inflationary environment that we're experiencing across the nation and overseas—I think there are a number of pressures on the sustainment system. The cost of spare parts has increased, just as it has for automobiles. The cost of fuel has increased in an inflationary environment. We're managing all those risks and pressures. What they add up to ultimately is a high cost of ownership, and I think that's true across all our capital assets in Defence and the employment of them. I'll leave my comments there and hand over.

**Mr Moriarty:** Perhaps I could just add that Mr Marles has made it very clear to us that LOTE is absolutely critical now to keep the Collins and to successfully conduct the LOTES. As these cost pressures become more evident we will go to the minister, and if we need to readjust to make sure that the LOTES are able to proceed then we will be doing that. It is important, and Minister Marles has made it very clear that LOTE is a very high priority.

**Senator FAWCETT:** Can I just clarify that the scope of LOTE has remained unchanged, that we are still looking at all six boats and that we are looking not only at the drive train issues but also at things like the non-hull-penetrating periscope and that that full scope of upgrades that was envisaged are still part of the plan for LOTE?

**Vice Adm. Hammond:** Yes, that is correct. It is fixed propulsion power conversion optronics—all six submarines. Incidentally, I've engaged with my counterparts in Sweden. I'm learning from the life-of-type extension experience that they've gained with the Gotland class submarines, which I'm sure you're familiar with. It is a much smaller version of the Collins—a great deal of shared DNA. To the secretary's point: setting the conditions for success for LOTE is one of my highest priorities. We're about four years away from commencing

the first life-of-type extension, and we are doing everything possible to de-risk that highly complex and highly challenging activity.

**Mr Dalton:** To reinforce what the Chief of Navy has said: the life-of-type extension of the Collins class submarine is a combination of actual life-of-type extension project work and the integration of that into Collins class sustainment, and the ongoing role in capability upgrade programs that are operating under project SEA 1439. A number of programs are being fed into it. The core work package for the life-of-type extension—which will be done in those full-cycle dockings, starting with HMAS *Farncomb* in 2026—is stable. That includes the new main motor, the DC switchboard and the optronics package. That is stable. But extending the life of the Collins class submarine across another operating cycle is still a risk manoeuvre that we need to appreciate. The actual extension of the Collins to the end of that 10-year operating cycle is still a risk based program, so we will continue to refresh and re-look at what goes into those bits that support the core work package that will be inserted into subsequent dockings in Western Australia across that additional 10-year operating cycle.

**Senator FAWCETT:** I'd like to go to the Chief of Navy's point about his engagement with colleagues in Sweden with the Gotland. Based on my aviation background, I've made the point here previously that, to do a major upgrade of an aircraft, the OEM would need to be one of the key stakeholders in terms of design input. My understanding from our previous discussions is that ASC has only minimally involved Saab, who have now done the Gotland upgrade. Given the learnings that they have there, particularly around the non-recurring engineering parts of it, could you tell the committee—and it's probably a question for you, Mr Dalton—what workforce increase we have seen within ASC and what engagement you have had with Saab other players in terms of the size of their workforce and the nature of packages of work they're doing? That way the committee can get an idea of what workforce is being thrown at these pre-full-cycle docking LOTE activities, because the engineering effort is actually where you diminish the majority of the risk.

**Mr Dalton:** We are on a journey from first pass to second pass for the core work package in the life-of-type extension for Collins. ASC absolutely has the lead on that work. They are the design authority for the Collins class submarine, and they have a relationship with Saab Kockums, the original designer of the Collins class submarine. We have, as a department, facilitated ASC's engagement with Saab Kockums, and we have also negotiated directly with our Swedish acquisition counterparts to modify the two deeds that exist between Australia and Sweden that manage the intellectual property from Kockums to Australia. We're in the very final process of getting that agreed in Sweden. That will allow a much smoother transition of intellectual property directly from Kockums to ASC. At the moment, effectively every piece has to come through the Commonwealth, so those changes to that arrangement will allow for a much fuller and richer relationship to develop between Saab Kockums and ASC.

**Senator FAWCETT:** What you're describing there is around access to design artefacts, which are an important input into any design activity. However, if you're looking at the NRE—the non-recurring engineering—around the upgrades, to Vice Admiral Hammond's point, given the experience of Saab with Gotland, it strikes me that it would be better to have the OEM involved. In the past, Electric Boat had technical oversight over some of the things ASC were doing. For some of these upgrade programs or elements of them, which have very similar outcomes and technical challenges, it would appear to me that one of the best ways to mitigate risk would be to have the OEM have a significant role in terms of that oversight and partner with ASC in terms of that NRE, before we actually start the process.

**Mr Dalton:** Saab Kockums already has a footprint with ASC. It will grow over time. Those deeds will allow Kockums to share not only IP directly going back to Collins but also IP they have generated in support of their life-of-type extension for Gotland, for example. That is important for us to finalise. We are in the final throes of negotiating that with our Swedish counterparts, to get that approved in Sweden. That will allow a more direct contracting route for ASC to Saab Kockums. We've had the president of Saab AB in Australia in the last six weeks. He has spoken to us, he has engaged, and he has had a direct relationship with Mr Whiley from ASC. That relationship is growing as well.

**Senator FAWCETT:** I will give you two more questions to take on notice. Firstly, I asked you before about changes to the ASC workforce. Can you take on notice, and come back to us and let us know, how stable their workforce is and whether it has grown as a result of LOTE or whether they're struggling to attract key skills, particularly in the engineering space.

**Mr Dalton:** Mr Whiley addressed some of that on Monday night, but we will take it on notice.

**Senator FAWCETT:** You can give me a link to his evidence, then, or you can provide it on notice, which would be great. And you have very satisfactorily distracted me from my second question, so I will think of that and I will come back to you!

**Senator STEELE-JOHN:** My first question is to Mr Moriarty: for the benefit of the committee, would you be able to briefly summarise for us, from Defence's perspective, the key driver behind engaging with the US and the UK on nuclear submarine technology, instead of continuing with the French partnership?

**Mr Moriarty:** The previous government came to a view that the circumstances in our region were changing and that a nuclear powered submarine was the best capability option for Australia moving forward. The previous government engaged in discussions with the US and UK as to whether they would support Australia acquiring that capability through a new arrangement. The leaders of the US and the UK agreed that that was worthwhile, so the previous government pursued the AUKUS initiative with partners that we have had longstanding intimate defence relationships with, in terms of high technology. The previous government made the announcement that we would work with the US and UK to arrive at an optimal path for Australia acquiring that capability, and that work has continued since the announcement—led by Vice-Admiral Jonathan Mead and the nuclear submarine task force.

**Senator STEELE-JOHN:** In making that decision, did Defence assess the potential of acquiring from the French government a nuclear powered variant of the Attack class submarine that we were, at the time, in the process of procuring?

**Mr Moriarty:** It's fair to say a range of advice was provided to government on potential options. The government chose to pursue the AUKUS pathway for the reasons that have been outlined by previous ministers and by officers of the department.

**Senator STEELE-JOHN:** Just to clarify: was one of the pieces of advice provided to government at the time of the decision advice around whether a nuclear powered variant of the submarine then under contract was a potential option?

**Mr Moriarty:** The department provided advice on a range of submarine options.

**Senator STEELE-JOHN:** Was that one of the submarine options?

**Mr Moriarty:** We looked at all the available submarine options from partners and allies.

**Senator STEELE-JOHN:** So that would have been one of the options, then?

**Mr Moriarty:** France is a very valued partner.

**Senator STEELE-JOHN:** They didn't feel so at the time! With the fact we are now moving down a pathway of acquiring nuclear powered submarine capability for Australia, what is the process for upskilling personnel in the development and maintenance of an Australian nuclear powered submarine fleet?

**Vice Adm. Mead:** The optimal pathway that the secretary spoke about has got nine components, which I've spoken about previously. Workforce training and education and the industrial base are two of those components. We have worked with our partners to extensively understand what the specific nuclear requirements are in addition to those that are standard in submarine shipbuilding and sustainment. We've looked at education pathways. We're working with the universities. Currently, in 2022, we've got 20 people that have undergone or are about to undergo nuclear training; we've got another nine this month. In 2023 that number will probably exceed 50. We intend sending some of the people from the sovereign shipbuilding talent pool on nuclear training courses next year. We are working with ASC, ANI and some other major primes on how we upskill that workforce. We believe that embeds overseas and reverse embeds will need to take place next year to upskill the industrial base. We will need to upskill government employees and the Navy workforce as well.

**Senator STEELE-JOHN:** The rotation of foreign forces to Australian vessels will be required. I'm wondering when you expect this to commence.

**Vice Adm. Mead:** Can I interpret that as embedding Australians in US and UK submarines?

**Senator STEELE-JOHN:** Yes, you can.

**Vice Adm. Mead:** We currently do that at the moment; the Chief of Navy can talk to that. We have been doing that for many a year. We have got people on nuclear training courses in the US and the UK, and the plan is that we will then embed them into US and UK submarines, as the secretary mentioned before. The UK have already offered to embed some of our personnel in HMS *Astute*. We see that as a very essential pathway to upskill the Australian naval workforce but also to upskill the Australian industrial base when those submarines come to Australia, to Rockingham, so we can do a little bit of basic maintenance on those submarines.

**Senator STEELE-JOHN:** So we'll send our people there for those training purposes. Will our partners rotate some additional forces of their capabilities to Australia for purposes beyond serving on submarines—I understand they wouldn't do that—so for other aspects of maintaining them?

**Vice Adm. Mead:** That's an excellent question, and the answer is: yes, I see that reverse embeds where we have US and UK people come into the task force, come into the regulatory environment, come into our shipyards to train up our people, to upskill our people, to train the trainer—I see this exchange of people happening at a very intense and wide spectrum from next year. In fact, we've already started sending people overseas. We've had numerous people from the US and the UK come to Australia. We've got another large delegation coming next week to HMAS Stirling and the Henderson precinct. They've been to Osborne. We've already started this program, and we will intensify and deepen it next year.

**Senator STEELE-JOHN:** How many reverse embeds do you expect will be required?

**Vice Adm. Mead:** I will take that on notice. We are still working that through with our partners, on what is the best way. We have sent teams to Guam as well, and to Pearl Harbour, to look at their facilities. We've sent people to the shipyards in the United Kingdom at Barrow, at Rolls-Royce. We've sent them to the shipyards in the US. But I'll come back to you with the answer on the reverse embeds, Senator.

**Senator STEELE-JOHN:** Alright. Thank you very much.

**Vice Adm. Hammond:** Senator, good morning. If I may: the relationship between our three submarine forces—Australia, UK and US—is a deep and enduring one. In many respects, it reflects the beginning of the AUKUS relationship. We've been riding their submarines prior to the nuclear bulkhead for decades. We've been participating in the United States Navy submarine command course since the year 2000. The majority, if not all, of our commanding officers have graduated from that course as well. I myself have ridden in French, UK and US nuclear submarines, including conducting operational patrols. So it's a deep and enduring relationship. The new component, really, is the additional training after the nuclear bulkhead, and that's where we're focusing a lot of our training and development over the coming decades.

**Senator STEELE-JOHN:** Thank you. I'll move to advice that the government has received around the partnership and the acquisition of the capability. My understanding is that Paul Sullivan, a retired vice admiral who, for a time, was hired as a submarine consultant after working at an American national security lab that conducts sensitive research projects for the US Navy, was employed by the department under a contract valued at about \$414,000 over a period of four years. Would you be able to confirm that? That's Vice Admiral Paul E Sullivan.

**Vice Adm. Mead:** I'll hand that question over to Mr Tony Dalton. I have not directly employed former vice admiral Paul Sullivan. He is working in the US. We do receive advice, and we have sought advice from our partners over the past 12 months, as you can imagine, Senator, but I've not actually employed Admiral Paul Sullivan.

**Mr Dalton:** I can confirm that Admiral Sullivan was a member of the Naval Shipbuilding Advisory Board. I can take on notice to get the periods during which he was a member of that board.

**Senator STEELE-JOHN:** And the figure of \$414,228 for his employment over the four-year period?

**Mr Dalton:** I'll take that on notice.

**Senator STEELE-JOHN:** Thank you. These are figures in the public domain, so, if you would be able to come back to the committee before the end of the day with that information, that'd be ideal. Would you be able to do that?

**Mr Dalton:** I'll certainly do my best.

**Senator STEELE-JOHN:** I'll also ask you, if you could—so that we can circle back to this before the end of the day—to come back to the committee with a confirmation in regard to the employment of some of the other people who have been advising Defence in these capacities. For the purpose of time, Chair, I might table or circulate the individuals that I'm looking for additional information on, and then we can come back to it later in the day. Does that work?

**CHAIR:** Does that work with you, Secretary? Yes? Thank you very much, Senator Steele-John. I appreciate that. I'll just quickly hand over to the minister. Minister, I think you have a follow-up for Senator Molan?

**Senator Wong:** Who has now left.

**CHAIR:** Who's unfortunately not here at the moment. You have some updates on his line of questioning from earlier this morning?

**Senator Wong:** Yes. Is he coming back? Do you want me to wait till he's back?

**Senator REYNOLDS:** I think he's coming back after lunch.

**Senator Wong:** I'll do it now and I'll just let him know. He asked a question about the two per cent. I wanted to go back to the budget papers and also to the announcement that the Deputy Prime Minister made at the time of the budget. The budget papers make clear that Defence receives \$47 billion in the current financial year, \$52.2 billion for the next financial year and \$54.2 billion for 2024-25, and 2025-26 receives \$56.6 billion. The Deputy Prime Minister made the following statement, which is also reflected in the joint press release on budget day, in which he said:

Defence spending goes up every year through the forward estimates. Defence spending in the current ... year is more than ... what was budgeted in March under the former government for this financial year. So defence spending is going up, that's what we've said will happen. It will go north of 2 per cent of GDP. And we've made clear that in a rational world, defence spending is a function of strategic threat, strategic complexity. It is a complex world out there and we are rational people.

I think that's a pretty clear direct response to the two per cent point. I understand, for whatever reason, neither party of government has calculated the proportion of GDP in budget papers, but it's a simple mathematical process if people would like to do it.

**CHAIR:** Thank you very much for that, Minister. I now hand the call to Senator Reynolds.

**Senator REYNOLDS:** Good morning, Secretary and Minister. It's good to see you. As a senator for Western Australia, perhaps unsurprisingly, I'd like to turn the conversation westward on a number of matters in relation to Western Australia, particularly the drydock and the broader master plan for the Henderson area. First of all, Secretary, could you give me your thoughts on how you would currently characterise the geostrategic circumstances in the Indo part of the Indo-Pacific, which is something that we don't focus on as much, for very clear reasons? Can you give me an update from our perspective and from our allies' and friends' perspective how you see the strategic importance?

**Mr Moriarty:** Certainly the government does focus on the Indo part of the Indo-Pacific. Minister Marles has visited India since becoming Minister for Defence. He has talked about strengthening our defence cooperation with India, and there are a number of initiatives underway in that regard. The Defence Strategic Review leads, Professor Smith and Sir Angus Houston, have certainly spent time in Western Australia. They've engaged with a number of key stakeholders over there, including the Western Australian government, think tanks and defence industry in Western Australia. They are very conscious of the increasingly contested nature of the region. We've also been speaking of course to the Indian Navy about what they are seeing, and those discussions are quite fruitful, as you'd be aware, Senator.

**Senator REYNOLDS:** And they visited recently.

**Mr Moriarty:** So we're doing more with the Indian Navy. Participation in Exercise Malabar was again successfully conducted this year. Chief of Navy has been engaging with his counterpart on how we might take that exercise forward.

I think the Defence Strategic Review leads are very focused on the Indo part of the Indo-Pacific. We're looking as part of that the future disposition of the ADF—not just across the north of Australia, but the north is vitally important. Further force posture initiative work will be done in WA, the Northern Territory and Queensland. I think it's true to say that the leads for the strategic review are very conscious of the need to use Australia's strategic geography to grow capability to shape, deter and then, should circumstances ever require, respond. Certainly in the conversations I've had with Minister Marles, other ministers and also the leads Western Australia and its part in our defence posture has been very much front of mind for them.

**Senator REYNOLDS:** Quite often in Western Australia and elsewhere when you talk about force posture people immediately go to boots on the ground. Obviously the review and the work that is being done are far more than what traditionally we would have seen as force posture in boots on the ground; is that correct?

**Mr Moriarty:** I think it is certainly the case. We would like to focus on the ability of defence to deliver effects. Sometimes that requires a permanent presence; other times your force flow planning allows you to come from other areas but still deliver either the combat or another effect in a particular piece of geography or on the sea. We're doing a lot of thinking about how we can do that across Australia's area of primary strategic concern. I think where you have your permanent bases, your deep-echelon support, isn't the same as where you can deliver combat or other defence effects. But these are areas that are really, appropriately for our ADF experts, and I might throw to the vice chief to comment on that.

**Vice Adm. Johnston:** Senator, good morning. Very much as you would expect, we have an appreciation of in and through for force projection: Where do we mount from? Where do we operate from? There are significant advantages of being able to operate from northern locations, Western Australia included. It is why it's the home of half of the fleet and the submarine base at the moment. The geography of Western Australia—and Northern

Australia, for that matter—we're very conscious of in our planning. Cocos (Keeling) and the opportunities of working through the areas offshore are very much a factor of our consideration, and the engagement that we have with Indian Ocean countries.

**Senator REYNOLDS:** Given Henderson is not exactly in the north of our nation. So you're having a look at that. Henderson didn't make it into the 2016 white paper as the second major naval base, but shortly after it was more formally recognised as our second major naval base. Would you characterise that area—not just *Stirling* but *Stirling* and the Australian Marine Complex at Henderson—as part of the deep-echelon support, or do you look at it in a different way?

**Vice Adm. Johnston:** It very much is a core part of our national infrastructure for, particularly, supporting naval operations out of Western Australia and beyond.

**Senator REYNOLDS:** So, in your planning now and in terms of the review and some of the work that I know Rear Admiral Malcolm is very effectively doing in the west, does that include consideration of our future naval capability, including the submarines, but also what more we could offer our friends and allies, who are now increasingly operating in the Indian Ocean?

**Vice Adm. Johnston:** Yes. The infrastructure at *Stirling* and, more broadly, the infrastructure and the expertise available at Henderson are parts of how we would see naval capability expanding, particularly for the way some of our closest partners might seek to have the opportunity of conducting maintenance or logistics resupply through Western Australia.

**Senator REYNOLDS:** In my estimation, and having had a look at *Stirling* recently, it seems like the works there are going very well, that they're on track. Perhaps this is one for Vice Admiral Hammond. Are you satisfied with how the works are going at *Stirling* at the moment?

**Vice Adm. Hammond:** Good morning, Senator. Yes, I am satisfied. I'm, naturally, impatient, especially in the current strategic environment, to see progress accelerate. But, as you know, we are undergoing the most significant recapitalisation across the defence estate across the nation that we've seen in decades. So broadly yes.

I'd just like to reinforce the vice chief's comments: absolutely the Henderson precinct is a key enabler for our Navy. The operations from *Stirling* and maintenance across the waters at Henderson are interlinked in every respect.

**Senator REYNOLDS:** In my judgement, the work at the Australian Marine Complex has not progressed as fast as we would have liked. I won't ask you for a subjective assessment on that, but in my subjective and objective assessments things haven't progressed as much as we'd planned for the last couple of years. As I understand it, the Australian Marine Complex is quite different, in terms of its ownership and utilisation, to Osborne. It is not a defence facility per se, but you use WA state government facilities and commercial facilities as well. So it's got quite a different arrangement currently—is that right?

**Vice Adm. Hammond:** I would characterise it as an array of partnerships, some of which are contracted and some of which are deeper, but I would throw to Admiral Malcolm for a more professional characterisation.

**Mr Dalton:** As you're well aware, Henderson—and Latitude 32 behind it—is an important part of the infrastructure that supports our naval presence in the Indo-Pacific. There is quite a lot of activity happening across the Henderson precinct that will support naval shipbuilding. Some of it is broader; some of that is being led by the Western Australian state government. I co-chair with Ms Brown, who is the Director General of Jobs, Tourism, Science and Innovation in the Western Australian state government—that's JTSI. I co-chair the Henderson working group that looks at the strategic use of Henderson into the future. Right now, there are three shipbuilding projects being delivered from Henderson, with a fourth in tender evaluation. So, as a principal shipbuilding location, we are progressing along those lines as laid out in 2017. We are also—

**Senator REYNOLDS:** Before we move on from that, could you give me an update on notice of the timing of those projects? I've been advised by shipbuilders that there's another impending workforce valley of death coming up very quickly. With some of the timings of those projects, there may well be some larger layoffs. One shipbuilder could be laying off people at the same time that another is still desperate to find workforce, as I understand it. So is there a workforce plan for Henderson that is done in conjunction with all of the companies there? On that, have you looked at possibly discussing with shipbuilders consolidating facilities into the proposed defence precinct while also consolidating some of the work they do?

**Mr Dalton:** You want me to take that on notice?

**Senator REYNOLDS:** Take the first part on notice, but please take the second part—the one on the numbers—on notice.

**Mr Dalton:** We certainly take an enterprise view of the workforce at Henderson. We are working with the shipbuilders and the sustainers—the other part of the operation at Henderson is sustainment of the fleet. The Anzac class frigates are sustained from Henderson. There's a significant amount of sustainment work that's done to support Collins class submarines from Henderson. There's also some disposal activity that's done. Right now, the former HMAS *Sirius* is being disposed of on the hardstand at Henderson.

**Senator REYNOLDS:** I've seen that.

**Mr Dalton:** So it's a very important precinct for us.

**Senator REYNOLDS:** Are you aware that there is discussion that there is a workforce valley of death impending again?

**Mr Dalton:** We've certainly had discussions with different shipbuilders on the strip. As I said, there is the next package of work—

**Senator REYNOLDS:** Is that a yes, no or maybe?

**Mr Dalton:** Different shipbuilders have different views. Some of the projects will run across this entire decade, and some of those projects that are being delivered now will come to a conclusion in 2023-24—

**Senator REYNOLDS:** I want to come back to the actual infrastructure works proposed, so, as I said, can you just take this on notice and provide us with detailed workforce planning and flows—I know they exist—for Osborne and for Henderson as well?

**Mr Dalton:** We'll take it on notice.

**Senator REYNOLDS:** Thank you very much.

**CHAIR:** Senator, I'm going to have to move the call around to other senators.

**Senator REYNOLDS:** I've got to be in another committee, and I won't be back here. Is there a possibility for indulgence of another five to 10 minutes?

**CHAIR:** In fairness, there is another senator who also has to go to another committee, so I need to move the call around. I was hoping to move the next call to Senator Steele-John.

**Senator REYNOLDS:** And then come back?

**CHAIR:** Yes, we'll come back to coalition senators.

**Senator REYNOLDS:** Thank you, Chair.

**CHAIR:** Senator Steele-John?

**Senator STEELE-JOHN:** Thank you. Mr Dalton, Rear Admiral David Gale was on active duty before he submitted his paperwork to the Pentagon to be able to come and work for Australia. I believe he has been employed by the department to the tune of US\$222,000. I'm wondering whether you can confirm his employment status with the department.

**Mr Dalton:** I'm not familiar with that particular case, but I will take it on notice.

**Senator STEELE-JOHN:** It's Rear Admiral David Gale. He was a consultant, and I believe is still a consultant, on the Future Frigate program. Then we've got a Mr Thomas Eccles, a former rear admiral of the United States who retired in 2013 and has served, I think, for the last five years or so as a consultant. What role does the former rear admiral serve with the department?

**Mr Dalton:** Admiral Eccles was one of the founding members of the Naval Shipbuilding Advisory Board, and his role has continued under the new Naval Shipbuilding Expert Advisory Panel.

**Senator STEELE-JOHN:** Can you confirm the value of the contracts that we've signed with Mr Eccles to this point?

**Mr Dalton:** I will take that on notice.

**Senator STEELE-JOHN:** Thank you. Finally, there is Mr William Hilarides, a former vice-admiral who, I think, is currently in the role of member of the Australian Naval Shipbuilding Advisory Board.

**Mr Dalton:** I can confirm that Admiral Hilarides is a foundation member of the Naval Shipbuilding Advisory Board and he now chairs the Naval Shipbuilding Expert Advisory Panel.

**Senator STEELE-JOHN:** Again, the value of the contracts that we have had with—

**Mr Moriarty:** If I could, Admiral Hilarides has on a couple of occasions provided evidence to this committee.

**Senator STEELE-JOHN:** Yes, I am aware of that. If you can do that, it would be fantastic. Finally, in relation to former admiral Donald Kirkland, he was a member of the Australian Submarine Advisory Committee?



**Mr Dalton:** I can confirm that Admiral Kirkland was a member of the Australian Submarine Advisory Committee. He is no longer serving in that capacity.

**Senator STEELE-JOHN:** No, he is not. He was found to be—it was kind of made public that he was also acting at the time as chairman of the Huntington Ingalls Industries group, since 2020 I believe.

**Mr Dalton:** We were aware of his other roles; he had declared that. He wasn't involved in providing advice on aspects that touched on Huntington.

**Senator STEELE-JOHN:** He has stepped back from that position, as of April, because of a potential conflict of interest.

**Mr Dalton:** From the Submarine Advisory Committee?

**Senator STEELE-JOHN:** Yes.

**Mr Dalton:** Yes.

**Senator STEELE-JOHN:** Because of a potential conflict of interest.

**Mr Dalton:** With the expansion of the submarine program to include a nuclear powered submarine program in which Huntington Ingalls would have an interest. I will just reinforce, in his capacity as a member of the Submarine Advisory Committee he did not provide advice on nuclear powered submarines.

**Senator STEELE-JOHN:** I believe his contract was worth about US\$255,000, but can you take that on notice for me, as well.

**Mr Dalton:** Yes.

**Senator STEELE-JOHN:** Finally, can you give us an idea of whether there are any former members of the Navy currently advising Defence in relation to the AUKUS negotiations, other than the individuals I have listed?

**Mr Dalton:** I'm probably not best placed to talk about who is providing advice in relation to AUKUS, but I can certainly advise you about the members of the Naval Shipbuilding Expert Advisory Panel.

**Senator STEELE-JOHN:** Yes, you could, or someone else at the table.

**Mr Moriarty:** Senator, we will get you a list of all former members of the US Navy who are providing advice to Defence across any program.

**Senator STEELE-JOHN:** That would be excellent. This question may be to the department or it may be to the minister. Are there any plans or safeguards in place in relation to the AUKUS pact that take into account an unexpected change in the global environment, particularly a case in which a partner was unwilling to continue to provide technologies or capabilities or other collaboration in relation to the acquisition of the capability or, indeed, its operation?

**Mr Moriarty:** In the discussions that we've had with our partners as we've worked towards providing advice to government on an optimal pathway, we've done a lot of work around, over time, what forms of agreements, MOUs and other documents, including treaty-level documents, may be required to underpin the long-term nature of such an agreement.

**Senator Wong:** Can I add to that? I think the key phrase there is 'long-term nature'. By the very nature of this capability, whatever choices government makes about how it is to be acquired and obtained, it is a capability and a project which will extend—in all three partner countries—beyond the life of any one government and will inevitably involve governments of all political persuasions in each of those countries. So the importance of bipartisanship, I think, in all three partners, is manifest. I would make the point, as I have previously, that our relationship with the United States and our relationship with the United Kingdom have endured and continued and been strengthened in the context of very different political leadership in each of the countries. These are relationships which are deep, and they are also institutionally based—there are very strong relationships between, for example, the defence entities in all three nations.

**Senator REYNOLDS:** If we could go back to Henderson. I'd like to focus now on infrastructure projects and programs. Mr Dalton, in relation to the working group that you're on with the WA state government, does ANI have a role in that working group?

**Mr Dalton:** ANI participate in that working group.

**Senator REYNOLDS:** So they are formally members. What is the ANI role in terms of the working group and some of the projects that are happening at Henderson?

**Mr Dalton:** ANI's involvement was introduced by the previous government when they selected ANI as the model, if you like, through which we would look at large-vessel dry berth infrastructure in Western Australia.

**Senator REYNOLDS:** Two years ago we co-funded an inquiry—I think it was the Advisian land use report—which was a very comprehensive report of, as you said, Latitude 32 and the whole precinct, which then led into the WA government's AMC infrastructure strategy. Are both of those documents still being utilised by the working group and forming the basis of further work?

**Mr Dalton:** Yes.

**Senator REYNOLDS:** That's two years ago. Are there any other documents that you're now using to inform the working group's undertakings?

**Mr Dalton:** There's probably one other document. I might get Rear Admiral Malcolm to talk about it. One that is slightly confusingly called—for us—the integrated infrastructure program, also known as the IIP, is something that we're working on with the Western Australian state government to make sure that investment is targeted appropriately across the Henderson precinct.

**Senator REYNOLDS:** I think it's safe to say that Henderson is really not up to the requirements of Defence today or into the future. From memory, the things that need to be done in the precinct include upgraded wharves and vessel lift capacity and capability, particularly for the larger naval vessels; there's not enough hardstanding for larger vessels; and the list goes on. There is quite a long list of works that do need to be done at Henderson. Is that correct?

**Mr Dalton:** Well, there are certainly opportunities to improve the infrastructure at Henderson.

**Senator REYNOLDS:** That's very diplomatic, Mr Dalton!

**Rear Adm. Malcolm:** I might just try and reassure you on some of those things. You rightly pointed out that Henderson is a very important part of our capability and, indeed, we have been looking at very closely at the planned increase in size of our Navy and the requirements for sustainment and shipbuilding that we will need into the future. I might talk a little bit about the work that we've done with WA and, as part of our infrastructure considerations, I also might ask Mr Fankhauser to talk about the other things that we're doing in the Henderson precinct. The Defence funded planning studies, which I know was an initiative during your time, included \$9 million that we put towards building on top of the plans that had been done by WA, and that was the focus of the task force that is being led by Tony Dalton. That was approximately \$9 million that's been spent over the last couple of years, with studies that range from infrastructure to integrated transport and a range of independent studies that actually looked at how we might further progress the precinct. All of those studies are due to deliver by the end of this year. As part of that we are also—

**Senator REYNOLDS:** On that study—that will be a comprehensive report that is delivered to the minister, or to the WA government and to the ANI minister as well?

**Rear Adm. Malcolm:** It's a product that goes to the task force. It looks to the issues that we were co-developing with the WA state government, but I would also note that we have done some separate studies looking at feasibility options around nuclear infrastructure. Those will be provided to the Nuclear Powered Submarine Taskforce. They're just initial feasibility options. I would note that we would then look at what else needs to be done. Part of that report that will be provided to the task force is a comprehensive suite of options that look at the docking arrangements—be they graving docks, floating docks, shiplifts, slipways—looking at what are the best requirements and supporting infrastructure needed in the west to support the growing Navy, the growing shipbuilding programs that will be there and the ongoing work for our submarines. I might ask Mr Fankhauser—

**Senator REYNOLDS:** Just before you do, the current review that will report at the end of the year to the task force also includes the dry dock proposal and the funding that's associated with that. Is that correct?

**Rear Adm. Malcolm:** No. What I would note is that we are working together with WA to look at what the optimal ways are that we could deliver the precinct. The announcement that was made by the former government—

**Senator REYNOLDS:** When you say 'the precinct', are you talking about the entire Henderson precinct or a defence precinct?

**Rear Adm. Malcolm:** The Henderson precinct. For instance, we've worked very closely with WA on a number of their fast-tracked infrastructure projects. So that's \$89 million that the state government has actually put into that, including wharf upgrades, vessel transfer pathways and transport improvements in the area.

**Senator REYNOLDS:** Could you, on notice, give me a list of all that's funded under that \$89 million in terms of works, and what the schedule is for those works?

**Rear Adm. Malcolm:** Yes. I will seek that from the WA task force.

**Mr Fankhauser:** I could add to that. Up until 30 June of this year, we had spent \$47 million directly from the defence budget on projects in the Henderson precinct. This financial year we're expecting to add a further \$65 million to that expenditure. That's primarily to support future capabilities—the offshore patrol vessel, and—

**Senator REYNOLDS:** Could I ask for that on notice? A list of how that \$47 million for last financial year was spent, plus the upcoming \$65 million and projects and time lines for those as well?

**Mr Fankhauser:** Certainly.

**Senator REYNOLDS:** In the budget this year, the \$4.3 billion for the dry dock does not appear in the budget documents. But in the ANI annual report, which has just been tabled this month, it does say that that money is in the budget for them. It's on page 29 of their annual report. Can you perhaps explain what's happening with that funding in the project?

**Mr Dalton:** That was the delivery model that the previous government selected. That would use ANI and ANI's funding stream to deliver the infrastructure on which the government will need to make a decision next year, so this is pre-decisional. As those infrastructure elements are delivered and are then leased to industry, the lease costs will be passed through on those military projects would come from those Defence project budgets. So it doesn't appear in the Defence budget per se. That upfront investment will be managed by ANI, through their budgeting measures, and they will make a return on investment by leasing that infrastructure to industry to deliver naval programs.

**Senator REYNOLDS:** To be clear, the \$4.3 billion that the previous government committed for this project to proceed in 2023 and be operational by 2028, is that still proceeding on track?

**Mr Dalton:** I understand that the previous government selected ANI as the delivery model, and in their public announcement said that the facility infrastructure would cost up to \$4.3 billion. That budget was always going to be managed through ANI as the ANI delivery model.

**Senator REYNOLDS:** ANI have got it in their annual report. On page 29, or whatever it was, of that annual report, ANI said that the model that you've described is still proceeding in those development phases. As far as Defence knows, and that you know from the working group with the state government, is that project proceeding?

**Mr Dalton:** We are still working with ANI to develop options that the government will consider after the Defence Strategic Review next year.

**Senator REYNOLDS:** Are those options the ones that Rear Admiral Malcolm just talked about in terms of new floating docks, new dry docks, whether you have one berth or two berths, and those sorts of things?

**Mr Dalton:** Correct.

**Senator REYNOLDS:** I think what you're saying is, in effect, that there is no certainty that that will go ahead yet, that you're reviewing it and you will make a report to the task force at the end of the year that it may or may not still be in that review. Is that correct?

**Mr Dalton:** There are a range of activities happening in—

**Senator REYNOLDS:** Mr Dalton, just to make it very clear, is there a possibility that that proposal might not proceed in the task force report that's due at the end of the year?

**Mr Dalton:** It's still pre-decisional by government.

**Senator REYNOLDS:** Secretary, are you able to assist with clarification on this?

**Mr Moriarty:** It is pre-decisional, and I would hope that the Defence Strategic Review leads will be looking holistically at Defence's infrastructure needs—

**Senator REYNOLDS:** You hope that they're looking at this or you know that they're looking at facilities at Henderson?

**Mr Moriarty:** They are looking at Defence-related infrastructure in a holistic way.

**Senator BIRMINGHAM:** When is the final investment decision expected in relation to Henderson?

**Mr Dalton:** We're planning to approach the government in the middle of next year. We will need to understand the outcomes of the Defence Strategic Review and how that fits into the future operating model that Defence would then move forward with. In light of the Defence Strategic Review, our plan at the moment is to bring options for the government to consider mid next year.

**Senator BIRMINGHAM:** Mr Seaton previously told estimates that FID was expected by the end of the calendar year. Are you now expecting that to not occur until the middle of next calendar year?

**Mr Dalton:** He's certainly from an ANI perspective. We need to have an understanding of what our options might be by the end of this year. That allows us some time to craft advice to government. The Defence Strategic Review, which will report in March, may or may not influence it, but we can't make that prejudgement, so we are giving ourselves some time to understand how the Defence Strategic Review might impact on what we may recommend to government.

**Senator BIRMINGHAM:** But, to be clear there, Mr Seaton's previous evidence wasn't that, by the end of this calendar year, ANI would have an understanding of options; it was that an FID, a final investment decision, would have occurred. In fact, I think it was in response to questions from Senator Wong in estimates earlier this year that he made that statement. You're now indicating that that FID in relation to Henderson will occur, you estimate, around the middle of next calendar year?

**Mr Dalton:** That's correct. We are not going to bring forward a decision to government until we understand the outcomes of the Defence Strategic Review.

**Senator REYNOLDS:** Mr Dalton, can I just confirm that I have got the totality of your evidence here today correct? We had \$47 million of Defence funding in projects last year. We've got another \$65 million. You're going to provide the detail of those on notice. So there have been two good years, if not more, of detailed planning work between the Department of Defence, ANI and the state government on options for Henderson—very detailed planning work. That is correct, isn't it, that that has occurred?

**Mr Dalton:** There is detailed planning work. The investment in Henderson that Mr Fankhauser talked about was infrastructure investment.

**Senator REYNOLDS:** Infrastructure, yes, and all of these projects we're talking about are large infrastructure projects. For the \$4.3 billion dry dock, it was going to start next year, to be delivered and operational in 2028. With the delays due to the review that we have just discussed, as a result of questions from Senator Birmingham, how long will they be? When is the earliest possible opportunity now that we will have a functioning single- or double-berth dry dock in Western Australia?

**Rear Adm. Malcolm:** I would note that we are using this time to ensure we understand what the different options might be for how we deliver the capability, which is to berth a ship in order to undertake maintenance. It might be that we have a dry dock that does that. It might have a floating dock. We might have a combination. One of the issues we may look at is an interim capability, where we might have a floating dry dock that could berth our larger ships prior to a graving dock being put in place—or it might be a combination of floating docks, or it might be a ship lift. The point there is that we are considering the capability required as a throughput, through this decade, to ensure that we do not have a gap in capability and we manage maintenance and upgrades to the Captain Cook Graving Dock facility in Sydney alongside that to ensure that there is not a capability gap and that we have contingency options ongoing.

**Senator REYNOLDS:** That is very prudent planning. I totally concur with that. But what does that actually mean for Henderson?

**CHAIR:** Last question, Senator Reynolds.

**Senator REYNOLDS:** Please take this on notice. With the review, with the task force reporting options at the end of the year as you've just described, what does that then push the time frame out to to fully deliver the new works over the next decade or so at Henderson? What sort of quantum of funding are you now looking at? What is the funding profile for all of that work in totality? Thank you.

**CHAIR:** I'll now hand the call to—

**Senator BIRMINGHAM:** Can I just see whether officials can answer the last part of Senator Reynolds's question there, in terms of the funding quantum and profile? Has it changed between the two budgets this year? Is it still \$4.3 billion or is it less, and has the profile changed?

**CHAIR:** Senator Green has the call.

**Senator BIRMINGHAM:** Mr Dalton is able to answer.

**CHAIR:** Simon Birmingham, I'm being quite generous with the time.

**Senator BIRMINGHAM:** Sure. I saw lips starting to move, and I would like to hear the answer.

**CHAIR:** Senator Green has the call.

**Senator BIRMINGHAM:** Well, if an official has an answer, we should get to hear it.

**CHAIR:** I didn't provide you with the call either. I now hand the call over to Senator Green.

**Senator GREEN:** I know this is a portion of the program where there is some localised interest, so I appreciate the opportunity to jump in and ask about the HMAS *Cairns* expansion, which I flagged with you previously in a briefing, Mr Fankhauser. When did the previous government announce an expansion of the HMAS *Cairns* precinct?

**Mr Fankhauser:** There are a few elements to it. We have for a number of years now been looking at significance investments in the Cairns Marine Precinct, to be able to support both current and, more importantly, future naval capabilities. As part of that there was an announcement, which is contained in the budget that was recently released, about a co-contribution of funding from both the federal and the state governments.

**Senator GREEN:** No. I am so across that, and I am going to get there, but what I'm asking you about is that under the previous government there was an announcement to expand HMAS *Cairns*. I'm just talking about the actual base there, and then I'll get to the precinct if I have time. But back in 2019—I'm not sure what month—was that when the original announcement about the expansion of the base occurred?

**Mr Fankhauser:** That's right, and those works are being done as part of a capability project. There are three projects that are contributing to the expansion of HMAS *Cairns*, which are separate to the Cairns Marine Precinct commitment.

**Senator GREEN:** Yes, and I think everyone in Cairns was very pleased to hear your contribution to that debate and the promise of that expansion, Rear Admiral. Everyone was really pleased, but my question is: where is it up to? It was 2019. We've talked about expanding it. It was a long time under the previous government. We had many a press conference on the base from former ministers talking about it. What has happened?

**Mr Fankhauser:** On the works associated with the upgraded wharf and facilities that will be needed to support the Arafura class offshore patrol vessels, we have just finalised the detailed design on those. We're expecting works to commence early in the new year. In the budget that has just been released, there is a forecast of \$61.1 million of investment between now and the end of the financial year. That's one of those three projects. There is also a \$15.6 million mid-term refresh that's happening concurrently. That's another \$11.1 million of expenditure this year. There's also a third project, which is facilities to support the Fleet Information Environment modernisation, and that's a further \$22.8 million. So in total it is about \$95 million on the HMAS *Cairns* related expansion.

**Senator GREEN:** I'm going to get cut off because of lunch. So we've got the design finalised. I've got two questions. When is construction going to start? There's obviously a community expectation that that should be happening soon.

**Mr Fankhauser:** Yes, in early 2023.

**Senator GREEN:** Okay. My question is around the Cairns Marine Precinct. You spoke about the commitment in the budget to develop the Cairns Marine Precinct. Was Defence waiting to see what would happen around the precinct before moving forward with your design, because the two things really do fit together?

**Mr Fankhauser:** You're right: they do. Where we had been in ongoing discussions with the Queensland state government related to the potential use of a parcel of land known as Lot 485, and there were differing views in our respective master plans for the best utilisation of that space, that has since been resolved, and that will now give us the clarity going forward to align respective master plans.

**Senator GREEN:** You're obviously aware that the previous government didn't support or have an election commitment around that precinct, but our government does, and now that's in the budget. So that has allowed you to move on with design processes?

**Mr Fankhauser:** I think the funding arrangements for the significant investment that will need to be made in developing that marine precinct have since been resolved.

**Senator GREEN:** Yes, by a change of government. You can—

**Mr Fankhauser:** It was a commitment of both the federal government and the Queensland state government.

**Senator GREEN:** Thank you. Sorry, Chair.

**CHAIR:** Senator Shoebridge.

**Senator SHOEBRIDGE:** Thanks, Chair. I note we have a very short amount of time.

**CHAIR:** Very short.

**Senator SHOEBRIDGE:** I might just quickly ask something—perhaps to you, Secretary. I asked a series of questions about the \$3.4 billion that Defence has said is the costs for the cancelled French submarine contract. I think there were a variety of numbers and they didn't quite connect the numbers that were given. Can you, on

notice, provide a full, detailed costing of where that money has gone, including to what was not purchased, if you like, or purchased, and where the payments were made to?

**Mr Moriarty:** Yes, Senator. We will itemise the money that was spent.

**Senator SHOEBRIDGE:** Thank you. Is it time?

**CHAIR:** It is time, so we will now suspend for lunch and come back here at 1.30 pm.

**Proceedings suspended from 12:30 to 13:30**

**CHAIR:** We will continue on with the line of questioning here at the Senate Foreign Affairs, Defence and Trade Legislation Committee estimates and I will hand over to Senator Shoebridge.

**Senator MOLAN:** While the senator is getting ready, can I just say to the minister I did see your response and thank you very much.

**Senator Wong:** No worries.

**Senator SHOEBRIDGE:** There was a report in the *Washington Post* on 18 October this year that stated that six retired US admirals have worked for the Australian government since 2015, including one who served for two years as Australia's deputy secretary of defence. Are you aware of that report?

**Mr Moriarty:** I am aware of that report and this morning, in response to a question from Senator Steele-John, the department has undertaken to provide on notice a list of all of those former US Navy personnel who may have been engaged by the department across any program. We have taken that on notice. I was aware of the media report. I think that the article is referring to former Admiral Steve Johnson, who, at one stage, worked in Australia as a director-general of submarines and then subsequently served for a period as a deputy secretary in the Naval Shipbuilding Group and in that role attended this committee on a number of occasions.

**Senator SHOEBRIDGE:** Did that deputy secretary have a role in the decision to cancel the French submarine contract?

**Mr Moriarty:** No.

**Senator SHOEBRIDGE:** The article also said that one of the six retired US admirals had to resign as a part-time submarine consultant to the Australian government because of a potential conflict of interest over his full-time job as a board chairman of a US company that builds nuclear-powered submarines. Is that true?

**Mr Moriarty:** Admiral Kirk Donald has, in fact, resigned from that submarine advisory committee, very conscious of the need to avoid any perception of an inappropriate conflict of interest. But Admiral Kirk Donald had served for a number of years previously on the submarine advisory panel.

**Senator SHOEBRIDGE:** When did Admiral Donald commence on that panel?

**CHAIR:** While you are looking at that, secretary, just to confirm: Senator Shoebridge, are you seeking to table this or just making reference to it?

**Senator SHOEBRIDGE:** I think it might be clearer for the record if I do table it so it is available to all senators and to the public. I will seek to table that now.

**Mr Dalton:** I don't actually have the exact dates for Admiral Donald. I can tell you the submarine advisory committee was formed in 2017. I do understand but I will need to confirm and take on notice that Admiral Donald was a founding member.

**Senator SHOEBRIDGE:** At the time that the admiral joined that subcommittee, did he have the same potential conflict of interest of being on the board of a US company that builds nuclear-powered submarines?

**Mr Moriarty:** That was long before Mr Morrison and his colleagues decided to cancel the French program and to pursue a nuclear submarine.

**Senator SHOEBRIDGE:** That doesn't answer my question though, Secretary. Maybe Mr Dalton?

**Mr Dalton:** We will take on notice when Admiral Donald's interest in Huntington Inglis was formed but it would have been declared to us at the time and it was not perceived as a conflict of interest.

**Senator SHOEBRIDGE:** What was the name of the US company?

**Mr Dalton:** It was Huntington Ingalls Industries.

**Senator SHOEBRIDGE:** When did the admiral advise the ADF of his role in that company?

**Mr Dalton:** We will take that on notice.

**Senator SHOEBRIDGE:** Did he have that role or any other relationship with that company at the time that the decision was made by the Australian government to cancel the French submarine project and instead opt for a US or UK nuclear submarine program?

**Mr Dalton:** Admiral Donald's role as a member of the submarine committee, which has terms of reference that are structured to look at the Collins class submarine and the Attack class submarine. So that particular committee did not provide advice on other aspects of the program.

**Senator SHOEBRIDGE:** But surely that committee was consulted before the decision was made to cancel the Attack -class submarine program?

**Mr Moriarty:** No.

**Senator SHOEBRIDGE:** Did that admiral provide any advice or have any other role that impacted on the decision of the former government to cancel the Attack class submarine project and instead opt for nuclear-powered submarines?

**Mr Moriarty:** No.

**Senator SHOEBRIDGE:** Was it the ADF that identified the conflict of interest? Or was it the US government that identified the conflict of interest?

**Mr Dalton:** I would point out that we don't believe there was a conflict of interest. The terms of reference for the submarine advisory committee specifically talked about the Attack class submarine and the Collins class submarine. Even though that has not changed after the announcement of the nuclear-powered submarine, Admiral Donald, to avoid even the perception of a conflict of interest, resigned from the advisory committee. So we don't believe there was a conflict of interest, and we think Admiral Donald has managed himself in an exemplary fashion.

**Senator SHOEBRIDGE:** Have you satisfied yourself of the other shareholdings or financial interests that these six retired US admirals have had while engaged for work for the Australian government?

**Mr Dalton:** They make a declaration of their other interests as part of their employment and, subsequently, should that change, they are obliged to update that declaration.

**Senator SHOEBRIDGE:** Have any other of these retired US admirals had an interest in companies that build nuclear-powered submarines?

**Mr Dalton:** No to my knowledge.

**Senator SHOEBRIDGE:** You say 'not to your knowledge'?

**Mr Dalton:** Yes, not to my knowledge.

**Senator SHOEBRIDGE:** Do you say, sitting there, that you have full knowledge of their disclosures?

**Mr Dalton:** I have not personally seen their declarations.

**Senator SHOEBRIDGE:** Would you take it on notice as to whether or not at any point they have an interest in any company that builds nuclear-powered submarines?

**Mr Dalton:** We will take that on notice.

**Senator SHOEBRIDGE:** Obviously, while engaged by the Australian government. I'll limit it to that period. And if so can you advise which countries and when those interests were held? As at today, how many retired US admirals are working for the Australian Defence Force and in what capacities?

**Mr Dalton:** I can certainly answer the question as in how many retired US Navy admirals are providing advice on shipbuilding and sustainment. Right now, the retired US admirals sitting on the naval shipbuilding expert advisory panel, it is chaired by Vice Admiral William Hilarides, and one of the members on that naval shipbuilding expert advisory panel is Rear Admiral Thomas Eccles.

**Senator SHOEBRIDGE:** Are they the only ones you are aware of?

**Mr Dalton:** They are the only serving US Navy retired admirals that I am aware of at the moment.

**Senator SHOEBRIDGE:** When you say serving—

**Mr Dalton:** Serving on our expert advisory panels or committees.

**Senator SHOEBRIDGE:** What about having a role as a deputy secretary?

**Mr Dalton:** I'm not aware of any former US Navy admirals currently with a role as a deputy secretary in the department.

**Senator SHOEBRIDGE:** Just so there is no ambiguity about a question I asked earlier, can you advise on notice if any of those US Navy admirals had a role in the government's decision to cancel the French submarine deal?

**Senator Wong:** I'm sorry, but I thought Mr Moriarty answered that bluntly and clearly with a single word, so I'm not sure what you want us to take on notice.

**Senator SHOEBRIDGE:** That was about one particular admiral. I am asking in relation to all of them.

**Mr Moriarty:** None of them had a role.

**Mr Dalton:** Just so I can close the loop on one of those questions—Admiral Donald started work on the Submarine Advisory Committee on 4 December 2017.

**Senator SHOEBRIDGE:** And concluded?

**Mr Dalton:** I'll get back to you on that.

**Senator SHOEBRIDGE:** And again, the potential conflict of interest, the reason why Admiral Donald resigned, was that raised by the United States or raised by the ADF?

**Mr Dalton:** He raised it.

**Senator SHOEBRIDGE:** And you will inform us when that was raised?

**Mr Dalton:** Yes.

**Senator SHOEBRIDGE:** Just going back again to the budget papers, this time to page 33, this is about the defence contribution to national support tasks. The Secretary might advise me if I am wrong, but I think this is primarily about the ADF doing flood and fire relief in Australia. Is that right?

**Mr Moriarty:** I will take advice from the CFO. It may cover some of the COVID assist work that the ADF has done. Certainly in relation to natural disasters, flood relief is the largest recent component of that.

**Senator SHOEBRIDGE:** In 2021-22, there was \$211 million expended. That was a mixture of COVID and flood, is that right?

**Mr Groves:** Correct.

**Senator SHOEBRIDGE:** This year is budgeted at \$98 million. I assume that's primarily for flood relief. Is that right?

**Mr Groves:** I will just check my notes.

**Vice Admiral Johnston:** While the chief financial officer is having a look, I can indicate that the ADF support to COVID measures concluded on 7 October, so it would have been into this financial year. As we have been, we remain in support of our community with flood relief efforts.

**Senator SHOEBRIDGE:** Alright. So apart from the COVID expenditure, which wrapped up on 7 October, which was more modest this year than last financial year, the \$98 million is primarily flood relief, I assume, is that right?

**Vice Admiral Johnston:** I am not certain of the basis of the figure; I was just describing what the ADF is doing.

**Senator SHOEBRIDGE:** I appreciate that. How are we going with that, Mr Groves?

**Mr Groves:** I do not seem to have that information with me. I might have to get back to you on that.

**Senator SHOEBRIDGE:** Are there any other major Defence contributions to national support tasks that the ADF is engaged in at the moment, apart from the flood relief, that would explain that expenditure?

**Mr Groves:** Certainly any additional funding that we received this year outlined in the measures table was in relation to overseas operations.

**Senator SHOEBRIDGE:** These are national support tasks in Australia, it says.

**Mr Groves:** Some of those may be funds that are funded under no win no loss. I'll have to get back to you on that table.

**Senator SHOEBRIDGE:** But these aren't overseas. You referenced some overseas projects. These are in Australia. That's what it says.

**Mr Groves:** Yes.

**Senator SHOEBRIDGE:** I am having difficulty with the forward estimates in relation to this table. It basically suggests that next year the spend will go from \$98 million this year to \$22,000 dollars next year. Is that on the assumption—



**Senator Wong:** Where is it?

**Senator SHOEBRIDGE:** Page 33, Minister. It goes from \$98 million to \$22,000 next year. Is that on the assumption there will be no flooding or no substantial assistance required?

**Mr Groves:** Funding for operations such as flood assist, we really only receive that funding on an annual basis on a no-win-no-loss basis. Those \$22,000 amounts may have been residual costs related to a previous measure that had a bit of a tail to it. Normally, for things like flood assist, we haven't got any additional funding for flood assist for this financial year at this point in time, because it hasn't hit the threshold for no-win, no-loss arrangements.

**Senator SHOEBRIDGE:** You can't base your forward estimates on waiting for the weather events in future years.

**Senator Wong:** There's a budgeting point here. This is subject to no-win-no-loss.

**Mr Groves:** The flood assist is.

**Senator Wong:** As I understand the official's advice, up to a certain threshold Defence will absorb employee and supplier expenditure.

**Mr Groves:** Yes.

**Senator Wong:** Above that threshold they would be funded on a no-win-no-loss arrangement. It is a normal part of budgeting processes that certain tasks or events, including military conflict, for example, are not budgeted for because you can't project that necessarily. You have a no-win-no-loss arrangement in a number of portfolios and certain scenarios which would be difficult to assess and cost as part of your budget process. It has been a while since I was finance minister, so if I've got that wrong I'm sure an official will correct me, but I think that's what the reference is to.

**Senator SHOEBRIDGE:** I had understood that. My question is this: given what we know about extreme weather events, given the regularity it has been happening to date, the idea that it's not predictable that there will be substantial Defence Force expenditure on national disaster relief seems to be a 20th-century concept.

**Senator Wong:** I think you're trying to connect a political statement to a budgeting decision which goes to—

**Senator SHOEBRIDGE:** I'm trying to—

**Senator Wong:** Let me just try to find the words. You are trying to connect a political statement to a budgeting practice which goes as yet to unquantifiable cost because of the scale of disasters. Certainly now that this government has been elected we are very aware of the likelihood and risk associated with natural disasters. In fact, when I was climate change minister, I was asserting this before your party then voted with the coalition against a carbon price. But I suppose that is history you would rather not talk about. We were asserting that.

**Senator SHOEBRIDGE:** You're talking about political points here and that's your answer, is it?

**Senator Wong:** If you want to talk—

**Senator SHOEBRIDGE:** That's your answer?

**Senator Wong:** If you want—

**Senator SHOEBRIDGE:** I'm asking whether or not there's going to be a—

**Senator Wong:** Chair, can I finish?

**CHAIR:** Senator Shoebridge, let the minister conclude her answer, please.

**Senator Wong:** The difficulty with some of what you are asking questions about relates to the totality of federal government architecture and funding for disaster support and relief, some of which involves the ADF. Australians, the government and, I am sure, the Senate are very, very appreciative of the work that ADF personnel are doing in the floods now and have done regularly. But this is not the sum total of what government is doing. My colleague Minister Watt has made some announcements and many public statements about this.

**Senator SHOEBRIDGE:** I am endeavouring to determine—

**CHAIR:** I will be handing the call over now to Senator Birmingham.

**Senator BIRMINGHAM:** I want to go back to the Henderson question we were covering before in relation to the large-vessel dry berth facility there. Page 71 of Budget Paper No. 2 from the March budget of this year indicated that \$4.3 billion had been allocated within the Defence IIP for the construction of the dry berth. Can I confirm that that remains the allocation for the project in the DIIP for that project.

**Senator Wong:** Sorry, which project?

**Senator BIRMINGHAM:** Henderson.

**Mr Dalton:** Can you just repeat that question for me, Senator?

**Senator BIRMINGHAM:** Sure. Page 71 of Budget Paper No. 2 from the March budget this year indicates that \$4.3 billion has been allocated within the Defence IIP for construction of a large-vessel dry berth at Henderson. Does that continue to be the allocation within the DIIP?

**Mr Dalton:** I understand in the Integrated Investment Program that that allocation sits in the second decade. That provision still resides in the future provision in the second decade for large-vessel infrastructure in Western Australia. So the decision to use ANI as the delivery model allowed that infrastructure to be built using a different funding line through ANI. The money that's in the provision in the second decade would cover the lease cost that would be passed on to us by the shipbuilders and sustainers that would lease that infrastructure. So that hasn't changed.

**Senator BIRMINGHAM:** So there has been no change to the allocation or to the profiling of it.

**Senator Wong:** I am just confirming that the evidence was that when the previous government announced this project no money was brought forward in the IIP and there has been no change since the change of government.

**Senator BIRMINGHAM:** I think that is what Mr Dalton just said.

**Senator Wong:** I wanted to make sure that I understood the evidence clearly.

**Senator BIRMINGHAM:** Not being a changed quantum, that 4.3 referenced there, but the profiling has also not changed.

**Senator Wong:** And the previous government did not bring it forward when they announced it.

**Senator BIRMINGHAM:** Can I now just go to the questions of timing in that regard. We had the discussion before about final investment decision, which had been slated for the end of 2022. And my understanding is that time lines were looking for construction commencing in 2023 and initial operating capacity in 2028. That was all discussed at estimates earlier this year—Mr Dalton is nodding; yes?

**Mr Dalton:** That was the evidence given at the time.

**Senator BIRMINGHAM:** Is there any variation to those time lines, noting the discussion we had before about a delay to FID beyond the end of this calendar year?

**Ms Hall:** As officers testified earlier this morning, there are a number of ongoing studies underway looking at different capability options to inform a final investment decision. Depending on the ultimate decision in relation to the capability option, there will be impacts on schedule, which we're not able to quantify at this point in time, but we anticipate that additional operating capability can be delivered by 2028, as originally anticipated.

**Senator BIRMINGHAM:** Thank you. While we're on infrastructure, I want to quickly ask about the AUKUS Taskforce work on infrastructure and whether any proposals have been brought forward or decisions made by government in relation to infrastructure needs associated with the nuclear powered submarine program.

**Vice Adm. Mead:** If I heard your question correctly, you asked whether there have been any decisions made by government on infrastructure for the nuclear powered submarine program?

**Senator BIRMINGHAM:** Essentially, yes.

**Vice Adm. Mead:** The answer to that is that no decisions have been made by government. We provide advice to government on a regular basis and, as the Deputy Prime Minister has indicated, government will be making decisions in early 2023.

**Senator BIRMINGHAM:** Will infrastructure decisions have to await the totality of decisions in relation to whether there is work that can be undertaken at Osborne in master planning, in land procurement, that could be taken regardless of the decision about the class of boat or other related decisions?

**Vice Adm. Mead:** A lot of work has been done down at Osborne working with ANI and ASC on different land options there for the build of a nuclear powered submarine. A number of studies have been undertaken—seismic studies, historical weather studies, geological studies, urban development, soil, groundwater, security studies, geoscience studies. We're looking at what parcel of land. We're looking at build options. That all continues, and that advice will then be provided to government for a decision in early 2023. We've done a lot of work with the South Australian state government. I've met with the premier on a number of occasions. I've met with the local minister there as well. We're doing a lot of work with Defence South Australia. We're working with Tony Dalton's team, obviously because of the other infrastructure aspects down there at Osborne. We're trying to bring this up into a package for government consideration.

**Senator BIRMINGHAM:** Is there a possibility of some of those decisions being made in advance of the other decisions that will come back by March?

**Vice Adm. Mead:** I think the best way to do this is that this optimal pathway comprises, as you know, a range of infrastructure considerations. It also has the industrial base, the security aspects. We don't intend to isolate any one of these packages as part of the optimal pathway. We do think that the most elegant and best way forward is to bring this forward to government as a package. As you know, there are about nine components that make up this optimal pathway. The platform itself is just one of those. It would not be the best practice and would probably induce risk if we didn't provide a full scope to government, and we are doing this with our AUKUS partners.

**Senator BIRMINGHAM:** Has the South Australian government, in your discussions with them, offered to provide additional land?

**Vice Adm. Mead:** We are working with Defence SA on that. We are looking at what land is available down there at Osborne, and what additional land is available. We've done a lot of work on that. We are providing options to government on a particular site or sites that we believe would be suitable for the build of the nuclear powered submarines.

**Senator BIRMINGHAM:** In working through those possibilities, is there an offer from the South Australian government to provide that land, or is Renewal SA indicating that they'd have to sell it to you?

**Vice Adm. Mead:** I don't think we're at that stage yet, but we are deep in discussions with Defence SA, ANI and ASC on the best model.

**Senator BIRMINGHAM:** Mr Dalton, you might want to respond to this on notice, but my understanding is that ANI, in their previous evidence about the \$4.3 billion, indicated clearly that it was for construction and sustainment of the dry berth. Your indication before was that it was essentially an operational payback model.

**Mr Dalton:** As you are aware, the ANI model works on a mixture of equity and debt that they raise, and it's not funded through defence. They then build the infrastructure and recoup a return on equity, or a return on their investment, by charging a lease to the occupants of those facilities. In the long term, that lease and cost is embedded in the price of the contracts that our primes have for those facilities. We have an allocation in our Integrated Investment Program that will cover the additional project costs that relate to the lease aspects of those facilities, but the ANI capital investment is not, in this model, part of the defence budget.

**Senator GREEN:** I have some questions relating to the work that's happening around the review. First, Mr Moriarty, what is the strategic importance of Australia's defence partnerships with Pacific island countries?

**Mr Moriarty:** There are a number of dimensions to that. The region is important in terms of neighbourhood and family, and then there's the importance of the strategic geography. The government has made it very clear that it wishes to be the strategic partner of choice for all of the countries of the region. We have over many years provided quite extensive defence cooperation to those countries that have a defence force. We, the AFP and other agencies provide security assistance to a number of the countries that have police forces. We provide assets to help with their maritime surveillance. We build capacity to help them respond to disasters and deal with internal security challenges. We see ourselves as the security partner of choice that helps build security resilience in the region to meet the needs of the region. We are very responsive to their priorities, and our annual defence cooperation talks with all of them respond to priorities from the region.

The other dimension is the broader one of the South Pacific as an important region for Australia in terms of the defence of Australia and our maritime approaches. We think about it in a very important way in terms of the future conduct of military operations, and the government have said that a presence in the region that might complicate our security planning or our security operations would be of great concern to them. We do contingency planning around issues in the region. Mr Marles has put a very strong emphasis on building our security partnerships in the region to respond to the needs of the region.

**Senator GREEN:** I've got a few more questions. I'm sure you'll be able to answer them as well, Mr Jeffrey, but I did want to ask so we can understand—obviously, no-one wants to pre-empt an outcome of the strategic review, but can you tell me how the Pacific region will be supported through the Defence Strategic Review?

**Mr Jeffrey:** As the secretary mentioned this morning, we're not going to prejudge the conclusions of the review. The review recommendations will be provided to the government early next year, and the government will then go through the process of considering those recommendations and making a public announcement.

**Senator GREEN:** But in terms of the way—

**Mr Moriarty:** Could I add: the review leads are very conscious of the government's focus on the South Pacific.

**Senator GREEN:** Sure. I think it lends to simply the strategic geography that you are talking about, Mr Moriarty, that there has to be consideration in the review about those partnerships. Is that correct?

**Mr Jeffrey:** That's correct. As the secretary has noted, the Pacific has been a key strategic focus for Defence for a number of years. This is on the back of a whole-of-government consideration of Pacific strategic, economic, demographic and environmental trends, all of which underlined that those trends would require greater Australian engagement and were underpinned by the conviction that Pacific security is Australia's security, and our security is their security. We share in each other's prosperity, but we'll also share in each other's risk.

**Senator GREEN:** That's a good way of putting it.

**Mr Jeffrey:** Defence has leant heavily into that agenda. If you look at defence budgets over the last decade, they have increased significantly, and we've done a lot more in terms of responding to the security needs that our partners in the Pacific identify. They're in a whole range of lines of effort which I can identify for you.

**Senator GREEN:** I might be asking you about those, Mr Jeffrey, so if you just hold off. What I did want to understand, though—because there has been a shift that's been pretty visible for people in my region, which is very close to the Pacific—is the engagement that has been happening recently. Can you tell me what the reaction has been from Pacific island countries to the increased tempo of visits from the Australian foreign and defence ministers?

**Mr Jeffrey:** Well, I think—

**Senator Wong:** You can just talk about the defence minister if you want.

**Senator GREEN:** Yes, apologies.

**Senator Wong:** I won't be offended. Go right ahead! He should talk about his minister.

**Senator GREEN:** I think the minister can probably speak for herself.

**Mr Moriarty:** Minister Marles but also Minister Conroy, who is in our portfolio but has that broader responsibility for the region in the DFAT portfolio—I mean, presence is very important. Our ministers turning up and being prepared to travel to the region is very important to them.

**Senator GREEN:** Is it that building of personal relationships that's really key?

**Mr Moriarty:** Yes.

**Senator GREEN:** I'm talking about, I guess—

**Mr Moriarty:** In the Pacific, personal connections—

**Senator GREEN:** for those Pacific partners, is that a key? Are they looking for that personal relationship?

**Mr Moriarty:** And the frequency of visits to Australia and the frequency of visits to the region by Australian ministers and other seniors is important.

**Senator GREEN:** One of the other key shifts—sorry, Minister?

**Senator Wong:** Can I just add one thing to that? I think we've been really lucky with Minister Conroy, who obviously has been very energetic and also deeply engaged, and also the PM. But I did want to say that I think the Deputy Prime Minister's personal commitment to the region and personal history with the region, his knowledge not just of the geopolitical history of the region, and his personal history with many significant figures in the region, is a huge asset for the country. He has been very committed to utilising the very extensive security and defence ties we have with a number of countries in the region, I think to the nation's benefit. I appreciate both his and the portfolio's engagement and the many ways in which the portfolio engages with the Pacific—the offshore patrol vessels, or the Guardian class, being a very important part of that, but not only.

**Senator GREEN:** Thank you, Minister. The other key step change I think has been climate policies. I don't mean to ask you about those policies, but I'd like to understand how the government's new climate change policies have provided a basis for new areas for Defence cooperation with our Pacific partners. It's obviously a key item for them in their discussions.

**Mr Jeffrey:** Senator, our personnel on climate may come to the table but, as you have rightly acknowledged, climate is a key security concern for our Pacific family. As I mentioned earlier, our Pacific partners' primary security concerns are non-traditional security threats—what we would call non-traditional—and they revolve primarily around the impacts of climate change, and how those impacts are going to be exacerbated by economic, demographic and other flow-on effects. So, it's important for us, as their principal security partner, to be able to engage with those concerns as they experience them. We obviously understand that when you look at the impact of climate change, it will disproportionately affect small island states—or large ocean states, as they like to be

referred to—and also maritime South-East Asia as well. So, we need to ensure that we are tailoring our engagement with our Pacific partners and that we work to address those concerns.

Now, as you have noted, Defence is not an agency that has portfolio responsibility for climate policy. But one of the key drivers behind our approach towards greater integration of Pacific security, police forces and security capability is to ensure that we have a regional response capability to address the effects of climate change. You see that increasingly in the way in which Defence is engaging in what we call humanitarian and disaster relief capabilities. And it's not just building a response capability that the ADF can use to deploy in the incidence of risk; it's also about building a common joint capability. You saw, for example, Fiji and PNG deploy forces to Australia when we had our bushfires. So, it is about building that common response capability, and integrating our forces in a way that we can do it more flexibly and more responsibly, including in things like developing storage areas that exist both in Australia and in the Pacific.

**Mr Johnston:** Could I just give you a very practical example? The Chief of the Defence Force is in the Pacific today with 70 other heads of security from the Pacific: policing, customs and others. It has two themes. The first theme is maritime security of the Pacific. The second theme is the impact of climate on security. So, it is a very live issue that we are engaged with, and that is where the CDF is today.

**Senator GREEN:** Thank you very much. You've pre-empted a little bit of this question, Mr Jeffrey, but I was wondering, within these new engagements, what have Pacific countries told us about their defence priorities, and how has this influenced our plans to support them?

**Mr Moriarty:** I would characterise it as: the impact of climate change, natural disaster response and state fragility. A lot of these countries still have some real challenges in terms of development, demographic pressures, institutions that still need strengthening. Their police forces and defence forces often see their responsibilities as to protect against any potential breakdowns in civil order, but also to respond to natural disasters. Their security forces are important nation-building institutions. We participate in our annual defence talks with all of them. They bring us their priorities—maritime surveillance, protecting their borders or helping grow natural disaster response capabilities—and we shape our programs very much driven by the needs of our partners.

**Mr Jeffrey:** I'll just add that a key component of that is the security of ocean resources. As I mentioned, these are large ocean states—incredibly large ocean territories. They are unique in the world, and a key national resource are those oceans. Those ocean resources and their ocean territories are coming under more pressure.

**Senator GREEN:** When you say 'oceans', are you talking about exclusive economic zones?

**Mr Jeffrey:** Exclusive economic zones where they're able to, for example, exploit the fisheries within those zones. Climate pressures are driving more illegal traffic into those zones, not just around fishing but also around transnational crime. So a big part of how our defence supports our Pacific partners in this area is through what we would call broad area of maritime domain awareness. The centrepiece of that is the \$2 billion program to provide each of our Pacific partners with patrol boat capability that's combined with sustainment and maintenance through the life of the capability, but also with the surveillance necessary to ensure that they can know where their maritime domains are being illegally accessed so that they can exercise both their rights and responsibilities in those domains.

**Senator Wong:** One of the government's election commitments was a doubling of funding for aerial maritime surveillance for the reasons that Mr Jeffrey outlines, which are to try and increase the number of flights which you combine with the maritime capability, to which he's referred, to try and extend coverage and increase the regulation of the EEZ. One of my topics of engagement with both the Pacific and South-East Asia is that, in terms of the combination of climate change and its effects on fish stocks and fish patterns and growing populations and increasing pressure on food security, the maritime domain will become ever more contested as a consequence of climate change. I think that is something that our Pacific partners are acutely aware of and, frankly, also our South-East Asian partners.

**Senator FAWCETT:** Mr Dalton, coming back again to Collins and LOTE, you'd be aware that since the Coles review, one of the key successes is the whole enterprise for the Collins and the engagement of Australian industry whether that's through reverse engineering the Hedemora and support from companies like MacTaggart Scott with periscopes et cetera. Having that local industry that has supported ASC and Navy very effectively—that essentially, I think, is our baseline. In relation to the much talked figure of about 90 per cent of Australian industry support for the through-life support of Collins—whether that's in dollar terms or percentage terms of the number of contracts; I'm not quite sure how defence has defined that in the past—could you, on notice, baseline that for us and the current work in LOTE? And then forecasting forward, as we replace the power train, as we replace periscopes et cetera with products that come from overseas, my concern is that we will potentially end up

where we were with Collins in that we'll be relying on overseas maintenance, contracts and IP and then, down the track, have to re-create an Australian capability. So I'd like your planning, at this stage, for where we will be at the end of LOTE in terms of the number of contracts or percentage value that is still with Australian industry versus gone overseas, including the OEM in that mix.

**Mr Dalton:** We'll take that on notice and I can assure you that over 90 per cent of the platform based Collins sustainment is work that's done in Australia. We're not anticipating a significant change in terms of the platform support pre- and post-LOTE.

**Senator FAWCETT:** You said before: 'We're on a journey.' I'd like to know who's on the journey with you and whether they're at arms length or whether you've linked arms and are working with Australians and the OEM to a significant extent. Thank you.

Could we come to the PBS, on page 120, in table 55 'Top 30 capability sustainment products'. Looking at the line there for MRH, I'm interested in the fact that from the March budget to this budget we've gone from \$303 million down to \$296 million, but the corresponding rate of effort has gone from 7½ thousand hours down to 6,000 hours, so it's a two per cent decrease in funding but a 25 per cent decrease in flying hours. I'd like to get some comments on why.

**Lt Gen. Stuart:** I'll answer your question with four points. Firstly, we've taken a programmatic view of all our rotary wing capabilities with the specific aim of implementing the Houston review into Army aviation. In 2020 we conducted a comprehensive review of the MRH. It was known as the Yates review because it was conducted by Air Vice-Marshal Peter Yates, a two-star Air Force engineer.

As you're aware, and it's a matter of public record, despite efforts by all stakeholders the MRH system has not been able to deliver the expected rate of effort and is more expensive to operate than we can afford over time. That has led us to develop some options in terms of how that might be dealt with, and those options are currently being considered by the government.

To your point that the rate of effort has reduced, we have deliberately reduced the demand to a rate of effort that we think the system is able to produce. We certainly share your concerns about the cost of that reduced rate of effort. That is one of the principal drivers for the options that have been presented for consideration about the future of the MRH capability.

**Senator FAWCETT:** On page 57, table 23, I notice Navy have ceased flying the Taipan over the forwards. There are no recorded hours, but footnote (b) says:

Their flying hours have been included under Army Aviation, as Army is joint capability manager for the aircraft.

Could you confirm, and perhaps this is for Mr Fairweather or the Chief of Army, normally when we allocate flying hours there's funding associated with that. We've got less funding recorded against Army and we've got less flying hours. So when footnote (b) says that their flying hours have been included, does that mean any funding has been transferred? Have those hours essentially just evaporated because you don't think the combined fleet is capable of delivering more than 6,000 hours? That cross-reference does not make sense.

**Lt Gen. Stuart:** I'll begin, and then I'll hand to Mr Fairweather. As I understand it, the funding for the rate of effort for those Navy aircraft has been now included to fund the rate of effort for the replacement, which is the Romeo aircraft. I'll throw the answer to Mr Fairweather for some further amplification.

**Mr Fairweather:** From memory, the MRH hours have always been delivered as a bundle because the same contract supports both programs. Your question as to why it is not a commensurate reduction in cost with reduction in hours is that there are two elements in the contract. There's a fairly significant fixed base element and there is a smaller proportion that's variable on the basis of flying hours for repair by the hour for a number of components. The issue of MRH is that majority of the maintenance is time based, not hour based. So whether you fly or not fly, the base cost remains pretty much the same. That is because over time the maintenance policy has not yet been engineered out to on-condition type replacement. So it is a big cost driver for the platform.

**Senator FAWCETT:** In table 54, under AIR 9000 phase 2—this is the project rather than the sustainment table, in the top 30 projects—it talks about introduction to service of the remaining MRH capabilities required to ensure maximum availability and utility of the aircraft. My understanding from previous estimates was that essentially, in light of the decision to look at the UH-60, you are looking to shepherd or husband the capability and keep it sustainable until the introduction of the new type. Could you explain what you mean here by the introduction of new capabilities for the MRH?

**Mr Fairweather:** That is elements like the mission troop seat that were on contract that need to be completed, some of the aeromedical evacuation fitout that we will still need to see the aircraft into operation. They were

already on contract. And C-17 loading. We are then looking at basically anything else, whether it's needed or not, dependent on Army requirement for capability. But those things have been introduced and things have been on contract for quite some time and are near completion. For the remaining service of the aircraft they will add significant utility to the platform.

**Senator FAWCETT:** Can I confirm from that statement, where it says 'the capabilities required to ensure maximum availability', that maximum availability now you have determined—I was going to say arbitrarily, but on the basis of past performance—you've determined that 6,000 hours is the most you will get out of the fleet?

**Mr Fairweather:** It is the most we will get out of the fleet safely without increasing the level of stress.

**Senator FAWCETT:** Do you expect to achieve that figure, given your new KPI?

**Mr Fairweather:** Our expectation is that we will achieve it, but as we go through the support system, it will be up to how the system reacts to delivering that number of hours to make it dependable.

**Senator FAWCETT:** Are you getting a consistent availability between the school's operation, which I understand is being put online by Airbus, and the regiment's operation, which is being put on by Defence?

**Mr Fairweather:** Oakey does produce a high level of availability. That's the school. That is a very standard operation, a flying program operation every day, a very known capacity and with a workforce that doesn't deploy—it's an industry based workforce, so they're there every day. It does achieve a high level of availability for both ARH and MRH because of that fact.

**Senator FAWCETT:** Are you anticipating that of that 6,000 hours the majority would be flown by the school rather than the regiment?

**Mr Fairweather:** Between the school and 6th Aviation at Holsworthy is where the majority of the hours will come from, and they'll deliver what they can.

**Senator FAWCETT:** Your rationale about non-standard flying programs, meaning the regiment has a lower availability, is it your expectation that will also be true for the UH60, and is that true for Chinook, for example—do they have a lower availability because they're an operational unit? That's not my experience in the past.

**Mr Fairweather:** Chinook doesn't have a very good level of availability, but it has a very different maintenance system, much simpler and able to be supported far more effectively. To get the higher level availability out of MRH at Holsworthy has required extensive support from industry, and particularly for Holsworthy it was never anticipated that it would require that. It is a complex platform to maintain, and also Holsworthy has its first priority on spares and repairable items, so that helps drive its availability as well. I do have to acknowledge the incredible hard work by industry workforce, CASG and Army, to get the best they can out of MRH as we go forward. It's a very difficult platform to generate availability and rate of effort from.

**Senator FAWCETT:** But clearly Airbus is doing it at Oakey. The question has to be, is it because Defence has not adapted their processes to the airframe, if people working for Airbus at Oakey can do it?

**Mr Fairweather:** It's an interesting question, obviously one that we have looked at in some depth. The processes and procedures are the same for both workforces. The conclusion we have come to is the difference is the experience of the workforce at Oakey, because it is an industry workforce that hasn't moved or been posted, and in fact it is a much more repeatable flying program, so they don't have to have role changes or configuration changes to the aircraft from mission to mission. It is much more stable. Those two facts combined make that difference.

But you have to remember this is a battlefield helicopter that needs to deploy, so it needs to be maintained with the same effort by Army workforce, just as Chinook is and just as the Navy Romeo is, with good effect. We think that is the major difference between the two sites.

**Senator FAWCETT:** Chief of Army, could I come back to the utility side then? Are there mission elements that you don't believe MRH will be able to provide to Army, even with this focused effort getting 6,000 hours et cetera and bringing in the remaining capabilities to the platform? Is that your position still? It certainly was for your predecessor when the decision to go to UH-60 was made.

**Lieutenant Gen. Stuart:** There are three points there. There isn't yet a decision on UH-60. It is still being considered. Secondly, I would just add to Mr Fairweather's evidence that while the availability figures at Oakey, at the school, as you point out, are better, the rated effort is still not what was contracted for and is required and indeed costs us. Thirdly—I think it has certainly been a topic of discussion in this committee over a number of years—there are several mission sets, particularly in our special operations, domestic counterterrorism mission sets, that will not be able to be executed with this aircraft, mainly because of the protection aspects. I know you are well aware of the efforts that have been applied over a number of years to try and resolve that. That has not

been successful. There were a range of operational capability milestones for the amphibious, maritime, land and special operations—I can certainly provide the detail of those for you separately—that have not and in some cases will not be met. Obviously the lower time, there are two operational capability milestones that were associated with a maritime helicopter that won't be because it has been retired from the Royal Australian Navy. So there are around six of those operational capability milestones that have not or will not be met.

**Senator FAWCETT:** One of the issues that concerns me—we have had this discussion previously with AH-64 and Tiger and the transition—is workforce. Clearly you have already indicated that workforce is one of the key issues in terms of having platforms available to support the regiment. So the indecision that is occurring, the delay in decision, will have an impact on workforce. I am interested to understand: what is the status of advice to government? Could you tell me? I don't need to know what the advice was—you're clearly not going to tell me that—but did defence provide a brief to the previous government about the option that led to us requesting approval from the state department for the FMS sale of the UH-60?

**Lt Gen. Stuart:** Yes. The process has been a standard one, first and second pass. The first pass was considered by the previous government. The second pass will be considered by this government in quarter four of this year.

**Mr Moriarty:** Advice has been provided to the government, and a decision will be announced by the government when it is ready to do so.

**CHAIR:** Senator Fawcett, this is your last question because I'll have to move the call around.

**Senator FAWCETT:** Sure. I'll put a few on notice with this. Given the imperative to retain workforce, but also Sikorsky representatives in an interview with Defence Connect late last year indicated that there were potentially six UH-60s on the production line this year that may be available if defence made the decision or if the government made the decision the rest may not be for some years to come, and, given the minister, Senator Wong, in estimates indicated that she felt that the current aircraft was not capable of doing the job that we expect of it, do we risk losing those six aircraft and delaying a capability and putting a workforce at risk because a decision has not yet been made?

**Mr Moriarty:** A decision will be announced at a time of the government's choosing.

**Senator FAWCETT:** I realise that, but I'm asking about the consequence. Minister, would you care to comment on that?

**Senator Wong:** No, not really. I'm happy to have a conversation after the events, as Mr Moriarty has laid out, take place.

**CHAIR:** Senator Shoebridge, you have the call.

**Senator SHOEBRIDGE:** I just want to remain on the MRH-90 and look on page 57 at table 25. The zero deliverables in terms of flying hours for the Navy, are you saying that the previous years' flying hours have been reallocated to the Army and are included in the table 25 figures?

**Mr Fairweather:** I'll have to confirm. From memory, I think that the MRH flying hours have always been reported as one block because it's delivered through the one contract, through Airbus. But I'll have to confirm that for you. I just can't recall, from memory.

**Senator SHOEBRIDGE:** Where it says, 'Navy ceased flying operations with MR-H90s in April 2022,' is the Navy still notionally responsible for or in control of a certain number of MRH-90s?

**Mr Fairweather:** No, those aircraft have been removed from Nowra and are currently in preservation storage in Brisbane.

**Senator SHOEBRIDGE:** So they haven't been moved to Holsworthy, they're in a separate warehouse somewhere?

**Mr Fairweather:** In Brisbane, at the Airbus facility.

**Senator SHOEBRIDGE:** How many of them are there?

**Mr Fairweather:** Seven.

**Senator SHOEBRIDGE:** What's their status in that warehouse facility?

**Mr Fairweather:** They are maintained in an airworthy condition to preserve the value of the asset.

**Senator SHOEBRIDGE:** There's no intent to use them?

**Mr Fairweather:** That's unknown at this stage. When the government makes a decision on the future of MR-H, they may or may not be required.



**Senator SHOEBRIDGE:** So we've have six MR-H90s, did you say, or seven?

**Mr Fairweather:** Seven.

**Senator SHOEBRIDGE:** There are seven MR-H90s in a warehouse in Brisbane somewhere being retained at combat readiness. Is that right?

**Mr Fairweather:** At an airworthy standard. There's a maintenance regime you go for for aircraft that are in preservation storage that preserves the life of the airframe and all the components on them. You couldn't take them out of that storage hangar tomorrow and get them to fly. There would be some servicing to turn them to full airworthiness. It's what is called preservation maintenance, to preserve the value of the asset.

**Senator SHOEBRIDGE:** They're not being flown by the Navy. I assume they've got the same issues you were raising in relation to the fleet more broadly. Is that right?

**Mr Fairweather:** They're not being flown by anybody at the moment. The Navy are no longer operating an MR-H.

**Senator SHOEBRIDGE:** The reason is those issues you were raising with the fleet more broadly; is that right?

**Mr Fairweather:** Correct; it was proving extremely problematic to achieve that outcome, for the Navy to operate the aircraft at sea at the back of a ship.

**Senator SHOEBRIDGE:** In terms of effort and cost? That's what I understand from your answers.

**Mr Fairweather:** And the available hours being produced. For the flights at sea, the Navy had a requirement—the Chief of Navy will correct me but I think it was for two or three flights at sea, and we were only able to generate one flight at sea.

**Senator SHOEBRIDGE:** Only one flight?

**Mr Fairweather:** A flight is a detachment on a ship. We could only generate one.

**Senator SHOEBRIDGE:** Out of the entire naval fleet of seven, you could just get one on the back of the ship ready to go at any one point?

**Mr Fairweather:** Correct.

**Senator SHOEBRIDGE:** What's the cost of the maintenance program? What's the cost to taxpayers?

**Mr Fairweather:** There is no delta cost to the capability for that preservation. It's done within the existing contract. There is no extra cost for that preservation at the moment.

**Senator SHOEBRIDGE:** But this is the contract which I think you critiqued earlier, saying it has a very high fixed rate and a very low maintenance or marginal rate.

**Mr Fairweather:** Correct. There is a decision to be made about the preservation of the value of that asset. Those assets have value if they are preserved in that condition. If we did not do that, they would lose value incredibly in terms of not only the platform itself but the spare parts. That would be a far greater cost to the Commonwealth than the cost of maintaining them at the moment.

**Senator SHOEBRIDGE:** No third country in their right mind would buy a fleet of seven helicopters where you can only put one in the air at any given time, would they? There's no real resale value to them. Who on earth would buy them?

**Mr Fairweather:** That is yet to be determined.

**Senator SHOEBRIDGE:** There might be a sucker out there who buys them!

**Mr Fairweather:** They have value in various ways. They could have value as a going platform. The major components—gearboxes, engines, radars, mission computers—will have significant value. They need to be preserved, and the cheapest way to preserve that equipment is on an airframe under preservation maintenance.

**Senator SHOEBRIDGE:** That's because you're stuck in a contract which already has those high fixed payments on it, isn't it? The contract was wrong in the first place, and we're paying that very high fixed rate regardless of whether we put them in the air or not.

**Mr Fairweather:** That is true; that is one of the core issues of the contract. The contract has not delivered the number of flying hours it was expected to at the time we took on the MRH.

**Senator SHOEBRIDGE:** The long and the short of it is: the sooner we terminate that contract and get the hell out of the MRH-90 business, the more live resources we'll have to do effective things with the Defence budget; isn't that right?

**Mr Fairweather:** We are preparing for two options. One option is that we continue with MRH and one option is that we don't. In either case there is extensive work going on to drive out much enhanced value for money, now we understand the base level of performance of the platform.

**Senator SHOEBRIDGE:** Can you give an indication, perhaps on notice, of the annual cost to Defence, even if it is under the existing contract, of maintaining those seven—

**Mr Fairweather:** We'll take that on notice.

**Senator SHOEBRIDGE:** I note that on table 25—this is the Army deliverables—on the MRH-90, the footnote says that the 6,000 hours is estimated to be the upper limit, and it seems to be subject to the ongoing MRH stabilisation planning. It's been the better part of two decades and the MRH has not stabilised yet, has it?

**Mr Fairweather:** That is true.

**Senator SHOEBRIDGE:** You're not suggesting you're going to fix it, are you?

**Mr Fairweather:** Depending on the decision the government makes, that will be the strategy we take to go forward.

**Senator Wong:** The official is assisting as much as he can. As Mr Moriarty indicated, these are matters for government decision.

**Senator SHOEBRIDGE:** I'm not asking about whether or not they replace it. The fix I'm talking about is the MRH stabilisation—the fixing of the platform itself.

**Senator Wong:** You're making an assumption about what decision may or may not be made in that question, so it's not fair on him.

**Senator SHOEBRIDGE:** I'm simply reading from the footnote:

Future year forecasts subject to ongoing MRH stabilisation planning.

So is it true that the 6,000 hours is subject to you sorting out some of the issues with the MRH platform?

**Mr Fairweather:** Six thousand hours is what we would expect to achieve.

**Senator SHOEBRIDGE:** But it doesn't say that, though, does it? It says it's the upper limit.

**Mr Fairweather:** That's what we're aiming for. But there are other factors that drive rate of effort, other than just the platform availability.

**Senator SHOEBRIDGE:** Do you have an indication of what the cost per hour of operating the MRH-90 is?

**Mr Fairweather:** We'll come back on notice with that.

**Lt Gen. Stuart:** To assist, I'd make two points, if I may. We do. It's in the order of \$48,000 an hour. And, if I could just go back to your previous point, it's what we have at the moment to meet our contingency and other tasking. We're always working to try and get a better outcome from it.

**Senator SHOEBRIDGE:** It's almost cheaper to keep an F-35 in the air for an hour than an MRH-90, isn't it?

**Lt Gen. Stuart:** I'm not sure of the F-35 hourly cost. But your point is that it is expensive, and we would agree with that.

**Senator SHOEBRIDGE:** Do you know what the original target was for the cost per hour?

**Lt Gen. Stuart:** I don't. I'll have to come back to you on that.

**Senator FAWCETT:** Senator Shoebridge, can I just ask one supplementary on that?

**Senator GREEN:** Chair, I have questions—

**Senator SHOEBRIDGE:** I just have one more question.

**CHAIR:** I appreciate people have questions, but, Senator Shoebridge, you still have the call.

**Senator SHOEBRIDGE:** We might come back to it, but thank you for the information, Lieutenant General; it was helpful. You said you had two points, though. Was that it?

**Lt Gen. Stuart:** Those were the two.

**Senator SHOEBRIDGE:** Secretary, just yesterday the defence minister signalled a new doctrine for the Defence Force of 'impactful projection'. He did that months before the defence strategic review is to report. Does he know something we don't about the defence strategic review?

**Senator Wong:** He's also the defence minister of the country, so I suppose him thinking about what sort of projection the country wants is not a bad idea.

**Mr Moriarty:** Mr Marles has been talking for some considerable amount of time, since he became minister, about the need for the ADF to develop capabilities to be able to hold adversaries at risk at longer distance. I think that that's very consistent with what he said yesterday.

**Senator SHOEBRIDGE:** But is this a new input into the defence strategic review? If you've got an independent review being done by two people who've been identified as eminent in the space, surely the minister doing this undercuts the independence of that review. He has basically judged their homework before they've delivered it.

**Mr Moriarty:** Are you asking me to respond to a comment?

**Senator Wong:** It's a comment.

**Senator SHOEBRIDGE:** Do you accept that the minister coming out and making conclusions midway through the review undermines the independence of the review?

**Mr Moriarty:** No, I do not accept that. I believe the minister, in terms of articulating the government's defence policy and its desire to acquire longer-range capabilities, is trying to communicate to stakeholders, as he was yesterday, and to the Australian public the general direction of Australian defence policy.

**Senator SHOEBRIDGE:** He is also communicating it to what is purportedly an independent review. If they come out with a response different to the minister—

**Senator Wong:** They can do so.

**Senator SHOEBRIDGE:** But then it will be a very challenging environment for their review, won't it?

**Senator Wong:** Well, it's the former CDF and former defence and foreign ministers, and I think they are people who will speak their minds. But I would also put this view: if you've had the opportunity to read Mr Marles's speeches and public contributions in opposition as well, this concept is something he has been referencing for some time.

**CHAIR:** Last minute, Senator Shoebidge.

**Senator SHOEBRIDGE:** I'm happy to hand over to my colleague.

**CHAIR:** Of the Greens block, you've got one minute left, and then I'll have to hand over the call.

**Senator WHISH-WILSON:** You can come back to me, Chair. I'm in no hurry.

**CHAIR:** Okay. Senator Green.

**Senator GREEN:** In the interests of consistency, I have some questions on the MRH-90 program as well, so I may as well do them here. The project was on the 'project of concern' list the entire life of the former government—isn't that correct?

**Mr Fairweather:** Not the entire life.

**Senator GREEN:** From 2013 to 2022?

**Mr Fairweather:** Pretty much for 11 years.

**Senator GREEN:** The whole time? Yes. And there have been several reviews into the project. Would you take on notice for me who undertook each of those reviews and what the cost of each of those reviews were?

**Mr Fairweather:** Yes.

**Senator GREEN:** Thank you. There's a question that has been raised about the process to make a decision around a possible alternative to the program. In a media release dated 10 December 2021, titled 'Strengthening Army's helicopter capability', the former minister, who is now the opposition leader, said:

The Australian Government is exercising its right to understand what options are available to provide the necessary capability at a reasonable cost into the future.

Am I right that that's when the first pass process you mentioned started, back in December 2021?

**Lt Gen. Stuart:** The process started before that—if I recall, around the middle of 2021.

**Senator GREEN:** I guess that's when the public announcement was made. Since the issuing of that media release in December 2021 and the commencement of the caretaker period in 2022, was a contract to buy Black Hawk helicopters signed by the government?

**Lt Gen. Stuart:** No. You may be referring to a congressional notification by the United States.

**Senator GREEN:** No, I'm just asking you. I can assure you I'm very clear on what I'm asking, because I want to clear this up. Was a contract signed?

**Lt Gen. Stuart:** No, Senator.

**Senator GREEN:** That is an interesting answer because, at a media conference in Townsville on 14 October 2022—not that long ago—the Leader of the Opposition, who was the minister at the time, said:

It was very clear to me that the Taipans were not fit for purpose and this was a done deal ... One of the reasons I took decisive action in ordering the Black Hawks was that I feared that we would have an accident in one of the Taipans.

It's not correct. The opposition leader's comments aren't an accurate characterisation of where the process is up to, is it?

**Lt Gen. Stuart:** I won't comment on Mr Dutton's public remarks, but I can confirm that there is no contract in effect for Black Hawk.

**Senator GREEN:** And no contract was signed before caretaker period?

**Lt Gen. Stuart:** That's correct.

**Senator GREEN:** So to say the deal was done is incorrect?

**Vice Adm. Johnston:** The department would have needed authority to approach the US to have gained the price and availability assessment, so that would have been a decision of the government to authorise us to make that request.

**Senator GREEN:** But the helicopters haven't been ordered and there's no contract signed.

**Vice Adm. Johnston:** No.

**Senator GREEN:** Thank you for your assistance.

**CHAIR:** I will hand the call to Senator Van. No, Senator Van's not there. He was there two seconds ago. Senator Paterson.

**Senator PATERSON:** An unexpected bonus! I have questions about AUKUS. Are the relevant officials at the table?

**Senator FAWCETT:** Chair, while they're coming to the table, can I ask Chief of Army a question before he disappears?

**CHAIR:** Sure.

**Senator FAWCETT:** General Stuart—he is throwing smoke and egressing as quick as he can—a very quick question for you on battlefield helicopters, what rate of effort are you expecting in terms of flying hours for a capability into the future? If 6,000 is the cap you can currently achieve, what is your expected demand that you would like to be able to satisfy in terms of supporting your various units?

**Lt Gen. Stuart:** Senator, can I come back with a more precise answer? We had contracted and expected in the order of 10,400 hours from the MRH system. It would be in that proximity.

**Senator PATERSON:** Before I commence, there's nothing worse in estimates than senators asking questions that have already been asked, and I have been in and out today. So I just want to make sure that there have been no high-level questions about AUKUS and departmental resources yet today? No-one's telling me there have been, so I'm going to proceed.

**Senator Wong:** There have been some, but that's alright; you're asking your question.

**Senator PATERSON:** How many departmental staff have been allocated to work on AUKUS?

**Vice Adm. Mead:** I will speak specifically on the nuclear powered submarine program. As you know, there is another pillar, pillar 2, on advanced capabilities.

**Senator PATERSON:** I am interested in those answers, but I am also interested in the other non-submarine components of AUKUS. You answer, but then anyone can add to that, please.

**Vice Adm. Mead:** In the submarine area there are currently 343 people associated with the task force. They are not entirely Department of Defence people; we have a number of cross-agency. It's a whole-of-government task force from Attorney-General's Department, Prime Minister and Cabinet, DFAT, Education and also the other nuclear agencies: the Australian Nuclear Science and Technology Organisation; the Australian regulatory organisation, ARPANSA; the waste organisation; and a number of other government bodies.

**Senator PATERSON:** Thank you. Does anyone have an answer on the total?

**Mr Jeffrey:** The Strategy, Policy and Industry Group has carriage of AUKUS pillar 2—that is, advanced capabilities—in the Department of Defence. The specific numbers, though, are more difficult to isolate because there's not a specific task force. You have the whole group and, in addition to me, AUKUS sits within Strategic Policy Division, and within that there's a branch that has specific carriage of ensuring that we're preparing for trilateral meetings of the advanced capabilities group. But, of course, advanced capabilities cut across a whole

range of different areas in the Department of Defence. So, in taking this work forward, Senator, I engage very closely with the vice chiefs of defence forces group, I engage closely with the Chief Defence Scientist and her group and, indeed, I engage with all the capability managers who would take these items forward.

**Senator PATERSON:** Thank you for that context. I appreciate it's not a simple answer. Perhaps you could come back on notice with your best estimate of the ASL working on it.

**Mr Jeffrey:** I'd be happy to do so.

**Senator PATERSON:** Thank you. I'm also interested—and perhaps taking this on notice is going to be a more efficient use of our time—in the number of consultants working on it who are external to APS, who've been brought in.

**Mr Jeffrey:** With respect to pillar 2, we have not brought in any consultants at this point.

**Senator PATERSON:** Okay.

**Vice Adm. Mead:** Senator, we can get you a list of consultants that we have engaged with over the past 13 months.

**Senator PATERSON:** Thank you. That would be helpful. I'm interested in some more details about the trilateral joint steering groups and any other working groups. How many departmental staff are involved in each of those? Again, perhaps providing this on notice is going to be more efficient.

**Vice Adm. Mead:** I can tell you that now if you want, Senator.

**Senator PATERSON:** Great!

**Vice Adm. Mead:** There are currently nine working groups. One is on strategy. The second one is on workforce training and education. The others are on trilateral contributions, capability, the industrial base, security, stewardship, non-proliferation and communications. Those working groups are replicated in the UK and the US. They meet probably twice a week. They meet 24/7, literally, because we're trying to work within time zones. We operate on a top secret, secret and unclassified network. We've had 10 joint steering groups. We conducted one virtual one last week. I chaired the last in-person one in September, and we have another one coming up at the end of the year. Those joint steering groups are where we bring together all the information of the working groups to provide advice up to our respective governments.

**Senator PATERSON:** Have any new groups been established since the election?

**Vice Adm. Mead:** No, Senator.

**Senator PATERSON:** So just the same ones are continuing. Have there been any changes to the terms of reference of any of those groups?

**Vice Adm. Mead:** No.

**Senator PATERSON:** I assume also, then, that none of them have been discontinued since the election either?

**Vice Adm. Mead:** No. They have just continued at pace. In fact, I would say that the pace and the frequency are increasing as we are reaching the end of the consultation phase.

**Senator PATERSON:** That is good to hear. I am interested in exploring further the high-tech interim capabilities, the advanced capabilities. Obviously, we've seen in Russia's conflict with Ukraine that cyber has played a particularly important role. What progress update can you give me on the cyber component of the advanced capabilities?

**Mr Jeffrey:** There are six capability focus areas of AUKUS advanced capabilities: undersea warfare, quantum technologies, artificial intelligence, hypersonics and counterhypersonics, electronic warfare and advanced cyber. There are working groups for each of these capability focus areas, and there are also groups on innovation and information sharing.

The government will make decisions about what of AUKUS advanced capabilities they choose to announce. Obviously, some things that will be developed within AUKUS will need to remain classified. Others may well be announced, at least in broad terms, but I am not in a position at this point to make any specific comments on the content of those working groups and the capabilities, the technologies, being advanced within them.

**Senator PATERSON:** Sure. I do appreciate that. Let's talk in generalities then, to avoid you getting in trouble there. Would it be fair to say that some of the capability gaps we are all concerned about could potentially be filled by some of these capabilities?

**Mr Jeffrey:** That is certainly our intention. The purpose of AUKUS, as you know, is a capability and technology partnership. It is informed by the Defence Strategic Update, which acknowledged we are seeing an unprecedented rate of change in our region and the most complex strategic circumstances in our region since the end of the Second World War. In that environment, it's those countries that are going to be able to pool their resources and combine their strengths that will have a distinct competitive advantage. So, as the foreign minister mentioned earlier, we're able to do that most intimately with countries with whom we have a common institutional basis, an understandable legal framework that the three countries recognise. Between the three of us we can co-operate at a level that is rare for sovereign countries to do. The challenge, of course, is operating across sovereign boundaries and being able to do it at speed. So the objective of AUKUS advanced capabilities is not only to deliver cutting-edge capabilities that will contribute to deterrence but also to break down those barriers, which will be able to operationalise our partnership in a much more effective way in the future.

**Senator PATERSON:** I will come back to those barriers in a moment. Thank you for highlighting that. Obviously, though, one of the advantages of at least some of the capabilities in this place is—no disrespect to nuclear submarines, of which I am a very strong supporter—but no shipyards need to be built and no steel needs to be cut, so hopefully they will be able to be delivered much sooner. In the context of a deteriorating strategic environment and increasingly bleak assessments about the potential for conflict in our region, hopefully some of these capabilities will arrive much sooner. Again, without going into more detail than you should, of those capabilities that you mention, including undersea and artificial intelligence and quantum, which are the ones that you are most optimistic about that can be delivered on the shortest timelines?

**Mr Jeffrey:** Again, I'm not going to comment on the rate of progress within the individual working groups. We obviously provide advice to government at regular intervals. It's up to the government to determine how and when it chooses to make public what progress is being made within AUKUS.

**Senator PATERSON:** Okay, but we can expect that there will be an update on these things in line with the update that we'll be getting on nuclear submarines in due course?

**Mr Jeffrey:** It's a decision for the government, but I would offer you that it would not be not an unrealistic expectation.

**Senator PATERSON:** You mentioned overcoming barriers. In your view, what are the biggest barriers, legislative or policy, in other jurisdictions that could prevent this from being a successful enterprise?

**Mr Jeffrey:** We operate with the United States in a way that few others can. We're allies that are incredibly close. We're also incredibly close with the United Kingdom institutionally, and it's underpinned by a long history of interoperability and exchange ability. But that's not to say that there are not significant barriers. Those barriers often exist in areas where sovereign interests come into play, particularly around defence industry and where the defence industry is not solely the preserve of the government, but also significant private sector corporations that have their own intellectual property interest.

**Mr Moriarty:** Data sharing, it's not AUKUS—we're hoping that there will be some momentum from the AUKUS announcement that will lead to an improvement in data sharing practices. There's the ITARs set of restrictions, which our ministers are very focused on, and ministers over a number of years. The way in which all three countries slap their national-eyes-only restrictions on, we want to try and see whether around some of these capabilities we can improve the pipeline of data which is not locked down to national eyes only. I think we have got strong support across all three that there's a need to accelerate that. It is a matter of working through it. When Minister Conroy was in the United States recently, this was a big part of his agenda, as I know it has been for various parliamentary delegations. Intellectual policy, individual company practices, but the big ones that I think that governments can solve our data sharing, ITARs, NOFORN and the UK and US equivalents of that.

**Senator PATERSON:** Certainly industry has been very vocal, and I know that ITAR is something they have come up against for many years, not in the context of AUKUS. Of course there are good reasons why you would want to put export controls and military technology, even to your friends. But is it your view, just talking about ITAR specifically in the United States, that legislative reform is necessary in the US system to unlock that, or are there policy changes the administration could make that would facilitate that?

**Mr Moriarty:** I think we're having good discussions with senior people in the Pentagon and other departments and agencies about whether streamlining the existing regulatory framework is going to get us there, or whether there might be a need for an instrument, whether that instrument is a directive or legislation. I think we are still working through that, but all three partners are thinking 'What is the best way of doing this?' We're close to landing a way forward. In fact, at the recent joint steering group on the Pillar Two, this topic was discussed. So all

I can say is that we're trying to land what's the best way forward, and all three countries are committed to improving the system.

**Senator Wong:** The Secretary had referenced the earlier answer in relation to this being one of the topics on which Minister Conroy focused on his last trip to Washington.

**Senator PATERSON:** Yes, thank you. I certainly noticed that in the media coverage. That's appropriate and welcome. Given the time, why don't we see if Senator Van can do his questions now.

**CHAIR:** That would be most helpful. I am sure Senator Van would appreciate that.

**Senator VAN:** May I have Chief of Army and Major General Bottrell at the table please? Secretary, while they're coming up, would you confirm, in the recent briefing you gave the defence subcommittee, I can't remember if it was you or the CDF who said that Defence's primary job was providing options to the government? Would that be a fair characterisation of the statement made?

**Mr Moriarty:** Certainly we provide military options to the government for the conduct of operations. We provide policy advice for the government to make decisions, and then we generate capability for the Defence Force, for the government to employ as it sees fit.

**Senator VAN:** Terrific, thank you, Secretary. Chief, thank you for being here today, always good to see you. Your recent comments about infantry fighting vehicles—would it be fair to characterise them as saying that they are an integral part of Army capability because they're part of the combined arms capability, which is important to land forces and the bigger joint forces in the picture of how the ADF fights or seeks to fight?

**Lt Gen. Stuart:** I think that's a fair characterisation of the advice and my comments in the context of the various conferences I've been part of over the previous months.

**Senator VAN:** Are you aware of US General McMaster's now infamous quote from earlier last decade about being 100 per cent correct about never being right about the future of war?

**Lt Gen. Stuart:** Yes.

**Senator VAN:** Do you think we're any better at it than the US Army?

**Lt Gen. Stuart:** I think General McMaster's quote was generic and is generally correct.

**Senator VAN:** Going back to the secretary's comment that ADF has to provide options for all sorts of wars moving forward, would that be correct?

**Lt Gen. Stuart:** Yes, I think that's a fair characterisation.

**Senator VAN:** So you wouldn't rule out the possibility of a war being fought in Queensland?

**Lt Gen. Stuart:** What I'm responsible for doing is making sure that the government has the broadest range of options to employ against the sorts of demands that it might have to respond to in the future.

**Senator VAN:** Even if we had to project force forward, that wouldn't just be sea and air; land would go with it to provide protection and part of that protection may very well be IFVs?

**Lt Gen. Stuart:** I'd say two things. Firstly, we operate as a joint force and across five domains: cyber, space, maritime, air and, indeed, land. We are more than the sum of the parts, and obviously my responsibility is to ensure that there are options for Army's contribution to that joint force within the tasking and within the resource envelope that is apportioned to the land domain.

**Vice Adm. Johnston:** And it's the force design that advises the CDF and the secretary, so of course we do look at the environment that our country is likely to face and then provide government with options of the type of defence force, based on its view of the missions it might wish us to perform, and design a force accordingly.

**Senator VAN:** Major General Blain, are you the person I put questions to about LAND 400, rather than Major General Bottrell?

**Major Gen. Blain:** That's correct.

**Senator VAN:** The only reason I ask is that I know Major General Bottrell has done—and I assume you have too—a lot of work on the LAND 400 phase 3. A lot of that has been working with the two primes about how they build an ecosystem of SMEs for Australian manufacturing capability around them. If we were to build an IFV for the Australian Army, that ecosystem would be a necessary part of the building process.

**Major Gen. Blain:** It's important to have that capability around those platforms to sustain them, however we may operate the vehicles. Australian industry plays a really important role in sustaining the armoured capability fleet that we currently have and also our future fleets.

**Senator VAN:** So that's building them and sustaining them, and the two primes that have been selected are ready to go should a decision be made.

**Major Gen. Blain:** The two primes are ready to proceed once a decision has been made.

**Senator VAN:** So now that decision has been delayed, because—correct me if I'm wrong—it was first penned for September 2022?

**Major Gen. Blain:** The time line that was announced previously by the previous government was for a decision in September 2022.

**Senator VAN:** Is there a risk, if a decision is made to have an IFV, that this delay is going to potentially degrade the ecosystem needed to build them, should that decision be made?

**Mr Moriarty:** I think that the companies involved understand that the Defence Strategic Review is a very important process. A lot of the leads are looking at fundamental issues to do with force structure and force posture, and I think that they understand that the government is, very appropriately, waiting for that report before decisions on major capabilities are taken.

**Senator VAN:** I agree with you and I do believe that the two primes understand that and are prepared to wait. It's the SME network that's going to underpin the ecosystem needed by the primes that doesn't understand this. I'm hearing from them very regularly that they're coming up to make decisions and asking if they should go and work on something else—another defence project, a mining project or whatever it happens to be—rather than waiting around for Land 400 phase 3 Bravo to be decided. That's my concern. Minister, can you tell us if Land 400 phase 3 Bravo is being delayed because of DSR, or is it just waiting for a cabinet decision?

**Senator Wong:** I'll take on notice if there's anything further that I can give you, but I think that the advice from Mr Moriarty, and consistent with the answers, is that all capabilities are being considered in the context of the DSR.

**Senator VAN:** So that's a yes. So there won't be a decision—

**Senator Wong:** No, no. I'll use my words, thanks.

**Senator VAN:** Then please tell us: if a decision is made—

**Senator Wong:** You're just asking me to pre-empt. Well, that's a hypothetical 'if'.

**Senator VAN:** So it's reasonable—

**Senator Wong:** That's a hypothetical.

**Senator VAN:** for these companies to assume—

**Senator Wong:** No. That's also a hypothetical.

**Senator VAN:** that a decision may not be announced until post the DSR.

**Senator Wong:** So this is a timing question.

**Senator VAN:** Correct.

**Senator Wong:** Okay.

**Mr Moriarty:** I think that the government has made clear that because of the consequence of some of the decisions that will be flowing from the DSR, it's important to not pre-empt. Clearly we're proceeding with some activities. We've taken some decisions to government and government has taken some decisions, but I think that fundamental, large decisions about future force posture as well as capability will wait until after the DSR.

**CHAIR:** Last question Senator Van.

**Senator VAN:** It's then incumbent on Defence to pass on the news to the SME networks that are involved in either project that this delay is happening and that there's not going to be an imminent decision.

**Mr Moriarty:** I think that how you characterise it—it's important for us to communicate with not just with the primes but the broader Australian defence industry—

**Senator VAN:** Will you undertake to do that?

**Mr Moriarty:** I will confer with the relevant official. We'll make sure that we communicate with the companies.

**Senator VAN:** Thank you, Secretary.

**CHAIR:** Senator Whish-Wilson.

**Senator WHISH-WILSON:** Could I get the Chief of Air Force, Air Marshal Chipman, please. Thanks, Air Marshal. Just before I start my questioning, did you graduate from ADFA in 1989 or start at ADFA in 1989?



**Air Marshal Chipman:** I started at ADFA in 1989.

**Senator WHISH-WILSON:** I graduated from there in 1988, so I was interested if you were there while I was there.

About a year ago, I asked the previous Chief of Air Force, Air Marshal Hupfeld, about the release of a US defence intelligence report, a preliminary report on UAPs, unidentified aerial phenomena. I've just got some follow-up questions for you. There's obviously been a lot happening in this space in the last 12 months, and, of course, you've taken over the role. Just to fill you in briefly: following the release of that preliminary assessment by the Office of the Director of National Intelligence, there was a defence legislation amendment in December 2021 that required the ODNI organisation to report to congress every year on any updates in relation to UAP. There was a series of congressional hearings in May this year, and then, actually only a few weeks ago, NASA set up their UAP study team or taskforce. I was hoping that, by the time I got to ask you these questions, they may have released their first preliminary assessment to congress, which was due last week, but we are waiting for that. So, with that kind of rough time line used as context, could I just ask you: since you've taken over as Chief of Air Force, in what capacity, if any at all, have you been briefed on the UAP phenomena since you've taken over the role in July?

**Air Marshal Chipman:** I haven't had any specific briefings in relation to UAPs since I've taken over.

**Senator WHISH-WILSON:** Have you followed it on a personal level, just as a matter of interest?

**Air Marshal Chipman:** I do not follow it on a personal level.

**Senator WHISH-WILSON:** At the US Congressional hearing on UAP back in May, the Deputy Director of Naval Intelligence, Scott Bray, confirmed that, since the release of this preliminary report in 2021, they now had 400 case reports they were considering. Most of them were from pilots like you. He was quoted at those hearings as saying that the US had brought many allies and international partners into their discussions on UAP. Given how close we are to the US, have there been any discussions with Australian intelligence services or the Air Force in relation to their approach—

**Air Marshal Chipman:** I'm not aware of any formal discussions that we've held with the US.

**Senator WHISH-WILSON:** You're 'not aware'; does that mean that this just hasn't come across your desk, or can you say categorically there haven't been any?

**Air Marshal Chipman:** I imagine it would have come across my desk if those discussions were held in the last four months, but I can take that on notice and see if there were any other discussions that have been held.

**Senator WHISH-WILSON:** Thank you. You are a pilot yourself. When our military aviators or defence personnel spot something they don't understand or can't identify in our airspace, what encouragement and reporting mechanisms are afforded to the men and women of the ADF in relation to that?

**Air Marshal Chipman:** We have a really strong reporting culture. If there's anything related to safety or airworthiness issues, then we strongly encourage our pilots to report those. There are also mechanisms through standard operational means: our air traffic control, and also our air defence personnel, who maintain constant surveillance of our airspace.

**Senator WHISH-WILSON:** Back at the congressional hearings on UAP in May, the same Deputy Director of Naval Intelligence stated that Navy and Air Force crews now have step-by-step procedures for reporting on UAPs on their kneeboard in the cockpit and in their post-flight debrief procedures. Does that surprise you?

**Air Marshal Chipman:** We've seen no reason why we would institute those measures in Australia.

**Senator WHISH-WILSON:** Would you understand why they are implementing—

**Air Marshal Chipman:** No.

**Senator WHISH-WILSON:** Is there a reason you haven't had a discussion with our chief ally about why they're implementing those procedures?

**Air Marshal Chipman:** I was not aware of those procedures.

**Senator WHISH-WILSON:** As Chief of Air Force, would the establishment of a comparable reporting procedure be relatively straightforward to implement in Australia?

**Air Marshal Chipman:** I think so, if we saw the need. If there were issues that we became aware of that affected our safety or security of our operations in our airspace, then yes, it would be a simple matter for us to implement those procedures.

**Senator WHISH-WILSON:** Lastly, in the context of our strong alliance with the US, the recently executed joint vision statement with the US Air Force, would you be prepared to make a commitment to establishing comparable reporting procedures, and what process would be required for that to occur?

**Vice Adm. Johnston:** We have routine practices across all of our defence capabilities. If an operationally significant event occurs, including those they might be able to explain or not, there is a reporting practice that is not limited to UAPs but anything that would accrue, whether on a vessel, aircraft, in the field, who might see something, there is an obligation to report those.

**Senator WHISH-WILSON:** Obviously, incursions in defence training ranges by unidentified objects, intrusions by an unknown aircraft or objects would represent serious hazards to the safety of flight and potential threats to security of our operations. You obviously have strategies in place to do that here. I did raise this with the previous Air Marshal as well but are you aware of reports of US military exercises being cancelled because of concerns around air safety and observation of UAP's?

**Senator Wong:** Is this a UFO question?

**Senator WHISH-WILSON:** You could call them UFOs, if you like, Senator Wong. They are now technically known unidentified aerial phenomena.

**Senator Wong:** Just so I am clear.

**Senator WHISH-WILSON:** Do you think it is funny?

**Senator Wong:** I haven't been here before. I don't think I have been asked questions about this. Can we assist at all, the senator, with this line of questioning?

**Air Marshal Chipman:** What I would say is I am not aware of that. I am aware there is a report due in the United States. If there is anything in that reporting that raises anything that would be of concern to us in our air space then we would take that seriously.

**Senator WHISH-WILSON:** Thank you for that. Perhaps this is the last question for me and I will put some other questions on notice. I understand in 1996 the Air Force ceased handling reports on UAPs. It determined there was no scientific or compelling reason to continue to devote resources to that investigation. I mean, part of the reason these US structures have been set up is to provide an evidence based or a data based, including NASA's involvement, approach to: Can we eliminate this as a potential threat to national security? Are these foreign flying objects from other places? Who knows? Are you aware of any documentation around the process that led the Air Force to move away from devoting resources to investigating it?

**Air Marshal Chipman:** There is a history of that. We have confidence in the reporting mechanisms that the vice chief mentioned before so that if there were any issues of concern to us then they would be reported.

**Senator WHISH-WILSON:** But if there was new data, that would shift your determination to investigate this as a potential issue such as the US reports?

**Air Marshal Chipman:** If there are issues raised that we thought were relevant to the safety and security of operations in our air space then we would be seriously concerned about it.

**Senator BIRMINGHAM:** What proposals the government has received from the Navantia in relation to possible additional shipbuilding?

**Ms Lutz:** The government has received an unsolicited proposal from Navantia to build three additional DVG destroyers.

**Senator BIRMINGHAM:** Did you say to build an additional three?

**Ms Lutz:** Yes, an additional three.

**Senator BIRMINGHAM:** Has the government provided any response to that proposal?

**Ms Lutz:** That response is being considered under the Defence Strategic Review.

**Senator BIRMINGHAM:** So the Defence Strategic Review is a matter of consideration? Was the matter raised during the Prime Minister's trip to Spain?

**Mr Moriarty:** Not to the best of my knowledge, but I will take that on notice.

**Senator BIRMINGHAM:** Does Defence have an indicative cost for the proposal?

**Ms Lutz:** There are three different options in the proposal and they have different costings.

**Senator BIRMINGHAM:** What are the three different options?

**Ms Lutz:** The three options are: build in Spain, with some modules in Australia and/or integration and consolidation in Spain. The second option is build in Spain that combat system immigration is largely done in Australia. The third option is build in Australia.

**Senator BIRMINGHAM:** So each of those options is live for consideration as part of the DSR? Or will the DSR only be considering the potential need, and value of getting the three additional ships, and the means of procuring would be a separate matter?

**Mr Dalton:** I think it is best for the department to suggest that Navantia has submitted an unsolicited proposal to the department. There is a process that we use to deal with unsolicited proposals. We are aware that Navantia has made a submission to the Defence Strategic Review and the Defence Strategic Review will weigh that in the process, and I am sure, like they will with all the other submissions that they have received.

**Senator BIRMINGHAM:** There are two streams. There is the unsolicited proposal scheme and then there is a separate submission made it to the DSR.

**Mr Dalton:** That is the way I understand it. We have received an unsolicited proposal from Navantia. In fact, we have received two. They have just recently submitted a second unsolicited proposal to us. They will follow a standard process that we use when we receive unsolicited proposals, and Navantia have told us that they have made similar submissions to the Defence Strategic Review. How the review weighs it is a matter for the review.

**Senator BIRMINGHAM:** What was the timing of the first unsolicited proposal?

**Ms Lutz:** In the first unsolicited proposal the Navy was approached in May 2022.

**Senator BIRMINGHAM:** And what engagement with Defence, Navy or government has Navantia had since May 2022?

**Ms Lutz:** There is a risk reduction study being conducted by RAND, so it is conducting that analysis.

**Senator BIRMINGHAM:** Is that part of the standard process for considering unsolicited proposals?

**Mr Dalton:** It is part of the process to assess that unsolicited proposal.

**Senator BIRMINGHAM:** I assume not all unsolicited proposals?

**Mr Dalton:** It is quite a complex unsolicited proposal, so we have taken some more time and have sought some external support to conduct that assessment of that proposal.

**Senator BIRMINGHAM:** Presumably, you also just say no to a good number of unsolicited proposals too?

**Senator Wong:** Well, probably if they did that, you would tell them off for not considering it, right?

**Senator BIRMINGHAM:** Minister, I imagine that an agency that undertakes the scale of procurement that Defence does—

**Senator Wong:** You seem to know a lot about this unsolicited proposal. Perhaps you could tell us, Senator Birmingham.

**Senator BIRMINGHAM:** They would not all be going and receiving independent analysis or further advice on risk or the like.

**Mr Dalton:** I think it is fair to say that some unsolicited proposals are easier to deal with than others.

**Senator BIRMINGHAM:** That is like some constituents too. So government has asked RAND to undertake this work. I'm sorry, you described it as—?

**Ms Lutz:** Risk reduction.

**Senator BIRMINGHAM:** A risk reduction assessment?

**Ms Lutz:** Yes.

**Senator BIRMINGHAM:** Is that assessing capability or acquisition?

**Ms Lutz:** It is assessing both capability and acquisition given that we have got the different options, looking at all the possibilities. It needs to look at the capability, whether it is required, and obviously the CM can answer that one. But it also needs to look at the infrastructure and the continuous naval shipbuilding strategy.

**Senator BIRMINGHAM:** When you say risk reduction, is RAND looking at the risk reduction from the procurement process side—so, if the government were to say yes, given the options presented, this is how they would be procured—or is the RAND work also providing a risk reduction assessment on the capability side: 'Is this a useful capability for the ADF?'

**Ms Lutz:** They're looking at the capability, the risks, the issues and how it would actually be implemented, especially given there are three options.

**Senator BIRMINGHAM:** How frequent is it for government to ask for that type of risk reduction analysis on an unsolicited proposal?

**Mr Dalton:** It's unusual.

**Senator BIRMINGHAM:** When is that assessment due?

**Ms Lutz:** That assessment is in the progress stage at the moment. It's due early next year.

**Senator BIRMINGHAM:** In time for conclusion of the DSR?

**Ms Lutz:** It will be in time for the completion of the DSR.

**Senator BIRMINGHAM:** And will it be provided as part of the DSR for consideration by—

**Ms Lutz:** It'll be provided for consideration.

**Senator BIRMINGHAM:** Have Professor Smith and Sir Angus Houston had any engagement with Navantia?

**Ms Lutz:** I can't answer that. I'm not sure.

**Senator BIRMINGHAM:** If anybody else could, that would be helpful. Is there a broad order of cost attached to the proposals?

**Ms Lutz:** There are different orders of cost attached to the proposal, given the different options.

**Senator BIRMINGHAM:** What are the rough magnitudes?

**Ms Lutz:** Option 1 was \$2 billion, excluding any government furnished equipment per ship, which is significant. Options 2 and 3 were about increasing costs, but there were no costings for those—except that they were expected to increase, given that there was more work conducted in Australia.

**Senator BIRMINGHAM:** Are they just acquisition or sustainment-inclusive costs?

**Ms Lutz:** Only acquisition.

**Senator BIRMINGHAM:** Chief of Navy, have you been asked for an assessment about the merit of such a possible acquisition?

**Vice Adm. Hammond:** The RAND review was commissioned prior to me arriving in this role. One of the reasons for commissioning that review in response to the unsolicited proposal is the nexus with other elements such as the Aegis combat system, the CEA radars et cetera. So understanding the holistic cost of the proposal, which includes the GFE components rather than just the ship, was one of the motivators, as well as acknowledging the inflationary environment et cetera. In order to inform any advice to government, those risks and issues need to be understood in context, particularly where they relate to cost and the schedule. So that's the motivator. As highlighted, the report will be completed to enable that more fulsome advice to inform the DSR process.

**Senator BIRMINGHAM:** In terms of naval assessment of capability, is the proposal for three additional destroyers one that would be of benefit to Navy capability?

**Mr Moriarty:** The future of the fleet is a fundamental issue for the Defence Strategic Review. I think that how Navy generates capability to deliver the effects the government wants is an appropriate matter for the review team to look at, and I don't think it would be helpful for us to speculate on the considerations that the review team might be undertaking.

**Senator BIRMINGHAM:** I had to try!

**Senator Wong:** Isn't that an excellent answer?

**Senator BIRMINGHAM:** Not especially, but, nonetheless, Mr Moriarty is very good at delivering such answers I'll loop back then to the engagement process. When I asked whether there had been any engagement with Navantia since receiving the first unsolicited proposal, we got on to talking about the risk assessment. Has there been any other engagement—meetings with Navantia, any other feedback provided to them or the like?

**Ms Lutz:** RAND, I understand, has met with Navantia.

**Senator BIRMINGHAM:** The department has not?

**Vice Adm. Hammond:** I can confirm that, soon after I came into the office, Navantia paid a courtesy call on me to highlight the previously submitted unsolicited proposal. I acknowledge that it was in play. I have not had anything other than courtesy calls with Navantia. As appropriate, we are operating several classes of ship built by Navantia, and we continue to partner with them on sustainment issues, so the majority of my conversations with Navantia had been in that context.

**Senator BIRMINGHAM:** And the department?

**Ms Lutz:** The only engagement I have had is through my responsibility as bilats with Spain, but that was specific. That was with Spain and their defence department.

**Senator BIRMINGHAM:** Any of the ministers?

**Mr Moriarty:** Navantia is an important partner for us. They may well have sought to call on ministers as part of their normal engagement. I can take that on notice and see if ministers wish to respond.

**Senator BIRMINGHAM:** Thanks, Mr Moriarty. When was the second unsolicited proposal received? Weeks or months will do.

**Mr Dalton:** It would be within the last four weeks.

**Senator BIRMINGHAM:** The first one was received in May and the second one within the last month. What differs between the second proposal and the first?

**Mr Dalton:** They have added some more capability options to the three destroyers.

**Senator BIRMINGHAM:** More capability options?

**Mr Dalton:** Yes. They're offering, potentially, to build corvettes for the Navy.

**Senator BIRMINGHAM:** So the same three delivery models, but now—

**Mr Dalton:** Three destroyers and some corvettes.

**Senator BIRMINGHAM:** Three destroyers and some corvettes?

**Mr Dalton:** Correct. Off the top of my head, I think it was six corvettes.

**Senator BIRMINGHAM:** Is that now being added to the RAND work? Are they being asked to look at six corvettes, as well as three destroyers?

**Mr Dalton:** No.

**Senator BIRMINGHAM:** Does that mean that that part of the proposal is getting the no, or is it also being looked at by the DSR?

**Mr Dalton:** We will work that proposal through. It has only recently arrived, and again, Navantia has informed us they have made a similar submission to the Defence Strategic Review.

**Senator BIRMINGHAM:** Was there anything that triggered the second proposal?

**Mr Dalton:** Not from us.

**Senator BIRMINGHAM:** Not from the department and, I assume, from the chief of the Navy's response before, not from Navy?

**Vice Adm. Hammond:** That's correct. In fact, I have not seen the proposal.

**Senator BIRMINGHAM:** Mr Moriarty, could you add to the question about ministerial engagement whether the potential for corvettes as well as destroyers was part of any ministerial discussions, please?

**Mr Moriarty:** I will do that, Senator.

**Senator BIRMINGHAM:** Thank you. Has the South Australian government made any submission to government in relation to Navantia's proposals?

**Mr Moriarty:** Not that I'm aware.

**Senator BIRMINGHAM:** So there has been no correspondence proposal either encouraging or particularly encouraging that, if it were to happen, they'd be built partly or wholly in Australia and at Osborne?

**Mr Dalton:** Not that we are aware of.

**Senator BIRMINGHAM:** In regard to the Hunter class, has the 18-month delay gap that had been previously announced been closed at all?

**Ms Lutz:** The 'cut steel' date is still no later than mid-June 2024; however, in May 2023 we are on track to start the first prototype blocks, which we call schedule protection blocks, that will go into ship 1.

**Senator BIRMINGHAM:** In terms of expectations of delivery of first vessel?

**Ms Lutz:** Expectation of delivery of first vessel is still December 2031.

**Senator BIRMINGHAM:** There has not been a variation there. On August 26, I think you were both, Ms Lutz and Mr Dalton, with Mr Lockhart as he was talking about making better-than-expected progress. Is there an expectation that the schedule can be accelerated?

**Ms Lutz:** Obviously, we're working closely with the prime to do everything we can to deliver the ships as early as possible. At this stage the expectation is still December 2031.

**Senator BIRMINGHAM:** Is the prime reporting a belief that it will deliver earlier?

**Ms Lutz:** The prime would have to answer that.

**Senator BIRMINGHAM:** I'm sure they're reporting to you.

**Ms Lutz:** They are reporting to us at the moment December 2031, remembering we're not under contract currently for batch 1. We're under contract for the design and production phase. The batch 1 contract will be in place by early 2024, and batch 1 is the first three ships.

**Senator BIRMINGHAM:** Is there a hope that negotiations for batch 1 will see an earlier delivery date of the first vessel?

**Ms Lutz:** We would always, of course, hope that, but we also need to have a realistic schedule in place.

**Senator BIRMINGHAM:** Is there more likelihood of it coming forwards or going backwards?

**Ms Lutz:** The project is a high risk. We've noted it is a high risk. There are, obviously, pressures with the supply chain. We still have people impacted by COVID. It's still a risk. We expect it to be delivered in December 2031.

**Mr Moriarty:** If I could: across a whole range of programs, what we're seeing globally—and Ukraine has only made this more difficult—is really complex supply chain interruptions and delays. Inflation around fuel is really having an impact. The department is absolutely committed to managing these projects to deadlines and within budget. We are facing cost and supply chain disruptions that will impact a range of capabilities. I think we're not the only department that is experiencing these, but because we have a lot of complex projects and exposure to overseas suppliers Defence is impacted more than some others. Inflation and supply chain disruptions are impacting the private sector. They are impacting Defence projects. We will do our best. We will work within the budget the government gives us and deliver the capabilities as best we can. Some projects will experience stresses around cost and schedule, others less so.

**Senator BIRMINGHAM:** I appreciate it, Mr Moriarty. I've been given the wind-up call by the chair and others. We'll probably come back to Hunter and those sorts projects and delays or improvements, if they're being had. To close off on Navantia, there is a tender on AusTender from the department, CN3922294, that has been awarded to RAND Corporation for a body of work from 10 October 2022 to 15 January 2023 for strategic shipbuilding review, awarded by limited tender with a project contract value of \$900,000. Is that the work that RAND is undertaking in relation to Navantia's unsolicited proposal on the destroyers?

**Mr Dalton:** No.

**Senator BIRMINGHAM:** No? It seems to overlap in the timeline. Are you able to give a contract valuation for RAND's work on the destroyers?

**Ms Lutz:** We'll have to take that on notice.

**Senator BIRMINGHAM:** Thank you.

**CHAIR:** Thanks a lot, Senator Birmingham. Senator Barbara Pocock, you have the call.

**Senator BARBARA POCOCK:** Thank you for taking my questions. I'm a new senator from South Australia, and I've got a few questions in relation to submarines. I haven't been in this room all day, so I hope I'm not covering ground that has already been covered. Is it the case that the total public spend on the Attack class project was \$3.4 billion overall?

**Mr Dalton:** We had quite a long discussion around this with Senator Shoebridge this morning. I can confirm that, for the Attack class submarine program—very specifically—\$3.4 billion is the current expenditure.

**Senator BARBARA POCOCK:** I understand the local content goal for that spend was 60 per cent of the project. I understand that figure was used in a previous estimates hearing around local content for the Attack class. Is that correct?

**Mr Dalton:** The Attack class submarine program was initiated as a design process. We were still working out the design of the submarine, and an Australian industry capability target was introduced later. That target was 60 per cent of the Naval Group contracted expenditure over the life of the program, which would have run into the 2050s.

**Senator BARBARA POCOCK:** How much of the \$3.4 billion spend was actually spent on Australian content?

**Mr Dalton:** I will take that on notice. We will be able to get that figure to you, but I would say to you that some of the initial design effort was predominantly done in France. That's what we were expecting. There was a

transition of knowledge, know-how and experience coming from France to Australia—that was in process. The figure will be less than 60 per cent, but we will take it on notice and get an answer back to you.

**Senator Wong:** It's a very good question, Senator Pocock. I think Mr Dalton is valiantly trying to do what he and I have battled over for number of years, which is to pitch the 60 per cent as a whole-of-project figure. But, obviously, in the near term, it was less.

**Senator BARBARA POCOCK:** I'm sure you'll give me the context for that figure, which is less than 60 per cent, when you give me the—

**Mr Dalton:** The vast majority of the content would have been in the production of the submarines themselves, and we can demonstrate that.

**Senator BARBARA POCOCK:** I've asked about local content. Can you also give me, in that question on notice, how many full-time equivalent Australian jobs were involved in that spend of \$3.4 billion?

**Mr Dalton:** At the time of cancellation there were about 560 people directly employed in supporting the Attack class submarine program and industry.

**Senator BARBARA POCOCK:** So that I can get a sense of the employment in Australia over the time line of that project, can you give me an overall picture of employment over the period that that \$3.4 billion spend occurred?

**Mr Dalton:** We'll take that on notice.

**Senator BARBARA POCOCK:** I'll ask those same questions in relation to South Australia. Could you give us—

**Mr Dalton:** We can break it down by state.

**Senator BARBARA POCOCK:** If you could give us every state amongst the total, that would be very helpful.

**Mr Dalton:** We have broken it down into South Australia and Western Australia, and then we tend to clump the other states, if that's okay.

**Senator BARBARA POCOCK:** I'm happy with that clumping. I love to see South Australia highlighted. I now want to ask a question in relation to the future contract and employment. Has the question of Australian based employment and local manufacturing content figured at all on the agendas or in discussions in relation to the tripartite meetings that I've heard referred to here today?

**Vice Adm. Mead:** We've done a lot of work with our partners on industrial base, build strategies and infrastructure, including workforce. We've had our partners come to Western Australia and South Australia. I've personally taken delegations down to Osborne, South Australia, to look at the yard and to go through ASC and ANI to look at a submarine. We're working with our partners on how we can grow our workforce, how we can upskill the Australian workforce and what would be the optimum build strategy for the future nuclear powered submarine. We're also looking at opportunities for our shipyard to feed into the shipyards in the US and UK, into their programs, and therefore to generate employment for an Australian vendor base feeding into those types of submarine programs overseas.

**Senator BARBARA POCOCK:** Can you translate that last sentence? Do you mean Australians employed in other places as part of the build?

**Vice Adm. Mead:** What I mean specifically is that the workforce in South Australia, down at Osborne, if we're partnering with a US or UK program there, could be feeding into their build program as well. So we could be building components for a US or UK program.

**Senator BARBARA POCOCK:** Are you taking any aspirations or planning or contract parameters into these discussions in relation to local content and local employment—Australian employment?

**Vice Adm. Mead:** We haven't settled on anything yet. We're still working with our partners. As I said, this is a very complex program. We're working on their 60 years of experience with the US and UK. We're working on what is the safest way to do this, noting that it has the nuclear dimension to it. We need to work out how we best do this, how we optimise it, obviously how we maximise Australian content in the building in a safe and effective manner.

**Senator BARBARA POCOCK:** You expect that figure of local content and local employment to be lower than 60 per cent?

**Vice Adm. Mead:** It would be way too early to speculate at the moment.

**Senator BARBARA POCOCK:** At this time, in terms of employment and local content outcomes of a massive project, you can't give me any guidance about local employment or local content, is that correct?

**Senator Wong:** The key decisions on those capabilities have not been made and announced by government. The aspect to which you refer would necessarily flow, in part, from those decisions.

**Senator BARBARA POCOCK:** But I must say, as a South Australian, it's somewhat disappointing that I don't hear an aspiration about local content.

**Senator Wong:** There is always an aspiration from the Labor Party about local content. We have been campaigning on these issues for some 20 years, particularly—I know you have a deep interest in this, Senator Pocock—the transformation of the South Australian industrial base and what is required, given the history of Playford and the car manufacturing sector and the need to transition to an advanced manufacturing and highly capable economy. Labor governments were the drivers of the Collins class, which has led to some of the employment, as you know—Saab et cetera—in related but not the same areas, which have subsisted for decades. We understand the importance of that. I am making a logical point, which is that these are very large decisions with very long-run considerations in them. The Deputy Prime Minister has made clear his view about the importance of Australian jobs. I think what the official is saying to you honestly is that if you are asking for a figure at this point, he is not in a position to give that.

**Senator BARBARA POCOCK:** Thank you, Senator Wong, and thank you for your energetic aspirations for Australian employment. Let's hope they are realised. Thanks, chair.

**Proceeding suspended from 15:58 to 16:16**

**CHAIR:** Secretary, I'd like to ask you a couple of questions with respect to the use of the special purpose aircraft. What are the requirements that govern the use of the special purpose aircraft?

**Mr Moriarty:** I'll ask the Chief of Air Force to join me. He has functional responsibility for the SPA operations. A couple of general comments to start with: travel using the special purpose aircraft is available to the Governor-General, parliamentarians, senior Defence officials and international dignitaries in support of their official responsibilities. It can be provided for other persons in particular circumstances where the Prime Minister or the Deputy Prime Minister considers it appropriate. The guidelines for the use of special purpose aircraft, which are old now, remain current. They're 2013, and these guidelines are currently being reviewed by Defence in their consultations with the Department of Finance and the Australian Federal Police. Those guidelines will be presented for government consideration to ensure they remain fit for purpose. Once that review is done, the revised guidelines will be published.

**CHAIR:** When you make reference to the Deputy Prime Minister, I'm assuming that's in his capacity as Minister for Defence.

**Mr Moriarty:** That's correct.

**CHAIR:** Chief of Air Force, do you have anything to add to the secretary's response?

**Air Marshal Chipman:** Not to those initial comments, unless there are further questions.

**CHAIR:** Where is the use of the special purpose aircraft reported?

**Air Marshal Chipman:** We are responsible for preparing a schedule of special purpose aircraft movements, which is subsequently tabled in parliament and published. But it is a Defence responsibility to prepare that schedule.

**CHAIR:** When you say 'we', do you mean as in the Air Force or the Department of Defence?

**Air Marshal Chipman:** Air Force prepares that report.

**CHAIR:** And then that's passed on to the Department of Defence?

**Air Marshal Chipman:** Air Force will prepare the submission, and it will be cleared through the secretary and the CDF and tabled by the Deputy Prime Minister.

**CHAIR:** As the Minister for Defence, just to be clear?

**Air Marshal Chipman:** As the Minister for Defence, yes.

**CHAIR:** What kind of information is contained in such reports?

**Air Marshal Chipman:** The schedule of special purpose aircraft contains all of the flights. It contains the passenger manifests, the locations that the aircraft went to and the dates of travel.

**CHAIR:** And when you say the 'passenger manifests'—the names of those individuals?



**Air Marshal Chipman:** That's correct, all the members of the delegations that were travelling with the principles.

**CHAIR:** When did the former government last table an SPA report?

**Air Marshal Chipman:** The last schedule was tabled for the period 1 July to 31 December in July 2021.

**CHAIR:** Could you repeat that date again?

**Air Marshal Chipman:** The period it was valid from was 1 July through to 31 December 2020. That was tabled in July 2021.

**CHAIR:** When were the guidelines last updated? Secretary, you mentioned they were old guidelines.

**Air Marshal Chipman:** The guidelines were last updated in 2013. They remain current, but are also currently under review.

**CHAIR:** And how often are the guidelines updated?

**Air Marshal Chipman:** I would have to take that question on notice. I'm not sure when it was last updated before 2013.

**CHAIR:** Secretary, you're not in a position—

**Mr Moriarty:** No, I'm not aware.

**CHAIR:** Just so I understand: does the manifest include not just the MPs or the delegates on the aircraft, but also records staff that might travel with the said minister or MP?

**Air Marshal Chipman:** That's correct, yes.

**CHAIR:** And that will list all their names and positions, or just 'staff member of'?

**Air Marshal Chipman:** I'll have to take that on notice. I'm not sure if it includes position.

**CHAIR:** Okay. When do you expect that the new guidelines will be in effect?

**Air Marshal Chipman:** They're currently under review. As you know, Senator, there was a recent security incident. The AFP are investigating the circumstances of that security incident, and that investigation now is extending to the way in which we manage the special purpose aircraft schedule. The AFP will provide their advice on whether it is appropriate for us to be making public all of those details on the special purpose aircraft schedule. Once they've made that determination, we'll revise the guidelines.

**CHAIR:** So the guidelines have been updated as a result of the AFP's concerns?

**Air Marshal Chipman:** No, we were undertaking a revision of the guidelines. It's now going to incorporate the AFP's concerns, which will delay the update to the guidelines.

**CHAIR:** Do you expect that the guidelines would be ready for approval and in effect next year?

**Air Marshal Chipman:** I'm sorry, Senator; I don't have an estimate of the time. It is dependent on the AFP review, and I do not have a good sense, at this stage, for when the AFP will complete their review.

**CHAIR:** Do those guidelines require ministerial approval?

**Air Marshal Chipman:** They will be cleared by the government before they're tabled, yes.

**CHAIR:** What aircraft comprise the special purpose fleet?

**Air Marshal Chipman:** We have three types of aircraft in the special purpose fleet: two Boeing business jets, three Falcon 7X aircraft and a supplementary KC-30 multi-role tanker transport which can be modified into what we call a government transport and communications configuration and used for special purpose aircraft tasking.

**CHAIR:** Could you also elaborate on and provide answers to how old the aircraft you've just spoken to are?

**Air Marshal Chipman:** The BBJ aircraft have been in service for 20 years, and they are approaching the end of what we assess to be their service life. The Falcon 7Xs are more recently in service, and we anticipate they will be in service longer.

**CHAIR:** Are you able to provide the dates of when they were acquired and when you expect them to reach their end of life?

**Air Marshal Chipman:** The BBJs were acquired in—sorry, not acquired; we are leasing the BBJs. That's the Boeing business jets. They have been operating for 20 years now, so we first took out the lease on the BBJs in about the year 2000, but I will clarify that date and get back to you.

**CHAIR:** Is it common for them to be that long, for 20 years?

**Mr Moriarty:** It is long.

**CHAIR:** I would have thought it seems quite old for a plane.

**Mr Moriarty:** Their lease expiry is in 2024, but we are finding it more challenging now to sustain them, to keep the availability rate. Aircraft that are getting that old become increasingly challenging. Air Force and our private sector partners are putting more effort into keeping those aircraft available for government. They are at the end of their serviceable life.

**CHAIR:** So the expectation is you would normally lease for about a 10-year period?

**Air Marshal Chipman:** We normally lease for a period—we would normally terminate the lease at the point where we think it's no longer value for money, and we are at that point now.

**CHAIR:** Okay. Assuming there would be a plan for replacement, have any new aircrafts been ordered or are you looking at new aircraft to replace the aircraft that are quite old?

**Air Marshal Chipman:** We're looking at replacing the current two Boeing business jets with two new Boeing business jets from 2024.

**CHAIR:** Any particular Boeing jets?

**Air Marshal Chipman:** The 737-8.

**CHAIR:** Did you have something to add?

**Air Vice-Marshal Phillips:** As head of the Aerospace Systems Division I'm responsible for the leasing of the replacement aircraft. If you have some more questions in that area, I'm happy to take those questions.

**CHAIR:** You would have heard the questions I've asked. Is there anything you could provide me and the committee with?

**Air Vice-Marshal Phillips:** Certainly. We've signed leases for two replacement aircraft. Those aircraft will arrive in June and September 2024. They are to replace 737-8 BBJs with a contemporary fit out.

**CHAIR:** The decision to order those particular planes is CASG—is that right?

**Air Vice-Marshal Phillips:** Those options were put to government, and the government selected that aircraft as being the most viable option when balancing all the capabilities such as range and cost of ownership.

**CHAIR:** And when you say 'government', as in the minister of the day or the department secretary?

**Air Vice-Marshal Phillips:** The previous government.

**CHAIR:** And which minister signed off on that?

**Air Vice-Marshal Phillips:** I will have to take that on notice as to who made that determination.

**CHAIR:** If you could, that would be great.

**Air Marshal Chipman:** If I can add: the Falcon 7X, the smaller of our two special purpose aircraft, first arrived in Australia in 2019.

**CHAIR:** Alright. I might just leave my line of questioning there. Senator Van, you have the call.

**Senator VAN:** Thank you, Chair. Secretary, I'll put this line of questioning to you and VCDF. I think you're the most appropriate, but please tell me if it should go to others. On 10 October 2022, the Minister for Defence said in his press conference:

... we saw 28 different projects running a cumulative total of 97 years over time.

Can the department explain the main reasons why it had 28 projects running at a cumulative total of 97 years over time?

**Mr Moriarty:** I'll ask Mr Deeble to take that.

**Mr Deeble:** There's a number of reasons why programs get delayed. Many of them are very complex programs. We aim to deliver to the ADF the best war-fighting capability that we possibly can. We're often very ambitious in the way in which we aim to deliver those, and we set ambitious goals to be able to deliver effectively and efficiently those capabilities to the ADF. I'm happy to take any specific questions on specific programs.

**Senator VAN:** Sure. Thank you for that answer. I think it was a very good answer. Secretary, this has your signature on it—I'm happy to table this. In the most recent major projects report from the Australian National Audit Office, you write:

The impact on Defence contracts as a result of the COVID-19 pandemic has continued to be felt—and—

Schedule delays to projects can be largely attributed to the effects of supply disruption, national and international travel restrictions and city and state mandated lockdowns.

I assume since you signed that statement, Secretary, you agree with it. Mr Deeble, do you agree with that statement?

**Mr Deeble:** Yes. There are many reasons, and COVID is one of those, why projects have been delayed.

**Senator VAN:** VCDF, as CDF's step-in here today, do you agree with that statement as well?

**Vice Adm. Johnston:** Yes.

**Senator VAN:** Minister, can I ask you, then: do you agree with that statement?

**Senator Wong:** I'm sorry; I wasn't listening to you. I apologise.

**Senator VAN:** Would you like me to table the statement, or would you like me just to read it again?

**Senator Wong:** I thought you asked the secretary to confirm his signature on the projects of major concern report, or whatever it's called.

**Senator VAN:** Yes, but I also put to the department and to him the words in that statement.

**Senator Wong:** Well, it's their document, so, unless your question was something different to me, what are you asking me—

**Senator VAN:** No, it was exactly the same.

**Senator Wong:** Just so we're clear, you're asking me as the minister representing to confirm the veracity of a report produced for your minister by department officials, who have already given evidence about that report?

**Senator VAN:** Yes.

**Senator Wong:** I don't think I add anything in those circumstances.

**Senator VAN:** Strange answer, but okay.

**Senator Wong:** I think it's a strange question, with respect.

**Senator VAN:** No, it's asking: do you agree that COVID-19 had an impact on major projects?

**Senator Wong:** Yes. COVID-19 had an impact on many things.

**Senator VAN:** Thank you, Minister. Now that travel restrictions and state mandated lockdowns have ceased, does the department have a well-consulted and comprehensive and completed plan to finish those projects?

**Mr Deeble:** Yes.

**Senator VAN:** Thank you very much.

**Senator MOLAN:** I'd like to ask some questions now about the Strategic Fleet Taskforce. I'm aware that it's a very, very new task force, but it's certainly been a long-held Labor policy, and I expect that you have given some consideration to these matters. Could I have at the table, please, someone who can speak to us about Defence's involvement in the task force so far?

**Vice Adm. Johnston:** Senator, you're aware the initiative is being led by a different government department, but Defence is contributing to it.

**Senator MOLAN:** Thank you, yes, I was aware of that.

**Senator Wong:** That's why I was looking confused, because I was pretty sure it wasn't this department which was lead. We can talk about Defence portfolio engagement, but the broader questions about that task force would have to go to infrastructure, transport et cetera—Ms King's portfolio.

**Senator MOLAN:** Thank you. Major General, could you tell me what the role of the permanent ADF member on that task force is, please. What do you see as your role?

**Major Gen. Walk:** The contribution I will look to make as the member representing Defence is to describe the defence requirements and the opportunities where Defence may draw upon that strategic fleet, in whatever way, shape or form it takes—which, again, is going to be a series of recommendations offered to government, in terms of what that task force might comprise.

**Senator MOLAN:** What other resources is Defence providing to that task force?

**Major Gen. Walk:** Principally informational, in terms of providing the advice that I just described—the requirements that Defence might draw upon and the scenarios in which we might draw upon that task force.

**Senator MOLAN:** Our experience during the Vietnam War was most unfortunate on a number of occasions—not all occasions; a number of occasions—where union members refused to load and refused to crew ships critical to the war effort. I would certainly see this as a threshold issue for Defence in relation to this. Is this issue being addressed, to your knowledge?

**Major Gen. Walk:** The taskforce has had one meeting thus far. It's fairly nascent in terms of the considerations that are being put forward. The inclusion of workforce considerations is certainly a part of what the taskforce is considering. Where that conversation, or where that opportunity, might go is yet to be determined by the taskforce.

**Senator MOLAN:** I guess this is really a sovereignty issue. No government of any persuasion, I imagine, would be keen to have a third party determine how it uses this shipping fleet, should it come into being in the future. I know you've only had one meeting, but is it feasible that the civilian crews on board these ships would be taken into a naval reserve situation at a certain stage? Is that feasible?

**Major Gen. Walk:** The responsiveness and accessibility of the fleet has certainly been one of the principles that have been discussed by the taskforce thus far—how we gain access to the taskforce, how we might gain access in terms of the sovereignty element. A number of options have been considered, but none have gained any traction in terms of maturity.

**Senator MOLAN:** The shipping taskforce terms of reference mention supporting Defence on national mobilisation requirements. What is Defence's understanding of what this means? I wasn't aware that there was a national mobilisation framework for plans and responsibility. Perhaps there is; I just wasn't aware of it.

**Vice Adm. Johnston:** I might answer the mobilisation component of that question. Defence is doing work on mobilisation planning for defence purposes. Your comment earlier this morning, where we started, of course, was about a broader national resilience requirement around that. We have increasingly mature plans that we are developing in a variety of scenarios where a government might require more of Defence than is within our current resources—how that would be progressed. I'm not sure of the precise application of the terms of reference, but, from a Defence perspective, we are well placed to provide input on what we might need in order to enhance Defence capabilities.

**Mr Moriarty:** This is a whole-of-nation response—mobilisation, national resilience—so we are engaging with a number of departments. I want to draw particular attention to the Department of Home Affairs, which has some key responsibilities in this regard, but there is Prime Minister and Cabinet as well. There are discussions ongoing with a number of other departments.

**Senator MOLAN:** I would like to move on to a line of questioning that goes back to the DSR. Have we conducted an examination on the relative strength of our key allies, such as the US, and their capacity and inclination to come to our aid? It would seem to me that this goes to the issue of self-sufficiency in relation to how the DSR brings its report out.

**Mr Moriarty:** Of course we think about our ability to respond to a range of contingencies, including in circumstances where our allies and other partners are fully committed elsewhere. That's important work that we do, about what we may have to do on our own, in the context of an alliance, and those types of scenarios where we would need to draw more heavily on the capabilities of the United States and other partners.

**Senator MOLAN:** That's quite logical, but the issue that concerns me is not just the fact that our major ally might be busy somewhere else. What I'd like to know is: have you considered a recent report, the *2023 Index of U.S. military strength*, completed by the Heritage Foundation—it is something they do every year—which concluded that the US is 'at growing risk of not being able to meet the demands of defending America's vital national interests', much less our own. They assessed the US Army as 'marginal', the US Navy as 'weak' and the US Air Force as 'very weak'. I wonder if that is something which has been examined by our defence people and whether that impacts on our thinking.

**Mr Moriarty:** I'm aware of the report. I know that a number of people in Defence have read the report. I wouldn't wish to comment on the judgements, many of which we wouldn't necessarily share.

**Senator MOLAN:** That's interesting. Is there some way we could continue this to clarify why you don't share them?

**Mr Moriarty:** No, Senator.

**Senator MOLAN:** Okay.

**CHAIR:** Thanks for the frank answer! Do you have further lines of questioning, Senator?

**Senator MOLAN:** I have one more line of questioning on alliance.

**CHAIR:** Excellent.

**Senator MOLAN:** It goes to the US alliance more broadly. Did Australia, as a key ally, particularly under the AUKUS partnership, have any input or engagement on the *2022 National security strategy*?

**Mr Moriarty:** Yes, we had the opportunity, and we were grateful for that opportunity. We also received confidential briefings as well as the published documents.

**Senator MOLAN:** Certainly, but was there any input into it prior to it coming out?

**Mr Moriarty:** We had the opportunity to input views.

**Senator MOLAN:** I imagine that your consideration of the *National security strategy* led you to make judgements on that strategy. Their judgements were essentially about a part of the world which is our part of the world—the same part of the world that we must work in. Were there any judgements made in the US *National security strategy* that you did not agree with?

**Mr Moriarty:** I don't think it's appropriate to comment on that—

**Senator Wong:** He can't do that, Senator.

**Mr Moriarty:** but the Australian government has got well-articulated views about the type of engagement and the multidimensional nature of US engagement that we seek in the region. That involves economic and people-to-people cultural engagement, as well as the importance of our defence and broader security partners. So I think the United States government is very clear about the type of US engagement in the region that the Australian government would welcome and support.

**Senator MOLAN:** That's fine; we do get that kind of answer a lot, and I understand why. Could I just offer you this quote from the US *National defense strategy*, which is distinct from the *National security strategy*:

The Department of Defense—

the US department, of course—

owes it to our All-Volunteer Force and the American people to provide a clear picture of the challenges we expect to face in the crucial years ahead—and we owe them a clear and rigorous strategy for advancing our defense and security goals.

I just wondered if the department or the government would agree that, at some stage, this may apply to the Australian Department of Defence or the Australian government.

**Mr Moriarty:** If I could, when the Prime Minister and the Minister for Defence talked about launching the Defence strategic review, I think they made clear that part of the aim of the review was to make some contemporary judgements and analysis about our strategic circumstances and how the government wished to respond to that. I think that, in the context of when the review does land and how the government responds to the review, there will be information for the Australian public on the environment that we face and how the Australian government wishes Defence to respond to those circumstances.

**Senator MOLAN:** Thank you. That's all I have, Chair. I've just got one more bracket in the future sometime.

**CHAIR:** Senator Shoebridge.

**Senator SHOEBRIDGE:** Going on from the questions that you were asking, did I understand, in relation to special-purpose flights, that there hasn't been any transparency about them since December 2020 because of security concerns raised by the AFP?

**Mr Moriarty:** No, I think that was in the context of us doing a review of the guidelines. Part of that review will take into account some advice from the AFP. Once that review is done and presented to government, new guidelines will be promulgated.

**Senator SHOEBRIDGE:** And that's about how special-purpose flights will be used?

**Mr Moriarty:** And how much information and what type of information is put out in terms of the reporting.

**Senator SHOEBRIDGE:** So, if the advice from the AFP wasn't the reason why we haven't had a single report since the end of 2020, what is the reason?

**Air Marshal Chipman:** Senator, we prepared that advice. It's not up to us to table that advice in parliament.

**Senator SHOEBRIDGE:** Alright. So has Defence provided the relevant information, that being the schedule of special-purpose flights, to the government for the first six months of 2021?

**Air Marshal Chipman:** Yes.

**Senator SHOEBRIDGE:** And the second six months of 2021?

**Air Marshal Chipman:** I'd have to take that on notice.

**Senator SHOEBRIDGE:** The first six months of this year?

**Air Marshal Chipman:** It takes us about six months to compile. The statistics that I gave you before, where we presented the schedule for 2020, from July to December 2020, was presented in July of 2021. That is because it takes us about six months to compile and then validate all of the data in the schedule.

**Senator SHOEBRIDGE:** Alright. So on that basis, assuming it takes six months, you should have had all of 2021 assessed and to government by now?

**Air Marshal Chipman:** That's correct, yes.

**Senator SHOEBRIDGE:** Who do you provide them to in government?

**Air Marshal Chipman:** The schedule data is compiled and presented to the defence minister.

**Senator SHOEBRIDGE:** Alright. And then it's a matter for the defence minister to publish. Is that how it works in practice?

**Air Marshal Chipman:** Yes.

**Senator SHOEBRIDGE:** Has there been any information given to you about why a decision has not been made, to date, to publish 2021 data?

**Air Marshal Chipman:** Only in relation to the recent decision to incorporate the outcomes of the AFP security review into our review of the guidelines, because it's the guidelines that explain and detail what requirements are to be reported in the schedule.

**Senator SHOEBRIDGE:** But the guidelines that are presently in place haven't yet been amended?

**Air Marshal Chipman:** That's correct.

**Senator SHOEBRIDGE:** And those guidelines provide some transparency in the publishing of the details?

**Air Marshal Chipman:** That's correct.

**Senator SHOEBRIDGE:** They may be changed in the future, but the current ones are the ones that have provided transparency for the last decade?

**Air Marshal Chipman:** That's correct, although the AFP is currently undertaking a review of the amount of information that we are providing, and what we are trying to do is get the right balance between transparency and security.

**Senator SHOEBRIDGE:** The secretary's advice to me was that the AFP's concerns weren't the reason why matters haven't been published. It seems to me, Secretary, that the information I'm getting from other witnesses is to the contrary.

**Senator Wong:** As I understand both the secretary's answer and the state of this matter at the moment, you're correct. Unless I'm advised otherwise, I understand the previous government made a decision not to table. Mr Marles has now requested that the department, together with other agencies, review the guidelines—I would anticipate, once those guidelines are finalised. Then it's a matter for government about how those are implemented.

**Senator SHOEBRIDGE:** So, at the moment, Mr Marles has agreed with the decision not to publish until the review has been undertaken? It's on ice for the moment?

**Senator Wong:** Officials are nodding, so I think the answer to that is—

**Air Marshal Chipman:** That's what we've been directed: we will not be bringing forward the schedules until we have revised the guidelines, and the guidelines will incorporate the AFP security review.

**Senator Wong:** He is taking an even-handed position. He could—

**Senator SHOEBRIDGE:** I'm just trying to find out what's happening.

**Senator Wong:** You can see what obvious choices are available to the Deputy Prime Minister here, and I think—

**Senator SHOEBRIDGE:** There may well be partisan advantage for the minister publishing it—

**CHAIR:** Senator Shoebridge, just allow the minister to conclude her answer, please?

**Senator Wong:** I'm actually trying to be helpful. You're right. There could be partisanship in this approach. I think the Deputy Prime Minister has taken a principle based, even-handed approach to this, and that's how we are seeking to deal with it.

**Senator SHOEBRIDGE:** I'm just trying to find out what has happened. I'm not trying to make a political point. I'm interested to know when we're next going to get transparency on very expensive public assets which are used to ferry around a bunch of politicians. I'm just wondering when we're going to get transparency.

**Senator Wong:** Ferry around?

**Senator SHOEBRIDGE:** Move.

**Senator Wong:** I can tell you that I am most deeply grateful to the Air Force for the support to me and, I'm sure, to the Deputy Prime Minister. It has enabled multiple engagements with Pacific Island nations which we would not be able to get to without the support of these aircraft—

**Senator SHOEBRIDGE:** That's fine—

**CHAIR:** Senator Shoebridge!

**Senator Wong:** You made the 'ferry around' comment. If you look at the sorts of hours some of these officials and those who travel with us work, there is a very heavy workload. Without the support of the Air Force, we would not be able to visit in the time frames—or even visit—many of the places in the Pacific where I or Mr Conroy of the Deputy Prime Minister have had the privilege of representing Australia.

**Senator SHOEBRIDGE:** You seem to take offence to the concept of 'ferrying around'. Move around, ferry around, transport around—it's large amounts of public money. Do you accept, Minister, that there should be transparency on the use of large amounts of public money to move people around?

**Senator Wong:** I think the secretary and the air marshal have both answered your question.

**Senator SHOEBRIDGE:** Is there a time frame for when this process will finish and we can get some transparency?

**Mr Moriarty:** No. We want to do the review thoroughly and then we'll consult the Deputy Prime Minister.

**Senator SHOEBRIDGE:** When do we expect the review to finish? I assume it's being done inside the department?

**Air Marshal Chipman:** The review will incorporate the AFP review. I don't have a time line, I'm sorry, on when the AFP will complete their security review.

**Senator SHOEBRIDGE:** Secretary, my office has been contacted by a senior Air Force chaplain who has had previous media commentary in relation to some appalling unacceptable behaviour against her by another chaplain. Are you aware of the case?

**Mr Moriarty:** I'm aware in general terms.

**Senator SHOEBRIDGE:** Is it best dealt with by you or by another official?

**Air Marshal Chipman:** I can deal with it.

**Senator SHOEBRIDGE:** I'm advised that an unacceptable behaviour investigation found that the senior chaplain had been subjected to 10 different types of unacceptable and inappropriate behaviour by another chaplain, including sexual harassment, bullying, intimidation and spreading of lies. Are you aware of that investigation and conclusion?

**Air Marshal Chipman:** I am aware of allegations. They have been investigated. I would have to take questions on this on notice because it is a very sensitive matter, and allegations have been thrown both ways. I don't have all of the details with me today.

**Senator SHOEBRIDGE:** I'm advised that the investigation found in favour of the complainant—the senior chaplain who'd suffered the awful behaviour.

**Air Marshal Chipman:** Senator, I—

**Senator SHOEBRIDGE:** Are you saying there were counter allegations?

**Air Marshal Chipman:** There were multiple allegations over multiple years. I will need to go and get some more information. I am happy to take questions on notice, but I do not want to shoot from the hip with regard to these allegations.

**Vice Adm. Johnston:** And, in consideration of the privacy of all the individuals, we'd be mindful of how we respond to your questions.

**Senator SHOEBRIDGE:** I'm advised that the findings were made, but, despite the findings, the chaplain whom they were made against has remained in the service as a chaplain and still is today. Indeed, he's been allowed to resign at the end of this month. Is that true?

**Air Marshal Chipman:** Again, I would like to take questions on notice. I'm not trying to stonewall the questions.

**Senator SHOEBRIDGE:** You will take that on notice?

**Air Marshal Chipman:** Will do.

**Senator SHOEBRIDGE:** I'm further advised that the senior chaplain who made the complaints and had the sustained findings on her behalf was contacted just today—

**Air Marshal Chipman:** I'll take that on notice.

**Senator SHOEBRIDGE:** by the Defence prosecution service to let her know that no charges would be laid because charges this serious should be referred to the criminal courts. Previously, she'd been told that it was appropriate that Defence look into them and progress them. Is that the case?

**CHAIR:** Senator Shoebridge, the officials have already indicated that they will be taking this line of question on notice. Given the sensitivities, it may be appropriate if you were to provide them with your other questions on notice, and they can come back to you on notice.

**Senator SHOEBRIDGE:** I am told this happened today. Will you take that on notice as well—whether or not that occurred?

**CHAIR:** The witnesses have agreed to take on notice—

**Senator Wong:** If I could intervene, I appreciate that the senator is expressing the views of someone who's contacted him. I also am very cognisant of both the privacy and the probity of these sorts of matters and why the officials are asking not to have to respond in this forum on that. I'm also conscious that, as members of the government or the Public Service, there are obligations about what can be said—even to you—unless there are permissions given and so forth. I understand that this committee previously has had, where possible, a practice of these matters being raised in a different way, and, if possible, Defence can respond offline. I'd ask the secretariat to consider how that might happen, and I'd ask the chair and the committee to consider finding an effective way to try and deal with these sorts of issues being raised with senators. I appreciate senators will want to raise issues where these sorts of allegations are brought to their attention. Perhaps, if we could find an avenue where they could be dealt with appropriately, I think that would be a good thing.

**CHAIR:** Thank you, Minister. Did you have any other lines of questioning, Senator Shoebridge?

**Senator SHOEBRIDGE:** I'll consider that for the moment. But, on chaplains, are you aware of the religious advisory committee to the services? Who deals with the chaplains?

**Vice Adm. Johnston:** There is a religious advisory committee, yes.

**Senator SHOEBRIDGE:** And that's made up of a number of senior members of the chaplain service—is that right?

**Vice Adm. Johnston:** That's right.

**Senator SHOEBRIDGE:** It directly communicates with the Chief of the Defence Force. Is that right?

**Vice Adm. Johnston:** Yes.

**Senator SHOEBRIDGE:** Given that at least 64 per cent of the ADF workforce don't acknowledge any religious affiliation, and, of those who are joining the ADF today, 80 per cent indicate no religion, do you think it's appropriate for the primary, if you like, support service to be so dominated by a religious body and for them to have that direct line?

**Vice Adm. Johnston:** There are multiple forms of support to ADF people, of which the religious services are one but not the only one. There's medical support, social welfare support, family and members—we have multiple services recognising that people's needs are different and those whom they would turn to for support would suit their particular circumstances. There is more than one means of providing support to our people.

**Senator SHOEBRIDGE:** But in terms of resources, the largest clear resource that I've been able to identify in Defence for the kind of welfare support is the 160—is it 160 full-time chaplains and 150 part-time chaplains? Are those the numbers?

**Vice Adm. Johnston:** I don't know the numbers. I'm not sure if General Wade does.

**Major Gen. Stothart:** I would have to take the exact question on notice about the number of full-time and part-time chaplains in the Australian Defence Force.

**Senator SHOEBRIDGE:** It's in the order of 310, though, isn't it? That's information that I think has been published.

**Major Gen. Stothart:** I think that's broadly accurate, yes.



**Senator SHOEBRIDGE:** Of those 310, do you know how many were of faiths other than the Christian faith? Information I have is that there were two Muslim, two Buddhist, two part-time of Jewish faith and otherwise Christian. Is that correct?

**Major Gen. Stothart:** Again, I'll need to take that on notice, but largely correct. If I could offer that the religious advisory council is now made up of 10 faith groups, and we are actively trying to encourage members of faith groups other than Christian to help us to find, attract and recruit padres from other religious groups, in addition to the large number of other welfare support professionals that are available to support our people for pastoral care.

**Senator SHOEBRIDGE:** As I understand it, there are now potentially seven secular wellbeing officers. Is that right? Do you know how many there are?

**Major Gen. Stothart:** Again, I'll need to take that exact question for the number on notice. But, yes, the Navy has a maritime spiritual welfare officer program, which is nonreligious, in the provision of that pastoral support.

**Senator SHOEBRIDGE:** Is that part of the chaplaincy program or separate to it?

**Major Gen. Stothart:** It is largely part of it, yes.

**Senator SHOEBRIDGE:** What does 'largely part of it' mean?

**Major Gen. Stothart:** I would need to defer to the exact organisation and functional arrangements with Navy on that. I know that Army and Air Force are looking at this Navy more recent innovation to provide professional spiritual pastoral support to members on a nonreligious basis.

**Senator SHOEBRIDGE:** So it's spiritual pastoral support. Is that the support that's offered by the chaplaincy service?

**Major Gen. Stothart:** The title of the function is 'maritime spiritual welfare officer'.

**Senator SHOEBRIDGE:** Will you tell me on notice how many of those there are?

**Major Gen. Stothart:** Yes.

**Senator SHOEBRIDGE:** And they are only in the Navy. There are none in the other services.

**Major Gen. Stothart:** At the moment, yes.

**Senator SHOEBRIDGE:** Is it the intention to increase the proportion of secular wellbeing officers? Is that the intention of the ADF, or is the intention to keep the mix as it is, which is to have overwhelmingly Christian chaplains?

**Major Gen. Stothart:** The intention of the ADF is to provide pastoral and spiritual care to our people, and the provision to do that will be in a combination of functional areas providing that: social workers, psychologists, chains of command, padres of differing religious backgrounds. The secular spiritual welfare officers are part of that system of providing pastoral spiritual care.

**Senator SHOEBRIDGE:** There are in the order of 310 chaplains—overwhelmingly Christian chaplains. How many fully paid counsellors does the ADF have?

**Major Gen. Stothart:** Again, I would need to take that on notice to give you a breakdown of exact numbers of the workforce providing that support.

**Senator SHOEBRIDGE:** If the goal of the ADF is to recruit people that reflect modern Australia—multicultural, diverse Australia—do you see what the problem there is when the spiritual and pastoral support care offered by the ADF does not reflect modern multicultural Australia, and particularly the 80 per cent of new recruits who have no religious affiliations? Do you see the problem?

**Vice Adm. Johnston:** Yes, we recognise the needs of our people are changing, and the structures by which we provide support we'll contemporise with them.

**Senator SHOEBRIDGE:** And you'll no doubt, on notice, let me know what your actual plans are to radically reform the chaplaincy from its current position, which doesn't reflect modern Australia?

**Vice Adm. Johnston:** That's not quite what I said. I said that we will change to meet the needs of our people.

**CHAIR:** Senator Malcolm Roberts.

**Senator ROBERTS:** Thank you all for being here today. My questions are on the response to the Brereton report. In March 2021, the Afghanistan Inquiry Implementation Oversight Panel recommended that a top-down inquiry be undertaken into defence's corporate responsibility for the allegations in the Brereton report. Instead you commissioned a 'lessons learned' paper that was criticised by the panel for its failure to address the strong criticisms and sense of unfairness of the lack of command accountability in Afghanistan. Why did you conduct

what the panel called a 'bottom-up' review, rather than a top-down exercise? Shouldn't senior defence leadership be held accountable if there are accusations of wrongdoing?

**Vice Adm. Johnston:** The review that you're referring to was a top-down review. It was led by a two-star general, broadly consulting across the defence department. It had a purpose of looking at the outcomes from the inquiry and also looking to what else we needed to be doing to make sure that the conduct of the Defence Force in operations in the future was well set, having learnt from the experience in Afghanistan. So it was very much a top-down view of what we needed to do to improve, and we recognise that command accountability is an important part of that outcome.

**Senator ROBERTS:** Can you give me an indication of some of the steps that were taken in the top-down approach?

**Vice Adm. Johnston:** The steps in developing the report itself?

**Senator ROBERTS:** Yes.

**Vice Adm. Johnston:** The CDF appointed an officer to lead it who had significant experience, including within Afghanistan and the operations. He was given a remit to look right across the department without limitations, in terms of the scope that was associated with that forward-looking perspective of what we needed to learn. He brought all the executives together, as well as consulting at various levels within defence, in order to form a significant number of conclusions, which have been presented to the Chiefs of Service Committee—the Chief of the Defence Force chaired committee with his other chiefs. It's had a high level of review and consultation as part of drawing the lessons from it.

**Senator ROBERTS:** What was the rank of the person who did that?

**Vice Adm. Johnston:** He was a major general.

**Senator ROBERTS:** Can you confirm whether any charges against a special forces soldier have been tested in an Australian court in relation to allegations in the Brereton report?

**Vice Adm. Johnston:** You might be aware that the Office of the Special Investigator has taken up the criminal conduct investigation into the events in Afghanistan, and I couldn't comment on them.

**Senator ROBERTS:** But he has taken it up? I accept that.

**Vice Adm. Johnston:** Yes, if I could answer more fulsomely—

**Senator ROBERTS:** Has anything been tested in a criminal court?

**Vice Adm. Johnston:** there is an Office of the Special Investigator formed outside of defence who is looking into whether crimes occurred in the conduct of Afghanistan operations.

**Senator ROBERTS:** So it's not been tested in a civilian court?

**Vice Adm. Johnston:** They have not yet been presented to court—no.

**Senator ROBERTS:** There's a strong sentiment that enlisted soldiers were thrown under the bus by top brass without the presumption of innocence, because none of the organisation or senior officers faced any accountability for any aspect of the events in Afghanistan. I understand that the defence forces have disbanded 2 Squadron which has a history going back to Borneo and the Vietnam War. Also, there was an attempt to strip 3,000 soldiers who served in Afghanistan of their meritorious unit citation. These are punishments that lower and middle ranks bear the brunt of. What action has been taken against senior leadership to hold them accountable for the allegations in the Brereton report?

**Vice Adm. Johnston:** The Brereton report recommended that the CDF review the honours that were presented to those who were in the command chain. The CDF agreed to those recommendations when he publicly presented the outcomes of the report late in 2020. Those measures were suspended while the Office of the Special Investigator process was underway at the direction of the then minister, and the current defence minister has directed the CDF to now recommence the process of looking at honours and those that were awarded during the period in Afghanistan. The CDF has now commenced that process.

**Senator ROBERTS:** After the banking royal commission the highest leaders of NAB and AMP resigned. Crown casino directors resigned over money laundering revelations. Rio Tinto's CEO resigned over the destruction of the Juukan caves. The common first step in responding to such a governance failure is for the leaders to accept organisational responsibility. Do you believe any senior officers who held office at the time the Brereton report relates to bear any personal responsibility for governance arrangements that were in place?

**Vice Adm. Johnston:** The Brereton report looked very carefully at these issues and it formed judgements about the level of awareness of more senior elements of both the operational chain and the department, and came

to conclusions that senior officers were not aware of what was occurring, but recognised with command comes a moral responsibility for the activities that are performed under our command. That was the element that was a recommendation around reviewing particularly the honours that were awarded to those in the command chain. That's the process that has now started.

**Senator ROBERTS:** Why have the lower ranks had to bear all of the punishment while the senior leaders still have their jobs? That is the way it appears publicly.

**Vice Adm. Johnston:** That's why the inquiry made some quite clear conclusions on the level of knowledge of conduct.

**Senator ROBERTS:** I haven't been in the armed forces, but my understanding is that our defence force's secret weapon is mateship and leadership. That starts at the top, whether it be a football team or a business. Defence personnel have told me that it's being eroded. What are you doing to get it back, because it is worth billions of dollars? It is intangible.

**Vice Adm. Johnston:** Leadership and the camaraderie that we enjoy in the service is absolutely fundamental to our ability to maintain the level of operational performance. That's why the CDF initiated the inquiry that we were talking about at the start of your questions, to make sure that we understood quite comprehensively those elements of our own performance that needed to be considered in light of the Afghanistan operations.

**Senator ROBERTS:** So in your opinion are you getting to the bottom of it?

**Vice Adm. Johnston:** I think we have a good understanding and a very extensive reform plan that has been initiated to address those conclusions, both from Brereton and our own assessment of the additional actions that need to be taken.

**Senator ROBERTS:** What is the thrust of that response plan?

**Vice Adm. Johnston:** I will invite Admiral Wolski, who leads the implementation task force, to answer.

**Rear Adm. Wolski:** Defence is fully committed to responding to the Afghan inquiry findings and recommendations. The inquiry made a broad range of findings and 143 recommendations. At this time Defence has implemented the actions to close out 102 of those 143 recommendations. I will note that this week it is two years since the Afghanistan inquiry report was handed from the IGADF to the Chief of the Defence Force. The work is ongoing, however. There's a substantial body of work which is being undertaken. The reform program is based on two objectives. Basically the first objective is to address the past, that is to consider and take appropriate action to meet organisational and collective wrongdoings. To prevent recurrence is the second objective. That is, we must work on what the Afghanistan inquiry has shown us. We have to build the best possible organisation for the future.

**Senator ROBERTS:** So, prevention in the future will come back to governance? Not just governance, but it will certainly involve governance.

**Rear Adm. Wolski:** It certainly does.

**Senator ROBERTS:** What are you doing in that area?

**Rear Adm. Wolski:** The Afghanistan inquiry particularly showed us that there were a number of different themes which we have to work on. We have broken those down into organisational arrangements and command accountability; a second theme of culture; a workforce area; and finally partnerships and information. Under those five themes we have structured our work. I will say that it's a significant body of work, with each of those work streams having reform stream leads at the band 3 or the three-star level.

**Senator FAWCETT:** Can I go to Defence personnel, please? Can I go to the recruiting and retention team that was established in April 2022, and then in August star rank officers were appointed to lead that. What have they achieved to date, and are there any recommendations that they have brought forward that are being implemented by Defence?

**Ms Greig:** As you said, we established a dedicated recruiting and retention team to look at, in addition to current initiatives in terms of lifting our recruiting and retention performance, to look at what else Defence could do, both in terms of ADF and APS workforce. The team commenced by really looking at what was already there, because we did not want to duplicate what we were doing. I can talk in a moment on some of the key things that were already in train. Having looked across the total Defence enterprise, also looked externally on best practice, the team really focused on preparing some options that looked across the recruiting and retention continuum.

**Senator FAWCETT:** Sorry, before you go on, you mentioned the team several times. Could you detail who is in the team and their backgrounds?

**Ms Greig:** It's a small team led by two two-star military officers and an SES band 1 officer, with a very small team underneath. The purpose is to have a small, effective team to do fairly in-depth, short, sharp review.

**Senator FAWCETT:** I'm trying to get my head around the fact that if we're trying to get best practice on recruiting, someone who has commanded a ship or a regiment or a FEG in the air force, for example, may not be Australia's best experts on that. Who did they reach out to seek that best industry experience or expertise in terms of recruiting and retention?

**Ms Greig:** You touched on recruitment. In terms of ADF recruitment, Defence Force recruiting, a lot of reforms are already occurring. The heavier focus is in terms of retention. That is the heavier focus. In terms of who they reached out to, certainly other government agencies. They also talked to a number of private sector companies that were looking at their employment value propositions. It's probably best to give you that on notice, but there was quite a lot of engagement very early on.

In terms of the report that was completed, it is an internal report that was then socialised with a number of people across the enterprise to get views. There was also an assurance group, a collection of people to really contest some of the ideas in the report. The report ultimately was presented to the Chief of the Defence Force and the Secretary, and we are currently looking at what to prioritise out of that work. We have initiated five elements of the work as what we call quick wins that we could put in train quite easily and quite quickly to support not just ADF and APS members, but also there is an element supporting ADF families. The next steps is a matter of prioritisation and looking at where we will get the greatest impact, particularly in terms of ADF retention.

**Senator FAWCETT:** If the focus is on retention, does that mean that the recruitment piece—given it's industry wide in Australia and probably globally at the moment—is just too hard, or do you believe you've got solutions to the recruitment piece, which is why you've focused on retention?

**Ms Greig:** We've got significant reforms and solutions in play for Defence Force recruiting. I might pass to General Stothart in a moment. That's not to say that we aren't at the same time asking our review team to look at it. It's another assurance for us. But, certainly in terms of Defence Force recruiting reforms, they are quite significant.

**Senator FAWCETT:** I'm happy for you to take it on notice, but what I'd be interested to get is what you're setting as a baseline in terms of both recruitment and retention and how you plan to measure the effect and report back to the parliament through that program.

**Ms Greig:** Through the recruiting and retention program of work?

**Senator FAWCETT:** Yes.

**Ms Greig:** In terms of a lot of the metrics that we include in the Defence annual report, there is a fair amount in there. What we are doing in terms of the recruiting and retention work is looking even more deeply, because you can be very broad with your separation statistics, your recruiting statistics, but there are key differences within that. That's a key area of reporting back to government, to ensure that we are looking at all those workforce segments in terms of recruitment and retention.

**Senator FAWCETT:** What I'm interested in is: as part of the research and the initiatives you're putting in place, do you have goals that you think you'll achieve? We'd be interested in the performance of achieving those. Probably the most important figure is: what is the net result? Every organisation loses a certain number of people. If you bring people in, you have to train them. What is the net result you're achieving? Particularly if you have particular trades or professional streams where you know that Defence is currently vulnerable, what is our progress on those? They're the sorts of figures that we'd be really interested to see.

**Ms Greig:** We have recruitment targets by workforce segments. In addition, our aim is to extend the average length of service for the ADF. That is one of our key performance indicators.

**Senator FAWCETT:** During the election campaign, the now government promised to initiate a review into recruitment and retention. Given the work you've already done, is that going ahead? Is it overlapping? What is the relationship between that election commitment and the work you've already been doing?

**Ms Greig:** On the work we had commenced prior, currently the advice that we've given is: let us keep going on this piece of work. That's not to say that an even larger independent review is not necessary. It may be necessary. That's the advice to date.

**Senator FAWCETT:** Has that been accepted?

**Ms Greig:** I'm just trying to think if there has been a formal—

**Senator FAWCETT:** You can take that on notice.

**Ms Greig:** Yes. That has been the advice given. I need to check in terms of the formal response.

**Senator FAWCETT:** Thank you. Could I come now to some of the relationship between Defence and industry? Part of this will include industry personnel. I want to look particularly at performance measure 7.1, Defence's direct economic contribution to the Australian economy. Who is best to talk about that? Mr Moore, welcome. The first question I've got in this area is: what is your current definition around sovereign industry? If we go back to the first principles review and the concept that industry is a fundamental input to capability for Defence, then it sets the framework that we want a strong industry because they are essential to our capability managers being able to raise, train, sustain and deploy Defence capability. We don't have them just because we want a defence industry; we want them because they contribute to capability. As I look at this measure, can you talk to me about what its priorities will be, what your goals are and how you will measure success in terms of sovereign industry capability? And do you accept that same framework that was backed from the first principles review?

**Mr Moore:** Our definition of 'sovereign industry' is industry that we have control over or access to. That doesn't necessarily mean it has to be entirely owned by and run in Australia, but we have to have assured access to IP, financial resources, supply chains and those sorts of aspects. When we look at developing a sovereign defence industry in Australia, as you said, it's about making sure that we have the industry that can support ADF capability. Then we look at how we measure the sorts of aspects that speak to that sovereignty—whether we have an assured supply of IP, financial resources and those sorts of aspects.

**Senator FAWCETT:** That's generically very similar to the process that was gone through to come up with the 10 SICPs, the sovereign industry capability priorities, and there's been a fair degree of concern expressed by industry that they have not translated directly to Defence's procurement decisions. I noticed that here it's about defence economic contribution to the Australian economy, which I understand is a change that was made to the Commonwealth Procurement Rules at Defence's initiative. But, if we are talking about industry as a FIC, then the driving definitions and priorities surely should be what industry we need to contribute to defence capability. It shouldn't be what industry can contribute to the Australian economy. That's a nice second-order effect, but it shouldn't be the driver. Can you explain further who will decide the priorities, and how will they be linked to the capabilities that the chiefs of Army, Navy, Joint Operations, and space are concerned with?

**Mr Moore:** The sovereign industrial capability priorities are those priorities that contribute directly towards ADF capability. You mentioned 10; there are 14. There were four new ones defined last year. Those 14 sovereign industrial capability priorities are worked up with capability managers. They were decided through an extensive consultation process across Defence to ensure that they are those bits of industry that are particularly needed to support the capabilities that we know are coming online. We'll then look to drive them through contract mechanisms and, as we develop capability, make sure that they are part of that consideration by government on capability decisions.

**Senator FAWCETT:** The point here is that for a couple of decades now we've had priority industry capabilities, and now we have sovereign industry capabilities, which are statements of intent, but they often don't link directly to procurement decisions. Companies don't survive, ultimately, on grants. Grants help them get to a level of capability, but they only survive with offtake agreements—with contracts that give them cash flow. The constant feedback from industry is that they're not seeing continuity between the sovereign industry capability priorities and procurement decisions of Defence. I'm interested to understand what your targets are and what you consider success to be. If a company gets a grant and they built a capability, but they're never contracted, do you consider that a success? Or is it only if they're contracted by the Australian Defence Force that you consider that a success?

**Mr Moore:** Sovereignty is a difficult thing to measure. We are doing a body of work to be better at that. To answer your question, I think it is both. We want to see Australian businesses and sovereign businesses participate in defence contracting, and we are seeing more of that. But we also want to make sure that there is a diversity of sovereign industry in the sector so that they are there when we need them as well.

**Senator FAWCETT:** Sure.

**Vice Adm. Johnston:** Senator, might I help, just to give you some insight?

**Senator FAWCETT:** VCDF, I'm sure you'll very helpful. Please go ahead.

**Vice Adm. Johnston:** Every capability proposal that we take up for government that comes through the Defence Investment Committee comments on the degree that it contributes to the sovereign industrial capability priority outcomes. We look at it explicitly in forming the view of preferred options for capability and how those capabilities might translate into industry outcomes. It's an explicit part of our consideration process and, hence,

part of the advice that we present to government. It's quite concrete and it's an explicit section of the advice that we provide, so it has strong visibility to it, as it should.

**Senator FAWCETT:** I was recently at the Land Forces conference, and I walked around and spoke to various industry stakeholders who were giving examples of where defence had identified a capability that was required and the Defence Innovation Hub had worked with an industry partner to develop a capability, but then the procurement system had no path to actually say, 'Yes, we'll buy it,' or the procurement rules constrained defence to go to a larger prime, often an overseas prime rather than an Australian company, because the procurement rules said, 'That company has no track record in this; it's too small and too risky,' even though we've spent, in some cases, hundreds of thousands of taxpayers' dollars to help this company develop a capability solution. So what is your metric of success? Is it that you've given an Australian company a grant and they've developed a capability, or is it that you've helped them to do that and then actually bought it from them? Unless we close that loop, it's actually a waste of taxpayers' money.

**Vice Adm. Johnston:** I agree. The measure of success ultimately is the pull-through from innovation into capability, and we look at the performance of our innovation system with that explicit outcome in mind. We recognise that there is more to do to ensure that the process enables that, from innovation outcome through to that capability delivery.

**Senator FAWCETT:** My last question relates to table 42 on page 90, which goes to grants to industry players. There are cuts in the order of \$60-odd million in the 2022-23 estimate, \$58 million in the 2023-24 estimate, \$57 million in the 2024-25 estimate and \$57 million in the 2025-26 estimate. I'm happy for you to take this on notice, but could you tell me which programs are being cut—that is, which countries have applied for and are not getting grants? Have they been informed, and what is the impact in terms of the sovereign capability that defence was hoping to actually develop?

**Mr Moore:** There was additional money put into defence industry grant programs as a result of the government's economic stimulus measure. What you are seeing in the forward estimates is not a cut in the program but a return to the levels that existed and were previously announced. There was a slight increase in response to economic stimulus measures that were decided as a result of COVID.

**Senator FAWCETT:** Thank you.

**CHAIR:** I have a couple of questions with respect to the government's continual support of Ukraine in light of Russia's illegal invasion. The Albanese government has since announced two additional tranches of support to Ukraine since coming to government this year. I understand that you won't be able to disclose everything for operational reasons, but I was hoping, Secretary, that you or one of your officials at the table might be able to step me through what these commitments were?

**Mr Jeffrey:** As you know, Australia has been a significant supporter of Ukraine's defence. The government has condemned Russia's unilateral, illegal and immoral invasion of Ukraine. It's important to note that, in providing this support, we do not just see the invasion of Ukraine as an attempt to subjugate a neighbour but we see it as an assault on the international rules-based order and the norms and principles that underpin that order. That order is important not just to prosperity and security in Europe but to our prosperity and security in the Indo-Pacific. We want to ensure that we can contribute to an outcome in which no state will ever conclude that violence is the best way to achieve its strategic objectives. For that reason, the Australian government has asked Defence to provide support to Ukraine to ensure that it is able to conduct its defence as best as possible.

There are a range of defence areas where we have been providing support. I will run through the list quickly. Australia's announced military assistance comprises: 70 ADF personnel to train Ukrainian armed force members in the UK; we're up to 90 committed Bushmaster Protected Mobility Vehicles; 20 M113 armoured vehicles; six 155-millimetre M777 howitzers—that's artillery—and 155-millimetre ammunition; numerous anti-armour weapons and ammunition; \$42.2 million in financial contributions to NATO and the UK to purchase the delivery of military assistance to Ukraine on Australia's behalf; and \$32 million in Australian defence industry capabilities including unmanned aerial systems, decoys, remote vehicles and soldier equipment. As you can appreciate, body armour and cold-weather equipment are important. The scale of this support is such that some of it is still being delivered, and our ADF colleagues can give you an update, should you wish, on the status of all of that assistance. The government has asked us to keep this support under review to ensure that we are able to respond to Ukrainian requests as they come in.

**CHAIR:** The training which our ADF personnel will partake in—is there any information available about how that will be provided?

**Mr Jeffrey:** That is being coordinated by the United Kingdom, and we are providing the personnel in coordination with our partners in the UK. They will allow us to tailor that support to make sure it's most useful and most appropriate for the Ukrainians. As you know, the Ukrainians have demonstrated a capability to learn incredibly quickly, and they benefit immensely from training. We think that this is a very important initiative to allow them to rapidly adapt to changing circumstances.

**CHAIR:** How are our ADF personnel picked to engage in this training?

**Vice Adm. Johnston:** As we clarify with the United Kingdom the form of training that we will provide—and Ukrainian needs are changing as the weather and the nature of the operational environment changes—we will right set the group that will accompany them. So it is up to 70 people. They will leave Australia in January, and we will prepare them for the particular training. We will both select them and prepare them for the training mission that they will have. The Chief of Army might give some insight into what we are anticipating, but it is changing as the operational needs of the Ukrainians change and then being coordinated by the United Kingdom, who are assisting a number of international partners to provide this collective training output.

**Lt Gen. Stuart:** I might be able to assist with a little more detail. Operation Interflex is the name of the UK effort. It is a five-week ab initio or recruit-level training course that is being delivered that focuses on the ability for civilians to be trained as soldiers to operate in small teams and teaches them skills like combat first aid, weapons handling and small-group tactics. It involves time in the field as well as some other classroom-type lessons. We would expect that our contribution will form a number of teams that conduct that training and potentially some teams that provide a demonstration of how to use those kinds of skills. Then, of course, there'll be a command and control and administrative element.

**CHAIR:** Is the department aware of any delays in providing the support that was committed by either the former government or the current government?

**Mr Jeffrey:** There are no delays in financial assistance. Much of the assistance that I read out in the list to you has already been delivered. The challenge is with the big kit. That's the heavy equipment that needs to be transported, in this case, by C-17 aircraft. It takes time. There are only a certain number of Bushmasters you can fit on that aircraft and so you can't just send them in one go. It does take time. There are no quicker alternatives. You can't put them on a ship and have them delivered any quicker. We are working with our partners to ensure that we have a schedule of flights to provide assistance that is as quick as possible whilst managing concurrent pressures on the force, particularly given the ADF airlift assets are a scarce resource that we need to prioritise both through assistance for Ukraine but also for the government's requirements in terms of domestic assistance and assistance for our partners in the Indo-Pacific.

**CHAIR:** What's been the response from Ukraine about the impact of the Australian Bushmasters?

**Mr Jeffrey:** The Ukrainians have been very welcoming of the assistance. They have high praise for the capability itself. As I said, they are rapid adapters and adopters of new capability, and they have been very keen to share with us how they have been using this capability and the impact it has been having for them on the battlefield. So we are confident that it is an addition to their defence. And, of course, we want to continue to ensure that we are working with them on sustainment of the capability to ensure that it remains fully operational.

**CHAIR:** What are the advantages of a vehicle such as a Bushmaster in a conflict setting?

**Mr Jeffrey:** I might hand that over to the military professionals.

**Lt Gen. Stuart:** The Bushmaster provides protected mobility. Its strength is in its protection against blasts from mines and the like. It provides some limited protection against shrapnel and very limited protection against direct-fire weapons. It is a very reliable, simple-to-use vehicle. As Mr Jeffrey's pointed out, when you are trying to quickly adapt to a range of new weapons and equipment, it's very attractive.

**CHAIR:** Out of interest, are there any changes that are being made to the design or specs of the Bushmasters before we send them over to Ukraine?

**Lt Gen. Stuart:** Apart from a paint job and a Ukrainian flag, they are prepared to ensure that they are fit for purpose, but there are no other variations.

**CHAIR:** What has been the impact, if any, on our local supply of vehicles here in Australia? How many do we have, for instance, of the Bushmaster left in stock?

**Lt Gen. Stuart:** There were approximately 946 in service. Of those, 90 have been committed to the Ukraine, and we have the remainder left in our fleet.

**CHAIR:** Could you outline the schedule of delivery for those 90 Bushmasters?

**Vice Adm. Johnston:** Chair, if I might, we've been very careful not to do so.

**CHAIR:** Fair enough, too. That's why I started off by saying, 'Just tell me what you can tell me.'

**Vice Adm. Johnston:** It's largely to preserve the operational security of military equipment moving into Ukraine.

**CHAIR:** I might finish off here: if further requests for military assistance to Ukraine were put on the table, is that something that the department or military would consider, given our current situation with the stock that we have at hand?

**Mr Moriarty:** The department would provide a range of options to government, and it would be for government to decide whether to make a further contribution.

**Senator VAN:** As you may or may not be aware, I was in Ukraine in August and went down to Donbas to see the Bushmasters being used in action and got to speak with the troops. There was an awful lot to be learnt, so I hope those lessons are being taken up by ADF. While I was there, there were 13 in country where I was, and there were another 12 delivered in the west of Ukraine the day I was in Donbas. I know you can't say when, but can you confirm if any more than those 25 have actually been delivered in country, or are they sitting outside in Poland or Germany or somewhere? I cannot find, either from my sources in country or elsewhere, that any more have been delivered.

**Vice Adm. Johnston:** I'll answer as precisely I might be reasonably able to. Of the original 60, before the government's announcement of the additional 30 Bushmasters, more than half have moved.

**Senator VAN:** That's roughly what I thought might be the answer. Understanding the needs of the Air Force and the limitations on C-17s, given that number was what we promised—let alone what this government promised—is there not a way to speed up that delivery? I know at least 40 have been delivered to Amberley, but since the time they've been there we could have put them on an LHD and gotten them there. Are there any other alternatives to—

**Vice Adm. Johnston:** We are using a combination of both military airlifts, C-17s, and contracted airlifts to get the flow rate right into Ukraine, matched to when they can receive and employ them and to our ability to prepare the vehicles to be able to move.

**Senator VAN:** Thank you for that, Vice Chief. The demand on the ground for them is urgent. Anyone there will tell you that. The commanding officer of the ADF air assault brigade, who I met with in Donbas, was disappointed at that stage only having 30, because that only mounts half his brigade. Ninety mounts 1½ brigades, so by my calculation—they would like at least three mounted brigades—I would call on the government to consider sending more. I know those requests have gone into government, and I'd like to think that they would be paying some attention to those requests and following up on that.

As to modifications, they make a number of modifications in-country. One of them is putting armour over the fuel tank. Would we consider doing that for them before sending them over?

**Major Gen. Bottrell:** We work closely with both Army, as the capability manager, but also with Thales, as we have done over a number of years. There have been extensive modifications to the vehicle. They have typically been driven by the lessons we've learnt both from operations but also for the projections for where we propose to use those vehicles. They are a protected vehicle, so they are not intended for use driving into battle. They are designed for protected mobility through a conflict zone, so that hasn't been a requirement for us to date. We are keeping track of the way we can get information in terms of what modifications they are making, which informs what we might provide them in future variances as well. We're keeping track and we're conscious of that.

**Senator VAN:** I couldn't agree with you more, Major General, and I think that strengthens Chief of Army's request for IFVs so that we don't send troops into battle, if we need to, in Bushmasters. One of the other things that they think they need a lot more of are wheels and tyres. Are we considering sending those along with other sustainment materiel?

**Major Gen. Bottrell:** We have already mobilised a repair parts package, but we are also exploring for support through means closer in Europe, so there are a number of options that we are actively exploring in that space as well.

**Senator VAN:** If we're planning on sending them 10 per cent, there is obviously room in our fleet to send more. Given—correct me if I'm wrong, Major General—that the last ones came off the Thales line about 10 years ago and so they're an ageing vehicle, are we looking at replacing the Bushmaster? What is the life of type of the Bushmaster?

**Major Gen. Bottrell:** Thales is still producing Bushmasters. They've got other customers elsewhere in the world, so again we work very closely with Thales about their workforce. In fact, I met with the CEO of Thales in



the last couple of days to discuss some of the implications for where they are going and what future options might exist. Those decisions haven't been taken. That's a combination of decisions for Army and government, and I'm responsive to those. But we're very acutely aware of Thales's workforce and trying to keep that at a point where it continues to be viable for the future.

**Senator VAN:** If I could ask you to remain so and reinforce the importance of that to government because, as you're aware, Hawkei has finished being built there, so maintaining or losing that workforce and going into another valley of death in another capability would be a shame.

**Senator MOLAN:** I note that the defence minister has referred very brief terms of reference for an inquiry to the Joint Standing Committee on Foreign Affairs, Defence and Trade into how Australia makes decisions to send service personnel into international armed conflict. How important are security and timeliness in the process of making a decision to send service personnel into international armed conflict? I assume that they're very, very important. I don't want to lead a witness, but I assume that there is importance there.

**Mr Jeffrey:** Indeed. As you would understand better than most, defending Australia, its people and its interests is the government's highest priority and the most important responsibility. The government's duty of care for members of the ADF is paramount, and no decision to go to war, of course, is ever taken lightly. As the Deputy Prime Minister has recently stated, it's appropriate for decisions about the deployment of the ADF into international armed conflict remains very much a decision of the government and the executive body of government. It is an essential prerogative of the executive, exercisable under section 61 of the Constitution, and in practice this power is exercised by the Prime Minister and the cabinet.

**Senator MOLAN:** Given the impacts you have inferred in relation to security and timeliness, would it be right to say that the department has no real objections in principle to some form of parliamentary oversight, provided that it occurs in a timely and secure manner?

**Mr Dalton:** The department's view is we will consult with the Deputy Prime Minister and then decide how we might contribute to that review. But it is my view that the decision should be one for the executive government. Parliament, of course, has legitimate oversight of a number of aspects of any deployment, any operation, including armed conflict, but it would not be my view that the parliament would have a veto or a decision-making role in whether the government deployed the ADF in military operations.

**Senator MOLAN:** That's very comforting. The reason I ask is that in November 2018, the Defence subcommittee tabled a bipartisan report, which was titled *Contestability and Consensus*. Most of the work was done by Senator Reynolds as the chair, and I took over from her at the end and tabled it. I am just proposing to the government that there is an alternative to a full parliamentary debate which might impact on timeliness and security. That alternative, really, is what I described in the bipartisan report as a PJCIS-like committee which—

**Senator Wong:** I'm really happy to hear what you have to say, Senator Molan. I am conscious that you have articulated that question in a way that suggests the government has a view that is not consistent with the position that both I and the Deputy Prime Minister have expressed publicly.

**Senator MOLAN:** Certainly.

**Senator Wong:** I just thought it would be appropriate. I think you used the terms 'contestability', 'accountability', 'ongoing reporting to the parliament'. There are a whole range of different ways in which Labor, in opposition and in government, and I remember John Faulkner outlining essentially a similar view to the one Mr Moriarty just outlined, about what is properly the role of the executive and the responsibility of the executive, as Mr Jeffrey outlines, but asserting an important role for the parliament in continued accountability for those decisions. I just did want to say that, given how you phrased the question.

**Senator MOLAN:** I'm very comfortable with that. The question which is at the end of this dissertation is really: Can I be assured that the government will consider the 2018 bipartisan report as an alternative to a full parliamentary debate?

**Senator Wong:** I assume that, first, that report would be considered in the context of the standing committee's inquiry. Is that still extent?

**Mr Dalton:** Yes.

**Senator Wong:** I would encourage that first as perhaps an appropriate mechanism to ensure that that report reflects some of the thinking. I think you can be assured that the government is seized of the national security and policy issues which underpin this question.

**Senator SHOEBRIDGE:** I am going to ask some questions about Defence export licences. Are you aware that the US, Italy and Germany have limited the sale of offensive arms to Saudi Arabia and the United Arab Emirates because of the alleged war crimes in the war in Yemen?

**Mr Moore:** I am aware of those countries' approaches to their export permits.

**Senator SHOEBRIDGE:** Are you aware of the limitation of sale of offensive arms because of the war crimes in Yemen to those two countries, Saudi Arabia and UAE?

**Mr Moore:** Yes, I am aware of their approach.

**Senator SHOEBRIDGE:** How many Defence export licences has Defence granted to Saudi Arabia since 1 January 2021?

**Mr Moore:** I will have to take that on notice. I don't have the details for that date range.

**Senator SHOEBRIDGE:** What details do you have there? What date ranges do you have?

**Mr Moore:** I will have to take that on notice. I don't have the details broken down.

**Senator SHOEBRIDGE:** You don't have to take on notice what date ranges you have.

**CHAIR:** I think the witness can indicate if they do or don't have something.

**Mr Moore:** I don't have it broken down by country. I don't have the details broken down. It's regional; I don't have it broken down by country.

**Senator SHOEBRIDGE:** What region is Saudi Arabia and United Arab Emirates in?

**Mr Moore:** They are in Middle East.

**Senator SHOEBRIDGE:** What countries are contained in that designation?

**Mr Moore:** I would have to—

**Senator SHOEBRIDGE:** I am happy for you to provide that on notice. How many Defence export licences has Defence granted to the Middle East from 1 January 2021 to today?

**Mr Moore:** I don't have from 1 January 2021. I can tell you in 2022, there were 89 permits for controlled goods.

**Senator SHOEBRIDGE:** You don't have 2021; is that right?

**Mr Moore:** Not with me.

**Senator SHOEBRIDGE:** On notice, can you inform us how many Defence export licences, or permits as you describe them, has Defence granted to Saudi Arabia? How many were granted in 2021 and how many in 2022?

**Mr Moore:** We will come back to you on that. I will say that we tend to not break permits down with more granularity than region. Because of the nature of the Australian defence industry, we start getting into problems of confidentiality around businesses that have applied for licences because they are small numbers. With businesses working in the industry sector, you can start to infer what their competitors might be applying for licences for.

**Senator SHOEBRIDGE:** I have asked about Saudi Arabia and you have taken it on notice. I will ask the same for the United Arab Emirates. I assume you'll take that on notice as well?

**Mr Moore:** Yes.

**Senator SHOEBRIDGE:** You understand the concern, don't you, because of their involvement in the ongoing war in Yemen and the repeated UN concerns that have been raised about war crimes against women, against children, against millions of people displaced in Yemen? You understand the concern, don't you?

**Mr Moore:** I understand your concern.

**Senator SHOEBRIDGE:** Has Australia put in place a prohibition on the sale of offensive arms to Saudi Arabia because of those concerns?

**Mr Moore:** I would make two points. The first is that our export permits do not equate to the sale of weapons. We issue permits for a range of goods. Military equipment is not the same as a sale of weapons. Also, permits will be issued for controlled goods, not just military goods. The other point I would make is that the way that our export legislation works, it doesn't allow for blanket prohibitions to particular countries. We will take into account if there are sanctions in place for particular countries, but, in the legislation, each export has to be considered on a case-by-case basis and it doesn't allow for blanket prohibition.

**Senator SHOEBRIDGE:** I am not asking about a blanket prohibition; I was asking about a limitation on the sale of offensive arms given the appalling human rights breaches that are happening in Yemen, where both Saudi Arabia and the United Arab Emirates operate with their military. Do we not even have that ethical baseline?

**Mr Moore:** Certainly, when we issue a permit we take into account all the issues relating to our obligations under international law, the human rights records of the countries that we might be exporting to, and our national interests. All those factors are taken into account when we consider granting of licences.

**Senator SHOEBRIDGE:** Do I take it that there is no prohibition on the sale of offensive arms by Australia to Saudi Arabia and the UAE? You just work out whether a particular offensive weapon is suitable on a case-by-case basis? Is that how it works?

**Mr Moore:** The way the legislation works is that each permit has to be considered on a case-by-case basis. If there is a sanction in place—that is the purview of the Department of Foreign Affairs—that will be considered and applied when we consider the export permit.

**Senator SHOEBRIDGE:** Is there a sanction in place that you're aware of in relation to Saudi Arabia or Yemen?

**Mr Moore:** That will be a question for the Department of Foreign Affairs. I don't believe there is.

**Senator SHOEBRIDGE:** You'd have to be aware of them because you'd have to take them into account when doing these permits.

**Mr Moore:** Certainly, yes.

**Senator SHOEBRIDGE:** So to the best of your knowledge they're not?

**Mr Moore:** To the best of my knowledge there is not a sanction in place for Saudi Arabia.

**Senator SHOEBRIDGE:** So the same rules apply to selling weapons to Saudi Arabia as they do to selling weapons to Canada?

**Mr Moore:** As I said, each permit has to be considered on a case-by-case basis. The defence export controls act doesn't allow for a blanket prohibition unless there is a sanction in place.

**Senator SHOEBRIDGE:** My question was, do the same rules apply to selling weapons and exporting weapons to Saudi Arabia as apply to Canada?

**Mr Moore:** There are 12 legislative criteria that we apply to each export permit, and it is the same 12 for each permit.

**Senator SHOEBRIDGE:** So the short answer to that is yes.

**Senator Wong:** The law is applicable.

**Mr Moore:** Yes, we apply the same law to each permit, essentially.

**Senator SHOEBRIDGE:** In terms of weapon sales to Indonesia, I will ask again, how many defence export licences has Defence granted for sales to Indonesia?

**Mr Moore:** I don't have that data with me. I will have to take it on notice.

**Senator SHOEBRIDGE:** I've asked that for 2021 and 2022. I assume you'll take that on notice.

**Mr Moore:** Yes.

**Senator SHOEBRIDGE:** What, if any, human rights considerations are taken into account when granting weapons export permits to Indonesia, particularly whether or not the weapons may be used in West Papua?

**Mr Moore:** The same process applies. We would look at each permit application on its merits and consider things like the risk of diversion, the risk of use in human rights violations. Those issues would be considered by the delegate and the decision made on balance.

**Senator SHOEBRIDGE:** I'm going to move onto some questions about the David McBride matter. The Attorney-General's doctored you in earlier this week and said it was Defence that gave instructions for the public interest immunity claim to be made to prevent what Mr McBride's lawyers considered to be critical evidence they presented in his whistleblower defence case. Are you aware of the case?

**Mr Yannopoulos:** Yes, I am aware.

**Senator SHOEBRIDGE:** Did the instructions on the public interest immunity claim, which related to a series of critical documents in the McBride defence claim, did they come from Defence?

**Mr Yannopoulos:** Yes, they did.

**Senator SHOEBRIDGE:** How many documents did the claim cover?

**Mr D'Amico:** In the original application in June 2021 I think there were 47 documents covered.

**Senator SHOEBRIDGE:** But then you updated it a week or a fortnight before the trial commenced.

**Mr D'Amico:** Correct.

**Senator SHOEBRIDGE:** What was the final public interest immunity claim?

**Mr D'Amico:** I think we took 16 documents out and we sought an extra eight. I would have to do the calculations there.

**Senator SHOEBRIDGE:** Thirty-nine?

**Mr D'Amico:** I'm not quite sure that's right.

**Senator SHOEBRIDGE:** You said 47 minus 16 plus 8?

**Mr D'Amico:** I think we produced—

**Mr Yannopoulos:** We would want to be really cautious about this. It is a matter still before the courts. We can take the questions on notice.

**Senator SHOEBRIDGE:** The PID Act proceedings have concluded.

**Mr Yannopoulos:** There is still a criminal matter pending.

**Senator SHOEBRIDGE:** Yes, but the PID Act proceedings have been withdrawn. The application has been withdrawn. It is concluded.

**Mr Yannopoulos:** There's still a matter to appear in a criminal court.

**Senator SHOEBRIDGE:** Yes, but the PID proceedings have been withdrawn. I'm asking about proceedings that have now been withdrawn.

**Mr Yannopoulos:** So we will try to be helpful.

**Senator SHOEBRIDGE:** That's what I'm trying to get answers on. I think Mr D'Amico is doing the maths.

**Mr D'Amico:** My instructions or my understanding is that by 18 October 2022 the number of documents was 27.

**Senator SHOEBRIDGE:** So they must have been some other iterations between the first claim in June—did you say 21 June or 22 June?

**Mr D'Amico:** I think 21 June was when the original—

**Senator SHOEBRIDGE:** There must have been other iterations between those two.

**Mr D'Amico:** We went forward with the initial application on 24 June 2021, and then revisions and additions were made prior to the hearing.

**Senator SHOEBRIDGE:** A successful public interest immunity claim means the documents can't be put before the court.

**Mr D'Amico:** Correct.

**Senator SHOEBRIDGE:** Why did Defence choose to go down the public interest immunity pathway instead of using the national security information act pathway, which would have still allowed the material to be seen by the judge but the subject of other protective orders, perhaps preventing it from being heard in public proceedings, having a closed court, limiting access to parties. Why did you go with the sledgehammer of the PII?

**Mr D'Amico:** I wouldn't necessarily describe it as a sledgehammer.

**Senator SHOEBRIDGE:** Putting to one side my characterisation, why did you go with the public interest immunity claim rather than the established national security information act structure, which was specifically designed by parliament to allow justice to continue but subject to proper protections.

**Mr D'Amico:** I think the short of that is that we actually did consider those types of issues when making the application. We're talking about thousands of pages of material, lots of it very sensitive. But there was a small category of documents that were extremely sensitive, most of it belonging to foreign partners, where we have treaty obligations and agreements with those countries to seek their consent and approval. In relation to that very, very small snippet of documentation, it was felt appropriate that we seek public interest immunity.

**Senator SHOEBRIDGE:** Those treaty obligations don't prevent or don't force the hand of the Australian government to adopt a public interest immunity claim. There are consultation processes, but they don't force the hands of Defence. Defence made this decision itself, didn't it?

**Mr D'Amico:** We did make the decision.

**Senator SHOEBRIDGE:** Why didn't you allow, instead, a closed court, non-publication orders, the kind of structured protection allowed under the national security information act, knowing full well what the impact of the public interest immunity claim would have had on a whistleblower defence?

**Mr D'Amico:** You'll appreciate that many of these documents that we're talking about are not controlled or owned by Defence. They're provided to us in confidence by our foreign partners. So we really do take into account their concerns. We're talking about some extremely sensitive information—the names of informants, things like that. And, yes, we appreciate that there is an NSI regime, but at the same time I think we do need to give a fair bit of weight to the individual interests of our foreign partners.

**Senator SHOEBRIDGE:** Defence didn't take a step back and think, 'Hang on; when we do this, the end result will be that the only person that's being prosecuted for alleged war crimes in Afghanistan is the whistleblower'? You didn't take that step back and think, 'How is the justice of this going to look, when the only person facing criminal charges about alleged war crimes in Afghanistan is the actual whistleblower himself'? You didn't take that step back?

**Mr D'Amico:** I think we did take a step back.

**Senator SHOEBRIDGE:** And you were comfortable with it?

**Mr D'Amico:** We were comfortable with it. At the end of the day, these serious documents—by actually claiming PII, the beneficiary is in fact the accused. Those documents can't be used, and so the accountability—

**Senator SHOEBRIDGE:** They can't be used in his defence. How does that benefit Mr McBride? That doesn't help him. He can't use them in his defence. How is that benefiting Mr McBride?

**Mr D'Amico:** I think legal minds can differ on those types of issues. I think that's the best way I can respond to that.

**Senator BIRMINGHAM:** I have a couple of topics I hope to get through before the end, but I know other colleagues still have some questions. I'll start with a few operational ones, which I'll try to treat with sensitivity. In relation to the chaff incident, involving an RAAF aircraft, on 26 May, can the government talk us through when and how concerns were raised following that incident?

**Mr Jeffrey:** Sorry; can you repeat the question?

**Senator BIRMINGHAM:** I was referring to the publicised incident involving an RAAF plane, the so-called chaff incident, on 26 May, of which I understand the government has publicly indicated that concerns were conveyed to the other country. How and when were those concerns conveyed?

**Mr Jeffrey:** The concerns were raised both here in Canberra and in Beijing. We have a protocol of communications where we will call in the Chinese defence attache here in Canberra and we will issue a demarche in Beijing through our correspondents in the Chinese system. As you will be aware, the Deputy Prime Minister also raised this incident with his counterpart, the then defence minister, Wei Fenghe, and set out our concerns about the nature of the incident and our expectations in relation to what we would regard as and what we would characterise as the need for professional military behaviour in an increasingly sensitive and contested piece of territory in the South China Sea.

**Senator BIRMINGHAM:** Were the facts around that incident accepted or contested?

**Mr Jeffrey:** I think it's fair to say that the facts were contested.

**Senator BIRMINGHAM:** Were any undertakings or responses that are able to be shared given following the engagements had here and in Beijing?

**Mr Jeffrey:** I won't go into the nature of the DPM's engagement or confidential engagements with Chinese counterparts, but I can share with you the expectations we share with our partners around the world and in the Indo-Pacific but especially in a place like the South China Sea. Our expectations around professional behaviour, the way in which militaries interact—it's vitally important that the rules of the road are adhered to. Where there are examples of unsafe or unprofessional behaviour, we need to be very clear in alerting counterparts to that and seeking explanations. Whether or not we get a satisfactory response is another thing.

**Senator BIRMINGHAM:** Has the government had cause to raise any other safety or operational concerns regarding any other military activities with China or any other nation since 26 May?

**Mr Jeffrey:** Apologies; the foreign minister was just recommending that I mention that the Chief of the Defence Force wrote to his Chinese counterpart, and that letter was also replied to as well.

In relation to other activities, I won't go into specifics. However, as you can imagine, we've been present in the South China Sea region for decades. Our presence there is part of our integrated and layered approach to the surveillance of our maritime approaches and important to how we think about the defence of Australia. As that region has become more contested our interactions have become more frequent, so our need to engage with all

our counterparts, but especially our Chinese counterparts, has become more frequent as well. While I won't engage on specific incidences, I will say that we are engaging and we do so on a regular basis.

**Senator Wong:** If I may reiterate Mr Jeffrey's point: the Australian Defence Force has a long history, over decades, of operating in the South China Sea. As part of Australia's program of international engagement with countries around the region, we have undertaken port visits, routine maritime surveillance flights, cooperative activities with partners and transits to and between South-East and North Asia, and all ADF activities are conducted in accordance with international law.

**Senator BIRMINGHAM:** Indeed, and I acknowledge the very long history, as both Mr Jeffrey and yourself have stressed, and the routine nature of our operations in that regard. I take it, from Mr Jeffrey's response—I don't wish to necessarily delve into too many specifics—that there have been instances of dialogue beyond the particular incident we just discussed since 26 May. Given the nature of the question I asked, that means there would be other incidents of some nature.

**Senator Wong:** We regularly discuss concerns on South China Sea issues with all relevant nations. Australia consistently urges claimants to refrain from provocative actions and to take steps to ease tension, build trust and observe international law. That's the approach Australia will continue to take.

**Senator BIRMINGHAM:** Have ADF operations undertaking routine operations been challenged by any other country, in terms of the validity of the operation, since 26 May?

**Mr Jeffrey:** Not to my awareness.

**Senator BIRMINGHAM:** I will turn to publicised questions regarding HMAS *Parramatta* and whether a challenge occurred in relation to the validity of its routine operations through the South China Sea.

**Mr Moriarty:** Can you repeat the question?

**Senator Wong:** This is the North Korea sanctions point—South and East China seas.

**Mr Jeffrey:** You may be referring to our operations in the conduct of enforcing UN sanctions in relation to North Korea's illegal nuclear weapons program. We have been contributing to those enforcement activities for a number of years. The nature of those enforcement operations requires ADF assets, on a rotational basis, to be present in areas close to the North Korean coastline or into the areas of the North and South China seas and the Yellow Sea, to ensure we're in a position to help enforce sanctions that preclude the transit of certain illicit goods that could help assist with North Korea's nuclear program.

**Senator BIRMINGHAM:** In relation to the deployment of HMAS *Parramatta* on that undertaking—which, as you indicate, Australia has participated in over a significant period of time—was there any unusual engagement or challenge made during that undertaking?

**Senator Wong:** It was, I am advised, a long-planned and routine deployment to the region.

**Vice Adm. Johnston:** There's no set pattern of activities or interaction. As Mr Jeffrey has said, we are regularly in the South China Sea. We perform surveillance activities in the East China Sea. All of them can be different in the interaction we have between ourselves and the PLA forces in those areas. Little of it is routine; all of them are circumstantial to the locations and the activities we and any other PLA forces are performing.

**Senator BIRMINGHAM:** Is there any change to the tempo of Australia's ongoing operations in the region? Are they maintaining similar levels of tempo as in the past, in terms of engagements—be they RAAF or naval engagements?

**Vice Adm. Johnston:** We maintain a consistent pattern of behaviour and frequency of presence.

**Senator BIRMINGHAM:** Going to less operational matters—I will duck back to a question around contractual matters. Has the department been given a target for reducing its use of consultancies?

**Mr Moriarty:** I will make a couple of opening comments on that. The department has committed to supporting the government's plan to improve the Public Service by identifying where work can be done more efficiently and effectively by public servants. As you're aware, we've had a blended workforce but we are looking at where we can grow our Public Service as well as our ADF workforce. We will continue to rely on specialist and technical expertise; that's the nature of our business, which is often provided through an external workforce. In terms of broad government policy of trying to grow the Public Service and reduce reliance on contractors and consultants, we are committed to supporting those government plans.

**Senator BIRMINGHAM:** Is it a \$2 billion target?

**Mr Groves:** We have not received a target. We were asked to contribute to the savings measure, which was a whole-of-government savings initiative around reducing external labour, advertising, travel and legal expenses. That amounted to \$144.6 million in the 2022-23 financial year.

**Senator BIRMINGHAM:** Is there an ongoing figure attached to that, or at this stage is it only for this financial year?

**Mr Groves:** I understand there's an ongoing amount over the forward estimates that's still in the contingency reserve and there is now a process that is underway with all agencies around data gathering. My expectation is that that will be addressed across the Public Service as part of the 2023-24 budget process.

**Senator BIRMINGHAM:** Are there any particular functions or activities that will be impacted in meeting the current financial year target?

**Mr Groves:** At the moment, we are looking to conduct a midyear review on the Defence financial position for this financial year. We will, obviously, be looking at allocating out that saving across the organisation, consistent with the government's intent around that, but we haven't done it at this point in time.

**Senator BIRMINGHAM:** So you've received the budget target for savings across advertising, external labour et cetera, but Defence has not yet determined how it's going to meet those reductions in expenditure?

**Mr Groves:** I will be putting forward a paper for consideration for the Defence Committee in early December that will address that. My intent is that, obviously, we will look to address that part of our midyear review process consistent with the government's intent, so we'll be looking at targeting those elements of our expenditure.

**Senator BIRMINGHAM:** It's quite a challenge for Defence when you look at, obviously, costs associated with those helping on the Defence Strategic Review or the \$900,000 consultancy to RAND that I asked about earlier—which turned out not to be for the RAND project that I thought it was, so there's obviously an additional payment for that. Defence relies significantly on a lot of external skills and expertise. Is Defence confident it's going to be able to meet those targets?

**Mr Groves:** You are correct: we do rely on external expertise across many parts of our function. But I'm sure there are areas that we could do a little bit better on, and we will try and target those areas.

**Senator FAWCETT:** Could I speak to somebody about C-130Js, please. I noticed the media release from Defence on 1 November saying that Defence will only bring forward the C-130J as an option to government for next year. Firstly, can I assume that that is subject to the DSR, the strategic review?

**Air Marshal Chipman:** That would be correct. All decisions will be subject to the DSR outcomes, yes.

**Senator FAWCETT:** Lockheed Martin's rep at the Dubai Airshow, nearly a year ago now, said that RAAF had reached out about 20 C-130Js and six KC-130Js, being the air-to-air refuelling aircraft. Is that correct? Are they part of the fleet that's being considered?

**Air Marshal Chipman:** We have not sought information on KC-130J air-to-air refuelling capability, no.

**Senator FAWCETT:** Are there any plans to deploy the aircraft to the Antarctic, given the tasking load that is on the C-17s that normally fly those six missions each year?

**Air Marshal Chipman:** We haven't got a specific task in line at the moment for C-130J to go to Antarctica, but the aircraft would be capable of that mission, and it has been bought for the purpose of being a utility transport aircraft.

**Senator FAWCETT:** So it can deploy to the Antarctic. Does it need to refuel there before returning?

**Air Marshal Chipman:** I'd have to take that question on notice.

**Senator FAWCETT:** There has been some discussion that it would need internal fuel tanks. I think we used to have them for the C-130H. Is that correct?

**Air Marshal Chipman:** We have previously operated C-130H to Antarctica, but I'd have to get more details on the specifics of that mission.

**Senator FAWCETT:** Do we still have those fuel tanks?

**Air Marshal Chipman:** I'll have to take that on notice.

**Senator FAWCETT:** If you could. I seem to recall that they were quite a specialist and expensive fit but were very fit for the purpose. The media release said that you'd evaluated a number of aircraft types. Could you tell us which other aircraft types had been evaluated?

**Air Marshal Chipman:** We had a look at the Airbus A400M, the Embraer KC-390 and a Japanese C-2.

**Senator FAWCETT:** I noticed that the Dutch defence minister, when speaking to their parliament and explaining why they had purchased the Embraer aircraft, said, essentially, that it cost less, was easier to maintain and had more capacity and more availability than the C-130J. So what operational requirements did the C-130J meet for us that it did not for the Dutch?

**Air Marshal Chipman:** We had a look at those four aircraft over 22 different requirements. They related to aircraft performance, certification across the roles in which we expect to utilise the aircraft and the ease with which we might transition that aircraft into service. And the C-130J came up on top in that evaluation.

**Senator FAWCETT:** I have a final question in terms of range and payload, given the expected increase in contestation in our near region. Operating the aircraft into the Indo-Pacific, currently, island nations that we obviously don't control are often used as refuelling stops. If we're not buying aircraft that are capable of being refuelled like the USAF's special operations C-130J, how are we planning to utilise them as a strategic airlifter if our near region is not as accessible and supportive as it currently is?

**Air Marshal Chipman:** We looked at the aircraft in a range of operational scenarios and were confident that the C-130J met our requirements.

**Senator VAN:** Secretary, or it might be VCDF, who looks after freedom of information requests within Defence? Which division does that fall under?

**Mr Moriarty:** Ministerial and executive, but the associate secretary overlooks that area.

**Senator VAN:** Excellent. I'll put some questions to you, if I could, Mr Yannopoulos. Would you expect your FOI officers to be as helpful as they could to parliament and particularly the Senate in their work?

**Mr Yannopoulos:** Yes.

**Senator VAN:** You'd be disappointed if they were trying to frustrate any information requests?

**Mr Yannopoulos:** Yes.

**Senator VAN:** I will write to you with a complaint about some of your people, because there have been some ducks and drakes being played, trying to not respond before estimates. I find that quite disappointing. I can give you further details on notice.

**Mr Yannopoulos:** That's fine.

**Mr Moriarty:** Thanks, Senator.

**Senator VAN:** That FOI request was looking for information on 310 St Kilda Road, and I assume there are reasons why an answer has not been forthcoming. I feel that there have been a lot of ducks and drakes being played about that property in the three years I've been appearing in these estimates. I note, after a number of years of putting questions to you about the use of that building and its being allowed to fall into disrepair, there are finally some works being undertaken on it. There is no information out in public about what those works are. There was no consultation done on that Lovell Chen piece of work. There's no information about what that piece of work cost or what its output was. Would you care to share with the committee, please, some answers to those questions?

**Ms Perkins:** Certainly. Let me commence by mentioning that it was my understanding that your FOI request was returned to you earlier this week.

**Senator VAN:** No, it was not. After being asked for an extension, due to people not being available, I then got another response saying: 'Oh, we've just noticed that there was a commercial matter involved in it; therefore, we are claiming another 29 days extension.' Now, they would have known, at the first instance of seeing that FOI, that it was about a commercial instance, and they did not make that claim then. So you can understand my dismay about what's been going on here.

**Ms Perkins:** Yes, and—

**Senator VAN:** I have not seen anything from that FOI. So, if you'd like to table it all now, please feel free to do so.

**Ms Perkins:** What might be more sensible—

**Senator Wong:** She can't table it.

**Senator VAN:** But she could table the Lovell Chen output.

**Ms Perkins:** It is my understanding that it has been released. So, if it's not with you already, it should be, and we will chase that up immediately on return to the office tomorrow.

**Senator VAN:** Can you table that now, then, please?



**Ms Perkins:** I don't have it physically with me.

**Senator Wong:** She's just given you the answer—

**Senator VAN:** You had to expect that I was going to ask about that report in these estimates.

**Ms Perkins:** And I'm happy to answer all of your questions, and a number of the points that you've made in your opening there, I'd be very happy to work through, in as much detail as you would like.

**Senator VAN:** But I still find it amazing that you wouldn't come to estimates prepared, knowing that I was looking for that information—

**Senator Wong:** Well, hang on—

**Senator VAN:** without a copy of the report.

**Senator Wong:** The official has said her understanding was that the response had been provided to you. So why would she come prepared for something she didn't understand to be the factual situation?

**Senator VAN:** What evidence do you have that that was provided to me? Who told you that?

**Ms Perkins:** I have a copy here of the decision-maker's letter to you, Senator Van. I don't have a dated copy, but that was forwarded to me from our FOI section, with the indication to me that that had been released to you.

**Senator VAN:** If you'd table that letter, then, please—

**Ms Perkins:** Yes, I'm happy to.

**Senator VAN:** because I have not received that. Now, on the Lovell Chen report: how much did it cost to do?

**Ms Perkins:** Lovell Chen were engaged by us, and the cost of the adaptive reuse options they developed for us was \$23,100.

**Senator VAN:** You paid for that advice, for it to be used for offices and meeting spaces?

**Ms Perkins:** That's correct. As we canvassed, I believe, at the last estimates hearing, we approached Lovell Chen to help us identify adaptive reuse options that would give us the flexibility to continue to use the site, as part of the Victoria Barracks Melbourne precinct, to support future defence use and to be a site that we could make available to Defence and defence related community organisations, including veterans groups. They have provided us with three options in that report: office space options, conference and meeting facilities and spaces suitable for community usage.

**Senator VAN:** I'd like to see the terms of reference for that report. So they didn't even consider returning it to the public as a museum space or some other gallery space?

**Ms Perkins:** Absolutely—the terms of reference are in the FOI response, that, as I indicated, has been released by a decision-maker, and we will get that to you as soon as we can. We did not ask them to look at returning it to the public. As I've explained in this committee before, the history of this site—of three failed sale attempts—limits, under Commonwealth property disposal rules that don't allow us to hand the property over to other—

**Senator VAN:** We've canvassed this before, Ms Perkins—

**Ms Perkins:** Yes, but can I—

**Senator VAN:** that you have had opportunities to stay within all those guidelines and you would not spend the money to bring it back up to a safe condition, which you are now doing.

**Ms Perkins:** Yes, we are—for continued use as part of the Defence estate. So, as we've canvassed—

**Senator VAN:** So, after 30 years of disuse and over eight years to be disposed of—

**CHAIR:** Senator Van, as the chair: the witness is trying to provide you with a response. Let us wait for Ms Perkins to finish her response before you ask her further questions. Ms Perkins has the call.

**Ms Perkins:** I'm not sure I remember what the question was!

**CHAIR:** Okay. Senator Van, do you have any last-minute questions? I do need to go to Senator Canavan and then to the Australian Greens senators before we wrap up at seven o'clock.

**Senator VAN:** I will put my complaint in writing and I will put some other questions in writing and look forward to the next estimates on this.

**CHAIR:** Thank you very much.

**Senator CANAVAN:** I have some questions going back, following up from some questions I asked in June last year at estimates. They related to the location of armoured cavalry vehicles, especially in proximity to training areas. At the time, Lieutenant General Burr answered those questions. Someone else looks like they

might be able to help. So, in that estimates in June last year I asked about the location of the armoured cavalry units, especially in regard to the Shoalwater Bay training area, and Lieutenant General Burr responded by saying that Defence was looking to 'forward stage some of our vehicles by putting them into training areas'. I subsequently asked about the period over which you were doing this consideration, and Lieutenant General Burr responded that it would be during the course of this year—that is, 2021—with an idea of hopefully getting something up by the end of the year. So, I'm just wondering: have you conducted this review of the location of armoured cavalry units? And what have been the results of that?

**Lt Gen. Stuart:** That piece of work was a work package as part of the Army Objective Force, which is a 10-year aim point for the modernised Army. It is exploratory in nature and seeking to look at different ways to deliver capability and reduce costs of ownership. That work has progressed, but there is no decision on it, because it will be dependent on the outcomes of other capability decisions. It looked at placing some of our equipment for units to use proximate to training areas. One of those training areas was Shoalwater Bay, as you've identified. There were others as well. So, the short answer to your question is that there is no conclusive outcome, and its cost-benefit analysis will depend on the outcomes of other decisions that are yet to be made.

**Senator CANAVAN:** Can you provide me with some insights into those other decisions? What are the other decisions that would bear on the cost-benefit outcomes?

**Lt Gen. Stuart:** They are decisions to be taken that are in the integrated investment program.

**Senator CANAVAN:** The acquisition of other equipment?

**Lt Gen. Stuart:** That is correct, yes.

**Vice Adm. Johnston:** And perhaps I could add that one of the areas of the Defence Strategic Review is the force posture question, which will set the presence or locations for ADF operating bases, which will be a significant input to what the land force distribution will be.

**Senator CANAVAN:** Going to the work, you've said it's progressed. Have you put to either the current Defence minister or the previous Defence minister any options in regard to the movement of armoured cavalry vehicles?

**Lt Gen. Stuart:** No.

**Senator CANAVAN:** Do you have a time frame now for when this work might conclude?

**Lt Gen. Stuart:** No. Pending the outcomes of the Defence Strategic Review, we will have a reconsideration of the Army Objective Force, and decisions will be made then about how or whether we progress that particular work package.

**Senator CANAVAN:** I reiterate my strong preference, and the community of central Queensland's strong preference, that the Army does have a larger presence in our region, especially given the use of the Shoalwater Bay training facility. I think you have spoken to both the Rockhampton and Livingstone shire councils since I asked these questions. I believe on notice you indicated that. We would welcome you with open arms in our region, because we're very proud of the training facility there but there's not much of a permanent Defence Force presence in our region.

**CHAIR:** Senator Steele-John.

**Senator STEELE-JOHN:** Minister, on 1 November Minister Marles attended a high-level meeting of ASEAN defence ministers in Brunei. It was in relation to military medicine. Present at that meeting—

**Senator Wong:** I don't recall Minister Marles attending it. Are you talking about the medical—I think it was an official.

**Senator STEELE-JOHN:** It was an official of Australia?

**Senator Wong:** Yes.

**Mr Jeffrey:** There was a meeting of the ASEAN Defence Ministers Meeting-Plus Expert Working Group—

**Senator STEELE-JOHN:** Plus experts.

**Senator Wong:** It's an official-level meeting.

**Mr Jeffrey:** That's right.

**Senator STEELE-JOHN:** Australia co-chaired it, I think, with Brunei.

**Mr Jeffrey:** From memory—I don't have my notes—it was an expert working group on military medicine. As you may know, the ADMM-plus framework establishes working groups, and—

**Senator STEELE-JOHN:** I do. All I was trying to establish was that we were represented and we co-chaired in that position. Present at that meeting, Minister, was a representative of the Tatmadaw, the military junta currently seeking to present themselves as the legitimate government of Myanmar, though they are not. You will be well aware, I'm sure, that they are currently accused of the detention of about 13,000 democracy activists and the killing of about 2,000—

**Senator Wong:** I don't think they're 'accused'. I think there is widespread human rights abuse in Myanmar.

**Senator STEELE-JOHN:** Very widespread.

**Senator Wong:** I think we have—this is probably a discussion for tomorrow. There has been, I think, prior to the ASEAN Foreign Ministers' Meeting, the reprehensible execution of a number of civil rights activists.

**Senator STEELE-JOHN:** Absolutely reprehensible, Minister. My question to you is simply this: since we were co-chairing a space in which a representative of this regime of violence was present, did we use the leverage we had as co-chair of that group to seek the exclusion of the representative of the Tatmadaw?

**Mr Jeffrey:** As you know, membership of ASEAN forums is determined by ASEAN member states. We're not a member state. Myanmar is, however, a full member of ASEAN, so we are sometimes in the same—

**Senator STEELE-JOHN:** Did we or didn't we attempt to use our leverage—

**Senator Wong:** Please, Senator—

**Senator STEELE-JOHN:** to seek the exclusion of the Tatmadaw—

**Senator Wong:** Chair, could he please let the official finish.

**Senator STEELE-JOHN:** from that meeting?

**CHAIR:** Senator Steele-John—

**Senator STEELE-JOHN:** It's a yes or a no.

**CHAIR:** please let the witnesses respond.

**Senator Wong:** He's not a politician. He's an official. Let him finish his answer.

**Mr Jeffrey:** We take every opportunity to register Australia's position on Myanmar firmly, and we back ASEAN's leadership in responding to this particular crisis. The working group itself makes a meaningful contribution to regional cooperation. It does not contribute in any way to Myanmar's military capability. We believe that it is important for Australia to remain engaged in the ASEAN process, even when we are in the presence of countries with whom we have very serious disagreements.

**Senator STEELE-JOHN:** Very disappointing.

**Senator SHOEBRIDGE:** Could I ask about the Guardian class patrol boats and what the current status is? There were significant carbon monoxide exhaust leaks. What is the status of remediating those? Of the 14 or so that were in service, how many are still in service?

**Mr Jeffrey:** Tony Dalton will also be able to respond to these questions. As you know, with all new capabilities we have some maintenance issues. There has been a specific issue in relation to H<sub>2</sub>S toxic gas created by the ships' greywater and blackwater systems. We've been working on this issue intensively with Austal, the ship manufacturer. They have been committed to resolving this, as have we, and they're currently trialling steps to improve the robustness of the greywater and blackwater sewerage systems on those boats. They're currently trialling that solution on a boat that's currently in Cairns. Once we established the efficacy of that trial, we will look to roll it out across the fleet.

**Senator Wong:** I want to again make clear that the government is committed to working to resolve the issue with the Guardian class patrol boats as quickly as possible, and it's an issue that the Deputy Prime Minister, I as foreign minister and Mr Conroy, the Minister for Defence Industry, recognise as an important issue that needs to be resolved. Defence and Austal also recognise the importance of this issue. This is a very important part of Australia's engagement with and support to the Pacific. One of the hallmarks of our engagement is that Australia seeks not simply to gift this capability but to continue to contribute to the capacity to sustain it. I make it clear that we have sought, both in this portfolio and in my portfolio, to engage with the relevant Pacific Island nations about our engagement.

**Senator SHOEBRIDGE:** I appreciate that, and I appreciate the nature of the project. But much of the reporting to date has been on carbon monoxide coming from exhaust leaks. Mr Jeffrey, you are indicating that hydrogen sulphide was coming from the waste management service. Are these two problems happening at the same time?

**Mr Jeffrey:** There are two separate problems. One is in relation to the H2S system and the other one is in relation to some issues involving the exhaust system, what's called a crack in the bolt and coupling. My CASG colleagues can talk about this with greater expertise.

**Senator SHOEBRIDGE:** First, can you tell me the number of the boats that it impacts on?

**Senator Wong:** Which is 'it'?

**Senator SHOEBRIDGE:** How many boats have the hydrogen sulphide problem and how many of them have the carbon monoxide problem?

**Rear Adm. Malcolm:** These are class-wide issues. A number of issues have been accepted by the shipbuilder as latent defects. As it is a new class of vessel, it is not unusual to have defects with a new ship. These issues are happening concurrently. The muffler issue has been resolved and temporary repairs have been put in place. There was a cracking in the exhaust cover.

**Senator SHOEBRIDGE:** That's the carbon monoxide issue?

**Rear Adm. Malcolm:** That's the carbon monoxide issue.

**Senator SHOEBRIDGE:** Did Austal accept liability and pay for that?

**Rear Adm. Malcolm:** Yes, they have. They have been very proactive in working to look at that, and they have a new design. Temporary repairs have been made on all vessels, and we're about to complete design on a full repair that will be rolled out across all boats.

**Senator SHOEBRIDGE:** Will that be met by Austal?

**Rear Adm. Malcolm:** Yes, it will be.

**Senator SHOEBRIDGE:** What about the hydrogen sulphide?

**Rear Adm. Malcolm:** Can I just make the point that Austal will prepare the design, and we will work with the Pacific Island nations to ensure that it fits with them when the permanent design can be put in.

**Senator SHOEBRIDGE:** At Austal's expense?

**Rear Adm. Malcolm:** Yes, it has been accepted as a latent defect.

**Senator SHOEBRIDGE:** What about the hydrogen sulphide issue?

**Rear Adm. Malcolm:** The hydrogen sulphide is an ongoing issue. It is an IMO compliance issue with the grey- and blackwater systems in the vessel. We do believe that we need to make the systems on the ship more robust and enduring, and we are working very closely with Austal to do that. They're working in Cairns at the moment to trial those issues, and, subsequent to those trials proving effective over the next two to three weeks, we will look to roll out those fixes across the fleet.

**Senator SHOEBRIDGE:** And again, has Austal accepted responsibility for the hydrogen sulphide problem, noting just how dangerous hydrogen sulphide is—colourless, flavourless, flammable and toxic?

**Rear Adm. Malcolm:** Yes, and safety is absolutely paramount to us in this situation. This has not been put up as a latent defect. We are working closely with the Pacific Island nations and with Austal to understand it, but there are a number of issues around the way the systems are operated and how those systems can be made more robust. It has not been found to be a latent defect at this stage, but I would note that the company is working hard to fix the issue.

**CHAIR:** I thank the secretary of the department and all officials who have appeared before the estimates hearing today.

### **Proceedings suspended from 19:01 to 20:05**

#### **Department of Veterans' Affairs**

**CHAIR:** Good evening, everyone. I now welcome Senator the Hon. Jenny McAllister, who is representing the Minister for Veterans' Affairs, as well as the Secretary of the Department of Veterans' Affairs and officers of the department. Welcome tonight. Minister or Secretary, does either of you wish to make an opening statement?

**Senator McAllister:** Not in my case, but I will think the secretary may.

**Ms Cosson:** I have just a short statement, Chair, if that's alright.

**CHAIR:** That would be great.

**Ms Cosson:** I want to acknowledge the work of the Royal Commission into Defence and Veteran Suicide and to reiterate that the department will continue to respond to the commission and continue to support veterans and their families during the conduct of its inquiry. The department is committed to implementing the government's

response to the *Royal Commission into Defence and Veteran Suicide interim report*, and we will also continue to focus on delivering outcomes for veterans and families. This includes the key priority of addressing the backlog of compensation claims and improving the experience for veterans and families who need our support.

I take this opportunity to acknowledge and thank all staff of the department. I am proud of their efforts in maintaining services to veterans and families, particular during the challenges of the COVID pandemic and the recent floods experienced across the country.

Finally I also thank our veteran community, in particular the ex-service and veteran support organisations, and the advocate community for their ongoing commitment to veterans and their families. Chair, I welcome questions from committee members.

**CHAIR:** Thank you very much for that opening statement. I will hand over to Senator Cadell.

**Senator CADELL:** Thank you for the statement. You brought up the backlog, and that's something I'd like to go to straightaway. The portfolio budget statement, on page 15, paragraph 4, mentions that an additional 500 Public Service staff 'are being recruited to assist with reducing the existing claims backlog'. In the previous financial year, the government put in, I think, just under \$50 million—about \$47 million—for staff. How many did that \$47.7 million in 2021-22 relate to?

**Ms Cosson:** I'll just have to look at my notes, or my lovely colleague might know that off the top of her head. I think you're talking about the March budget, Senator—it that right?

**Senator CADELL:** No, 2021-22.

**Ms Cosson:** Ninety ASL were added to our ASL cap.

**Senator CADELL:** They've begun training? How many of them are now training and active with you?

**Ms Cosson:** It's hard to break down the actual 90. We can offer what we're doing to increase our staffing, and particularly to address the backlog issue you've raised, Senator. It was really important for us to be able to bring on board a number of our labour hire contractors into our APS workforce to assist us with the considerable growth in our claims. As you pointed out, we have seen a growing backlog. The royal commission, in its interim report, also identified that we must have the resources to address that. So we have received, over successive budgets, supplementation. The 2021-22 was 90, and in the most recent budget we've had an additional 500 staff.

The ASL cap has gone, which was another recommendation of the royal commission interim report. With the removal of the ASL cap we do have the increase in staff. Ms Cole, who heads up the compensation claims area, has been not only converting labour hire but recruiting new staff and taking them through the training program. You might have those numbers now, Ms Cole?

**Ms Cole:** Since the end of the last financial year we've increased the number of delegates who are trained from 261 up to 316. We have a further 94 trainees at present, who are close to becoming accredited. In addition, of the 500 extra staff that we received in the budget in October, we have a headcount of around 200 who have been on-boarded—

**Senator CADELL:** Already?

**Ms Cole:** Yes, that's correct. It is not full-time equivalent, though, because some of those people work part time and so forth. So the increase is quite rapid. It's not solely claims delegates. There are other functions which relate to the claims process, and we do have other functions within my division for which we also have to increase the staffing numbers, for example, the more decisions we are making, the more registration of claims we are doing, the more internal review applications we are doing and so on and so forth. So those staff are appropriately spread against all of those functions within my division.

**Ms Cosson:** I can add some numbers to that. In 2021-22, our ASL was 2,062. We had an increase of 390 at that budget. Then in the March budget we had an increase of 2,152—

**Senator CADELL:** An increase to 2,152, not an increase of 2,152?

**Ms Cosson:** Yes. The increase of the cap was to 2,154 from 2062. Then since the October budget just gone we now have a total ASL of 2,617.

**Senator CADELL:** You mentioned that there was a conversion of hire contracted staff, too. Are they being counted in the 500 even though they were with the organisation? If I take a contractor and make them a staff member, is that counted in the 500?

**Ms Cosson:** We still have some labour hire contractors, but what's important for us is that we are converting them into the APS staff to reduce the ratio. So they are in that number of APS staff.

**Senator CADELL:** How many contractors did we have in 2020-21? Do we know?

**Ms Cole:** In the claims space?

**Senator CADELL:** Yes.

**Ms Cole:** In the claims space it was around 50 per cent of our staff at that time. That's claims only, which is not the entire function of my division. So that would have been around 300. I would have to take that on notice, sorry.

**Senator CADELL:** It's fine if you take that on notice. This is my concern: when we're talking about 500 extra, are we talking ASL, full-time equivalency or just headcount?

**Ms Cole:** What we are planning is for all of those 500 to be non-ongoing or full-time APS staff. However, they are being recruited through a variety of sources. So some may start with us as labour hire and then be converted over this coming year.

**Senator CADELL:** I'm happy to be wrong and I'm hoping to be wrong here. My concern is that we had 300 contractors. If we now make them staff, the increase over four years becomes only 200.

**Ms Cole:** No. My apologies; I probably wasn't very clear. We had a number of labour hire staff who were already existing with us. Most of those have actually already converted now to a non-ongoing or full-time staff position, if they have been lucky enough to proceed successfully through a merits process, obviously. So the proportion of staff we were starting with of labour hire was much higher. That is dropping, fast. We now have an additional 590 staff. Of those, we are expecting the vast majority will be non-ongoing or permanent APS staff in due course. They are in addition to the existing staff levels. So it is a net increase of 590.

**Senator CADELL:** It is a net increase of staff and contractors. It is a net increase of 500 now in permanent staff.

**Ms Cole:** It's a net increase of staff of 590, which over time will be predominantly, perhaps 90 per cent, non-ongoing and permanent APS staff.

**Senator CADELL:** They are, again, on top of the extra recruitment we had at the end of last year. We are talking about 90 and 200 you said. So it is more on more?

**Ms Cole:** That's correct. We have been in a growth phase, essentially, for the last 18 months.

**Senator CADELL:** In that 500, some are non-ongoing. Is there a full-time equivalency for that 500?

**Ms Cole:** It's 500 full-time equivalent.

**Senator CADELL:** The royal commission confirmed on page 234 of the interim report that the DVA has received supplementary funding for claims processing each year—that's the ongoing stuff we've been talking about. Has the minister sought a commitment from the Prime Minister or the Treasurer that supplementary funding will be made available as necessary and if necessary to ensure that the entire backlog is gone by 2024?

**Ms Cosson:** As you pointed out, the royal commission's interim report identified the importance of the department returning to government to alert it to any slip in being able to eliminate the claims backlog. In this budget, the government committed to our demand driven funding model, which is a model we've developed that demonstrates what we need in resourcing to actually meet the growth in any demand. So that is in place.

**Senator CADELL:** Again, the March budget contained that \$2 million for additional resourcing. The October budget contained \$24.3 million over four years for claims processing. Can the department confirm: is the extra money that was in the October budget in addition?

**Ms Cosson:** What was the figure you used there, sorry?

**Senator CADELL:** It was \$24.3 million for claims processing.

**Ms Cosson:** It was \$233.4 million, I think.

**Senator CADELL:** And there was an additional number.

**Ms Cosson:** Yes—\$226.3 million.

**Senator CADELL:** For my numbers, would you be able to table the funding profile for all those claims?

**Ms Cosson:** Yes, absolutely.

**Senator WHITE:** What has been the impact on your service levels and delivery of having, prior to March, 50 per cent of your staff as labour hire?

**Ms Cosson:** With the growth in our headcount of APS staff, we're finding that that gives them greater stability and certainty of employment. I would certainly never suggest that our labour hire staff were not performing. It was just that the demand kept outstripping our capacity, and that's why we've got the backlog that we have. But

what we are seeing now is that stability in the workforce. The staff are getting trained, and they're not getting nervous about whether they'll have that ongoing employment.

**Senator WHITE:** That's the advantage of direct hire and having APS staff: you can control their training and their skill levels. Although they're labour hire, by having direct APS staff you can improve their quality and their skills, as they would probably desire. Is that your experience?

**Ms Cosson:** We'll always probably have a blended workforce. I know people don't like me saying that, but we will have labour hire, and we will have non-ongoing and APS staff. But we are seeing, as I said, that it gives staff that certainty of employment. We're already seeing the results in being able to start to see the movement in our backlog.

**Senator WHITE:** Can you describe those results? How is your service performance going? Can you explain what that means?

**Ms Cosson:** We've still got a big backlog, but we have been seeing, through the training and through being able to look at different initiatives, that our initial liability claims, particularly in our high-volume claims for our Military Rehabilitation and Compensation Act, are starting to go down. Then, of course, we're starting to see a little bit of a blip, which we expected, when people move through the process into permanent impairment. The net result is that there has been a reduction in our backlog over the last couple of months.

**Senator WHITE:** What's the feedback that you've had from some of those staff who were contract employees and who are now being converted? What are they saying?

**Ms Cosson:** I'll let Ms Cole take that one.

**Ms Cole:** I think the best thing that we're able to do is offer a career pathway for those staff. That is advantageous for the organisation as well, because we require people who were experienced delegates, to then take on our training roles, our technical advisory roles and our team leader roles. It is much harder to fill that function and internal review, and other similar sorts of specialist roles, when you don't have that permanency in the workforce, obviously, that allows people to develop those two or three years of corporate knowledge and experience and technical knowledge to be able to fill those positions.

**Senator WHITE:** Has there been any priority to employ veterans or family members of veterans in these roles?

**Ms Cosson:** We have an active program for engaging veterans. We have a target of employing seven per cent veterans in the department, and we have a veterans employment pathway which is proving to be really successful in bringing veterans in.

We also have a significant percentage of our workforce that are family members, whether they're siblings of or married to someone who has served in the Australian Defence Force. I don't have the exact percentage off the top of my head, but I can get that for you. It is important, from our perspective, if we do have veterans employed in the department, that we employ them in the right place, as well, and that they share the culture to support veterans. So, yes, we do have a program.

**Senator WHITE:** In clearing the backlog, have a number of veterans been engaged as permanent employees, or converted—

**Ms Cosson:** There are probably veterans in the claims area, but they're spread across the department. We've got a lot of opportunities in DVA, and we're certainly looking for a good workforce—so, for anybody that wants a job, absolutely!

**Senator WHITE:** So you'd suggest that you're happy that the ASL cap has been removed? Can you be happy? Sorry, I won't lead you. How do you feel about the removal of the ASL cap for the department?

**Ms Cosson:** I'm certainly pleased that we've received funding to be able to engage the workforce that we need for our claims backlog. The ASL cap was the ASL cap, and we worked within the cap that was given to us.

**Senator WHITE:** Thank you.

**Senator LAMBIE:** Secretary, good evening. Are you aware of an interview that Minister Keogh provided to Veterans' Affairs in August 2022, where the minister stated that the government is investing an additional \$226.3 million to employ 500 staff?

**Ms Cosson:** Yes.

**Senator LAMBIE:** I believe the department, if I heard correctly, is commencing recruitment of the 500 new staff.

**Ms Cosson:** That's correct.

**Senator LAMBIE:** You didn't provide a time line when you were talking about it before, with the 500 staff, for people that were on contracts and things like that. You believed that, out of the 560 or 570, you could come down to 500. You could get 90 per cent of that workforce—correct?

**Ms Cole:** Is the question in terms of labour hire, or is the question—

**Senator LAMBIE:** It's about recruiting 500 new staff. You had recruitment hire in there and all the rest. If I understand what you said about five minutes ago, a lot of them will be converted to full-time staff.

**Ms Cole:** That's correct. The positions are full-time equivalent. While we are still, occasionally, using labour hire firms in order to source staff, our intention is to convert as many as we can, as fast as we can.

**Senator LAMBIE:** How many have you converted already since August?

**Ms Cole:** I would have to take that on notice, but we're now down to, for my division, around 20 per cent from a high of around 50 per cent.

**Ms Cosson:** So 30 per cent that were labour hire have been converted to APS.

**Ms Cole:** That's correct—of our total numbers. In terms of absolute numbers, I'll have to get that for you on notice.

**Senator LAMBIE:** How many out of that 500 are now full time?

**Ms Cole:** We've brought on around a 200 headcount, which is not quite the same as full-time equivalent because some people work part time, obviously. Of those, the majority are non-ongoing or permanent staff but primarily non-ongoing at this stage.

**Senator LAMBIE:** What's your estimated time to employ the full 500 staff?

**Ms Cole:** I just need to explain the funding to you, Senator. We received a half-year funding effect this year, so if we were to start from 30 December—the funding starts on 1 July—we would hire 500 staff in that six-month period, the second half of this financial year. But we've actually anticipated that and started recruiting already. We will be hiring around 350 by the end of this financial year and then the remainder as soon as we get the money on 1 July—the extra 150.

**Senator LAMBIE:** Is there a reason we're waiting for that money, Minister? Why are we waiting till 1 July and not starting that automatically?

**Ms Cole:** So the funding—

**Senator LAMBIE:** I'm just asking the minister, actually. I think that's a fair question. If the suicide rate is such an issue—and we have a royal commission—could you please tell me why the Labor Party is waiting till 1 July? Sorry, I think you're doing Finance as well.

**Senator McAllister:** You're correct that I'm representing the minister, and this is not my ordinary portfolio. But, because the budget this year is, unusually, occurring in October, there's a provision for effectively around half of a full year's funding. That runs from October through to the end of June, and then in the next budget there will be a full 12-month allocation of resources, because you wouldn't have a full 12-months funding for a period that only runs from October to June.

**Ms Cosson:** We wouldn't be able to spend it, Senator.

**Senator LAMBIE:** Has the department engaged any consultants, recruiters or recruitment companies to assist DVA recruit the staff that you are recruiting now for the permanent positions?

**Ms Cosson:** Yes, we are.

**Senator LAMBIE:** How many recruitment companies have you actually brought in to recruit the new DVA staff?

**Ms Cosson:** We haven't actually brought in recruiters, but we have a contract with recruiting firms such as Hays or Hudson. We have standing contracts with them, and we engage them to assist us with identifying workforce that we then bring in. Some of them start as labour hire, but a lot of them are converted into APS once they've gone through that initial induction.

**Senator LAMBIE:** How many of these companies are involved? I'm not sure if you know that.

**Ms Cosson:** Yes, we do. I'll have to ask Ms Yannopoulos to answer that question. But if you want to keep asking—

**Senator LAMBIE:** Yes, I do. I just want to know how much each of those contracts are worth. Actually, I'll wait for her to come.

**Ms Cosson:** Mr Smith will take that one.



**Mr Smith:** In regard to the top five suppliers for the recruiting, as was mentioned by the secretary, we have: Hays, currently under a \$2.6 million contract; Hudson, under a \$2.3 million contract; Ernst & Young, under a \$1.9 million contract; and DFP Recruitment, under a \$1.3 million contract. These are ongoing contracts.

**Senator LAMBIE:** What was the selection process for these companies? Have the same ones always been in, or have you recently done a new selection process? What was the go there?

**Mr Smith:** I'd probably take that question on notice, in terms of our metrics.

**Senator LAMBIE:** Was this work tendered?

**Ms Cosson:** Yes, it would have been—either it was tendered or they were off a panel. They would have had to tender to be on a panel, so either we've done it direct through a panel or we've gone out to tender ourselves. But we'll take that on notice for you.

**Senator LAMBIE:** The department has a track record of not being able to meet recruitment targets, especially in the compensation claims area. With a national skills shortage and unemployment at record lows, what modelling has the department undertaken in being able to meet the government's 500 target? Where did you come up with that from?

**Ms Cosson:** Where do we come up with the actual requirement for our staffing numbers? We have a model that we are able to determine, based on the demand and what staff we actually require to meet that demand. That's when we went to government to seek the funding, and the government provided us the additional staff, as we've already mentioned. And we're being very active in our engagement, either through advertising or through the recruitment companies to assist us with the workforce. At this stage, we're seeing really good results in our recruitment. I'm not seeing indications that we're not going to achieve it, but certainly, as we mentioned with the royal commission, I will be going back to the minister if I'm finding that I'm not able to meet the targets or we're not actually reducing that backlog.

**Senator LAMBIE:** What modelling are you using?

**Ms Cosson:** The modelling that we use is a demand-driven funding model. What that does is we provide data into our model based on the claims rate, and then a lot of assumptions go into that model to then—

**Senator LAMBIE:** Where did that model come from?

**Ms Cosson:** It's the department's model.

**Senator LAMBIE:** When did the department come up with this model? Is it the existing old model that you've been using, or is this a brand new model?

**Ms Cosson:** We've had a model for quite a few years, and it's been maturing over the years, based on what we're seeing with claiming patterns and productivity, and COVID of course had an impact. We've been using this model for a few years.

**Senator LAMBIE:** When will the claims backlog, on your model, be cut, then?

**Ms Cosson:** The royal commission has said by March 2024, and we are certainly aiming to achieve that, if not sooner. But our modelling, which McKinsey verified was an accurate model, would still be March 2024 to reduce the claims backlog.

**Senator LAMBIE:** Does your model take into account attrition and officers moving into other roles within the department?

**Ms Cosson:** Yes, it does.

**Senator LAMBIE:** Is the department's target in line with McKinsey's time lines?

**Ms Cosson:** The problem with McKinsey's time line is that when they delivered their report back in December, they anticipated we'd have our workforce onboarded by then, and as we know, we didn't actually receive the funding until October. We pre-empted a lot of what we knew we would get, so we have been converting sooner.

**Senator LAMBIE:** As I understand it, the McKinsey model said that December 2023 to January 2024 would see the end of the backlog if all of their recommendations were implemented. Will the 500 new staff make that implementation shorter? If you can get those 500 staff up, will you actually have that backlog finished by 2024?

**Ms Cosson:** I'm confident that we will meet the March 2024 time line.

**Senator LAMBIE:** Will 500 staff be enough to cut the claims backlog by then?

**Ms Cosson:** Based on the current assumptions and no further increase in the demand, then that is what we expect to happen, that we'll have eliminated the backlog by March 2024.

**Senator LAMBIE:** Since the appointment of the new government, have you or any of your officials provided written or verbal advice to the minister and his office that the 500 staff will not be enough to end the backlog?

**Ms Cosson:** No.

**Senator LAMBIE:** I want to go onto the Defence Engagement Commissioner, if I may please ask some questions about him. Can you tell the committee: what is the actual role of the Defence Engagement Commissioner?

**Ms Cosson:** A couple of years ago, and I can't remember the exact date, we established the Defence Engagement Commissioner to sit on our Repatriation Commission. Mr Stuart Smith fulfilled that role until he took a leave of absence from the role of the Defence Engagement Commissioner.

**Senator LAMBIE:** When was the leave of absence taken?

**Mr Smith:** That was January this year.

**Ms Cosson:** The role of the Defence Engagement Commissioner was to assist with, as it indicates, engaging with Defence, particularly with commanders. As you know we've been working really closely with Defence to bridge that gap, particularly in transition. We've had the early engagement model since 2017, and what we thought was really important was to continue to strengthen that engagement. Mr Smith kicked off that role.

**Senator LAMBIE:** My point is that you're saying it's very important, correct?

**Ms Cosson:** Yes.

**Senator LAMBIE:** They're there to engage the gap? Because one of the biggest issues, if not the biggest issue, we have besides DVA's backlog claims is transition. Yet that role has now been vacant for 10 months.

**Ms Cosson:** Yes, it has.

**Senator LAMBIE:** Why is that?

**Ms Cosson:** To be frank, I was unable to fund both positions—a deputy secretary's role and an engagement commissioner. So the Repatriation Commissioner and the recently established Veteran Family Advocate Commissioner both assumed a lot more of that engagement responsibility, and the Repatriation Commissioner took on a lot of the tasks that our Defence Engagement Commissioner was doing.

**Senator LAMBIE:** So is that exactly what I'll see in the Veteran Family Advocate Commissioner's diary when I receive that? I'm not getting that until two days after estimates, which I find bizarre. So will I see that in her diary—that that is what's been going on? Is that correct?

**Ms Cosson:** She's very active in engaging not only with families—

**Senator LAMBIE:** That's not what I asked you. You just said she was filling in, to certain degrees, for the Defence Engagement Commissioner. Am I going to see that highlighted in her diary?

**Ms Cosson:** I haven't seen her diary.

**Senator LAMBIE:** But that's what you said. So how do you know she's doing that?

**Ms Cosson:** Because I know her level of engagement with Defence, with Defence commanders—particularly over in the west—and with Defence Families of Australia. So the Veteran Family Advocate Commissioner is doing a lot of engagement, but I don't know what's in her diary—sorry.

**Senator LAMBIE:** How is that helping with the transition of the soldiers? Because, the last time I checked, that wasn't her job. How is that helping with transition, because that's what he's supposed to be doing?

**Ms Cosson:** The Repatriation Commissioner, I myself and Ms Rundle, who heads up our Defence/DVA Links Steering Committee, are doing a lot more of that engagement with Defence. So what we've done is make sure that, across the department, we're engaging as active, and we're very active in that space with Defence and particularly in a partnership with the Joint Transition Authority.

**Senator LAMBIE:** Right. What is the salary of the Defence Engagement Commissioner, or what do you intend to pay the next one?

**Ms Cosson:** The Defence Engagement Commissioner's remuneration is set by the Remuneration Tribunal. I'll need to take that on notice; I don't have that in front of me.

**Senator LAMBIE:** Does that include the car, the super and all the other benefits that go along with that? Will you supply me that?

**Ms Cosson:** Yes, I will.

**Senator LAMBIE:** What are the selection criteria for the role, and what are the attributes that the department is looking for from the successful candidate?

**Ms Cosson:** I'm happy to take that on notice for you and give you a duty statement.

**Senator LAMBIE:** You haven't got selection criteria for the role yet, so it seems to me you're not even looking.

**Ms Cosson:** I'm not looking at the moment, because we have left that position vacant, particularly while Mr Smith has been acting as the deputy secretary for our Enabling Services and Commemorations Group, so I offset that new role from the Defence Engagement Commissioner's role.

**Senator LAMBIE:** How long has Mr Smith been in his current role as deputy secretary?

**Ms Cosson:** Since January this year.

**Mr Smith:** That's correct.

**Senator LAMBIE:** Is Mr Smith's deputy secretary role a new role?

**Ms Cosson:** It was vacant for a period of time. I can't remember the length of time, but I established the new deputy secretary position with Mr Smith to take over all of our enabling services and our commemorations. So it was slightly different, but it had been vacant for a period of time. With the backlog, as you pointed out, and also the growth in demand, we needed a second deputy, not just Ms Rundle who heads up the service delivery.

**Senator LAMBIE:** So who was the previous deputy secretary?

**Ms Cosson:** Charles McHardie was in the role a while back, and he left to support Services Australia when COVID hit. He went on a secondment over there, so it was vacant for quite a period. Then Mr McHardie stayed over in Services Australia, and that's when I asked Mr Smith to take over.

**Senator LAMBIE:** So this is the second deputy secretary that the department has had?

**Ms Cosson:** I have two. Ms Rundle and Mr Smith are the two.

**Senator LAMBIE:** You have two deputy secretaries? So Ms Rundle is the deputy secretary, and, Mr Smith, you're the deputy secretary. When did that second deputy secretary role begin?

**Ms Cosson:** It began in January this year.

**Senator LAMBIE:** So you've had your second deputy secretary since January this year?

**Ms Cosson:** I'll need to get some dates for you, because we had two deputy secretaries, and one of them was seconded over to Services Australia when COVID happened. Then the position was vacant, and Mr Smith was asked to go into the job. I'll need to give you the dates and the timeline; I just don't have them to hand, but I'm happy to give that to you on notice.

**Senator LAMBIE:** And Mr Smith was hand-picked for that role?

**Ms Cosson:** He was hand-picked for the Deputy Engagement Commissioner's role, then I asked him if he would take on this role as the Deputy Secretary.

**Senator LAMBIE:** When you decide who's going to have these roles, are you required to inform the minister?

**Ms Cosson:** Certainly for the Defence Engagement Commissioner, that goes through a statutory appointment. It goes through the minister and it is appointed through Cabinet and the Governor-General. That's the Defence Engagement Commissioner. Mr Smith went through a selection process for that. Then for the Deputy Secretary's position, I engaged with Public Service Commissioner and also the Secretary of PM&C in relation to the appointment of Mr Smith in a non-ongoing role as the Deputy Secretary.

**Senator LAMBIE:** What is the salary package for the Deputy Secretary?

**Ms Cosson:** That will be in our annual report. I will get that for you.

**Senator LAMBIE:** Can the committee provide me with a complete breakdown of that?

**Ms Cosson:** Absolutely. We can get that to you.

**Senator LAMBIE:** Can you confirm whether or not Mr Smith's appointment as the Deputy Secretary was meant to be of a temporary nature?

**Ms Cosson:** It's a non-ongoing position for a period of 18 months. That was the period Mr Smith took absence from the Deputy Engagement Commissioner role with a view to having a look at how our workload and demand was tracking to see if we would advertise the position for a permanent filling. Certainly in my discussion with the Public Service Commissioner a few months ago we were looking to potentially advertise the role of Deputy Secretary so we could go through a full merit selection process.

**Senator LAMBIE:** Did you make any recommendations to the minister about filling the Defence Engagement Commissioner role while Mr Smith was acting in the Deputy Secretary role?

**Ms Cosson:** No, I haven't.

**Senator LAMBIE:** Mr Smith is on record on the department's website as Defence Engagement Commissioner, saying, 'My primary objective is to understand the pathway that a veteran is on from enlistment through training, operations and transition to another career. Success is a seamless transition.' Given his own comments and the work of the royal commission and the work of Defence through the Joint Transition Authority, why did you leave this critical role vacant for so long?

**Ms Cosson:** Because I believed that there are other officers in the Department who are taking on a lot of those responsibilities, and that we are still meeting that commitment that Mr Smith made when he was in the role, either through the Repatriation Commissioner or through the work that Ms Rundle is doing, but also through the close engagement that we have with Defence and the Joint Transition Authority.

**Senator CHANDLER:** Thank you to the department for appearing today. Can I circle back on a couple of those questions from my colleague Senator Cadell before I ask about specific programs. When does the government expect it will have filled the 500 additional staff roles by?

**Ms Rundle:** Ms Cole said earlier that she expected that by the end of the year there would be around 350 people hired.

**Senator CHANDLER:** By the end of this calendar year?

**Ms Cole:** We will have the 350 by the end of the financial year.

**Senator CHANDLER:** So by 30 June next year?

**Ms Cole:** Yes. We cannot do more than about 350 by the end of the financial year. We are hoping to have them by December, but we need to give ourselves a little leeway.

**Senator CHANDLER:** That's the 350?

**Ms Cole:** Then after that we will go immediately—so we will engage, start the engagement processes, prior to the end of the financial year with a view to getting to the 500 as fast as we can from 1 July.

**Senator CHANDLER:** From 1 July 2023?

**Ms Cole:** Yes, because that's when we have a full year of funding available to us.

**Senator CHANDLER:** I think that's cleared that up for us. If we need to ask more questions, I'll come back to that. I'm sorry, we're going to play some musical chairs. I have some questions about individual programs as well that I couldn't track down in the budget, and I'm hoping someone might be able to assist. The first one was the funding for Swiss 8. I couldn't track that down in the budget papers. I think the last government committed \$2 million to that charity, which does very good work within the veterans community. Has funding been allocated for this year?

**Ms Rundle:** No, no money was allocated to Swiss 8 in the October budget. I've got information about previous support we've given to Swiss 8, but there is none currently allocated.

**Senator CHANDLER:** Funding has been cut to that program?

**Ms Cosson:** I don't think we've cut funding. We didn't have funding for Swiss 8. I think the former government made an election commitment to Swiss 8, but that wasn't funding we were provided. But we did actually ourselves fund Swiss 8 through some grant programs and through our veterans wellbeing program. We supported Swiss 8 that way, but we were never funded for Swiss 8.

**Senator CHANDLER:** On what basis then did we—I'm guessing it was a decision of government not to extend that funding beyond this year? Is that correct?

**Ms Cosson:** We didn't have funding for Swiss 8. I think the former government made an election commitment. As you know, with election commitments, if the government isn't successful, then the funding isn't there.

**Senator CHANDLER:** Yes, I understand the basic concept that when governments change, things don't happen necessarily as you'd want them to. What I'm trying to get at is that we are no longer funding the work that Swiss 8 is doing out of the department.

**Ms Cosson:** Swiss 8 did receive funding under grant programs, but that wasn't a commitment of government. They competed for grant programs, as did other organisations. We welcome Swiss 8 putting forward grant applications for the different grant programs that we have.

**Senator CHANDLER:** Did the department recommend that Swiss 8 receive any further funding in any incoming ministerial briefings to the new government or anything along those lines?

**Ms Cosson:** I can't recall. I'll take that on notice.

**Senator CHANDLER:** I'd appreciate that. I'm trying to move through these as quickly as I possibly can. The chaplaincy program: are we supporting that through funding in this budget?

**Ms Cosson:** Yes. We have the chaplaincy pilot that the government has committed to.

**Senator CHANDLER:** That was \$1.9 million under the previous government, I understand. How much is it under this government?

**Ms Cosson:** \$1.9 million.

**Senator CHANDLER:** Very good. The provisional access to medical treatment program?

**Ms Cosson:** That has been funded in this budget, that's correct.

**Senator CHANDLER:** It was \$33.6 million over two years in the last government's budget, and it's the same in this one?

**Ms Cosson:** Yes, the government has retained that.

**Senator CHANDLER:** Very good. I thought this would be quick. Marking World War I graves: the current government has committed \$1.1 million to the program—is that correct?

**Ms Cosson:** \$1.1 million, that's correct, and we're absorbing for our staffing 400, so it's \$1.5 million total for the program.

**Senator CHANDLER:** What was the original estimated cost of that full program?

**Ms Cosson:** It was always and it's been kept at up to \$450 per marker for the World War I graves. That hasn't changed at all, but for the actual cost we reduced the overheads in the department, the administrative costs. We also didn't go to the grants hub, which is run by Social Services. We kept it in house. As a result of that, what we're doing is going out once a year to seek people who would like unmarked World War I graves to have a marker. That will happen now once a year. Once a year, we will assess that and we will hopefully also look to see if they're eligible for an official commemoration. So the actual cost per marker hasn't been reduced; it's in our internal administration that we have reduced the costs.

**Senator CHANDLER:** My understanding was that the previous government had committed \$3.7 million over the forward estimates for that program.

**Ms Cosson:** We had factored into that calculation a significant overhead for the administration through the grants hub.

**Senator CHANDLER:** So the reason that that dollar value has reduced is that your overheads are not going to be as much as originally expected?

**Ms Cosson:** That's correct.

**Senator CHANDLER:** You mentioned the cost per headstone. That hasn't changed?

**Ms Cosson:** It hasn't changed.

**Senator CHANDLER:** Is that right?

**Ms Cosson:** That's correct. It's up to \$450 per marker.

**Senator CHANDLER:** How many graves did you provide funding for last financial year?

**Ms Cosson:** We marked just under 1,200.

**Mr Smith:** I can add to that, if you like, Secretary.

**Ms Cosson:** Please do.

**Mr Smith:** Senator, when the pilot program was run for the unmarked graves concept, 1,189 graves were marked. Under the current policy proposal and funding, we will still retain \$99,000 per annum to provide \$450 per grave—up to 220 veterans having their graves marked. So the capability is still maintained.

**Senator CHANDLER:** That is certainly good to hear. There's a last I just wanted to check up on, and that will probably tide me over for a little while, Chair. Again, the previous government committed \$6 million over two years from this financial year for commemorative activities to acknowledge the 50th anniversary of the Vietnam War. Is this level of funding going to be maintained for those activities?

**Ms Cosson:** Yes, it is.

**Senator CHANDLER:** Very good.

**CHAIR:** Senator Shoebridge.

**Senator SHOEBRIDGE:** I think Ms Cole is going to get her steps in tonight, which is good! If I understood the evidence earlier, the intention is to eliminate the claims backlog by the end of the next calendar year. Is that right?

**Ms Cole:** March 2024.

**Senator SHOEBRIDGE:** The government's response to the royal commission speaks about removing the backlog of claims by 31 December 2023 and then eliminating them by 31 March 2024. Do you want to take me through what the intent is in removing the backlog of claims by 31 December 2023?

**Ms Cole:** I anticipate that what they're really talking about is the difference for the passage of time that there must be in the system between the initial liability claims process and that flowing on to what is often a permanent impairment claim. So it's a two-step process, particularly under MRCA and DRCA, the Military Rehabilitation and Compensation Act and the Defence compensation act. Essentially, it's a two-step process, and consequently you can finish your IL backlog quite early—

**Senator SHOEBRIDGE:** IL?

**Ms Cole:** Yes, initial liability. My apologies, Senator. The initial liability stage is when we're testing and, hopefully, are proving that the Commonwealth has liability for that particular injury or health condition of the veteran. That then opens a number of pathways, and one of those pathways is permanent impairment, which is essentially a payment for non-economic loss—a lump sum, in most cases, although it can be taken as a fortnightly payment. So there's a train of events, in a sense, where first one decision has to be made, and then the person nominates to do the secondary. So we will have a little time lag between the completion of the IL backlog and the residual PI.

**Senator SHOEBRIDGE:** When you say 'remove the backlog of claims by 31 December 2023', you mean have all IL determinations done by the end of the year, but actually assessing the final quantum and making the payment will take the extra three months to 31 March 2024.

**Ms Cole:** That's correct. There's just that inevitable time lag, because we would be finishing perhaps the last thousand or so of the claims in that period up to the end of December.

**Senator SHOEBRIDGE:** I heard the evidence that there's been a reduction in the backlog of claims, but I'm sure you came here with the actual number. What is it?

**Ms Cole:** In the IL backlog, from our high point in July this year we are now down around 3,000 claims—it's very slightly under 3,000 claims. I can give you the exact numbers, except I don't have my glasses on me.

**Senator SHOEBRIDGE:** That's okay. Ms Rundle can read them into the record.

**Ms Rundle:** As at July the initial liability backlog was 35,785. At 31 October of this year it is 32,826.

**Senator SHOEBRIDGE:** What about the total backlog?

**Ms Cole:** The total backlog has gone down from last month to this month by 605 claims. The reason for that is that the higher rate of initial liability we're finalising is now turning into permanent impairment claims.

**Senator SHOEBRIDGE:** Ms Rundle, perhaps we can apply your glasses again and get the number.

**Ms Rundle:** The permanent impairment backlog comparison?

**Senator SHOEBRIDGE:** The total claims backlog, including the quantification and the IL.

**Ms Rundle:** We've got it somewhere else, but I'm working off a particular document in front of me. While we find it, I was going to make the point earlier that I thought you said 'zero'—I may be mistaken. Just to be clear, there will never be zero, because there will always be work on hand. When we talk about getting the backlog down we're talking about making sure that we process the claims—

**Senator SHOEBRIDGE:** I understand. You'll have ongoing claims, and they don't get processed instantly.

**Ms Rundle:** That's correct.

**Senator SHOEBRIDGE:** We might come to those targets in a bit.

**Ms Rundle:** The overall backlog as at the end of September was 44,699, and it is now, at the end of October, remembering that this is point in time, 44,094.

**Ms Cole:** You can see that number of 605.

**Senator SHOEBRIDGE:** While the IL claims have gone down by a greater amount—

**Ms Cole:** PI claims have gone up.

**Senator SHOEBRIDGE:** it's fed more into the second half of the process.

**Ms Cole:** You can see that process, and that's what we're talking about.

**Senator SHOEBRIDGE:** I know that the plan is to get the IL the backlog down to zero by the end of next year. I say 'zero' in terms of backlog; I'm accepting your observation, Ms Rundle. What I think would be really useful from an accountability framework would be to understand the benchmarks you're going to aim to over the next 12 months so that when you come back to budget estimates in March and you say, 'Yes, that's what it is,' we can say, 'Cool! You're on track.' What is it, for your next budget estimates session? What is your target for IL and claims backlogs?

**Ms Cole:** I can't tell you off the top of my head what it will be in March. We can work it out using our model—our projections from there—and come back to you on notice.

**Senator SHOEBRIDGE:** If you've got a model that tracks it out over the months—I'm being a little bit trite by mentioning budget estimates, but it's obviously a moment when there will be accountability—if you've got the numbers so that we can track against the numbers over the next 12½ months for both elements of claims, that would be very useful.

**Ms Cosson:** We can do that.

**Ms Cole:** We can give you an estimated size of the IL backlog on a monthly basis.

**Ms Cosson:** We are putting on our website every month where we're tracking—so we are being transparent. That was also a recommendation. So we can show the modelling.

**Senator SHOEBRIDGE:** Even then, if you have it on what the targets were, so not just the Senate but veterans as well can track how you're going—is that the intent?

**Ms Cosson:** Yes. We can do that.

**Senator SHOEBRIDGE:** Do you have a definition of how long a claim has to be in the system before it enters the backlog? Do you have a target? Is it one month, four weeks, seven days?

**Ms Cole:** It doesn't quite work like that. We define our backlog as a claim that is not currently being worked on—so, in a sense, we use on-hand as being everything that is not complete, that we have received and not completed. Then there are claims being processed—so claims that are sitting with a delegate and are under investigation. Then we call our backlog anything that is not allocated to a delegate at that particular point in time.

**Senator SHOEBRIDGE:** Do you have another measure to keep an eye on timeliness? Do you have the median time for claims?

**Ms Cole:** Yes, we do. That is available in our KPIs, in our annual report, and it is also now available on our website on a monthly basis.

**Senator SHOEBRIDGE:** Can you provide on notice how that median time frame has been tracking for the last 12 months or so?

**Ms Cosson:** Yes.

**Ms Cole:** In understanding those median time frames—we report both on average and median—there is a little trick to them, in a sense: we prioritise a number of claims where there is a high need by the veteran. We have some claims that are finalised basically as soon as they're received, and then we go on data or on the remainder. A good example is that we prioritise every veteran who is medically transitioning. Consequently, as the proportion of the backlog cases increases—

**Senator SHOEBRIDGE:** Ages.

**Ms Cole:** Yes—then the average will go up and then suddenly drop down as we get very close to the end of the backlog.

**Senator SHOEBRIDGE:** I'm more than happy, when you provide the data, for you to give some of that more granular explanation on notice as well.

**Senator LAMBIE:** Can I ask one question. I just noticed those most difficult ones. Did you say you almost tick them off straightaway?

**Ms Cole:** We assign them straightaway to—

**Senator LAMBIE:** You assign them straightaway. What is the time line, then?

**Ms Cole:** It can depend on the complexity of the case and how much evidence—

**Senator LAMBIE:** Maybe you can give us that on paper, thank you.

**Ms Cole:** Yes. We can give you average processing times for prioritised cases.

**Senator SHOEBRIDGE:** Some of the evidence in the royal commission, in terms of the impact of delay on particular classes of cases, was distressing, to say the least. Have you taken on board the evidence and the experience of the royal commission to better focus your resources on those claims that, if not addressed in a timely fashion, are going to escalate? The way, manner or delay in which it's processed will aggravate the claim. Have you picked up the learnings of the royal commission, and, if so, how have you integrated that into your decision-making?

**Ms Cosson:** From the royal commission and also previous inquiries over the last few years, we've implemented a range of screening measures. For every claim that is received, we screen it to see if the veteran is claiming for a mental health condition or is potentially at risk for financial difficulties, or if they will benefit from early access to medical treatment. We have heard of those experiences and we are taking that on board, with how we screen and prioritise those claims.

**Senator SHOEBRIDGE:** But screening ordinarily is at the point of entry. Are you applying that same matrix to the backlog, and, if so, how?

**Ms Cole:** We contact the veteran at a set period of stages—for example, at 30 days, 60 days, 90 days and so forth—and we basically check whether there's been a change of circumstances. We invite them to tell us if they have had a change in circumstances if they were not prioritised at the beginning. That is one way we deal with that issue. The other way is for the veterans to contact us, and we do a reassessment at that point.

**Senator SHOEBRIDGE:** But you have 44,000 outstanding claims, and some of these will go back years. At some point I'll ask you what the longest outstanding claim is. I'm assuming that many of those won't have had the screening process—definitely not with the learnings of the royal commission.

**Ms Cole:** That's correct, but we have been doing—

**Senator SHOEBRIDGE:** My question—and I will give you a full chance to answer—is: have you retrospectively applied some kind of screening to the backlog to winnow out those claims where the risk of medical complications, self-harm or aggravation are now apparent because you know more about how to handle claims?

**Ms Cole:** We introduced screening towards the end of 2019 and have been refining it ever since in terms of the skill level and the number of things that we screen for. Our opportunities for screening have increased over that period. All of them will have had at least one opportunity for screening—albeit our oldest cases will not have had the level of sophistication that our most recent cases have had.

**Senator SHOEBRIDGE:** What is the longest outstanding claim that you have?

**Ms Cole:** At the moment, the backlog reaches back to about February 2020. That's the longest in the backlog. There may be some which are older because they're complex cases and they're still being worked on. Those are the oldest cases in the backlog.

**Ms Rundle:** Do you mind if I offer something that might also help? You've talked a lot about support and making sure that people at risk are getting that support, which is clearly one of our objectives as well. Over the last number of years, we've had a number of things that we do right upfront for all people who are putting in a claim, even without liability being established: provisional access to medical treatment for the top 20 conditions; non-liability health care; a veteran payment for people who are experiencing financial distress before liability is established; and open-arms counselling. The other thing we haven't mentioned is that while Ms Cole is part of our whole service delivery system, there are quite a lot of other things that we do, and one of them is to have a triage and connect team, and a case management team. For many of the people who would come in through the claims processing, as soon as we spot that they might be at risk, we ask the triage and connect team to do an assessment. Sometimes, people are assigned a case manager, and we wrap around other support services. It's a more connected system than just the claims system, to try to make sure that we address risk wherever we can.

**Senator SHOEBRIDGE:** Could I ask about recommendation 6 from the royal commission, which was agreed to in principle by the government? It's about increased protections for persons engaging with the royal commission. What role, if any, does the department have in progressing that recommendation?

**Ms Cosson:** The Attorney-General's Department is leading that recommendation.

**Senator SHOEBRIDGE:** It hasn't yet been implemented—it's had agreement in principle but it hasn't been implemented even in part—and the royal commission is fast moving on. Have you had any feedback from



veterans about the sense of a lack of protection and a concern about engaging with the royal commission in the absence of recommendation 6 being implemented?

**Ms Cosson:** I personally haven't been involved with recommendation 6, but Mr Harrigan, who is leading our royal commission implementation, can come to the table and let us know what's happening with the Attorney-General's Department leading on that recommendation.

**Mr Harrigan:** Your question is in relation to recommendation 6, which we've acknowledged is being managed and led by the Attorney-General's Department. We communicate with the Attorney-General's Department, but we have no involvement and no say in how it is considering recommendation 6. It is, as I understand it, in discussions with the royal commission directly on that recommendation.

**Senator SHOEBRIDGE:** You're not at the table in any way?

**Mr Harrigan:** No, not at all.

**Senator SHOEBRIDGE:** Are you aware of any feedback from veterans that have come to you who, in the absence of implementing recommendation 6, feel vulnerable in a royal commission space?

**Mr Harrigan:** I've not had any feedback.

**Senator GREEN:** Most of my questions have been covered off. Obviously, there's a lot of attention on the backlog and how it's going to be dealt with with the staffing allocation. It does seem a bit crass to be talking about numbers when we're talking about people. I just want to acknowledge the veterans and families and advocates that are tuning in tonight. I do have a question about numbers, though. You gave Senator Shoebridge some figures about what the backlog total number was, and you've got some point-in-time information—

**Ms Rundle:** We did. Ms Cole actually had a different report in front of her, which were more recent figures. I've got some figures which are as at the end of September. The figures that Ms Cole quoted were even more recent.

**Senator GREEN:** I would be interested in what the backlog number was before the implementation of additional staffing conditions introduced by the current government.

**Ms Rundle:** We do have some old figures.

**Ms Cosson:** If you take the royal commission's report, where it reported on a backlog to have eliminated by March 2024, our backlog number is slightly higher. It's grown a little bit since the royal commission reported. Our backlog from the end of September that I have is 45,226 claims, but we've got over 22,000 that are in progress. That was the number we were talking about before—that there's always going to be a number there. So it has slightly grown. Our modelling did anticipate a little growth before it drops off again.

**Senator GREEN:** You've stepped us through the measures in the budget primarily to deliver the 500 additional APS frontline staff to address the issue. Before this new allocation of staffing, when was it expected that the backlog of claims was going to be cleared?

**Ms Cosson:** In its report, McKinsey said unless we had an injection of staff it would not be cleared.

**Senator GREEN:** Never?

**Ms Cosson:** It would have just kept growing.

**Senator GREEN:** It wasn't like there was a year or three years or 25.

**Ms Cosson:** No.

**Senator GREEN:** It was never going to be cleared without additional staffing.

**Ms Cosson:** That's correct.

**Senator GREEN:** My colleague Senator White talked to you a little bit about labour hire and the way people view their jobs and the constraints that places on the business in doing the work that you're required to do. Can you tell me how the resourcing constraints under the previous government impacted on your capacity to deliver your department's mission to provide timely claims? When I'm saying resourcing constraints, I think there were a few in place, but I mean particularly the ASL cap.

**Ms Cosson:** I think we were in a unique situation where what we were seeing was a range of factors that were contributing to the growth in our backlog and to us not being able to meet that demand. Not only did we see Defence's commitment in Afghanistan and the Middle East and a lot more veterans coming to us; we also engaged more with Defence, so we were connecting with everyone who enlisted and everyone who was leaving. We introduced easier online access. So we saw this big growth. The projections were always that we would be reducing and our veteran numbers would be dropping, so therefore the department didn't need the resources it

had. It was actually adjusting to what the reality was, as well. That was the biggest challenge for us, being able to demonstrate—

**Senator GREEN:** I think you're being very kind, and you probably don't need to. A minister of the previous government, former veterans minister Gee, said that the backlog at the point in time when he was minister was a 'national disgrace'. I don't think you have to be too kind about the reasons that it got to that point. You didn't have the resourcing that you needed to deal with the claims that were coming in.

**Ms Cosson:** That's correct.

**Senator GREEN:** You've gone through some of the budget measures, so I don't want to go back through those, but I do want to ask about the modelling. Senator Lambie asked you some questions about it. There is funding in the budget to make sure that your resources will meet that established comprehensive modelling—is that right? There's an ongoing commitment in the budget to make sure that if the modelling says you need more staffing and more funding that is being taken into account?

**Ms Cosson:** Importantly, yes, you're correct that in the budget we received funding to expand the demand-driven funding model so that we can go back and—

**Senator GREEN:** How much was that in the budget?

**Ms Cosson:** Ms Rundle might quickly find that. It's expanding the demand-driven funding model, which is not only in the claims area, but, importantly, looks across the department. When Ms Cole makes a decision on an initial liability, that can then flow into other areas of the business and—

**Ms Rundle:** Expanding is \$24.3 million.

**Ms Cosson:** It's \$24.3 million to expand the demand-driven funding model.

**Senator GREEN:** That essentially allows you to not face the same circumstances again, where you have demand that grows for various reasons and you're not able to meet that demand?

**Ms Cosson:** Certainly—I'm on the record of saying this before—as a service delivery department, and having an uncapped demand-driven appropriation of \$11.5 billion, our department was capped, unlike Services Australia and unlike Home Affairs. So it was important for us to be able to have this demand-driven model.

**Senator GREEN:** Yes. I have two more questions. I'm based in Far North Queensland; Townsville is just down the road from me. On the new staffing that you have: geographically, are we seeking to make sure that we have people in places where there's a large veteran community?

**Ms Cole:** We do lots of functions all over Australia, including in Townsville, but in terms of claims processing we primarily do it in our major capitals. One of our largest offices is actually in Brisbane.

**Senator GREEN:** But you do have staff in Townsville?

**Ms Rundle:** Yes, we do.

**Senator GREEN:** They are working on other initiatives?

**Ms Rundle:** Our veteran access network staff, for a start. We have a lot of our phone staff for our call line. We have a number of call line staff around the country, but they're particularly predominant there. We have a walk-in van as well. We have Open Arms. Open Arms is distributed right around the country in many locations.

**Senator GREEN:** This is a pretty open ended question. I'm not sure what the answer is. There's been a royal commission that really details the impacts of the backlog—

**Ms Cosson:** Yes.

**Senator GREEN:** and we don't need to canvass those. Devastating, I think, is the word I would use for the impact on veterans. Are you starting to hear any positive feedback, or are people hopeful that now there is a bit of light at the end of the tunnel?

**Ms Cosson:** If I can, I will take this opportunity to apologise to our veteran community that is experiencing the delays in our backlog. It is something we are very committed to eliminating, and, importantly, we are very committed to connecting any veterans to the support they need. I am grateful that some are saying—we do get some lovely messages of appreciation, and some veterans have written to thank us for staff who have supported them when they actually needed our support. That is what I'm hoping we will see more of. Yes.

**Senator GREEN:** That definitely seems like a heartfelt apology, and I'm sure it will be appreciated. You have one of those positions, unfortunately, where there's always more work to do. I think that's what people will expect to see from you, but, hopefully, that's what we've given you the tools to do now.

**CHAIR:** I'll quickly hand over to Senator Fawcett for five minutes.

**Senator FAWCETT:** Ms Cosson, we've engaged many times over assistance dogs, and I just want to say thank you very much for actually implementing the program and for the expansion that was spoken about in the March budget papers. I saw the media release in April for the additional \$22 million, and I take it that those two are linked, that that was the expansion we were talking about to people who source their dogs privately?

**Ms Cosson:** That's correct, yes.

**Senator FAWCETT:** In the March papers, and previously, you've put all the funding under the VEA program. I notice in this budget you've split it across all three acts—MRCA, SRCA and VEA—in different amounts. Why the change in how you're acquitting that?

**Ms Cosson:** I believe that eligibility was under the three acts, because we had popped the program under our rehabilitation aids and appliances program. So the eligibility did extend to veterans under the three acts. I believe it's the CFO, in tidying up our treatment of outcomes and making sure we've captured—so he might be able to expand on that a little bit. But it really is not changing the eligibility. It extended the program, as you pointed out. I think it's more just a treatment in our accounting practice.

**Senator FAWCETT:** My understanding of the program to date has been that, whilst an amount is put aside in anticipation of the demand, it is essentially an uncapped program. If a veteran is deemed to be eligible for a dog, then DVA will pay for the dog even if that amount exceeds the amount that you've put aside for it?

**Ms Cosson:** That's correct, as long as they meet the eligibility criteria for the program. Our biggest challenge is having the dogs. It is a really good program. Then, with the dogs that veterans already own, making sure they can get through that program and the testing is really important.

**Senator FAWCETT:** It's a great program. We had a big presentation by K9 in South Australia just recently, at a defence industry evening, and it is invaluable. Thank you.

**Senator LAMBIE:** What is the time line now to get a tick-off for those guys to either get a dog or train their dogs? How long is it taking to get the training sessions?

**Ms Rundle:** I'm happy to start, but I'll ask Ms Cameron to come to the table as well, for the detail. Firstly, the training depends upon the provider. They can take between 18 and 24 months, and even longer in some cases, to train up a dog. Ms Cosson talked about supply, and there have definitely been, particularly during COVID, supply issues, which are now hopefully starting to pick up. I will pass to Ms Cameron.

**Ms Cameron:** Ms Rundle is quite correct: it does vary from provider to provider, because they each have their own method of training dogs. Some of them allocate quite early; some of them take a lot longer to match a veteran with a dog. It can take anywhere from 18 months to two years from the date that they approach DVA through to when they are passing their public access test.

**Senator LAMBIE:** What's the average time it's taking when they already have their own dog?

**Ms Cameron:** When they already have their own dog, we just have to establish eligibility, so it's quite quick, but I can take that on notice and get you a time frame.

**Senator LAMBIE:** How long does it take from when they contact the department to actually getting an approval process to start that?

**Ms Cameron:** When they call up?

**Senator LAMBIE:** Yes.

**Ms Cameron:** I can take that on notice as well. That will depend on whether they come with a diagnosis et cetera and have all the correct paperwork. So it will be quite quick. But, if we have to go through talking to providers, it takes a little bit longer.

**Senator LAMBIE:** Could you also provide the committee with every bit of paperwork and every hoop that the veteran needs to go through to get through to that, please?

**Ms Cameron:** Of course.

**Senator LAMBIE:** Thank you. I've got no more questions about the assistance dogs. I would like to go back to the Defence Engagement Commissioner. Have you ever received any written or verbal ministerial direction regarding the appointment of a new commissioner?

**Ms Cosson:** No.

**Senator LAMBIE:** Were you or the department provided with any written or verbal direction or instruction from the Minister for Veterans' Affairs regarding the appointment of a new defence engagement commissioner?

**Ms Cosson:** No.

**Senator LAMBIE:** Have you ever been instructed or requested to broaden the selection process?

**Ms Cosson:** No.

**Senator LAMBIE:** Have you broadened the selection criteria?

**Ms Cosson:** No.

**Senator LAMBIE:** Why not?

**Ms Cosson:** I haven't been looking to engage someone in the role. At the moment, Mr Smith is on leave without pay from that position, so I haven't intended to seek to fill it, nor have I been asked to fill it.

**Senator LAMBIE:** Isn't it an important role?

**Ms Cosson:** As I mentioned, other areas in the department are picking up the responsibilities of the Defence Engagement Commissioner while he's fulfilling this other role.

**Senator LAMBIE:** So the department hasn't advertised for the role then?

**Ms Cosson:** No.

**Senator LAMBIE:** Have you made any recommendations regarding the appointment of a new commissioner to the Minister for Veterans' Affairs or his office?

**Ms Cosson:** No.

**Senator LAMBIE:** Okay. I just want to go to the budget. Has the department been requested to provide any offsets or saves from the budget just delivered by the Treasurer last month?

**Ms Cosson:** No. The CFO will come up to correct me if I'm wrong—he's saying no.

**Senator LAMBIE:** Are you confirming that no offsets or saves have been or will be sought?

**Ms Cosson:** I should say that, in one of the budget papers, there is a save that will be applied to all agencies, not just the Department of Veterans' Affairs. But that wasn't part of our submission; we weren't required to offer any offsets or saves as part of our budget submission.

**Senator LAMBIE:** Have you or the department put forward to the minister or his office any recommendations for offsets or saves for the last budget?

**Ms Cosson:** No.

**Senator LAMBIE:** So neither you nor the department are working on any proposals that would provide any future offsets or saves?

**Ms Cosson:** No.

**Senator LAMBIE:** So you're telling me and the committee that you will not be bringing forward any offsets or saves, such as your planned cuts of over \$400 million, as intended under the previous government? You do know about the \$400 million cuts I'm talking about?

**Ms Cosson:** Yes, I do.

**Senator LAMBIE:** Maybe you can explain that to the committee.

**Ms Cosson:** Under the former government, yes, there were potential saves that we had discussed. But, as part of the budget process and cabinet deliberations, they didn't go through, and certainly, as part of this budget process, we did not discuss any saves as part of our submission. That's not to say that in future we may not have further discussions for cabinet to consider. But for this process there were no saves or offsets.

**Senator LAMBIE:** Thank you. I'm just going to a different area, Chair. Did you want to take a break?

**CHAIR:** We are due for a break at 9.30. Could I get an indication from you of how much longer you might need?

**Senator LAMBIE:** I need until the hearing is finished at 11!

**CHAIR:** On that note, we'll suspend for probably 10 minutes and come back here at 9.40.

**Proceedings suspended from 21:29 to 21:40**

**CHAIR:** Senator Lambie, you have the call.

**Senator LAMBIE:** How often does the department provide the minister and his office with briefings on the claims backlog?

**Ms Cosson:** We provide the minister with a weekly report. Most weeks I meet with him, either virtually or in person, where we provide a dashboard report on our claims processing.

**Senator LAMBIE:** Are those reports verbal, written or a bit of both? When you meet, how are those reports given?

**Ms Cosson:** It's both. We provide the minister with a dashboard on how we're tracking across a number of our different areas in the department. I think it's a fortnightly report that's written. We also put a monthly report on our website.

**Senator LAMBIE:** Besides the backlogs, what is the breakdown that you actually provide to the minister? Are you able to detail that to the committee. What does it look like when you brief, or verbally brief—or whatever you're doing—for that weekly or fortnightly meeting that you have? What's included in that?

**Ms Cosson:** It could be anything. We could be providing the minister with an update on our backlog, but also on our client service area, particularly where we had an issue with invoices. You might recall that we had a backlog of invoices, so the minister was very keen to make sure that we were on track with clearing that backlog. We also discuss budget matters, personnel matters and emerging issues with him—it could be anything, to be honest.

**Senator LAMBIE:** Do you 'traffic light the report for the minister so that he and his office know how the department claims are tracking?

**Ms Cosson:** It's a little bit more detailed than traffic lighting. We go through some considerable detail. He's very keen to learn where we are with our backlog on hand—if it's growing—but also how we're going with the recruitment. A lot of the data that Ms Cole was giving you today is data that we make sure we update regularly for the minister.

**Senator LAMBIE:** For the claims, how is that looking? Are we green, amber or red? Where are we this week?

**Ms Cosson:** We're still red.

**Senator LAMBIE:** What were the backlog numbers for claims provided in that last briefing?

**Ms Cosson:** If you have that, Ms Cole, that would be great.

**Ms Cole:** The last report that we gave to the minister was on 2 November and the figures were as of 31 October in terms of the backlog—those were the numbers that I went through with the committee earlier today.

**Senator LAMBIE:** So that's in line with the brief. Do you have a full breakdown of that backlog, explaining what's involved? What does that look like on that last date?

**Ms Cole:** I don't have the backlog broken down by all the types. To the end of October, we aggregated up the weekly one with the minister. But in the statistics we have with us here, we have a full breakdown as of the end of September by the claims types, which is also available on the website.

**Senator LAMBIE:** But haven't you just recently briefed the minister? We're now in the second week of November.

**Ms Cole:** Yes, I'm meeting the minister tomorrow to go through the latest data with him. But I don't have that. When preparing for Senate estimates, we used as-at-30-September data to make sure we're all using accurate data. So we can take you through the as-at-30-September data, but the minister will be getting a fortnightly report at my weekly catch-up tomorrow. Do you want to go through the 30 September data? Would you like a breakdown?

**Senator LAMBIE:** No.

**Ms Cole:** We can take it on notice, if you like.

**Senator LAMBIE:** In May, the claims stood at 61,000. That's for DRCA, MRCA, and the VA. Where are they today? What's the number we're looking at today? What are you providing the minister tomorrow? How many are on there?

**Ms Cole:** That is actually the on-hand number—that's not the backlog number. It's the total number of claims that are in the department, which are both being processed and not processed.

**Senator LAMBIE:** Okay, so they were 61,000 in May. What are they today?

**Ms Cosson:** At 30 September, 45,226 was the backlog in claims and we were progressing 22,411 compensation claims.

**Ms Cole:** Which gave us a total—

**Ms Cosson:** of 67,637 compensation claims on hand.

**Senator LAMBIE:** Does the minister not want an update for what it actually is, for when you go and see him tomorrow?

**Ms Cosson:** Yes, he will get that tomorrow. We just don't have them in our estimates folder. I'm always worried, because we've got numbers—we always agree what date we're going to use when we come to Senate estimates. Sorry, I want to make sure that we're giving you the same numbers.

**Senator LAMBIE:** Okay. Out of respect to the minister, I'm happy if you provide that after you've spoken to the minister, if you could do that.

**Ms Cosson:** Can do. We'll take that on notice.

**Senator LAMBIE:** In May, those 61,000 claims represented 41,000 veterans. What is the number of veterans now?

**Ms Cosson:** As at 30 September, the number of veterans was 45,729.

**Senator LAMBIE:** Is the department implementing all of the further 11 McKinsey recommendations?

**Ms Cosson:** I'll let Ms Rundle take that one.

**Ms Rundle:** We have implemented some, we're implementing others, and there are some that we're still working through because the work has progressed further since the McKinsey work. We've developed better ways of approaching some of what McKinsey had recommended. One of them, for example, we've proposed to the minister not to recommend—this is the non-liability healthcare one—as it was written in the McKinsey report. But what we are doing is taking all of those McKinsey recommendations which we thought had a lot of merit, particularly most of those 11, and working steadily on them. We're making pretty good progress, and some are implemented.

**Senator LAMBIE:** Is McKinsey undertaking any current work for the department?

**Ms Rundle:** No, they aren't.

**Senator LAMBIE:** Who decided that they weren't going to use those 11 recommendations?

**Ms Rundle:** Right in the beginning that was an internally commissioned piece of work by the department, and we asked for it to inform our thinking about what we could do further to reduce the claims backlog and improve the experience for clients, for veterans and their families. As with all reports, we will always take recommendations and say, 'All right, let's assess those and see where they fit in the overall scheme of things.' Any decision to progress or not to progress has pretty much been agreed within the department, but of course always in consultation with the minister. If the minister has a feeling that we should be progressing something, we would clearly work that up for them and provide them with advice.

**Senator LAMBIE:** What advice has the minister given on the McKinsey report in reference to the recommendations? What briefing have you given him, and what has he told you in return about those recommendations?

**Ms Cosson:** Certainly, the additional staffing was a key aspect of the McKinsey report, which the minister had a look at and was certainly aware of. Other recommendations that McKinsey had were around improved IT and making it easier for veterans to access services, so we've received in this budget \$87 million for our modernisation program, which will help improve and streamline the claims processing. McKinsey also recommended looking at streamlining of conditions, which will be supported by this investment in our information technology. McKinsey also had a look at how we can get some support in getting claims ready before lodging, and so Ms Cole has set up a team for claims assistance to support veterans in getting all the material they need before lodging their claim, where we see a claim isn't quite ready.

We have taken on board a number of those recommendations from the McKinsey report and adapted them based on what we've been able to take forward as part of the budget consideration for the government. With the additional staff and with the modernisation we are really able to deliver a lot of those recommendations. But, as Ms Rundle said, there are a couple that we would not have recommended without some further work, particularly with Defence, where it was talking about potentially preventing current serving members from lodging their claims with us. Of those 45,729 veterans that I mentioned that are waiting for claims to be processed, 21,000 are current serving members, so I would not want to recommend that to our minister because we want Defence members to be lodging their claims whilst they're still serving.

**Senator LAMBIE:** I want to go back to the recommendations from McKinsey. I think it was in March this year that the previous government was progressing on all of the 11 recommendations. I thought the decision had been made, but you've changed your mind since then, have you?

**Ms Rundle:** I don't recall the former government was progressing all of them. It is fair to say the former minister was fairly certain that he would support broadly the McKinsey recommendations, and he said that publicly. But in terms of the detail, I can take you through the detail of the 11.

**Senator LAMBIE:** That's okay, but was money not already put in the last budget from the previous government to do that? That was all covered, wasn't it?

**Ms Rundle:** No, but some of the previous government's commitments were on it, so extra staff, and then this government has added quite a lot more staff to that. The modernisation work and some of the ideas from the former government were added to—

**Ms Cosson:** Extended.

**Ms Rundle:** extended by the current government. As the secretary said, that's an \$87 million commitment in the budget for modernisation. A number of those things have been picked up by the current government—that's right—and the rest of it is being picked up. For example, there are a number here that we are doing—

**Ms Cosson:** That we've already completed.

**Ms Rundle:** because we were already on our way to doing them.

**Senator LAMBIE:** I'm coming to that question, but I'm sick of hearing about these IT systems. I don't know how many millions of dollars you guys have spent in the last five or six years. Can I get a total costing on any IT system and any outsourcing you've done for that over the last five years please? You're now about to spend how many more millions?

**Ms Cosson:** It's \$87 million. We can take it on notice.

**Senator LAMBIE:** Take that on notice, and while you're there I want to know what improvements any of that has made out of all those millions of dollars spent in the last five years.

**Ms Cosson:** I can list what it has delivered for you now, if you'd like. For a start, we've been able to have that digital capability—

**Senator LAMBIE:** No. What I'd like to see is how much has been spent, and then I'd like to see what we got for our money and what that has done for improvements within the department and for veterans.

**Ms Cosson:** I can talk about it now or take it on notice.

**Senator LAMBIE:** Take it on notice. That would be good. There were six initiatives that were being implemented by the department for the McKinsey recommendations; is that correct?

**Ms Rundle:** Yes. There were six already being implemented by the department, which they acknowledged in their report, and then they prioritised another 11. There were some other initiatives in addition to that, but they prioritised the 11 they thought would be able to reduce the backlog within a two-year period from the time that they reported.

**Senator LAMBIE:** Does the department speak with, and take telephone calls and emails, from all its clients?

**Ms Rundle:** Sorry, do we take telephone calls from all our clients?

**Senator LAMBIE:** That's correct.

**Ms Cosson:** Yes, we do.

**Ms Rundle:** Yes.

**Senator LAMBIE:** I want to talk about the managed access list. Are we all on par here?

**Ms Cosson:** Yes.

**Ms Rundle:** Yes.

**Senator LAMBIE:** Let me rephrase the question. You may make a telephone call, you may send an email, and some of them are quite difficult to deal with, so I agree that you may pick up the phone or take the email. Let's go back to the managed access list: what happens with those people that you do not manage and cannot manage?

**Ms Cosson:** We have 10 of our veterans that are on some form of contact restriction—I think they're the ones you're referring to. That is a way to not only protect the veteran and to make sure they've got access to support if they need it—because we've got that managed to a central point of contact—but also provide a safe workplace for the staff, which is very important as well. Some of our veterans do escalate or get angry, and they can occasionally be quite rude and abusive to the staff. There are only 10 out of our 340,000 clients who are on our managed access list. There used to be a lot more—it was up over 100 a few years ago. But we take it very seriously if we do need to manage that access arrangement. Importantly, that veteran will receive our full support if they need it.

**Senator LAMBIE:** How many advocates do you have on that managed access list?

**Ms Cosson:** Ten.

**Ms Rundle:** No, advocates.

**Senator LAMBIE:** They're all advocates?

**Ms Cosson:** Advocates, sorry. I'm not too sure how many advocates. I know of one.

**Ms Rundle:** I think they're all clients. We both know of one advocate, at the moment, who is also placed on some restrictions. I think that's the only one at the moment.

**Ms Cosson:** I think so.

**Senator LAMBIE:** Can you check that to see how many advocates? How many advocates, without being on that list, are not being dealt with by the department—that are being ignored?

**Ms Cosson:** I'll have to take that on notice.

**Senator LAMBIE:** That would be good.

**Ms Cosson:** Absolutely.

**Senator LAMBIE:** Then tell me what you're doing to rectify that issue in all the cases that they have right now? Actually, what are we doing with the cases that some of those advocates have, who are overloaded out there, and have basically been blacklisted? What are we doing about the cases of the veterans that they have?

**Ms Cosson:** We would be talking to them about their cases.

**Senator LAMBIE:** No, you're not talking to them, we know that. I want to know what you're doing. They want to know what to do with the cases they've got if you're not talking to them? Tell me what the situation looks like.

**Ms Rundle:** If you don't mind me asking, it would be really good if we had a bit more visibility of who they are and who those clients are that they're supporting. If you do have all of that information, can we just liaise with your office so we can get them? We're aware that there are some advocates that have quite a few clients that they're supporting. In the main I think we are supportive always, but there is only one advocate who has currently—we're fairly sure but we will check that too. Aside from that, we would need a bit more visibility about what the example is.

**Senator LAMBIE:** What do you do with the cases when those advocates are in that position and they're working on cases?

**Ms Cosson:** If an advocate is managed access they should be able to talk to whoever their case manager is about their case as well. If that's not happening, as Ms Rundle said, we would like to know that so that we can work with that advocate through the proper mechanisms. I'm thinking of two advocates I do know that I'm not aware if they are on the managed access list. I would need to check. But I am happy personally to talk with them about their clients.

**Senator LAMBIE:** Do you want to outline to the committee what a managed access list is? I suppose you've already done that by saying they're quite difficult. What do you do with those 10 advocates that the department finds it difficult to deal with? Once upon a time you used to have the unit liaison, client liaison—what's it called these days?

**Ms Cosson:** The 10 people on the managed access list aren't, from my understanding, all advocates. I am only aware of one. But if they are on the managed access list, they do have a single point of contact, and they have arrangements in place for how they are to engage with the department. Ms Cameron runs the client support program. Managed access is one of them, so I will let you talk a little bit more if you like.

**Ms Cameron:** Each of the individuals that are being managed through a managed access protocol is allocated a complex case manager. That's somebody who has a clinical background. That is their single point of contact with the department. We go through quite a process before somebody is placed on managed access protocols. There are levels of warning, interactions with the client, helping them understand the behaviours and the presentations that we are finding challenging. When managed access protocols are applied, they're applied under guidance, for want of a better word, with some health professionals helping us in a case management sense. So there are a number of discussions that take place before the protocols are entered into. And then the protocols are reviewed regularly. It can be six months, it can be 12 months, depending on the nature of the behaviour and how long somebody has been under managed access protocols. So they are constantly monitored, and we take a health informed approach to trying to work with the individual to repair the relationship with the department.

**Senator LAMBIE:** When they are in that sort of position, are there claims done and everything, or is that just agitated? I would have thought that if there were problems with those claims, the sooner you get it ticked off the



sooner they can get on with it. If they've got nothing to agitate about, what do you do about their claims? Because quite frankly, you could be looking at those claims fairly quickly instead of agitating the situation. Why don't you walk through how you deal with these people.

**Ms Cameron:** Our team works very closely with the claims delegates to help them understand the risks and also what's going on behind the presentations. That's what I mean by a health informed approach. So we're clearly explaining what's driving of the behaviours. We're looking at whether there are any other psychosocial risks surrounding those individuals, whether anything to do with housing, relationships et cetera is having an impact and being brought to bear. We work with claims delegates to expedite and prioritise according to agreed prioritisation criteria. Not all of those 10 actually have active business with the department. Some of them are prosecuting old business, re-prosecuting old business, or looking to go over old ground quite regularly.

**Senator LAMBIE:** I didn't ask you that. I just simply said, how long does it take? They have a claim outstanding, yes? So if common sense prevailed, you would get the claims process as quickly as possible to take the pressure off them a little bit more. Are you doing that? That's what I'm asking.

**Ms Cameron:** I'm sorry, Senator, I thought that that was what I had just explained—that we are working very closely with the client and with the claims delegate to prioritise. But the vast majority of them do not have active claims.

**Senator LAMBIE:** So the majority of the problem is overall problems, because their psychiatrist can't deal with them, their psychologist can't deal with them, is that what you're saying?

**Ms Cameron:** No, that's not what I'm saying. The 10 of them are very individual in their presentation.

**CHAIR:** Senator Cadell has some questions. Would you mind if I pass on the call and come back to you?

**Senator CADELL:** Just to go back to where I started at the beginning to clarify my mind, you were great. Would it be possible on notice—I don't expect it today—just to make sure we are getting a full body count, can we get a full-time equivalent headcount of contractors, month-to-month from January through to October. Is that possible?

**Ms Cosson:** We should be able to do that. We will take that on notice and give you what we can.

**Senator CADELL:** I've gone through the portfolio budget statement. On page 39 there is a table about delivered income support and compensation under DRCA/MRCA. It gives expected performance results.

**Ms Cosson:** That's correct.

**Senator CADELL:** The years prior to 2021—this is the October budget—if I go back a few months to March, what numbers do they represent? Are they going forward or are they looking backwards, those numbers? Expected performance on page 39.

**Ms Cosson:** They're the expected, so what we expect our performance results should be—

**Senator CADELL:** For 2022-23?

**Ms Cosson:** That's correct.

**Senator CADELL:** If I went to the March budget of the previous government, which had coincidentally on page 39 exactly the same, that would be again the expected results for 2022-23, the March numbers, the portfolio ones?

**Ms Cosson:** The CFO has just pointed something out to me. Do you mind if I defer to him?

**Mr Casson:** The number you are looking out there, the prior year 2021-22, the expected performance results, that is what we expected we would have achieved for that financial year, 2021-22.

**Senator CADELL:** There are no budgetary positions, the expected numbers for 2022-23?

**Mr Casson:** There is on the following page, on page 40, 2022-23 budget year, and it has got the expected or the planned performance results.

**Senator CADELL:** Are you still happy with those, or with higher staff? You said that some numbers have come down in the last couple of months. Are we on track to see those things on page 40?

**Mr Casson:** On page 40 we talk about the planned performance. As a percentage it's the same or greater than the previous year, for example, as the timeliness performance measure. We would be working towards improving the results from the prior year.

**Senator CADELL:** My concern—it is just understanding, not criticism—is that between March and October numbers go up one or two per cent across a lot of categories, except in the bottom three the percentage of MRCA incapacity claims processed within 60 days has fallen from 61 percent to 53 percent. I think there was extra

resource there. Was there any reason behind that? That is a significant drop, I would have thought. Was there a reason that dropped over that small period?

**Mr Casson:** You are comparing from the March to October? The March one reflected at the time what our expected performance would be, and this reflects where we landed for the year.

**Senator CADELL:** Was there a reason behind the change?

**Mr Casson:** That is where we actually landed, what actually occurred.

**Senator CADELL:** Thank you very much for clarifying that. On the more political side of things, I'll go to your position on the wellness hubs. I think the government has put in \$42.9 million for 10 veterans hubs in the budget, is that correct?

**Ms Pope:** It's \$46.7 million.

**Senator CADELL:** On the political side, there was my list versus yours going into the election. There was a list of hubs. In relation to the 10 sites chosen by this government, what assessment or rating process went into that for of the 10 sites that we are now developing?

**Ms Cosson:** I will kick off and let Ms Pope follow. As with the previous six wellbeing hubs that were delivered under the former government, they were selected based on where we understood veterans to be. Then this government announced the 10 hubs, which once again were where we understand there is a concentration of veterans. Ms Pope's team were able—through the census results—to validate the selection of the sites that the government put forward.

**Senator CADELL:** They put forward some sites, they were post-validated and now they are proceeding on that basis?

**Ms Cosson:** They were presented, the government selected them and we were able to validate that they were sites where we have a good concentration of veterans.

**Senator CADELL:** Can you go through that process of validation for me, please?

**Ms Cosson:** In the 2021 ABS census we asked, for the first time, 'Have you served or are you serving in the Australian Defence Force?' The ABS has been providing us some analysis of the data, and we have been able to do a little bit of a heat map on where our veterans are. They've been able to validate, with that analysis, that the hubs are in good places, as were the other six. We're going to have a total of 16 hubs, which I think are great, by the way.

**Senator CADELL:** We have done the heat maps of where they are.

**Ms Cosson:** The ABS did.

**Senator CADELL:** Did we do a validation of claimants in these areas too, or is it just a heat map of where veterans are?

**Ms Cosson:** Our claims processing can be lodged digitally, so we don't actually look at where the veteran is located when they are lodging a claim—they can do that online. But we have offices all around Australia as well, mainly in our capital cities.

**Senator CADELL:** There's one hub in Hawkesbury region—which Scheyville falls in—but I think there's a separate \$5 million for Scheyville, or is that now being included?

**Ms Cosson:** No.

**Ms Pope:** The former government had made an election commitment to Scheyville, but we didn't have the funding.

**Senator CADELL:** That's for the wellness hub, but I think this government withheld the \$5 million?

**Ms Cosson:** It was the Hawkesbury region, where there is a hub.

**Senator CADELL:** But other than the hub, I think it was specific money for the Scheyville centre?

**Ms Cosson:** No.

**Ms Pope:** It was announced by the previous government, but it was an election commitment and, therefore, not carried through.

**Senator CADELL:** I am slightly peaking on the political stuff. I think that under the former government they were talking a Geelong or Surf Coast hub. We now have one at Surf Coast and one at Geelong.

**Ms Cosson:** That's the same one. It is Geelong/South Coast. In both cases, that's how it was described.

**Senator CADELL:** Can I just check the list then, because I'm one short. We have south-west Perth?

**Ms Cosson:** Yes.

**Senator CADELL:** North Adelaide?

**Ms Cosson:** Yes.

**Ms Pope:** That's correct.

**Senator CADELL:** The North Brisbane/Moreton Bay region?

**Ms Cosson:** No.

**Senator CADELL:** Interesting. Ipswich?

**Ms Cosson:** Yes.

**Senator CADELL:** Queanbeyan?

**Ms Cosson:** Yes.

**Senator CADELL:** The Hawkesbury region?

**Ms Cosson:** Yes.

**Senator CADELL:** The Hunter?

**Ms Cosson:** Yes.

**Senator CADELL:** Home of the mighty Knights! Tweed/North Coast?

**Ms Cosson:** Yes.

**Senator CADELL:** Surf Coast/Geelong?

**Ms Cosson:** Yes.

**Senator CADELL:** What am I missing?

**Ms Cosson:** The other two are the continuations of South-East Queensland and Tasmania.

**Senator LAMBIE:** What were the last two?

**Senator CADELL:** South-East coast and Tasmania.

**Ms Cosson:** South-East Queensland.

**Senator CADELL:** South-East Queensland—sorry.

**Senator LAMBIE:** And what was the one in Tasmania? I think that's what I missed.

**Ms Pope:** It's the continuation of the commitment to Tasmania that you'd be aware of, Senator.

**Senator CADELL:** So those weren't new; they're just continuations.

**Ms Pope:** That's right.

**Senator CADELL:** Would it be possible to table on notice the advice to the minister validating those things?

**Ms Cosson:** We'll be able to show you the ABS data.

**Senator McAllister:** We'll take it on notice, because elements of what you're asking for may be subject to the ordinary arrangements around documents that were part of a cabinet process. But we'll take it on notice and examine what is possible to be provided.

**Senator CADELL:** Okay. I'm having trouble understanding, because I thought there were 10 new, and now there are eight new and two continuations.

**Ms Cosson:** It's new funding.

**Ms Pope:** It's new funding for eight and continuation for the previous two.

**Senator CADELL:** In each one—if we go through them one by one—have you identified the organisations which will be chosen to run each one, or is that premature at the moment?

**Ms Cosson:** That's premature at the moment. We have to go through a process of consultation to identify who the lead agencies will be in delivering those centres—those hubs.

**Senator CADELL:** Do we have timetables or estimates for the completion of all of the hubs? Are they all similar?

**Ms Pope:** At the moment, it's all the same year, but there will be challenges in some places, and some will go quicker than others. But we don't know until we begin.

**Senator CADELL:** Was any of that funding, the 46—

**Ms Cosson:** \$46.7 million.

**Senator CADELL:** Was that new funding, or was that a continuation? Was all of it new, or was part of it new?

**Ms Pope:** The \$46.7 million is new funding.

**Senator CADELL:** Under this budget—not previous budgets?

**Ms Pope:** That's right.

**Senator CADELL:** Did any previous government indicate they would be funding any of that for the new centres?

**Ms Pope:** The previous government, in the budget in March, committed funding for 10 centres—locations not named. Then that was augmented to 14, as an election commitment, and the locations were named for those 14.

**Senator CADELL:** But they didn't fund the 10? Were they unfunded in March?

**Ms Pope:** It was funded in March, but that budget never went forward. So that's the process.

**Senator CADELL:** How much was allocated in the March budget?

**Ms Pope:** There was \$50 million—\$5 million for each of the 10 centres.

**Senator CADELL:** This is a bit less than that—\$46.7 million.

**Ms Pope:** This is funding for eight centres, and there's \$6.7 million in other funding for implementation and so on.

**Senator CADELL:** Thank you for helping me understand that. What were the completion dates? Did we say 2024-25?

**Ms Pope:** I think it's 2024-25.

**Senator CADELL:** Would it be too early in the process to give any sort of certainty or comment around that? It's 'we expect', but there's no certainty around that.

**Ms Cosson:** That's correct.

**Ms Pope:** That's the term of the funding.

**Senator CADELL:** Was there ever a comparison done—my list versus your list of locations—using ABS data, about the expectation of need between the previous government's located 10 list, plus the additional one, and this 10 list? Was there ever a comparison using ABS data between one and the other?

**Ms Cosson:** No.

**Senator CADELL:** I'll go back to questions around claims. At the moment, do you know how many of your claims have progressed through to the Administrative Appeals Tribunal?

**Ms Cosson:** Off the top of my head—someone can correct me—we made over 93,000 determinations last financial year, of which about one per cent go to the AAT. For the Veterans' Review Board, around three per cent would go there for review, of which about half may be set aside or varied. But that's of the 93,000 determinations. I think it's roughly that, but we can take it on notice to give you exact figures, if they're incorrect.

**Senator CADELL:** I'll wait a few seconds; otherwise, I'll be happy with that.

**Ms Rundle:** Our brief says that the VRB made a different decision in around three per cent of case. In 2021 there were 94,501 primary compensation determinations made under the three acts, and in 2022 VRB finalised 2,785 applications for appeal. As a proportion of that, they made a different decision in three per cent.

**Ms Cosson:** About three per cent of our primary determinations might go to appeal through the VRB, of which 3.1 per cent may have been varied or set aside—

**Senator CADELL:** So it's three per cent of three per cent?

**Ms Cosson:** and about one per cent go to the AAT.

**Senator CADELL:** Do you take legal advice if it goes to the AAT?

**Ms Cosson:** Yes, we do.

**Senator CADELL:** What support—not necessarily legal or financial—would a veteran get if they also needed representing? Is there anything extra for them during the process?

**Ms Cosson:** No, the veteran can seek their own legal support or take an advocate to the AAT, but there are no lawyers present at the VRB.

**Senator CADELL:** I'm going to deliberately vague because I don't want to politicise something that can be easily taken as such. We've had at least one complaint regarding, of all things, an email signature. I think you're aware of this.

**Ms Cosson:** Yes, I am.

**Senator CADELL:** Is there a policy within the department on email signatures for what is acceptable and what isn't? Are you contemplating one?

**Ms Cosson:** As a result of that being brought to our attention and also that there was some offence taken with different signature blocks, we did develop a new policy. We have been consulting with our staff reference group on that policy as well, and we have given broad direction on our signature blocks to make sure there is some consistency and to ensure that we are inclusive and that we're not causing unintended offence—which is what I'd heard from the community. We do have a new policy.

**Senator CHANDLER:** Could we have that policy on notice?

**Ms Cosson:** Absolutely.

**Senator LAMBIE:** There has been a recent committee started—the legislation improvement taskforce. When was that started?

**Ms Cosson:** Not long after the royal commission delivered its interim report and recommendation 1 required a very—I won't say 'aggressive'—quick time line for the minister to consider a legislative pathway for that harmonisation and simplification. We formed a Legislation Improvement Team to come together with some subject-matter experts to work very closely with the minister on what might be possible. The interim report was in August, so it would be around about that time.

**Senator LAMBIE:** Basically, you have another ESO round table, and you've given it another name?

**Ms Cosson:** No, it's not. The Legislation Improvement Team is made up of internal departmental officers, and doesn't include any representative from ESORT. We briefed ESORT the other day as we briefed our operational working party. I think we briefed our multi-act working group, but the actual team doing the work is made up of departmental officers.

**Senator LAMBIE:** It's a legislation improvement taskforce—

**Ms Cosson:** Team, not taskforce. There are just four people.

**Senator LAMBIE:** How many people is it?

**Ms Cosson:** Sorry, it's called the Legislation Implementation Team, and it has four or five people. Sorry, it has eight internal departmental officers.

**Senator LAMBIE:** And is this to work on bringing the acts together?

**Ms Cosson:** No, it's to support the minister's consideration of what may be possible in a legislation pathway. As you would appreciate, those three pieces of legislation are complex, and also supported by the range of statements of principle. The minister has met with some of the key leaders of this team at least on three occasions to work through what might be possible.

**Senator LAMBIE:** Who's leading this team from the department?

**Ms Cosson:** Luke Brown is leading this team.

**Senator LAMBIE:** Who else is on that team?

**Ms Cosson:** I'll have to take that on notice. Yes, I'll take that on notice rather than list all the departmental officers.

**Senator LAMBIE:** Why are you not using outside people that actually deal with this stuff—that know this legislation back-to-front? Why are you still going in house? Who picked the team, Ms Cosson?

**Ms Cosson:** I picked the team—because these are people that actually know our legislation better than anybody.

**Senator LAMBIE:** Are you telling me they know it better than lawyers and barristers out there that have been doing this for 30 or 40 years? Seriously?

**Ms Cosson:** These are very capable, quality officers of the department who understand our legislation and policy, and they're doing a really good job in understanding—

**Senator LAMBIE:** If they understood this, why are we still in this predicament and why wasn't it fixed years ago? Why didn't you have this team assembled, if they're so great? We've known these acts have been a problem

for years. We know that we need to bring them together. Why have you finally decided you've got eight great people within your department now who look like they can fix that issue?

**Ms Cosson:** There's going to be a process that we go through, as outlined by the royal commission, and the first step is to develop a pathway that then will go out for consultation, and any writing of legislation will require external support. But, in the first step, the key for us was to get some people around a table who can talk about what is possible. Ultimately, it will be a decision of government on what they would like to do with our legislation. It isn't a case of just smashing together three pieces of legislation, because, as you know very well, the Veterans' Entitlement Act is a pension-based piece of legislation, MRCA is rehabilitation and DRCA is quite separate—

**Senator LAMBIE:** I'm very aware of that. That's why—

**Ms Cosson:** and if you've listened to my evidence at the royal commission—

**Senator LAMBIE:** you need legal experts at that table.

**Ms Cosson:** it's going to be challenging, and you know that.

**Senator LAMBIE:** You need legal experts. You need a combination. They don't need to belong to the department. That's where you've gone wrong. That is why you continually fail. It's time for new people to sit at these tables. It's time for experts to be sitting there. They've got to be a mix of academics and advocates—the best possible advocates we have.

**Ms Cosson:** That might be the next step. Once the minister has considered and the government has considered a pathway.

**Senator LAMBIE:** How long is it going to take you to make a decision about what your next step is? Seriously!

**Ms Cosson:** It's not my decision. The key is—and that's what very clear in the royal commission's interim report—that the government will consider its pathway. It will then consider whether it's going to accept recommendation 19.1 of the Productivity Commission report and whether we are going to move to two schemes or not. All of that has to be decided by Christmas; that's what is outlined by the royal commission. The next step will be the consultation, which would then maybe include some external people such as lawyers or academics.

**Senator LAMBIE:** So you're already going to decide whether you're going to take it out of the two pieces of legislation, and put the legislation together, and then you're going to say, 'This is how we want it done.'

**Ms Cosson:** The first step is the pathway.

**Senator LAMBIE:** Seriously? You haven't learnt, have you? Honestly!

**Ms Cosson:** You can criticise me all you like, Senator. There is outlined—

**Senator LAMBIE:** Yes, I just think you haven't learnt. You just haven't learnt.

**Ms Cosson:** in the interim report from the royal commission what is expected, and we are doing the work we need to do to support the government in taking this forward.

**Senator LAMBIE:** I want to refer to a document, MS21-000-526, in which you advised the minister—that this was Minister Gee, I believe—that you were 'not able to support any approach where there is a specific focus on families who have lost a loved one to suicide, or any connotation that there is a direct causal link between delays in claims processing and individuals' decisions to take their own lives'. Do you still stand by that advice?

**Ms Cosson:** I gave evidence to the royal commission in response to those particular questions. The first point is that I advised Minister Gee at the time that I did not feel it appropriate to do an internal review—that we had commissioned McKinsey to do—to look at the claims and to then engage with families, because the royal commission had commenced. That was my advice to the minister. The second piece of advice to Minister Gee at the time was that I did not consider he should make a direct causal link between the claims and the tragedy of suicide. As I explained to the minister in that ministerial submission, I believe it's multifactorial in relation to what can contribute to the tragedy of suicide, and you can't just say it is one factor. They were my two points to the minister.

**Senator LAMBIE:** No, but the claims process is part of the factor.

**Ms Cosson:** I acknowledged at the royal commission that the processing delays could be a factor that could contribute to suicide. I acknowledged that in the royal commission.

**Senator LAMBIE:** I want to go back to the hub situation. Are they hubs, wellbeing centres or a mixture of both? What are we calling them these days?

**Ms Cosson:** They are veterans and families hubs.

**Senator LAMBIE:** They're no longer wellbeing centres; they're now called veterans—

**Ms Cosson:** and families hubs.

**Senator LAMBIE:** hubs. That's the 12 that we were talking about before?

**Ms Cosson:** Sixteen.

**Senator LAMBIE:** Okay.

**Ms Cosson:** There will be 16. There aren't currently 16.

**Senator LAMBIE:** I'll go back over it. Sorry—I missed some of that conversation. You already have eight in play?

**Ms Cosson:** Six.

**Senator LAMBIE:** You have six in play. They are Townsville, Darwin, Nowra, Perth, Wodonga—am I right?

**Ms Cosson:** Darwin, Townsville, Nowra, Wodonga, Adelaide and Perth are the six.

**Senator LAMBIE:** They've been set up since 2020—is that right?

**Ms Cosson:** Yes. There were different periods of opening. I think Wodonga is still yet to open; December is their opening. They've been delivered progressively from 2021-22.

**Senator LAMBIE:** Obviously, for those six initial ones, we didn't have census data. Can you tell me how they were chosen? Who chose those six areas?

**Ms Cosson:** The former government.

**Senator LAMBIE:** On what data did the former government choose those six places?

**Ms Cosson:** I don't know. I'm not even going to assume. I don't know.

**Senator LAMBIE:** Was there a brief? How did this work? Did the former government just say to you, 'This is where they're going,' and that was the way it was? Is that how it worked? I'm trying to get my head around it.

**Ms Cosson:** The former government made a commitment to build those hubs, and they were the locations the former government selected.

**Senator LAMBIE:** But you don't know how they selected those?

**Ms Cosson:** No, I don't.

**Senator LAMBIE:** Those are the first six, and some have already been decided out of the—what did you say—16?

**Ms Cosson:** There are another 10.

**Senator LAMBIE:** Some of them have already been decided?

**Ms Cosson:** That's correct. The former government had made a commitment, which we're now funded to continue to deliver, in South-East Queensland and in Tasmania. The government then announced a further eight.

**Senator LAMBIE:** Do you know where they—have they been given?

**Ms Cosson:** Yes, the locations have been announced. I'm happy for Ms Pope to read out the eight locations.

**Ms Pope:** They will be south-west Perth; Ipswich; the Hawkesbury region; the Hunter region; Tweed, North Coast; Queanbeyan; North Adelaide; and Geelong, Surf Coast.

**Senator LAMBIE:** It was the former government that did this?

**Ms Pope:** It was the current government.

**Ms Cosson:** This government.

**Senator LAMBIE:** This is the Labor government that has done this?

**Ms Pope:** That's correct, yes.

**Senator LAMBIE:** Minister, what data did the Labor government use to determine where those hubs needed to go?

**Senator McAllister:** Whilst in opposition, Labor developed a set of commitments about expanding the hubs into new areas and relied on the publicly available data around the location of veterans. As the officials have explained, they have subsequently gone through a validation process to assess that those are the places where there are large concentrations of serving personnel and veterans.

**Senator LAMBIE:** So you have collected that data, or you are now going back since the census data?

**Ms Cosson:** We went through the census data to have a look at the locations that the government had selected, and the census data was able to validate for us that they were locations where there is a high concentration of veterans.

**Senator LAMBIE:** Are there higher concentrations of veterans where you probably should have those hubs than the ones you picked? Are there areas where there are high concentrations where you are not putting those hubs?

**Ms Cosson:** I need to take that on notice for you.

**Senator LAMBIE:** I don't have a problem with these hubs—they're a great thing—but if you don't set them in the right location, I'll be very honest with you, they're not going to serve a purpose. We all understand that the last government was not very good at doing this, and, if you're only going to give us so many hubs, we want to make sure that they're put where the majority of these veterans are. Some areas are going to miss out. There's a hub in Launceston and there was a wellbeing centre in Burnie, where there is not a high concentration of veterans. I'm very aware of that; no doubt the reasoning was political. I think you guys may have given them a little bit of money. Where are they at now?

**Ms Cosson:** Ms Pope will take that question.

**Ms Pope:** As you're aware, an amount of \$2.5 million was allocated to Tasmania in addition to the original \$5 million, and \$250,000 of that was allocated to the Launceston RSL for their upgrades, which have been all but completed. We are waiting for the final documentation on that, but it's basically complete. The remaining \$2.2 million was allocated to the North West Tasmanian Veteran Welfare Board in Burnie, and you are correct that \$50,000 of the potential to \$2.2 million has been allocated to Burnie to develop their business case, which has been submitted to the department now and is under assessment.

**Senator LAMBIE:** You've got one in Launceston, and we've got a concentration of veterans around there and a concentration of veterans in Hobart. What is Hobart getting, if you're sticking it in Burnie?

**Ms Pope:** The original \$5 million is also going to Tasmania, and at the moment RSL Tasmania are developing their business case and have been allocated \$50,000 with which to prepare that business case.

**Senator LAMBIE:** That's very kind of you; their business case looks pretty good. What's the turnaround for all these veterans hubs? We all know that once they're up and running they're really good. Between the business cases and stuff, are we going to try to move this? Minister, I gather that you've heard how important these hubs are. They make a significant difference because they're a one-stop shop.

**Senator McAllister:** I think the intention is to move quite quickly. The officials have given a time line already, and I'll ask them to do it again.

**Ms Pope:** In relation to the ones we've just been discussing, Tasmania and South-East Queensland, those are well underway and, pending business cases that meet the minister's approval, the money will be able to be allocated and those lead organisations will be able to move forward. In the case of the additional eight, we are commencing consultations in the very near future in each of those locations to talk to local stakeholders, potential lead organisations and so on to establish as quickly as we can which of the lead organisations will be in each of those places. This will go through the same processes we've been describing, being allocated some funding to prepare a business case for consideration by the minister.

**Senator LAMBIE:** On the Veteran Family Advocate, can you tell me whether or not she's put any policies forward or have there been any policy initiatives since she's been in the job that have been implemented?

**Ms Cosson:** Certainly, the Veteran Family Advocate sits on all of our commissions meetings and makes sure that any policy that is being considered does have a family aspect to it. Ms Hancock will join me to go through some of the strategies and some of the policy work that Ms Cherne has been involved in developing because she's been very active with the national plan to end violence against women and make sure that there's a reference to veterans and families. She's also working very closely with Defence to deliver on the government's commitment to deliver a Defence and veterans family strategy. Ms Hancock will be able to talk about some other policy developments.

**Senator LAMBIE:** That's okay. Just before you start, what is her initial mission statement of what she's supposed to be doing? Because I don't recall all that. She was supposed to be the Veteran Family Advocate. When you employed her, what was her duty? What was her job description?

**Ms Cosson:** I can provide that to you on notice.

**Senator LAMBIE:** That would be very good, thank you. At the moment I believe she's in Kokoda?

**Ms Cosson:** That's correct.



**Senator LAMBIE:** Can you tell me whether or not that has been paid for by the department?

**Ms Cosson:** No, it's hasn't. She has paid for that trip herself.

**Senator LAMBIE:** Has anybody from the department gone with her?

**Ms Cosson:** No. I don't think anybody from War Graves accompanied her to Kokoda. We do have a War Graves person located in PNG, but I don't know whether they travelled with her.

**Mr Smith:** No, there was the normal representation at the official events by those DVA or War Graves staff who were in-country at the time, but they are the only people who may have been represented with the Defence family advocate.

**Ms Cosson:** But they didn't travel with her.

**Senator LAMBIE:** They didn't travel with her over there?

**Ms Cosson:** That's correct.

**Senator LAMBIE:** So what were they doing over there?

**Mr Smith:** We already have Office of Australian War Graves staff in Papua New Guinea as part of our responsibility to monitor the graves there. Some of those—

**Senator LAMBIE:** What does the family advocate need them for?

**Ms Cosson:** They may have been at the ceremonies that she attended. It was the 80th anniversary of Kokoda, so there were a number of official commemorative events up there that Ms Cherne was invited to attend. Our War Graves team may have accompanied her to one of those events, particularly if there was a wreath-laying at the Bomana cemetery, where the War Graves team are responsible for helping maintain our graves. For completeness, I just wanted to make sure that I was giving you a—

**Senator LAMBIE:** From the messages you're sending out, she said nothing about that. It was all about going over there—there was nothing about official duties, nothing about that. She was walking Kokoda in memory of her husband?

**Ms Cosson:** She did. That's what she did. That's why she paid for the travel herself and went over there to do that. And, because she was in-country, she may have laid a wreath on behalf of families at a commemorative event that was already scheduled.

**Senator LAMBIE:** Okay, that's standard. I've done that, that's fine. We still got a concern out there—this is a terrible concern, and it is still not fixed—about families who lose veterans, even through suicide, now that they're out. Why is nobody contacting them? I would have thought that would have been part of her job. They feel so alone, neither Defence nor Veterans' Affairs are contacting or even reaching out to them. It doesn't mean they'll get back to you, but you guys are not doing any of this.

**Ms Cosson:** We're surprised if there are reports we're not. If you are hearing of family members that are not being contacted, could you please let me know? That would be normal practice for us to reach out to the families who have lost a veteran, either through suicide or through natural causes. That's our job.

**Senator LAMBIE:** How many veterans have you reached out to in the last 12 months?

**Ms Rundle:** We'd need to take that on notice.

**Senator LAMBIE:** That would be great.

**Ms Rundle:** Would you mind if I added to that? We actually have a protocol. We work really closely with defence. When they're the first people to be notified, they have a response, and we will swing into support them as required, particularly to help the family with any bereavement support that they need—claims, outstanding claims, anything at all. We'll work with defence. Similarly, if we are the first to hear then we have a standard process where we reach out to the families and offer them support. We won't always do it immediately, because people are bereaved and they're needing time, and so we wait a small amount of time unless they need us to contact them earlier. But we pretty much always do contact them, to my knowledge.

**Senator LAMBIE:** Yes, could I just have the numbers of how many have been reached out to in the last 12 months?

**Ms Rundle:** Yes.

**Senator LAMBIE:** Thank you. I want to go into MyService. When a veteran lodges a condition in MyService, is it a claim, or is it a condition? Which one do you call it?

**Ms Cosson:** It's both. We—

**Senator LAMBIE:** Hang on; I'm just trying to get this. When you put in a claim, a claim can have conditions attached to it, not just one; yes?

**Ms Cosson:** Correct.

**Senator LAMBIE:** So when you take your stats and you've got 65,000 claims or whatever it was—sorry, I can't remember—

**Ms Cosson:** Yes. They're claims, not conditions.

**Senator LAMBIE:** So that's just the claims; that's not how many conditions are actually being dealt with by the delegates as well.

**Ms Cosson:** That's correct.

**Senator LAMBIE:** So, if you've got about 65,000 claims, how many conditions are we dealing with? What's the total number of them?

**Ms Cole:** We can get that for you. I guess there are two things to note in that number. The average number of conditions per claim at the moment is around three. That's for an initial liability claim. But, when it gets to PI, it's a single claim because it's a whole-of-person arrangement in MRCA. DRCA is different. In DRCA, at the permanent impairment stage, every condition is considered as a separate claim.

**Senator LAMBIE:** Okay. So, at the moment, veterans can lodge a claim using MyService without being required to attach supporting evidence; correct?

**Ms Cole:** That's correct.

**Senator LAMBIE:** And that's only on certain claims?

**Ms Cole:** Basically, we encourage all veterans to supply whatever they have at that first stage because it speeds up the processing. But it is possible to put in a claim with no supporting evidence.

**Senator LAMBIE:** What is the success rate of the conditions?

**Ms Cole:** At initial liability, we count the success rate in terms of every condition, and then we see how many of them were approved and how many were not approved. At the moment, around 80 per cent are approved in MRCA, and then there are slightly different rates in the other acts.

**Ms Cosson:** I think the senator might be asking for the acceptance rate through MyService.

**Ms Rundle:** The liability conditions rate since 1 July 2022 is 76.3 per cent, but that's an average because it is different for each act. I'm pretty sure we separate them out. It's much higher for MRCA.

**Senator LAMBIE:** That was the success rate? What did you call it?

**Ms Cosson:** The acceptance rate.

**Ms Rundle:** The acceptance rate.

**Senator LAMBIE:** That's acceptance?

**Ms Cosson:** That's acceptance of liability.

**Senator LAMBIE:** Okay.

**Ms Cosson:** Acceptance of liability through MyService for MRCA sits at over 80 per cent. When we're averaging out across the three different acts, it is about 76 per cent.

**Senator LAMBIE:** How long does that usually take? What's the turnaround with MyService to the acceptance stuff? Is that the wording I'm looking for?

**Ms Cosson:** Yes.

**Ms Rundle:** Yes.

**Ms Cole:** If it's a computer based decision, it's quite quick. There are about seven or eight conditions—I think there are seven at the moment—that are able to be done, essentially, through an automated computer based decision. However, if that information available on MyService does not indicate an acceptance, it is then spat out, in a sense, and given to a delegate to have a look at.

**Senator LAMBIE:** What is the rate for that? What is the rate between the acceptance and the spit-out?

**Ms Cole:** That is only for those conditions. It's things like, for example—

**Ms Rundle:** Osteo—

**Ms Cole:** Osteo, yes.

**Senator LAMBIE:** I realise it is for certain conditions.

**Ms Cole:** For those conditions, the spit-out rate is very low. It's only about three per cent or something along those lines.

**Senator LAMBIE:** Is that because they're getting confused and those conditions aren't in there?

**Ms Cole:** That is because those conditions have very high acceptance rates anyway.

**Senator LAMBIE:** Okay. That's fine.

**Ms Cole:** Most of the time, when they're not accepted automatically by the computer, we can't find a service record automatically for the computer to look at. It's that kind of thing.

**Senator LAMBIE:** What takes longer? Is it using an advocate? I'm assuming an advocate would use MyService because there are only the eight claims. Is it quicker to use an advocate, or is it quicker to go to MyService?

**Ms Cole:** MyService can be used for any claim under any act. There are a small number of conditions that are automatically done in MyService. What determines more than anything how long a claim will take is how complicated that claim is in terms of what legislation applies and how many conditions are on that particular claim for that individual. Sometimes we can get 30 conditions being lodged at once by an individual. And then also how much detail that individual has provided in that claim.

**Senator LAMBIE:** What I'm trying to get to here is, if those conditions aren't accepted—you have your seven or eight there, that's fine—if those conditions that aren't accepted, is it quicker to go through MyService or is it quicker to use an advocate? What's the go there? Obviously MyService spits it out and then they've got to deal with a delegate—is that how it works?

**Ms Cosson:** Yes. But's that only for those eight types of conditions.

**Senator LAMBIE:** Removing them out.

**Ms Cole:** Yes.

**Senator LAMBIE:** But there are other conditions that are put in there that it spits out?

**Ms Cole:** Yes, that's correct.

**Senator LAMBIE:** Then it goes to a delegate?

**Ms Cole:** That's right.

**Senator LAMBIE:** Does it decide, or does it just go in a pile there until a delegate is given to them?

**Ms Cole:** That's right. We don't distinguish between entry points in terms of what happens to the claim when it goes to a delegate. We screen it, we may prioritise it, and if we prioritise it it goes straight to a delegate. If not it goes in the queue.

**Senator LAMBIE:** When it's in the queue, by the time it gets to the queue, if you were starting from scratch, is it quicker to go and see an advocate on the outside or do you guys do it faster than the advocate? I think that's what I'm looking for.

**Ms Cole:** The advocate is usually involved at the beginning of the process and has helped put the claim together in the first place. It's very rare for an advocate to come in after the claim is actually lodged.

**Senator LAMBIE:** I want to finish off with this quickly. At the beginning of 2020, \$13.5 million was allocated to the employee pathways program up to the period of June 2023. The amount was allocated as grants as follows: \$3 million—I'm just reading this off from Team Rubicon—\$6 million to Soldier On, \$4.5 million to the RSL Australia. What were the KPIs that were attached to these grants? These are the employment pathways.

**Ms Cosson:** I'll need someone to come up for that one. We've got the figures of what we provided to them in the grants, but—

**Senator LAMBIE:** I've got questions. I want to know why you're giving them the grant. I want them justified. If you want to take them on notice, that's fine.

**Ms Cosson:** Thank you. We'll take them on notice.

**Senator LAMBIE:** I want to know KPIs were attached to the grants.

**Ms Cosson:** We'll take it on notice.

**Senator LAMBIE:** How many veterans have signed up to these grants?

**Ms Cosson:** I can tell you. Soldier On 674; Disaster Relief Australia 157; RSL 130. That was at 30 June this year.

**Senator LAMBIE:** So it's taken two years to get to those numbers.

**Ms Cosson:** That's correct.

**Senator LAMBIE:** The number of employment agencies signed up—are there employment agencies being signed up here as well?

**Ms Cosson:** Under the Prime Minister's National Veterans' Employment Program we do have a range of employers. We have the new number. Ms Hancock, you have the number of how many industries have signed up.

**Ms Hancock:** There are over a thousand employers who have currently signed up to the veterans employer commitment.

**Senator LAMBIE:** Can I break it down to see what it looked like from the start of it to where we are now. How many out of that thousand have actually taken any employees on through these programs?

**Ms Cosson:** We'll take on notice to see what we can provide to you on that.

**Senator LAMBIE:** I would imagine you're keeping very close data on this, because you're giving away a lot of money. That's what I'm looking for.

**Ms Cosson:** The employees that sign up to that commitment don't receive any funding from us.

**Senator LAMBIE:** I realise that. But I want to know whether they're taking people on or just signing up to it. It's an incredible amount of money to find jobs, and so far in three years you've signed up how many? How many have got jobs out of this?

**Ms Cosson:** There are two separate things happening there. One was the grants program—which were the numbers I provided to you—and then there's the employer commitment that Ms Hancock was talking about. They're completely separate. They don't get any funding.

**Senator LAMBIE:** No, I realise they don't get any funding, but I know they've come on to say that they're going to take veterans on. I understand that. I want to know how many out of the thousand have actually done that.

**Ms Cosson:** We'll see what we can provide to you on notice for that one.

**Senator LAMBIE:** There's nothing worse than signing up for something, when you're a big business out there and you have no intention of doing the right thing. You've just got your name on a list. I'm not tolerating it. They're either providing jobs or they're not, and, if they're not, then get them off the list. How many did you say have obtained jobs in three years? We don't know?

**Ms Cosson:** We don't know.

**Senator LAMBIE:** What I want to know is how long did they last in the job, are they still in that job, have they obtained permanent, ongoing employment out of that job—that's what I'm looking for. I'm looking for all that data.

**Ms Cosson:** We'll see what we can get together for you on notice.

**Senator LAMBIE:** Okay, I'm done.

**CHAIR:** If only it took just me looking you in the eyes.

**Senator LAMBIE:** I said 10 minutes. I went over time.

**CHAIR:** Senator Cadell just had one—one, I'll be very strict with this—question.

**Senator CADELL:** I'm going to put some on notice. Earlier you mentioned, when we were talking about the previous budget numbers, that you identified up to—was it \$400 million in savings in October that were never activated. Was that right? Did I hear you say there were potential savings identified but never activated?

**Ms Cosson:** We weren't required to.

**Senator CADELL:** You weren't required to do it.

**Ms Cosson:** Yes.

**Senator CADELL:** Okay. That's all. Thank you.

**CHAIR:** Thank you very much. On that note, we get to finish just before 11 o'clock, which is nice. That concludes today's proceedings. The committee has set 18 November of this year as the date by which senators are to submit written questions on notice, and 16 December of this year as the date for the return of answers to questions that were taken on notice. I thank Ministers Wong and McAllister, the officers of the Department of Defence and the Department of Veterans' Affairs and all witnesses who have given evidence to the committee today. Thank you also to Hansard, Broadcasting and the secretariat. I declare the hearing adjourned.

**Committee adjourned at 22:57**