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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Defence Subcommittee

Monday, 15 December 2003

Members: Senator Ferguson *(Chair)*, Mr Brereton *(Deputy Chair)*, Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, O'Brien, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Subcommittee members: Mr Scott *(Chair)*, Mr Price *(Deputy Chair)* Senators Chris Evans, Ferguson *(ex officio)*, Hutchins, Johnston, Sandy Macdonald and Payne and Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton *(ex officio)*, Byrne, Mr Edwards, Mrs Gash, Mr Hawker, Mr Lindsay, Mr Nairn, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Senators and members in attendance: Mr Bevis, Mr Byrne, Mr Price and Mr Scott

Terms of reference for the inquiry:

Pursuant to paragraph 1(b) of its resolution of appointment, the Joint Standing Committee on Foreign Affairs, Defence and Trade is empowered to consider and report on the annual reports of government agencies, in accordance with a schedule presented by the Speaker of the House of Representatives.

The Speaker's schedule lists annual reports from agencies within the Defence and Foreign Affairs portfolios as being available for review by the Committee.

WITNESSES

Subcommittee met at 9.05 a.m.

CHAIR—I declare open this public hearing on the review of the Defence annual report 2002-03 by the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. The subcommittee will scrutinise the following four areas of defence operations: at 10.30 a.m., Australia's continuing involvement in the Middle East; at 11.30 a.m., community support functions and national support tasks; at 1.30 p.m., the defence white paper and capability issues; and, at 2.45 p.m., defence—international cooperation. That is the way we have planned our day so far.

The 2002-03 Defence annual report commented that about 800 defence personnel remain in the Middle East area of operations under trying and difficult circumstances to contribute to Iraq's stability and reconstruction. This contribution includes an air traffic control detachment at Baghdad International Airport, a security escort for Australian government personnel, an RAAF C130 detachment supporting operations in Iraq, a Royal Australian Air Force P3 Orion detachment and analysts and technical experts supporting the coalition effort to locate, identify, account for and subsequently destroy Iraq's weapons of mass destruction. The defence subcommittee will examine the ADF's contribution to Iraq's stability and reconstruction and their safety and planned exit strategy.

Under 'national support tasks', Defence may be called upon to provide emergency and non-emergency assistance to the government and the Australian community in non-combat related roles. These tasks include, for example, emergency assistance, search and rescue, disaster recovery, surveillance and security or non-emergency law enforcement roles. In addition, national support tasks include the coordination and management of the Army ATSIC Community Assistance Program. The AACAP is a cooperative initiative established between ATSIC, the Commonwealth Department of Health and Ageing and the Department of Defence, Army, to provide assistance to a number of remote Indigenous communities to improve environmental health and living conditions. The subcommittee will examine the range and cost of national support tasks performed by Defence.

On 7 November 2003 the government released details of its defence capability review—the DCR. The subcommittee will examine key objectives of the defence white paper and *Defence Update*, together with the key outcomes arising from the DCR. In particular, the subcommittee will scrutinise the government's decision to retire the F111 early and purchase new main battle tanks for the Army. The opening session of the review will include the Secretary of the Department of Defence and the Chief of the Defence Force, who will respond to a range of more general issues.

I refer members of the media who may be present at this hearing to the need to fairly and accurately report the proceedings of the committee.

[9.08 a.m.]

CARMODY, Mr Shane, Deputy Secretary, Strategic Policy, Department of Defence

COSGROVE, General Peter, AC, MC, Chief of the Defence Force, Department of Defence

SMITH, Mr Richard Campbell, AO, Secretary, Department of Defence

CHAIR—I welcome representatives from the Department of Defence to today's hearing. Although the subcommittee does not require you to give evidence on oath, I would advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses of parliament.

On behalf of the committee, I would like to thank you for your time today. We know it is getting late in the year—close to Christmas—but we felt it was terribly important that we review the annual report in the year in which it comes forward to us. Also, on behalf of the committee, can I say how gratified we all were to hear the overnight news of the capture of Saddam Hussein. We send our congratulations to the Australian Defence Force, which of course have been part of a coalition that has brought about the capture of Saddam Hussein. The situation now in Iraq is very much due to Australia's involvement and our troops involvement in the initial operation, and we extend our congratulations. For all of us, the news we received overnight of the capture of Saddam Hussein was very welcomed. It was a very significant event. General, would you like to make an opening statement to the committee?

Gen. Cosgrove—I had not planned to make an opening statement—so as to maximise the time for committee members to ask questions of the secretary and me—but, given the news last night, I might very quickly comment to you, Mr Chairman, and members of the committee, that it was very welcome news. The Commander of the United States Central Command passed the message through to me yesterday and I immediately let the Minister for Defence know that this had occurred.

I will just confirm to you that, while Australians, as you rightly note, are making a very important contribution to the operation in Iraq, no Australians were involved in the detection or capture of Saddam Hussein. All of our people, both here and in the Middle East, very much welcome this news, and I would characterise our reaction by saying that we welcome it but we remain very vigilant on those tasks that we are performing fundamentally to help with the rehabilitation of Iraq and, secondly, to protect some of our civilian representatives in Iraq who are going about that sort of business. That will continue to characterise the way we deport ourselves in Iraq.

Further—seeing as I have mentioned Iraq—I should note that the mission in the Solomon Islands continues to go well. All military visitors there come back full of praise for the work done by Mr Nick Warner and his team, the diplomats and other officials on RAMSI, and Mr Ben McDevitt and the team of international policemen who are helping the Royal Solomon Islands constabulary in their work.

I was fortunate to be able to visit the troops in East Timor over the weekend. While our peacekeeping force will withdraw in May—that is when the mandate runs out—our training team and those others we have salted away in there, assisting the East Timorese Defence Force to mature, will remain as long as they are needed and wanted by the East Timorese government and as long as the Australian government considers it is a useful contribution. I was there to officially open a language centre, which is part of that contribution. That is all I think I need to say, Mr Chairman.

CHAIR—Mr Smith, would you like to make an opening statement?

Mr Smith—I have nothing to add at this stage. I welcome your introduction, and thank you for your welcome to us, and look forward to responding to your questions.

CHAIR—I have some general questions on your comments in relation to the situation in East Timor and our troops withdrawing in late May. I think there may have been some selective reporting, or maybe it was just the way it was reported, but last night I got the impression—and I think you have now clarified this for us—that maybe some of our troops will stay on if there is a request for them to stay on. Could you expand a bit more on that? If a request were made, would it be considered? Is it a fact that we are withdrawing and will retain our training team in East Timor?

Gen. Cosgrove—My clear understanding of the government's position on this is that, when the mandate runs out on 20 May, as with the other troop-contributing nations, we will withdraw all of the peacekeeping force and the Australian component of the peacekeeping force—there will be no more peacekeeping force. We have a bilateral arrangement with the East Timorese which is separate to that and which will remain extant. We have a program that will run into the future. Part of that commitment at the moment is a training team. We would, for example, continue that training relationship into the future with the East Timorese. My remarks specifically referred to that training team and any other training or assistance type projects we negotiate between the two governments. So we signal an ongoing relationship in that sense but, naturally, when the peacekeeping mandate runs out, we will be bringing our formed units home.

Mr PRICE—How many are in the training team?

Gen. Cosgrove—Of the order of 50 or 60, but of course it might go up or down a little depending on the particular training needs at the time. But it does not need to be of a particular size. It will be more experts and administrators than a troop unit, so to speak. And I point out that they have been there for several years.

Mr PRICE—I know we have a session on the white paper into capability issues, but I notice that there have generally been no time lines in terms of the acquisition outlined at the press conference by the minister and you. Could you indicate when time lines will be provided for some of the capability indicated?

Gen. Cosgrove—I have some experts here who can address that with you, Mr Price, but the short answer is that we would be looking to keep by and large to the same time lines. There are some issues, of course, in relation to initiatives such as the tank that will rely to a large extent on government's decision on which of the three contenders announced is preferred and then the

ability of the country of origin—the source country—to provide the tanks. That is the determining factor. On the other issues that have been announced, I would prefer to have one of our people who works on the programming side take on those questions. They are available to you, Mr Price.

Mr PRICE—I will ask a couple of questions on military justice. I know our recommendation that the Inspector-General of the ADF should have a section in the annual report was provided too late for it to be provided in this annual report, but could you outline what the activities of the inspector-general have been.

Gen. Cosgrove—He and his staff have been active. There have been a number of references to him. We could get you the number. I do not have that particular number in front of me, but he has dealt with a number of references over the last few months. Some of them have been significant. It is our intention on future reporting to provide those sorts of statistics—as distinct from the detail, for obvious reasons—as part of our ordinary reporting.

Mr PRICE—Are you able to indicate what the level of complaint has been to the inspector-general?

Gen. Cosgrove—I would need to get you a particular figure, but I think it has been 20 or so—something of that order. It has not been only two or three. There have been a number.

Mr PRICE—Were any from Army training establishments?

Gen. Cosgrove—I would need to check the detail of it.

Mr PRICE—The report of the review of the legal service was something the committee has been interested in and requested. Can you indicate whether or not you will be providing that to the committee and, if so, when?

Gen. Cosgrove—We would provide it to the minister, and it would be for the minister to make the call.

Mr PRICE—So it has been provided to the minister?

Gen. Cosgrove—On advice, I understand it is with the minister now, Mr Price.

Mr PRICE—Thank you. Could you indicate whether or not the ADF executive intend to make any changes as a result of that review and, if so, what is the nature of those changes?

Gen. Cosgrove—I believe we will make some changes. They may be organisational changes. Again I would like to keep away from the specifics of that until the minister has had a chance to consider what we have said to him.

Mr BEVIS—There are a few issues associated with defence capability that I would like to turn your attention to. Not that long ago—earlier this year—we had the defence capability review. I do not recall any outstanding reference in that to a Star Wars capability. I would be

interested in your comments as to the standing of our involvement in a Star Wars program and the priority it has for our defence capability acquisition.

Mr Smith—I will ask Mr Carmody to take that question.

Mr Carmody—About a month ago, the Minister for Defence announced the Australian government's agreement on missile defence. Regarding your point about the defence capability review and capability planning, that agreement has no funding attached to it. It actually has no projects attached to it, as such, so it is far too early for us to define any capability issues related to missile defence.

Mr BEVIS—I am still a bit uncertain as to what priority we are giving it and what stage of evolution it is at. It did not seem to me to be present in the government's most recent white paper or the defence capability review in any significant way, or at all—and correct me about the 'at all' if I am wrong.

Mr Carmody—It certainly has not been significantly mentioned. I must say, though, that it has been mentioned in hearings of the Senate legislation committee and elsewhere on a number of occasions. This year we were essentially waiting until some senior US officials came and provided some briefings. They arrived late in 2003, and there was some press coverage on missile defence. Once that had occurred, we started to consider what the opportunities might be for involvement in missile defence. After that point in time the government made what was, I think, a very broad announcement of in principle involvement in missile defence. We have some considerable way to go. It is clear that there are opportunities for linking any missile defence initiatives with defence capability initiatives more broadly, but it will still be a considerable amount of time before those become clear.

Mr BEVIS—Missile defence against what contingency?

Mr Carmody—It is not contingency based.

Mr BEVIS—As background to that, I understand the genesis of missile defence—the Cold War era in which it was born and the Ronald Reagan enthusiasm for it. I would have thought that the strategic global environment and our regional environment were somewhat different and that, in terms of where we allocate very scarce resources, it would be difficult to identify an immediate need for a Star Wars type of missile defence.

Mr Carmody—Most defence capability programs take a considerable amount of time to develop. The strategic update earlier this year made reference to missile defence. It also made reference to the proliferation of weapons of mass destruction and the threat of terrorism. There is a linkage with proliferation of weapons of mass destruction. There does not necessarily have to be a threat, although threats do evolve and there are potential threats, no doubt, in the world. As the threat circumstance changes and as the program matures, we will know where we stand. But at this stage, it is too early.

Mr BEVIS—Is this the threat of terrorists with ICBMs?

unknown6unknown1Mr Carmody—The two key tenets in Defence Update earlier this year were terrorism and the proliferation of weapons of mass destruction. It is certainly a proliferation issue. A missile issue is more a proliferation issue than directly a terrorist issue.

Mr Smith—I will make three points in this area. Firstly, the missile defence that we are talking about now is altogether different in scale and depth from the Star Wars of President Reagan's time. Secondly, we did, of course, say in the white paper of 2000 and in the strategic update at the beginning of this year that we would be maintaining our dialogue with the US on missile defence, and—as Mr Carmody has said—that is what we have done throughout the year. Thirdly, you would have heard what Senator Hill said to the media over the weekend, which was to the effect that there is not necessarily an immediate requirement for missile defence for Australia but we have to look forward to the future at the potential capabilities that exist.

Mr BEVIS—So we are no longer talking about a space based intervention or platform?

Mr Carmody—That is why I do not like the use of the 'Star Wars' term; I think it is both dated and emotive.

Mr PRICE—Not deliberately so!

Mr Carmody—Of course not, Mr Price!

Mr BEVIS—I will plead guilty to both!

Mr Carmody—Missile defence is a much broader construct than that. We have been participating in ballistic missile early warning for more than 20 years, so I think the notion that hinged things too closely to the 1980s Star Wars context is wrong.

Mr BEVIS—Just so I can get it clear: we are no longer talking about a space based or space intervention program?

Mr Carmody—The missile defence program will take a considerable amount of time to develop. I would argue that there are going to be layers of missile defence that the United States may or may not want to put into place over the next 10 or 20 years. I would not want to discount anything.

Mr BEVIS—So we may still be talking about Star Wars but we may also be talking about some other terrestrial based antimissile system?

Mr Carmody—I think it is fair to say that at the moment it is unclear. I am not sure how far you could go along the continuum, but I am certain it will become more clear over time.

Mr BEVIS—I will leave it there unless General Cosgrove—

Gen. Cosgrove—When you are finished, Mr Bevis, I want to provide Mr Price with an update on an answer I gave him.

Mr BEVIS—That is all I wanted to pursue in relation to Star Wars. There are two other capability issues I want to address, but it might—

Mr PRICE—Could I ask two follow-up questions. Are you able to state what the reaction in the region has been to these announcements?

Mr Carmody—Not with absolute clarity. There is some press reporting on regional reaction. I have read the press reporting but I have not seen any other formal reaction on responses to the initiatives.

Mr PRICE—Are you able to say whether or not the Australian government or Defence did a tour of the region to explain the basis for the involvement?

Mr Carmody—My understanding is that there was not a tour of the region but that through foreign ministry channels it was discussed with a number of countries at the initial stages. I am not exactly certain of when.

Mr PRICE—Finally, is this likely to create a degree of escalation of the provision of missiles in our region?

Mr Carmody—My response is that I think the whole notion of missile defence is a defensive notion, not an offensive one. The real issue is that it is far too early to tell what will evolve, but it is likely that missile defence in its defensive, protective mode will be not proliferating rather than enhancing proliferation.

Mr PRICE—Thank you.

Gen. Cosgrove—The inspector-general has been much busier than I remembered; there are 69 references to him. I do not have any further detail on that.

Mr PRICE—If you could take on notice to give us any breakdown you can, that would be great.

Gen. Cosgrove—Yes.

Mr PRICE—I would appreciate that.

Mr BYRNE—This is a question to you, General Cosgrove, and it refers to the defence capability review. I want to get some understanding of the rationale behind the proposed purchase of the heavy tanks in light of the fact that there seems to be a bit of a difference between the Defence Capability Plan and the defence capability review.

Gen. Cosgrove—When the white paper was being drafted and considered by government in 2000, we maintained an intent for a modest but balanced armoured capability. We were looking for new light armoured fighting vehicles and some upgraded N113s. That was predicated on an extant small tank capability. It was realised between 2000 and 2003 that the tanks we have are ageing and becoming increasingly dollar intensive to maintain and that the armour on those tanks is no longer reasonable proof against an array of light anti-armour weapons that can be

carried quite readily by infantry. We understood that putting the armoured force with tanks that are outdated and vulnerable into any kind of regional situation where anti-armour weapons proliferate could, instead of creating the powerful effect of the tank leading the light armour through a defended area, create a point of vulnerability as the tanks themselves could be readily knocked out. This would open up the other light armour in such a force to further danger.

That crystallised with a request to government for them to consider replacing the ageing, earlier model Leopard tank. It was agreed to as seen now in the defence capability review, with the government wanting us to look at three contenders: the M1A1 Abrams, which is the tank that proliferates in the United States Army, the upgraded Leopard tank and the Challenger, a British tank. We were to report back to government as soon as possible for a final decision on cost and numbers.

Mr BYRNE—Is the rationale for the purchase of these tanks because of interoperability with overseas operations or is it more predicated on homeland defence?

Gen. Cosgrove—It is predicated on the need of our forces anywhere they operate—in the defence of Australia in the region or wherever—for the use of our armour to offer the highest level of protection to the crewmen operating the tanks and other lighter armoured vehicles that they in turn protect and lead. It is very much to do with armoured protection and other things that go with a modern tank than looking specifically or primarily at interoperability. Interoperability is a factor but it follows rather than leads as far as whether or not tank A, B or C is best for our purposes.

Mr BYRNE—So how would you respond to claims that some of the tank models being proposed cannot be transported with the transportation systems we currently have?

Gen. Cosgrove—That is a shotgun claim by people who have not done their homework.

Mr BYRNE—So you believe that is not the case?

Gen. Cosgrove—Yes. I am sure I can find underpasses and bridges around Australia they would struggle to be used on, but the mind boggles at the thought that they might need to be transported that way. We could move them on rail cars and we could move them around the north where presumably they would be based. We could move them on and off the ships. We could not move them in our aeroplanes, but that is all right; we could not move the Leopard in our aeroplanes. We would have to do what we do now if we need to move them by aeroplanes, which is to look elsewhere. We have had a look at all the important questions about mobility, and we can do the job.

Mr BEVIS—This question is related to the Navy and particularly naval personnel. If I read the report correctly, I notice the reserve numbers are increasing in Navy. At the same time, we have taken the decision to reduce the service combatant fleet. There has been a suggestion that that reduction in the service combatant fleet, which was not originally planned, was as much to free up personnel as it was for any other reason. I would be interested in your comments about to what extent we have, with the higher tempo activity that our forces have been involved in—and, because they are a long way away from home, our Navy has had a particular demand placed on it for a number of years—a genuine shortage of naval personnel crews.

Gen. Cosgrove—It is very clear that we are experiencing lower wastage rates across the ADF and particularly also in Navy than we have had for several years. Back in 2000, the wastage rate for Navy was up in the teens; it has reduced now—and I will get this checked—to about 10 per cent in Navy. The three-year average is down, and we are very happy about that. I do not know how that translates into your statement there that the numbers going to the Navy reserve are higher. I am delighted with that. That would simply mean that people, in paying off from the permanent Navy, are happy to translate into the Navy reserve.

The reasons for paying off a couple of FFGs were not primarily related to the personnel being freed up for other things, although, as an outcome, given that we have got overall a higher capability Navy, once all the ons and offs of the defence capability review come to pass, those people naturally will be employed in other core jobs within Navy. The air warfare destroyers, naturally, need crewing, and the amphibious ships will need crewing. It is early days yet—we do not know precisely what the crew of an air warfare destroyer or of an amphibious ship will be, but it will certainly be comparable. So, in this sense, we will get a more highly capable Navy, and I have no doubt that the nominally freed-up personnel from the FFGs will be absorbed. It is correct to say that, across the Navy, from time to time, ships go to sea somewhat under their complement simply because of the pressures.

Mr BEVIS—This concerns me and has done for the last year or two. I understand there is a lot of deployment going on, and that is a decision the government takes and with which Defence complies, but it just seems to me that there is very heavy demand on Navy personnel. I may misread the implication of pensioning off those two FFGs and increasing numbers of reserves, but it does fit a picture that shows existing people being stretched.

Gen. Cosgrove—They are under a good deal of pressure. They are coping very well, and I think I should say that here. I can assure you that the decision to retire the FFGs—which, after all, will not occur for a couple of years—was not taken in the light of contemporary pressures at all.

Mr BEVIS—On the final matter, you have addressed an aspect of this in response to Mr Byrne's question about tanks, when you mentioned that there are three particular tanks that we are looking at. Why aren't we doing the same thing for what is going to be the most significant acquisition we make in the next decade, which is our F111 and F18 replacements? There was a program to review a number of alternative options. As I understand it, it does not exist any more—at least, it is not an ongoing activity. Companies are not in town doing their bidding. It is the most important acquisition we will make—and the most expensive acquisition we will make—in defence procurement in the next 10 years, yet we do not have the same review mechanism and same evaluation mechanism in place that you just outlined for our tank replacement.

Gen. Cosgrove—The tank technology is extant. The tanks that are being considered are either operationally proved or their technology is so contemporary that you can compare them: you are comparing apples with apples. It is somewhat different in the area of combat aircraft, which are, in virtually all respects, a drawing board issue.

Mr BEVIS—Isn't that more of a reason to have a comprehensive fully-fledged analysis of what is available and to what extent it might meet our needs? The fact is we do not know the

range of capabilities of the aircraft that were being considered—was it 18 months ago—but are no longer being considered.

Gen. Cosgrove—This is very much an area where the long lead times involved and the need to make important decisions early are very necessary if you are to obtain cutting edge technology as it becomes available. Simply to replace the FA18 at a time when that platform is obsolete and increasingly hard to maintain requires decisions in principle around now—or in fact a couple of years ago—to put emphasis on a particular platform, but remembering that a decision on the F35 is not due until 2006.

Mr BEVIS—I can understand that, with a critical acquisition like this and the way in which the aerospace industry works, we may well take a decision that we want to be in on the ground to some extent, as we have done with the JSF. I can understand that being a prudent thing to do. What I am questioning, though, is at the same time deciding that we as a government, as a parliament, Defence acting on behalf of the government, should cease to be involved in a process of evaluation of the range of options available to us, particularly given the exact set of circumstances you describe, which is that we do not know what the final capability of any one of those craft will be because they are still largely on the drawing board.

Gen. Cosgrove—We have a very good idea that the United States future combat aircraft, the F35, will be exceptionally good. We also know that it is a very well resourced project. The number of like countries which have invested in it is quite high and it will be produced in its hundreds and hundreds. So in terms of the bet that we are making, it is a pretty sure bet.

Mr BEVIS—I would like to make the odds a bit better than the open-ended bet that we have entered into. I think the best-case scenario of that bet is that we could have faith that the Americans will produce an aircraft that largely suits their requirements. Whether or not it suits our requirements is a separate issue. I think that is the very purpose for which we have these analyses. Using the same logic we could say we should not be wasting our time looking at three tanks, because we know that there is an Abrams tank that the Americans use, that they spent a lot of money designing it and that it has been built in its hundreds and hundreds, probably in its thousands and thousands, and yet we—sensibly, in my view—conduct an evaluation of various options available for tanks. I appreciate it is not a decision that necessarily rests with you gentlemen, but this is one of the few forums available to members to pursue these matters. I find it one of the most alarming decisions government has made in the last decade that, on such a critical acquisition, we would just throw normal process to the wind and pick a winner up front.

Gen. Cosgrove—I point out to you that we have the leisure of examining extant technology for virtually no cost when we look at the choices available for tanks. We then make a choice—or government makes a choice—and we get on with it. We have the burden of lead time to ensure that we enjoy the restoration of cutting edge technology into the air combat force, and that requires a certain amount of futurology. In this case, some may say that keeping alive other bidders at expense, when in 2006 we may be in a position to capitalise on a $300 million investment for the STD, would have been itself a waste of money.

Mr BEVIS—I hope our roll of the dice proves correct.

Mr BYRNE—Following on from what Mr Bevis has said, are there any contingency plans in case this thing falls over? Have any other options been looked at in case this issue does not proceed? Given that you are saying that you have a lag time, if this does not come to fruition what alternative craft would you be looking at?

Gen. Cosgrove—They have been discussed, but it is probably not useful to talk about any details. However, naturally we have all thought about what happens if there is any kind of a problem either in the prolongation of our existing combat aircraft or in delays in delivery of an alternative new combat aircraft. We have thought about the bridging strategies that we might have to adopt.

Mr BYRNE—In terms of the F35, what about it specifically makes it suited to Australia's needs in the future?

Gen. Cosgrove—There is a whole raft of things, I consider: its stealth technology; its sensor suite; its capacity to carry a wide range of ordnance; its ability to network with other aircraft, particularly our AWACS Wedgetail aircraft; its ability to virtually be a broadcaster of sensor information to many other platforms; and its aerodynamic characteristics—it is going to be a very flyable aeroplane. All of these mean that it is very superior to its competitors.

Mr BYRNE—I understand that in America they have an accompaniment to that, which is the F22. Given that the Americans are saying that they need a craft for their future operations, is that something that we have looked at or are we just going to stick with the joint strike fighter and have no accompanying craft to maximise our performance in this area?

Gen. Cosgrove—The Americans of course have a huge budget, a global responsibility and can afford to have aircraft that are optimised for particular roles. We will look, as we looked with FA18, for a multirole aircraft. We know that if we have the F35 in the time frame that we expect to have it we will have, regionally, a very superior aeroplane.

Mr BYRNE—Therefore, you are saying that we do not have the budgetary capability to supplement that with additional—

Gen. Cosgrove—We never have had. We will seek to invest in a multirole aeroplane where one those very obviously will suit our regional needs.

Mr BYRNE—There was a scenario in terms of the F111 being phased out and cruise missiles being put on F18s and Orions. There has been some criticism of that, particularly in terms of the Orion, in terms of it being fairly vulnerable to attack. There are some of the Soviet fighters that are being utilised by countries such as Indonesia et cetera. Do you have any particular comment on that?

Gen. Cosgrove—We would not be putting an aircraft that may carry some form of weapon into a situation where, of itself, it was vulnerable immediately to an aggressor combat aircraft or missile. It comes down to a question of tactics. If the missile itself is capable enough then the Orion—or any other non-combat aircraft or aircraft of lower capability, if I could put it that way—is used in a way to reduce its vulnerability. It is certainly not used in a way where it, of itself, is vulnerable. It is a great thing that the Orion can be fitted with stand-off weapons. It

presently can carry harpoon, as you know. So it is a question of how you use the aeroplane. Again, criticism of mentioning Orion as carrying a stand-off weapon, and therefore making it more vulnerable, is a bit self-serving in a way because it forgets the fact that we simply would not, in a tactical sense, use the aeroplane in a way that heightens its vulnerability.

Mr BYRNE—What sort of scenario would you—and I know this is hypothesising a bit—use an Orion in? What is a potential scenario?

Gen. Cosgrove—An Orion has huge endurance and can reach out an enormous distance. It has reasonable sensors itself. It might be used in an anti-shipping role. Really that is only one particular target set, but that is the way, classically, that a P3 with a harpoon presently operates.

Mr BYRNE—I have one more quick question, looking at defence capabilities in terms of personnel. Given our varying roles and different theatres of operations, if you were hypothesising, again, a reserve or a number of personnel that you think would adequately serve our needs—if you were putting a number on it in terms of Army or Navy reserve—how many people do you think we would need in each of those services to fulfil our capabilities at this point in time?

Gen. Cosgrove—You will imagine I am not being clever when I say about 54,000; that is permanent force. With our wonderful reservists, add another 20,000—and that goes up and down a bit. So, from my point of view, we have to have ways to envisage drawing value, so to speak, out of the lot. It is not that easy with reservists because they do a fantastic thing in giving up some part of their time, and our job is to capitalise on the value they have inherent in the time they can give us. How do we fill in the delta between where they are and where they must be for modern warfare? What roles can we use them in with the sort of training they have in short notice contingencies where they are doing a real job? I think we have made tremendous strides there.

We are lucky in the Air Force and the Navy because their reservists, by and large, tend to be ex permanent force with skill levels that only erode a bit. With a bit of top-up, they are back in there at pretty much permanent force levels. We have reservists going to sea all the time on patrol boats, for example. But in the Army—where the skill levels you can give to people who are, by and large, off the street are limited by the time they can give you—you have more work to do. We are increasingly going to need to find ways to exploit our reservists, either in short-term, short-notice tasks or in high-end tasks for which we take some more time to train them. An example there is the reserve company which we sent to Timor. They did a fantastic job. We grabbed them for six months or so before the deployment—and I defy anybody to tell reservist from regular soldier. But that was a unique set of circumstances. They were serving in Timor once it had settled down. They were a company within a battalion construct where the rest of the battalion were well trained and able to support the reserve company. The reservists, in turn, performed magnificently. So that is a bit of a window into the future.

Mr PRICE—I have a couple of questions for Mr Smith. Your predecessor Mr Hawke, at the Chief of Army's conference, suggested that the tank capability should be sacrificed. Could I ask what underpinned that advice to the Army and what has changed since he made that speech? You are not responsible for your predecessor's remarks; I appreciate that.

Mr Smith—Quite so.

Mr PRICE—And he is not a Legacy project.

Mr Smith—I would think that he was not actually giving advice to the Army but offering an opinion. As CDF said earlier in his remarks in relation to the tank, in the three years since the white paper and in the time since my predecessor departed a lot of thinking has been done based on much more recent experience. That is largely what has led to the decision that was made about the tanks.

Mr PRICE—Obviously, the tanks are to be used in the defence of Australia and our region. Is that capability also envisaged to be used beyond our region?

Gen. Cosgrove—The tank can be used anywhere, but fundamentally we start by saying that we exist to defend Australia. We defend Australia obviously on our sovereign territory, and we defend Australia where our national interests are vitally and inescapably engaged. Plainly, that also means that from time to time in our region our interests will be engaged and the government may decide that, in some form of assistance mission or some form of help to a neighbour, we will be involved. We structure the force to do those fundamental things—defence of Australia and also defence in the region. Spin-offs that allow for deployments to pursue national interests in more remote areas are just that. They are things we can do additionally.

Mr PRICE—I understand what you are saying about defence of Australia and defence in our region. In the spin-off capabilities or options, if it were the case that the tanks were used, doesn't that tend to imply that we would be involved in a high-level, intense situation?

Gen. Cosgrove—Not necessarily. I would always be interested in making sure that any force we sent was adequate to the task, and sometimes adequate to the task means more than adequate for the task. To me, it is a maxim that, if you can persuade and even coerce without having to shoot and fight, that is a better outcome than having to go in where the other chap thinks he is ready for a go and gives you a very tough fight. So I am all for overmatch, provided it remains reasonable to our economy.

Mr PRICE—Thank you for that, but, if I understand you correctly, it does not preclude high level.

Gen. Cosgrove—No, but it does not preclude it for the FA18, the F111, the F35, the Collins class submarine or the air warfare destroyer. These are all high-end capabilities which are appropriate to the range of scenarios that might occur in our region, in a vacuum—capable of existing in a high-intensity conflict.

Mr PRICE—I am sorry; I was not referring to our region or to Australia. I was talking in that spin-off context to which you referred.

Gen. Cosgrove—Yes; but I would say that we do not have very many Army capabilities for a high-end conflict and, accordingly, it is quite difficult to go around and window shop the Army to say 'high-end', 'medium' et cetera. We have not made a decision on the tank yet and, accordingly, it is a bit hard to say precisely where the tank will fit in. But they are all main battle

tanks, and a main battle tank is capable of holding its own on a battlefield where there is a lot of shot and shell. So was the first leopard in its day. When we first bought the leopard, it was a very capable main battle tank—capable of existing wherever armour fought.

Mr PRICE—I turn to the creation of the Defence Materiel Organisation as a separate organisation and, particularly, to the remuneration of the chief executive officer. Are you able to advise the committee where that is at?

Mr Smith—Certainly. I should say by way of introduction that 'separate' may not be the best way to describe it. It is still part of the portfolio and a crucial part of defence business. So I prefer to say that it is part of the portfolio still and that we are still the same integrated defence business, but the lines of accountability and responsibility will be much more clearly defined.

There are six broad areas of activity. One is the appointment of the advisory board, and government is considering nominations for that at present. The second is the appointment of a CEO. I will return to that, as you asked, in a moment. The third is the establishment of the new capability group and the appointment of a head of that group. Again, government is considering that appointment. Point four is the establishment of a much more clearly defined two-pass system for progressing capability proposals. The first pass identifies the capability gap, canvasses the options that are available for filling that gap and recommends a choice. Government then decides. The second pass is defining that choice into a capability project, which is then referred to DMO for implementation.

The fifth step is a major management activity—that is, separating the accounts of the DMO from the rest of defence. That is required by the FMA Act to create a prescribed agency. That is a very major task. It requires establishing not only the accounts for the ongoing costs but also separate accounts for each project and each major sustainment activity. That will lead to a due diligence process. Accompanying that will have to be the establishment of separate company codes and separate business systems. In effect, to meet the requirements of the FMA Act, this is a major demerger. The sixth category is a range of other management issues that will arise about management of military and civilian personnel and so on. You asked particularly about the CEO. The position there is that the salary for the appointee will be negotiated with the appointee when a decision is made about whom we should like to appoint.

Mr PRICE—Will that be made public?

Mr Smith—After the decision is made, yes.

Mr PRICE—It is likely to be based on private sector salaries which, with no disrespect, would be well in excess of the salary that you receive or that General Cosgrove receives. Am I correct in that?

Mr Smith—That may be the case—

Mr PRICE—It is not that I do not think either of you deserves more.

Gen. Cosgrove—Is that on the *Hansard*?

Mr PRICE—Yes, it is on the record.

Mr Smith—That is generous of you. That may be the case, though I think that people who seek and accept positions in government know that they are not going to get the kind of remuneration that the top CEOs in the private sector would get. So, while it may indeed be that the appointee is paid a little more than the CDF and me—if that is what the market will require—it will not be the full market millions of dollars sort of proposition.

Mr PRICE—It will not be the several million dollars that CEOs these days tend to expect, but I think it is fair to say that it will be a multiple of your salary and the CDF's—or it is likely to be.

Mr Smith—I am in a difficult situation. I may have to negotiate with the prospective appointee in the near future.

Mr PRICE—That is fair enough. I make the point, though, that I am a little concerned about the morale impact when someone like that—not that acquisitions are not important—is the highest paid executive within the defence organisation. I am sure that, while you and General Cosgrove can set that aside, it must have a morale factor within the organisation.

Mr Smith—There is a range of personnel issues relating to DMO. The morale question cuts both ways. I think DMO staff like the idea of a bit more independence and a bit more definition, and they see the prospect of being able to do their work better so I think morale is not too badly affected by this. I have not had any particular concerns expressed to me by staff about the prospect of the CEO being so well paid. For some staff it will be a matter of pride in their identity.

Mr PRICE—What about the sailors, the soldiers and the airmen? You do not think it is going to affect morale?

Gen. Cosgrove—I might help, here, if I may. Already within the Defence Force, and closer to the more junior ranks that you referred to than anyone in the department, there are people getting more money than their peers: surgeons, lawyers—

Mr PRICE—That is the way of the world, isn't it?

Gen. Cosgrove—Squadron leader pilots get more money than squadron leader maintainers, probably. We all accept that. To the ordinary junior sailor, soldier, airman or airwoman what happens in Canberra is happening above the clouds anyway—they do not get too fussed.

Mr PRICE—What are the numbers of SAS people in the department and what are the numbers of one star and above in the ADF?

Mr Smith—Are you referring to the SES, the senior executive service?

Mr PRICE—I said SAS; sorry!

Mr Smith—The number of SES—

Mr PRICE—Do you have a couple of those?

Mr Smith—The present number of SES positions in the department is, I believe, 117. Sometimes the numbers look different because people act in positions. Somebody goes on leave or special duties and someone else acts in their position so the number of people paid at that level across any year may exceed 117, but the number of positions at present is 117. The number of one star and above is 120, we think.

Mr BEVIS—This is an issue I intend to raise later in the debate but I might take the opportunity to seek your comments, gentlemen. With the proposed early retirement of the F111s, with or without an upgrade to the F18s, there has been comment that there will be a time gap before the replacement—presumably but not yet determined—JSF arrives in service. At the same time, we will see within our region the deployment of a number of sophisticated aircraft—new generation issue 30s and aircraft of that kind—which will present for a window of a couple of years an environment in which for the first time ever we will not be able to claim air superiority in the region. Is that scenario plausible and, if not, what parts of the process that I have just mentioned are out of kilter? If it is plausible, how is it tolerable?

Gen. Cosgrove—It is a bit of sloganeering, if I can say that to you, Mr Bevis. As in all of these sorts of arguments, you need to go to another level of detail. We will not be retiring the F111s unless we have successfully got through a number of other steps, which entail optimising what we might call the air combat package—FA18s with upgraded weaponry, upgraded sensors and any fundamental maintenance-for-life extension—which incorporates air-to-air refuelling and uses all the sensors that we have for aerial combat; for example, the AWACS and the Jindalee. We would see that as a total package. If any of those programs for any reason are slowed down or do not work, which would be very unexpected to us, we still have options with the F111. But at this stage the intent is that, having done all these things—acquired modern air-to-air refuellers and the Wedgetails, and having them in service—we would be in a totally different position. So, from our point of view, we will maintain the same or superior air combat capability and strike capability by the end of all these improvements.

One of the issues which people do not take into account is that the F111, which is a mighty platform and has done marvellous service for us, is getting very old, very hard to maintain and very expensive and would need considerable assistance to conduct its strike role. Ten years ago its strike role was superior, but as other capabilities come into the region the F111 itself needs further assistance than would have been necessary 10 years ago. So the refuelled FA18, with a precision stand-off weapon, is a very comparable strike platform to the F111. The F111 will carry more bombs, but we are moving rapidly from quantity to the precision and the discrimination of the weapon.

Mr BEVIS—One of the variables in the sequence that goes to the mix you described—refuelling—is of course is correct. It has also been suggested to us at different times that the number of air refuellers we have is grossly inadequate to refuel the fleet that we are likely to have at that time, and that our experience and that of the allies in Kuwait and in Iraq verifies that the ratio that we would have would be insufficient. That goes precisely to the combined air capability that you were referring to.

Gen. Cosgrove—That is not the advice I get from the Chief of Air Force. The comment that you referred to me was that somebody said it was 'grossly inadequate', and that is certainly not the advice from the Chief of Air Force.

CHAIR—The Chief of Air Force will be here this afternoon, so we might continue that questioning then. I return to Iraq generally. With the capture of Saddam Hussein, would you like to give the committee a bit of an overview as to how you see the removal of him affecting the operation that he may still have been commanding? Whether he was or not, we are not sure. And, in relation to the number of people that we have there, do you see this being a turning point or do you see us being on track? Was he someone we had to capture or did we perhaps just have to identify where he was, dead or alive? Could you give us a potted overview of the situation now post his capture—whether we are going to be there and whether the scene will change dramatically because he is now known to be out of the system.

Gen. Cosgrove—One of the things that is a phenomenon of modern warfare—and I would say that we are in a form of 'uprising warfare' on the part of terrorist elements in Iraq; you could perhaps call it 'terrorist warfare'—is that people expect that we will know a lot more than we ever really can. The reason for that is simply that people are very much seeking to remain concealed, and there are huge sanctions against people who tell on them. We speculate that the unknown presence of Saddam Hussein was a significant inhibitor on ordinary Iraqis revealing more than they have done about terrorists in their midst. We assess that it is likely that, with Saddam Hussein in captivity, ordinary Iraqis will now feel more able to say, 'I do not want you in my midst' or 'I will tell the coalition forces'. I cautiously think that is an outcome. Ordinary Iraqis will be uplifted, and that will be a plus for the coalition's efforts. Whether it results in a linchpin of violence being removed is a second issue. We think that there are still likely to be people there who will prosecute violence. The reason for that is that there may well still be Baathist elements present—or there may be people from outside the country—so it would be premature to proclaim that this is the end of the violence. We think though that, if it has the effect on the Iraqi people of allowing them to be more confident in ousting some of these violent elements, we may have turned a corner. But it is a bit early to say.

CHAIR—That is certainly very helpful. I would like to touch on another question to do with the honours and awards system. On 25 March and 25 June this year Mr John Bell wrote to the committee requesting that it scrutinise:

> ... the processes used by Government to determine which military and military related service on Australian soil is afforded some form of recognition.

Has there been any discussion or any consideration in relation to military related service, given that our TAG capability and the defence of Australia are a major focus for us. Has there been any consideration of a military award system relating to service on Australian soil, particularly with an increasing focus on national security?

Gen. Cosgrove—The Chiefs of Service Committee, under my chairmanship, did consider the matter of recognising service on Australian soil, along with some other aspects to do with service offshore. In a contemporary sense, we are quite clear that we do not agree with the recognition of service—in a campaign medal sense—on Australian soil. The reasons are that the range of activities we normally undertake on Australian soil is such that they are amply recognised in

other ways for those who have done particularly well and need to be recognised in a meritorious way. In other activities—firefighting, flood relief et cetera—we join with the rest of the community.

Mr PRICE—The reserve ready reaction force is, I understand, made up of blended units. What is the time line from wanting to bring the force into play to getting it into play? This is a question none of the police chiefs was able to answer.

Gen. Cosgrove—I think we need to try it out in a rehearsal sense. We are in a developmental phase. We did not want to rush to have them on the street, so to speak. I know that you will have a chance with the Chief of Army later on. I am calling this an emerging capability. These young men and women would be out there in a heartbeat, but we have to make sure that they get the right skills sets to enable them to operate in a very professional way amongst the Australian people. We will set some training and rehearsal type tasks for them and we will see what happens in relation to the professionalism of their deployment.

Mr PRICE—I notice that we have signed a new contract with the University of New South Wales for ADFA. Could you take on notice to supply us with the cost per graduate? That information was last provided in 1996, and I think it was $340,000 per graduate. I assume that Defence has concluded that undergraduate training is a core business of Defence?

Gen. Cosgrove—I can answer the second part. Yes, we have concluded that we need to keep producing undergraduates from a military oriented university. Head, DPE will take on notice to provide you with that answer.

CHAIR—General Cosgrove and Mr Smith, thank you for your attendance here today. If you have been asked to provide additional material, would you please forward that to our secretary. You will be sent a copy of the transcript of the evidence, to which you can make corrections of grammar and fact. Once again, thank you for your time and the way you have answered the questions today.

Proceedings suspended from 10.22 a.m. to 10.42 a.m.

CARMODY, Mr Shane, Deputy Secretary, Strategic Policy, Department of Defence

GILLESPIE, Major General Ken, AO, DSC, CSM, Head, Strategic Operations, Department of Defence

VEITCH, Mr George, First Assistant Secretary, Budgets and Financial Planning, Department of Defence

CHAIR—Welcome. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of its respective houses. Do you wish to make an opening statement?

Major Gen. Gillespie—No.

Mr Carmody—No.

CHAIR—In this section we are talking about Australia's continuing involvement in the Middle East. Mr Bevis, would you like to open the questions?

Mr BEVIS—What exactly are the RAAF maritime patrol aircraft that we have in the Middle East doing?

Major Gen. Gillespie—They are performing part of the overall surveillance task for the coalition, in terms of both the ongoing war on terror and the Iraq campaign. In that regard, they fly maritime missions over the north Arabian Gulf and the sea of Oman and they operate over land, over Iraq, as is necessary for that surveillance picture to be built.

Mr BEVIS—Can you tell us what they are looking for?

Major Gen. Gillespie—Principally in the maritime area and in flights over Iraq they are involved in the security of surface assets, be they naval assets or ground surface assets. They provide a very good antimissile defence capability in an area which, as you know, is quite strategically important and edgy at the present time. Some of the sensor systems they have on board the aircraft make a significant contribution to the security and manoeuvring of ground forces.

Mr BEVIS—I am mindful that this is an open hearing, but, regarding the comment you made that they fulfil a role in antimissile activities, I am not familiar with what that might be. Are you able to tell us?

Major Gen. Gillespie—As you would be aware, there are a plethora of shore based and sea based weapons systems in that part of the world. Many high-value assets belonging to the coalition are operating in that part of the world. It is a high-threat environment, and the aircraft fulfil one part in a layered defence that makes sure each of those assets, from aircraft carriers to

our own frigates, is properly protected. The capabilities of the aircraft are quite telling in the protection of those assets.

Mr BEVIS—In a number of our recent deployments—by 'recent' I mean over the last decade or so—governments have deliberately set time frames. I guess the one that comes to mind most readily is Somalia, where there was a fixed time frame for Australian involvement—and there was also Rwanda. Despite repeated requests from America and our allies to extend, we did not. Is there a timetable for our deployment in the Middle East?

Major Gen. Gillespie—There is not an 'end state' at the present time. You can see quite clearly from the situation in Iraq that the job is not finished. There are many factors taking place, last night's activities not being the least of them, which are going to be signs as to how long the overall requirement might be. Also, the coalition, through Ambassador Bremer, is talking about sovereignty for the Iraqi government, and a time when things will change. What we are doing in that regard is keeping the government constantly apprised of what is happening in the Middle East, and we are managing our own assets on a timed basis. For example, a ship deploys for six months, so we are looking at a rotation in May, if there is to be a rotation. Some time before May, we will go back to government and advise them of the circumstances that exist—the need for our forces, Australian interests et cetera—and they will make a decision as to whether or not we rotate them. We are managing each of our assets on a timed basis, but we do not have an end to the problem in Iraq at the present time. Of course, it is an issue for government; it is not for Defence to decide when our 'end day' in the Middle East is going to be.

Mr PRICE—I understand that the government makes the final decision, but is it not normal to have an exit strategy and a suggested time line?

Major Gen. Gillespie—An exit strategy is something that we have built into our planning—we have deployed a force, we sustain a force and we can bring it home by limiting the times of the deployments and knowing when we have to look at them staying or coming home. We can manage it in that sense, but an exit strategy for Defence is simply one element of the broader whole-of-government strategy for managing Australia's national interests, and when we leave the Middle East will be an issue for government.

Mr Carmody—Our force composition has changed significantly since combat operations. The factors are now different, and the government continues to review the forces that we have on the ground and the role that they are fulfilling—for example, the people assigned to the protection of our mission or the people assigned to looking after air traffic control. Those sorts of issues are under constant review. But I agree with what Major General Gillespie said: it is a decision for government. We continue to monitor the circumstances, which as you know are quite fluid—and media and other reporting would support that. Until that becomes more clear, I think the force composition will remain.

Mr PRICE—Without wanting to get into the intricacies of the cabinet National Security Committee, could I ask: does that committee review it every three months? You talk about constant review. I presume that is where it is done.

Mr Carmody—There are two elements. Firstly, there is our constant review. In other words, and picking up on the points that General Gillespie made earlier, forces are in place for particular

periods of time and we are looking at our internal force rotation and sustainability and at how long people and equipment should be operationally deployed. That is one element of it. Secondly, I think that due to the fact that this is not done in huge lumps, what actually happens—and I stand to be corrected if I am not quite right—is that, when we are reviewing this and we need to make changes, we put submissions forward to government with a range of activities and options. Government wants to know when we are proposing to withdraw or rotate forces. That provides ample opportunity to explore other activities or issues at the same time.

Major Gen. Gillespie—We have a process of informing government formally every week about developments in the area. Throughout this year we have provided several key updates for government's consideration. They can come by exception or by plan, and I do not think that at any time this year we have submitted less than a quarterly fully-fledged update to the NSC for consideration.

CHAIR—I have a question in relation to Iraq. With input from our coalition partners Defence has conducted a review of the involvement in the Iraq war. Apparently Defence noted that the findings were consistently positive in their evaluation of Defence's performance. I quote:

The review produced a series of 'lessons learnt' identifying aspects of performance which need to be sustained, aspects which need to be improved and performance shortfalls which need to be addressed.

In that report Defence also noted:

A public version of the report will be released in late 2003.

It is pretty late in 2003 right now. Can you elaborate on those points and confirm whether that will be released in late 2003?

Mr Carmody—I can. As you will be aware, there was a comprehensive review, which we called 'The lessons learnt from the operations'. That was a classified report—a quite wide-ranging review of the strengths and weaknesses and the areas we felt we needed to focus on. Some of that thinking also informed the development of our defence capability review process this year. In developing the lessons learnt report, both internally and externally, we called on a range of resources from within the ADF and everyone who was involved in the operation, from the operators themselves to those providing logistic and policy support. That classified report was completed. We did agree to provide an unclassified lessons learnt report. I have a draft. It was undergoing an editorial review last week to see whether we could finetune it. I am trying to work to the deadline imposed of the end of 2003. I realise we are cutting it fine, but it was always going to be a close call to have it done. There is no particular reason for delaying it; we are merely in the process of reviewing the material, moving from classified to unclassified and ensuring we have identified what we want to release in the public version. But it is on track and we are working diligently towards the end of 2003.

CHAIR—I understand that much of the information would be classified. I know the subcommittee would understand that. In relation to lessons learnt, albeit that there is an unclassified version to be made available by the end of 2003—that was a time line put on by Defence, not by us, I suggest—is there anything you can talk about prior to that release?

Mr Carmody—Probably not a great deal that is not already publicly known. Some of the lessons learnt were quite obvious and have been drawn out even in earlier discussion today on the importance of air-to-air refuelling. There were lessons learnt on the role of special forces and the ability to be able to fight at night and the importance of a networked force. There were many things, even during the Iraq conflict: for example the relevance of armour for the United States in their operations on the ground. All of those things fed in to our lessons learnt process. Our situation is different; we do not operate in the same way and on the same scale as our coalition partners. But nevertheless, we were able to draw lessons from it.

We were also looking hard at strategic logistics and how we supported the force. So a range of these things have all come forward into the lessons learnt process. Without going into any more specifics, they cover that sort of range. As I indicated at my opening, I was involved in writing and reviewing the lessons learnt process and also the capability review. We were conscious of trying to put the two areas together where we could.

Major Gen. Gillespie—It might be worth elaborating a little, too, on the process. This is on the public record. It was a two-tiered process for us in the restricted area, where we quite soon after the major hostilities ceased went through this process. We understood that it was probably too early to draw 100 per cent conclusions from some of those issues, and we made up our minds at that time that, in February of next year, we would go through the previous lessons learnt process and reconfirm a lot of the work that we had done. This was so that we had a little bit of stand off time to review some of the judgments that we had made and to allow a number of the people who had responsibilities in that area to make progress in further research et cetera. We are well down that path. That is going particularly well. In February we will formally review the first lot of lessons learnt, based on the value of hindsight and some significant work by people in between.

CHAIR—As part of the lessons learnt, are there some aspects that relate not only to personnel but also to the equipment that we have used and how it is handling that sort of an environment?

Major Gen. Gillespie—There were many thousands of issues that came up from the very bottom levels through that process. Each of the services looked very hard at things to do with equipment. I guess the best way to describe the lessons learnt process at the present time is despite the fact that we have made hundreds of observations of lessons that we have learnt, a very key rider to that is that our deployment has been highly successful. What we needed to be sure of was that we were not looking at lessons learnt in the sense of any failures where we had to radically change things, because by and large the operation was and continues to be successful for us. Some of the key lessons are to do with networks and those sorts of issues. To be quite frank, I have not got down into the weeds about whether or not this weapon system or that weapon system operated in a dusty environment. But certainly the services will be very much into that.

Mr Carmody—Because there were so many elements in the classified process, the unclassified lessons learnt process addressed broad and strategic issues. We planned for it to address some of the things that occurred during the campaign and the lessons we drew from them. Each of the services—Navy, Army and Air Force—are working very hard, as you would expect, on elements of the lessons learnt process. They are looking at it at a high level of detail. They have picked up particular lessons and they are reflecting those in their doctrine, in their

training and in some of their acquisition thinking. There is a great deal to it. The challenge for us, as General Gillespie mentioned, is to make sure that we go back in February—or later—and see whether we have missed anything and what we need to pick up to make sure that the process is complete.

CHAIR—That not only would include weapons and equipment but would also drill right down to clothing and boots—which may have been suitable in Northern Australia in a tropical environment—to see how they performed in a hot desert climate. I would certainly be interested in that. It drills right back down to the personnel, their clothing, their boots, their rations and whatever else was supplied to them that may not have ever been tried outside of a tropical environment, such as in a hot desert environment.

Major Gen. Gillespie—It certainly does, and the level of operational analysis that has been employed on this operation in particular is quite heavy through all levels of command, from tactical through operational and strategic. We paid a lot of attention to the strategic level this time.

Mr Carmody—And trying to catalogue every one of those lessons, be they small or large, then determining whether it was an observation or a real lesson, and then determining what we should do about putting that change into place has all been developed and catalogued. That was the plan.

CHAIR—Do we still have a Navy ship and part of what was originally the maritime interception force? Is that still operating in any form? Are we involved at all there?

Major Gen. Gillespie—The maritime interception force is not operating under its past guise, but it is certainly still operating because there is still plenty of piracy, issues of theft of oil and those sorts of things going on in that area. But that is being done under the Iraq campaign and coalition activities now as opposed to the UN sanctioned operation that was going on before we commenced Operation Falconer.

CHAIR—So it would still be operating in a similar manner but under different command?

Major Gen. Gillespie—Yes, and in fact they are as busy as ever.

CHAIR—Do we have one or two ships there?

Major Gen. Gillespie—One ship.

Mr PRICE—What has the cost of our involvement in Iraq been to date? I am also interested in what the projected cost is for this financial year.

Mr Veitch—The government originally provided $644.7 million, spread over three years, for the estimate at the time for operations Bastille, Falconer and Catalyst, which were the preplanning and the operation itself. As events unfolded, we did not spend as much as we thought in 2002-03, and in terms of the total operations now we are on track to contain the costs within the original approval of $644.7 million—but that will be spread over four financial years.

Mr BEVIS—Over three or four financial years?

Mr Veitch—It is now over four. There is a small amount that carries over into the fourth financial year. That is to do with remediation of the equipment and that sort of thing.

Mr BEVIS—Is there any correlation between the finances being spread over four years and the deployment anticipated over four years?

Mr Veitch—No, certainly not. This current deployment, which we term Operation Catalyst, is planned to cease on 30 June next year, and the costs that we will incur beyond that point will mainly be those of returning and remediating equipment, buying spares and the like to replace that equipment, airlifting equipment and people home, and those sorts of things.

CHAIR—Are you saying there is no cost for personnel deployment factored into the budget beyond 30 June 2004?

Mr Veitch—Certainly not.

CHAIR—Obviously that would require further appropriation.

Mr Veitch—Yes, that would require us to go back to government and seek a decision.

Mr PRICE—If this were a UN operation the government would be recovering some if not all of that money over time—is that correct?

Mr Veitch—Yes.

Mr PRICE—In allocating the $644.7 million, has Defence had to pick up any of the additional costs? If so, what are they?

Mr Veitch—We did pick up a small amount of that total cost. The first six months deployment of the P3Cs was funded from Defence's cash reserves. That amounted to about $36 million. There were some rapid acquisitions, purchase of specialist equipment, totalling about $12.8 million that will be absorbed from our cash reserves as well.

Mr PRICE—The rapid acquisition was mostly SAS, wasn't it?

Mr Veitch—Purchase of specialist equipment, yes.

Mr PRICE—That was $12 million?

Mr Veitch—That was about $12.8 million.

Mr PRICE—So you have had to wear those costs. Are they the total costs that Defence has had to wear in terms of the deployment?

Mr Veitch—Yes, and the rest of the costs for all three operations spread over the four years, as I indicated, is provided on a no-win, no-loss basis. The Defence budget has been fully supplemented for that.

Mr PRICE—How do you pick up the extra use of equipment? In other words, had you not been deployed it is unlikely that some of that equipment would have been used to the extent it was. Where is the cost of that amortisation of equipment?

Mr Veitch—The method we use is the net additional cost basis which has been used for costing operations for quite a number of years. That is really the additional cost of mounting that operation. It excludes things like costs of ownership, which is the amortisation of the equipment and what have you. In other words, you would be paying for the personnel and the equipment whether you were involved in the operation or not. What the net additional cost methodology allows for is costs over and above those that Defence would normally bear. I am talking about things like airlift, allowances for the troops in country, additional spares, equipment, maintenance costs, fuel and those sorts of things.

Mr PRICE—Perhaps I am asking the wrong person but, given the tempo of operations for the ADF has been heightened in recent times, the lack of money to cover amortisation seems to me to be a penalty that Defence is wearing for being able to respond to all these government requests, as opposed to earlier times where you may have had one operation that lasted for six or 12 months and then perhaps nothing for some time. Do we need to revisit the way that we are getting costs recovered for Defence given the heightened tempo?

Mr Veitch—I am reasonably satisfied that we have come a long way in that area in terms of the way in which we go about our costings. When we first took this approach some years ago, probably when we were first entering the East Timor campaign, we were not that attuned to factoring into our costs things like the post-operational costs of remediation of equipment or the replacement of equipment that does not come home, the replacement of spares and those sorts of things.

We have evolved and have become more sophisticated in that, and I am reasonably satisfied that our methodologies now pick up most of those costs. If I look back over, say, the last four or five years in terms of operations Citadel, which is East Timor, Slipper, Relex, Bel Isi, SAFE BASE and now the operations in Iraq, the government has fully supplemented the net additional costs and, more recently, with that extra sophistication, we are factoring in those sorts of costs.

Mr PRICE—Thank you. I have one last question on the cost side. We look like leaving quite a bit of equipment in East Timor. Have we identified what it is we may be leaving in Iraq?

Mr Veitch—Not to my knowledge. Major General Gillespie may know.

Major Gen. Gillespie—No, we have not, and we have not done anything in Iraq that even goes close to the development of infrastructure and those sorts of things that we have done in Timor and which we want to leave for those people. As we get closer and government decides what the exit strategy will be, we will look at some of those issues like the facilities that we currently occupy. Having said that, most of the facilities that we occupy are inside major coalition facilities and there will be little scope to leave them to people.

Mr PRICE—I made an involuntary donation of my glasses in East Timor. Am I able to recover that from the defence appropriations?

Mr Veitch—I am not sure that we would be that generous!

CHAIR—I think you left them on a Russian-made helicopter somewhere.

Mr Veitch—It was the cost of your adventure!

Mr PRICE—Fair enough.

CHAIR—Are there any further updates on the security situation in Iraq?

Major Gen. Gillespie—It is a pretty wide question. The situation in Iraq continues to remain where the threat environment is assessed as high to very high. We work incredibly hard to understand the information and intelligence that comes to us from all of the sources—from the coalition, through our involvement with the local population and through our national sources. We churn that out to try to understand on a day-to-day basis what it means for our people and the threat that is posed to them. We are constantly in a state of reviewing force protection measures to make sure that members of the ADF and the members of the Department of Foreign Affairs and Trade and AusAID et cetera live in the safest possible environment, noting that the environment is one that is inherently unsafe.

CHAIR—Australia has been very successful in this regard. We have not lost any personnel, and that is a great credit to the ADF and the way you have managed the security risk involved. Obviously, there are some lessons learned there for perhaps others as well. It is something that is a great credit to the ADF—the fact that we have not lost anyone; the managing of a security risk for all the personnel that are involved, whether they are from Foreign Affairs or Trade or whether they are other visiting personnel such as ministers and the ADF themselves. It is an extraordinary outcome, given the number of people who have been lost from coalition partners.

Major Gen. Gillespie—I recall saying to this committee when I returned from Operation Slipper as the first commander that we had gone through Afghanistan without significant casualties—of course, we lost Sergeant Russell and we had another person badly injured. I was quick to point out there that there was a degree of luck in that but that good soldiers and good service people actually do a lot towards making their own luck. I think that carries through to today in Iraq. Certainly, some of the people who have perished in the coalition, if they had followed some of the measures that our people take, perhaps would not have perished. That said, despite our very best endeavours, it is the sort of environment that at any time we could become involved in violent security incidents. We work at it very hard. We have had a degree of luck but certainly the people over there are approaching our force protection of ADF and government civilians working in Iraq at the present time in a most professional way.

CHAIR—Will those who are deployed in the operations now be there through Christmas and into the new year? When is the proposed next rotation—or are they staggered in relation to the three services?

Major Gen. Gillespie—The latter is the point—each of the elements is rotated at different times; it is staggered. There are always small finetuning exchanges going on between people at national headquarters and other organisations. They know there is not a major rotation planned at the present time. We tend to rotate aircraft and crews as we need to, for aircraft maintenance, longevity et cetera and for crews that are commensurate with our need to maintain skills back here in Australia. In general terms we have a six-month rotation policy, where people can expect to be in the country or the region for six months, but there are exceptions to that, depending on which force element we are talking about. The ship is a good example—I already mentioned here this morning that the next rotation would be in about May. Basically, the people who are in the Middle East at present will be there over Christmas.

Mr BEVIS—Do we still have any people in Afghanistan?

Major Gen. Gillespie—We have two people in Afghanistan at the present time—one who is a staff officer for the United Nations and one who has gone into the coalition as an adviser for demining projects in Afghanistan.

Mr BEVIS—Do we have any Australian personnel on exchange with other national forces who would be deployed in either Iraq or Afghanistan as part of their exchange?

Major Gen. Gillespie—Yes, we do. There are a number of people—

Mr BEVIS—Can you give us the details of those?

Major Gen. Gillespie—serving with the British forces and the American forces who are currently serving with those forces in Afghanistan and Iraq. I am not sure of the figures.

Mr BEVIS—You may want to take it on notice, but I would be interested to see how many there are and some detail on exactly what units they are with. One of the reasons the Australian deployment has been spared high casualties is the nature of the work they are doing and the location in which they are doing it, as well as those factors of planning et cetera that you referred to. That may not be the case with other Australians on exchange with a British or an American unit. I understand them's the rules, but I think it is important for the committee to have some idea of the Australian troops in that environment.

Major Gen. Gillespie—Certainly, we can take that on notice. I should also say that the measures that we look towards for protecting people who are deployed under our auspices are no different to those for people we have deployed with US or British forces, and there is a very strict approval process before those people can deploy from the United States or the UK into those countries. It is an approval process that comes through the Chief of the Defence Force. With every person that we have in the country who serves with foreign forces, we look at their circumstances—the request for their deployment—we see what it is that they are doing and we make our decision to approve the deployment or not based on the same sorts of factors that we look at for our own people.

Mr BEVIS—Will you be able to give us that information?

Major Gen. Gillespie—Yes.

CHAIR—Are our people in Iraq now operating under Australian command or coalition command? In other words, are they fully under our command with a task to perform or is there a connection to the overall command?

Major Gen. Gillespie—Our forces, from the time that they have been deployed on Operation Slipper, Bastille, Falconer or Catalyst have always been under national command. We have put forces that have been under national command under the operational control of coalition forces from time to time, after we were comfortable with how they were going to be used in command and control processes et cetera, and that remains true today.

CHAIR—So do we have any people in Iraq who are deployed with, say, one of our coalition partners and inserted with other groups?

Major Gen. Gillespie—Certainly the air traffic controllers in Iraq are working very closely as a coalition asset. The ships, the P3Cs and the C130 detachments are working very closely with them. Our security detachment in Baghdad works under national command but has very close and direct liaison with the coalition force in whose area it lives and operates. So we work closely with the coalition on a day-to-day basis, but the point is that all of our forces do that through a national command process.

Mr BEVIS—In East Timor, we relied significantly on merchant navy vessels and crews for some of the transporting arrangements. Did we use any merchant navy for our operations in the Middle East?

Major Gen. Gillespie—I do not think so; I cannot recall any merchant navy. However, we certainly used commercial aircraft as part of our deployment and sustainment regime, but I cannot recall an occasion where we used merchant shipping.

Mr BEVIS—Thank you.

Mr PRICE—Do we have any reservists serving in Iraq?

Major Gen. Gillespie—I would have to take that on notice; I do not know the answer to that.

Mr PRICE—Thank you.

Mr BYRNE—Are there any SAS forces still remaining in Iraq?

Major Gen. Gillespie—There are no SAS forces serving Iraq. The reason I looked a little hesitant in giving you my answer is that it is not to say that individual staff positions and exchanges are not people who are special forces qualified, but there are no special forces operating in Iraq.

Mr BYRNE—Have they been deployed in other countries surrounding Iraq?

Major Gen. Gillespie—There are no special forces deployed in the Middle East at the present time.

Mr BYRNE—The other question I have is in terms of munitions. I had read somewhere that the Americans were providing the FA18s with munitions. I want to confirm whether or not that was the case. If so, how much and what sort of weaponry was provided, how much did it cost and did we pay it back?

Mr Veitch—My recollection is that it was only a few million dollars, but I do not have the details.

Mr BYRNE—Could you take on notice the weaponry that we actually purchased from the Americans, the cost of it and whether or not that has actually been paid back?

Mr BEVIS—Only in Defence do they say: 'Only a few million.'

Mr Carmody—It is a very commercially acceptable practice to be able to have integrated logistics systems with our allies and to be able to take munitions from them and use them ourselves. Otherwise, we would have had to transport those munitions to the gulf and bring them back, and it would have been far more expensive.

Mr BYRNE—In terms of munitions, could you advise how much was actually dropped off those FA18s?

Major Gen. Gillespie—I do not have the tonnages with me at the present time.

Mr BYRNE—I also want to know the number of flying hours, the number of crew that were actually deployed and the cost. I am sorry to dump this on you all at once.

Mr Carmody—Chief of Air Force will be in this afternoon, Mr Byrne.

Mr BYRNE—I will ask him those questions. If they are not answered then, I ask that you take them on notice.

Mr Carmody—Certainly.

CHAIR—You will ask those questions this afternoon, then, Mr Bryne?

Mr BYRNE—Yes, I will. If they are not answered then, I ask that Mr Carmody take them on notice.

CHAIR—We will consider that it will be Chief of Air Force who will take them on notice rather than yourselves.

Mr Carmody—Certainly.

Mr BEVIS—If we had main battle tanks, would we have taken them there?

Major Gen. Gillespie—We did have main battle tanks and we did not take them there.

Mr BEVIS—Let me put it another way, though I think I like that answer. If we had main battle tanks that were seen to be comfortable to operate in a theatre of activity such as that, would we have taken them there? I preface that with the view that maybe there was a concern that our existing main battle tanks may not have comfortably operated in such a theatre of war.

Major Gen. Gillespie—I think the point that CDF was making when he was here this morning was that the main battle tank is part of a mix of forces that we would see being used in defence of Australia and our region, and that mixture of forces with the special forces group that we deployed away did not become obvious. If we had deployed infantry battalions or those sorts of things then there would have been a very different set of issues to look at—the combined arms effect and the protection of our people. But that is all very hypothetical because we did not deploy the forces where would see tanks employed in that mix.

Mr PRICE—CDF was making the point that ADF is heavily involved in training in East Timor. Are we currently involved in any training in Iraq? Have there been any requests for training and is there likely to be a training component left in Iraq—if and when we ever pull out of Iraq?

CHAIR—Did you say 'if and ever', Mr Price?

Major Gen. Gillespie—The answer is yes, we have had a small number of individuals involved in training the new Iraqi army. We have had some on the headquarters of the training team and small numbers of people out assisting with the training of the first battalion.

Mr PRICE—Could you give me those numbers later, please?

Major Gen. Gillespie—Sure.

Mr Carmody—Mr Price, could I add something here. Iraq is attending the Australian Defence College next year for the first time, with three students, so we will be training Iraqi officers in Australia as well.

Mr PRICE—What level?

Mr Carmody—They are attending ADC; I think it is a mixture of the senior course and the junior course, so it would be lieutenant colonel, major and colonel levels.

CHAIR—Would it be the first time in many years?

Mr Carmody—As far as I know, it is the first time Iraq has attended ADC, but we have representatives from a range of other Gulf States attending the Defence College.

CHAIR—So we do have other members.

Mr Carmody—We do have others. I think we have got seven Middle Eastern nations represented at the Defence College next year. Iraq makes the seventh.

CHAIR—So there will be three starting next year.

Major Gen. Gillespie—We have one at the higher college and two at the staff college.

Mr PRICE—What are the other nations?

Mr Carmody—Bahrain, Jordan and Iraq are attending for the first time next year. Saudi Arabia attend intermittently but not for the last couple of years. They are sending another representative next year. We have had Kuwait, the UAE, Qatar and Oman as regular attendees. We do tend to offer places in irregular years depending on our course mix, how many foreign students we have, where they are from and what offers are available. But we have had a Middle Eastern presence for some time.

Mr PRICE—Do you anticipate there will be an ongoing requirement for this training? Is it likely to be stepped up?

Major Gen. Gillespie—I think it is on the public record that the minister has said that we would like to be involved in those sorts of activities, and we are working those proposals up at the present time.

Mr PRICE—Have you got any idea when that might be completed and a forward decision by the government from the minister?

Major Gen. Gillespie—I have some ideas, but I will leave that with the minister.

CHAIR—Good try, Mr Price.

Mr PRICE—I will leave it at that. Thank you.

CHAIR—Is there anything else you would like to add to the answers you have given this morning?

Major Gen. Gillespie—I am happy with the answers.

Mr Carmody—No, thank you, Mr Chair.

CHAIR—I certainly look forward to the publication of the public version. I need a little bit of Christmas reading.

Mr PRICE—Perhaps we could be briefed about it in the new year.

CHAIR—Certainly. On a serious note, we will be raising that issue again. Obviously we will be wanting to follow that through in the new year. Thank you for your attendance here today. If you have been asked to provide any additional material, would you please forward that to the secretary. As a concluding remark, I reiterate what I said this morning: we are all very proud of the operations in Iraq and the professional manner in which the ADF have operated. The fact that we have not lost any personnel is a great credit to the management and risk assessments in a highly volatile and risky environment. Once again, the capture overnight of Saddam Hussein is indeed welcome news for all of us. Whilst ever he remained in a place unknown, we felt that there was a chance that he might re-emerge. That is certainly another risk that has been removed.

We congratulate members of the ADF, and we would be pleased if you could pass that on through the system on behalf of the members of the committee. I thank you.

[11.33 a.m.]

GILLESPIE, Major General Ken, AO, DSC, CSM, Head, Strategic Operations, Department of Defence

ROBERTS, Major General Frank, AM, Deputy Chief of Army, Department of Defence

SWAN, Brigadier Mike, Acting Head, National Operations, Department of Defence

VEITCH, Mr George, First Assistant Secretary, Budgets and Financial Planning, Department of Defence

CHAIR—Welcome. Although the subcommittee does not require you to give evidence on oath, I should advise that these hearings are legal proceedings of the parliament and therefore have the same standing as the proceedings of the respective houses. Would you like to make an opening statement?

Major Gen. Roberts—No, thank you.

Brig. Swan—No, thank you.

Major Gen. Gillespie—No, thank you.

CHAIR—We will move straight on to the committee's questions.

Mr BEVIS—The area of national community support: does it encompass work with the states in relation to counter-terrorism activities?

Major Gen. Gillespie—Yes, it can do.

Mr BEVIS—There will be an opportunity at a later time for the full committee that is looking into this matter to pursue things. A number of us have been involved in hearings around the country talking to state governments about their preparedness and, at a strategic level, there appears to be a fair bit of thinking that has been going on. A number of questions have been raised about interoperability on the ground with a whole range of essential service providers and the response teams as well. How does Defence, from a federal point of view, see the progress that has so far been made in dealing with those issues? If I am wrong in my first assumption that at a strategic level there seems to be a fair bit going on, then correct me, but it does seem to me that that is the case. Is turning that strategic work into a practical outcome way ahead of us yet?

Major Gen. Gillespie—I guess there are two planes to look at there. One is interoperability between us and the police forces to do with counter-terrorism, the incident response regiment et cetera. A lot of work is being done between our special forces command and the various police forces through desktop exercises and exercises with troops, and we are quite comfortable with how they are going at the present time. The bigger issue that you spoke about in a strategic sense is interoperability with the various police forces, noting that in this day and age some of the

terrorist type activities that we are concerned about could be multijurisdictional. A lot of work is being done through the National Counter-Terrorism Committee, coordinated by the Attorney-General's organisation and the PSCC. Whilst I am not closely associated with that work, I know that a considerable amount of progress has been made in the last 18 months in that area as organisations like Emergency Management Australia, the various police forces and the emergency services of the states confront issues of communications, procedures et cetera. As I said, my knowledge of it is peripheral, but significant work is going ahead.

Mr BEVIS—Where is the principal carriage of that within Defence? Where does that lie within Defence?

Major Gen. Gillespie—If it is to do with counter-terrorism, currently the lead on that is the Commander, Special Operations Command, who attends the principal committees, is on the National Counter-Terrorism Committee et cetera. If it is to do with state jurisdictions and those sorts of activities, it will be through the Defence Corporate Support organisation and their principals in the various states, and through Emergency Management Australia.

Brig. Swan—The work that is being done at the federal level is to some extent mirrored at the state level. We conduct exercises and we work the relationships with state governments through my organisation very hard.

CHAIR—I turn to the national support task. The budget papers show that something like $15 million is the cost of the projected results of the national support and estimate $18 million for the forthcoming year. Do those costings include Operation Relex with our coastal surveillance? You outline in the background of it emergency assistance, search and rescue, disaster recovery, surveillance and security in non-emergency law enforcement roles. Is Operation Relex included under the heading 'surveillance'?

Mr Veitch—No, it does not. The Relex money is separate to that.

CHAIR—So it does not come under 'national support tasks'?

Mr Veitch—No, it comes under another area.

Mr PRICE—How much is budgeted for Relex for this year?

Mr Veitch—When you say 'this year' do you mean 2003-04—the new budget—or last year?

Mr PRICE—Sorry; I mean 2002-03 and 2003-04.

Mr Veitch—In 2003-04, there is $17.8 million allocated for continuing the Relex II operation.

Mr PRICE—And in 2002-03?

Mr Veitch—In 2002-03 there was an amount of $22.3 million allocated.

Mr PRICE—So Relex is being wound down somewhat?

Mr Veitch—Yes, compared to 2002-03 it has been wound back to some extent, but not completely.

Mr BEVIS—I want to talk about cadets. This is an issue that has intrigued me for a while. We are now funding cadets, or have been for the last few years. What research do we have to tell us what the return is for the Defence community out of the funding and support we provide cadets?

Major Gen. Gillespie—I am not equipped to answer that. Cadets is not an area that is currently an ADF operation.

Mr PRICE—What about higher readiness cadets?

Major Gen. Roberts—The Director General of Cadets looks after that specifically. Below that appointment there are three commanders who run, respectively, the Navy, the Army and the Air Force cadets. So they tend to be a little bit to one side of the things we deal with day-to-day. I know that from the Army's point of view, in terms of benefits for the Defence community, first of all there is the issue of youth development, which is the broader government objective out of this and I think important for Australia. Specifically from the Army's point of view, the fact that we are seen to be supporting Australia's youth is a benefit. In return, we are now seeing—or I think you will see—more cadets turning up at important events such as Anzac Day or other major significant ceremonial occasions. Perhaps equally or more important than that second point is that there is some emerging data which suggests that 30 or 40 per cent of cadets—and please do not quote me on that figure; that research is not complete but it is in that order—actually do find their way into the Defence Force, whichever service it might be. So there does appear to be, apart from the nation-building aspect or the youth development aspect, some direct correlation between the effort that Defence is putting into the cadets and what you might call the return we receive from it in terms of recruiting.

Mr BEVIS—I have sought information on this a number of times over the years, and I might just again raise the question. The youth development component is a laudable whole-of-government objective, and as long as Defence is fully and transparently supplemented so that Defence dollars are not used for that purpose then that may be okay. I know our committee, when we went to New Zealand, saw some programs that a number of members of the committee thought were valuable in that respect. But I am yet to receive any advice that tells me that the involvement of those cadets in the cadet movement affected their decision as to whether they would or would not subsequently join the Defence Force.

At different points over the years, there has been research done to say X per cent of cadets enlisted. Whether they would have enlisted if they had never, ever joined the cadets is something we do not inquire too deeply into; that is, we do not do broader survey work to identify what would have been the propensity of those individuals or those in that cohort to enlist in any event in the absence of cadets. For example, in the period we had no cadets we still had people enlisting. So the question is not how many cadets subsequently enlist; the question is for the investment we put in as a Defence community from the Defence budget into that endeavour, to what extent does that make a difference for Defence?

If the answer to that is minimal, negligible or nil then the question becomes is Defence fully and completely supplemented in order to undertake this activity? One might accept this as a

good whole-of-government activity, but, given the scarcity of funds that Defence has to do Defence things, I tend to be a bit selfish about where the money goes. I guess the question I again put is: is there any research of that kind to identify not how many cadets subsequently seek enlistment but the extent to which the activity of cadet behaviour has altered their subsequent choices? I think that information would be useful. Frankly, without it I think it becomes very much an argument of old school ties.

Major Gen. Gillespie—We will have to take that as a question on notice and we will get the appropriate people to respond for you.

Mr BEVIS—Thank you.

Mr Veitch—Perhaps I could add a little to an answer I gave to Mr Price earlier on Relex 2. I said that we had allocated $22.3 million last year. I can now tell you what we actually spent for the year. It was $27.8 million. There is a table in the annual report at page 45 that shows what we allocated and spent on all the operations last year.

Mr PRICE—Thank you so much. I turn to the cadets. Basically, all the GPS schools tended to have cadet units. In my part of the world, in Western Sydney, there has been an explosion since cadets were last funded. To what extent have new cadet units been established to follow population trends? I guess you cannot take it, but would you take that on notice? Could you then give us a list, by state, of all the school based cadet units and the ones that are established outside school? Also, just to follow up the point that Mr Bevis made about our visit to New Zealand, we were very impressed with the two schemes that they had initiated, particularly the limited service volunteers. Has anyone in defence had a look at what is happening over in New Zealand and at the high success rate of those two programs? Has any consideration been given to implementing them in Australia?

Major Gen. Gillespie—I am writing furiously here. I do not know the answers to those. That is not something that I am across, so we will take that on notice.

Mr PRICE—I guess it is not strictly about cadets; it is quite outside the framework of cadets—that is, the youth life skills program and the limited services volunteers. Perhaps you could take those questions on notice and get back to me. I am sure that, if the ADF were looking to increase its community support roles, this is something that would be worthwhile. I am sure you are aware that we always get asked—and I am sure that you get asked—about issues such as dealing with the unemployed via conscription. It seems to me that at least one of these programs is a very good, targeted scheme that picks that up, has good outcomes and does not reorient priorities in the way a conscription scheme may.

CHAIR—I have a question about AACAP. The committee visited Palm Island this year, and I have to say we were most impressed. Were you there, Roger, at Palm Island?

Mr PRICE—Yes, most definitely.

CHAIR—We were most impressed with the operation there and the success of it. It seemed to us from our observations that many state and federal government agencies have been trying to improve the situation on Palm Island, and all seem to be bound up in limited success, if not

failure, in some of those programs. The Army have gone in and done a magnificent job, and we could not speak highly enough of that operation. I am sure that the same could be said about other operations around Australia under AACAP. If that could only be continued on Palm Island, you would see a totally changed environment. After the team leaves, we hope that the improvement continues rather than things perhaps falling back into the old ways. Do you go back and monitor the success and the continuation of programs such as those you have operated in, say, Palm Island and other Indigenous populations around Australia?

Major Gen. Roberts—I do not know the specific answer to that. I will find out and get back to you. My immediate reaction would be probably not, because our task is to go there and construct the facilities and pass on whatever expertise we can to the local community. I am not sure it would be within our charter to go back and continually check how that has been embedded and how it is progressing. But I will get back to you on that one.

Mr PRICE—The training programs and the way they link organisations that are perhaps not as well coordinated is really impressive. We expected that the construction would be good, and it was. The committee was really taken by the success of the training programs in getting people into further training and employment. I cannot speak highly enough of them. The construction people were amongst the most enthusiastic members of the Army I have ever come across. They were a credit to you.

CHAIR—A lot of the money was from other agencies. It was money obviously for housing, construction and social infrastructure from both state and federal government. If you are not able to, it would be interesting if other agencies could report back that the program is continuing, because it is state and federal government agencies that provide a lot of this funding. My deputy might dispute this, but I think that generally other agencies have failed in the past. You pulled it all together. There was the issue of the animals on the island—the horses and ponies and the dogs that were there—and the veterinarians you brought in there, the cleaning up of the whole environment and the issue of the housing and the roads.

Mr PRICE—It was a first-class effort.

CHAIR—It was just magnificent.

Mr PRICE—How do communities become eligible for this form of assistance? One of the problems is that, given your success, everyone will want to take advantage of it. I confess to a degree of self-interest here, my electorate having the largest urban Aboriginal population on the fringes of Sydney. Is there any possibility that a place like Western Sydney could be eligible for this type of assistance?

Major Gen. Roberts—I will have to get back on the specifics of the mechanisms by which areas or projects are identified. As you know, it is a cooperative initiative between the Aboriginal and Torres Strait Islander Service, the Department of Health and Ageing and the Department of Defence. They get together to decide the task and the scope of it. As to the mechanics by which they decide whether it will be the Cape, north-west Australia or Western Sydney I will have to get back to you.

CHAIR—We have had the opportunity to visit one of these programs and we have seen the real value in it. I often wonder whether this is widely known in the broader community. With the heightened operational tempo at the moment the general population is very aware of the operation of the ADF in so many theatres in the last three to five years, but very few would know much about AACAP. I think it is probably worthy of a little more public exposure for the fantastic work that they have been doing.

There are a couple of things that have come out of the program. In view of the isolation involved for the personnel working on these AACAP projects, has there been any examination of enhancing the recognition of the ADF personnel operating in these isolated areas?

Mr PRICE—In terms of allowances.

CHAIR—Yes, through allowances or any other recognition. I think we got a sense from the people there—we said they were doing a magnificent job, but they do not get any special allowances for the job they are doing. They are away from home from three to six months, generally. There is no recognition even in the form of a badge for engineers on these operations, albeit they are in peacetime on the mainland or in Australian territorial areas. So has there been any examination of enhancing the recognition of the ADF personnel on these AACAP projects, through remuneration, medals or some other form, for their service? It is obviously a fairly arduous operation for many of them; they are away from home in remote locations. If they were offshore, they would be receiving both, perhaps—for instance, remuneration and some other form of recognition.

Major Gen. Roberts—On the question about whether there has ever been any examination, I do not know. I would have to go and check. More broadly in response to the question you have asked, I would take the approach, first of all, that they are doing very valuable work. I think within the Army we recognise that, and I hope that that recognition does flow through to the soldiers concerned. But, at the end of the day, they are doing what it is that engineers do. I would be reasonably confident that they receive the same entitlements as anybody else who goes away for an extended period in terms of their field allowance, and I would imagine they would also get the separation allowance that goes with being away for an extended period. Does the work they do deserve something beyond that? I would have to go back and check whether we have ever given that any consideration.

Mr BEVIS—I would like to get to some of the more pointy-end issues associated with this. A fairly substantial deployment was noted in the annual report for surveillance of coastline and seeking unauthorised boat entries. If I have read the annual report correctly at page 91, we are looking at about 2,600 flying hours for P3Cs and the best part of 2,000 Fremantle class patrol boat days dedicated to Operation Relex II. On the face of it, that seems to be a very substantial allocation of resources. Two things come to mind from that: (1) what are the costs involved and (2) what were they doing before Operation Relex that they are now not able to do?

Major Gen. Gillespie—The ADF contributes 1,800 patrol boat days per year and 250 P3C hours to the civil surveillance program which is coordinated by Coastwatch. The ADF's contribution is provided under what we call Operations Cranberry and Mistral. We provide ADF surveillance in the north for border protection through Operations Cranberry and Relex II. The figures you have in the report are an accurate reflection of what we are doing. As to what we

would have been doing if we had not been doing that, in a high-tempo operational organisation such as ours, we would be doing a lot more flying with P3Cs, antisubmarine warfare and those sorts of things; we would be keeping up our skill sets. Having said that, what we are about doing is meeting the government's requirements of us at the present time for security, which includes border protection and surveillance of our coastline.

So those hours are consumed in border protection against the illegal arrival of people, border protection for our fisheries and border protection in helping civil agencies strictly on security issues, such as the importation of drugs, weapons and those sorts of things. It is a bit hard to ask what we would be doing if it were not for those operations, because what we are actually doing is meeting one of the government's key security initiatives, which is protection of the border.

Mr BEVIS—I appreciate that Defence is undertaking this as a requirement of government policy, but if I am reading page 91 correctly, the 250 flying hours you referred to are only a small part of the P3C surveillance; I think the total is 2,600 plus flying hours.

Major Gen. Gillespie—The 250 hours that I am talking about are part of the civil surveillance program. Defence, in its security requirements and tasking, provides quite a number of aircraft hours in meeting the security and border surveillance that is beyond what we call civil surveillance, which is managed by Coastwatch. This is to do with our own national intelligence processes and those sorts of issues.

Mr BEVIS—The annual report identifies that the 2,600 hours specifically related to Relex II, which, as I understand it, dealt solely with seeking out unauthorised boat arrivals. So I assume that the P3s are continuing to perform the other activities just described. I am interested to know the training hours over the last couple of years, so that I can get some idea of a comparison of the hours spent by P3C crews on antisubmarine warfare training programs. I understand that the government determines the priorities, and so be it. But the specific role of the P3Cs in antisubmarine warfare is, I would have thought, a high priority in any configuration of Defence assets, and I want the committee to be satisfied that the level of training our crews are getting now is comparable to what they were getting a few years ago.

Major Gen. Gillespie—That question would probably be more appropriately put to the Chief of Air Force. However, just recently, the Air Force won an international antisubmarine warfare competition which they have not won for many years, which is testament to their preparedness to seek out submarines under the most difficult circumstances. So the questions on hours and how that is done are strictly for the Air Force. Regarding the outcomes that you are aiming at, a pretty good testament came last week or the week before, when we won the Fincastle competition against probably the best people in the world at this type of activity.

Mr BEVIS—Yes, I saw that, and I think it tells us that that crew is very good. What it does not tell us is whether or not our P3C fleet are getting the training they need. But I agree it tells us that some of them are doing the job exceedingly well.

Major Gen. Gillespie—With the operational tempo of the P3s, I think that assessment is a bit unfair. With border protection and service in the Middle East, the organisation of our P3s does not allow us the latitude of taking crews away for long periods of time and training them specifically for that.

Mr BEVIS—When I get the comparative figures that I have just asked for, I will be able to make that judgment.

Mr PRICE—I think it is 'deuce', isn't it?

Mr BEVIS—Yes, that is right; it will either confirm or reject my prejudice.

Mr BYRNE—Following on from Mr Bevis's point, if you look at pages 100 and 101, a number of programs, including Prowler, Beachcomber, Osteal, Mellin, Solania and Celesta, are dormant or not currently active. For example, Operation Celesta was to conduct surface fishery patrols. Operation Celesta's scheduled patrols were not conducted in 2002-03. Operation Solania, which was to conduct south-west Pacific maritime surveillance patrols, has a dormant status and has remained in abeyance due to higher operational commitments. So you are saying quite clearly in your own report that some of your surveillance programs have been compromised or are not able to be achieved because of the reordering, shall we say, of priorities.

Major Gen. Gillespie—I would not say that they have been compromised; I would say that there are more demands on our P3 fleet than we can handle. We allocate them according to priority, and that would be the same whether or not we were participating in Relex. The other thing about some of those dormant activities, for example, Celesta, is that they are very much intelligence-driven. We only fly those operations because of where they are and because of the nature of the missions that we do if we have intelligence that gears us towards the possibility of a positive outcome.

Mr BYRNE—Are you saying that, if there was intelligence, you would resume those patrols?

Major Gen. Gillespie—Yes.

Mr BYRNE—What about Solania, for example?

Major Gen. Gillespie—Yes.

Mr BYRNE—So you are saying that, if you had intelligence that might lead you to say that you needed to increase patrols, you would put them back on line?

Major Gen. Gillespie—If we had intelligence or, if in the case of the Solania patrols, where fisheries patrols in some way had a dramatic increase in terms of a national security perspective, we would go back and do those sorts of things. We start with the deployment of ADF assets at the high priority end of security areas and whatever we have left over in ancillary effort at the end of it we can put into things like fisheries protection tasks.

Mr BYRNE—And intelligence gathering, as you were saying—which seems to be ongoing. For example, Solania has been ongoing since 1988. Are you saying that if you diminished the number of flying hours and craft that were used in Relex, you would potentially resume some of those operations? Is that correct?

Major Gen. Gillespie—Only if the priority demanded that we do that. We have a whole range of activities out there. Not only in the Air Force but throughout the Defence Force we have

limited assets in some areas and you work strictly to a list of priorities. National security is at the top of the list and it goes all the way down—for example, in this case to fisheries protection for small states in the south-west Pacific. If the government was becoming concerned that the fisheries of some of these small states were being adversely affected by illegal activities, that would change our priorities and that is how we would be used.

Mr BYRNE—These things aren't just fisheries, though.

Mr PRICE—It is fair enough that you will always give your weight to the highest priority task—I have no problem with that—but how do we know that there was not a patrol done that could have been done in different circumstances if there had not been a higher priority call?

Major Gen. Gillespie—I am not quite sure where you are heading.

Mr PRICE—It is pretty hard to argue that there is no debauching of our fisheries near the Antarctic or in the South Pacific. I think the thrust of the questions is: given the higher operational tempo of the ADF and your tasking priorities, were there instances where a patrol might otherwise have been undertaken if you were not at such a high tempo?

Major Gen. Gillespie—I think the answer to that is: of course. If the ADF were in a strictly peacetime environment without pressures of national security on us, we could do a whole range of other tasks and training. The reality of it is that we live in a world where those pressures are on us and we use our platforms in accordance with the priority lists that affect us—starting at the top with national security.

Mr PRICE—I do not want to get into a different argument about a coastguard, but part of the essence of coastguard and that sort of surveillance is that there ought to be specific assets available for lower priority tasks all the time. In such a situation is it reasonable to say that that surveillance may have been conducted?

Major Gen. Gillespie—No. In fact, I think that the way Defence does its business at the present time actually enhances the surveillance effort—for example, all of the hours that we fly on Relex. Everything that we see whilst we are there is reported back through the Coastwatch organisation and to authorities. By casting as broadly as we do with our border surveillance type activities, we are actually enhancing the efforts of organisations like Coastwatch, the Australian Federal Police and others who are interested in border security.

Mr PRICE—So if we get some people smugglers operating out of Antarctica, we will be able to catch those illegally fishing?

Major Gen. Gillespie—I think our record on the apprehension of illegal fishers in the Southern Ocean is pretty good. Every time we have gone to do it, we have got somebody.

CHAIR—I want to go back to AACAP. Do you have any plans to extend AACAP or will it continue running the way it is?

Major Gen. Roberts—I think it will largely continue the way it has. We have a program planned for next year, 2004-05. There are no programs planned beyond that, as yet. That is not to

say that we do not intend doing them; it is just that, as far as I understand it, the issue is getting the money into the government's budget to allow the program to continue into the future. Certainly the Army's view is that, subject to the government providing the funding to the Aboriginal and Torres Strait Islander group and the desire for the government to keep this going, we will be able to continue doing it.

CHAIR—Have you considered putting AACAP into a place like the Solomons or East Timor?

Major Gen. Roberts—First of all, when an operation is on, such as the operation in East Timor or the current operation in the Solomons, the construction engineers deploy forward to provide support to the deployed force or to other tasks within the area of operations that I guess the government and the CDF deem appropriate to happen. There is also a program of activities where we provide defence assistance within the South Pacific area through the defence cooperation program where engineers are deployed to those islands to build infrastructure in support of those local defence forces. So, whilst it does not have the strong social overtone that you have commented on previously through, say, the Palm Island experience, that sort of work is more a facilities oriented thing and occurs both within an AO on an operation and beyond that through the defence cooperation program.

CHAIR—If they were part of one of those defence cooperation programs, would they be recognised in any form for their service offshore? I am reflecting some of the feelings the committee heard when we met with AACAP personnel. Whilst we value their work—and I have spoken very glowingly of what is a wonderful program—I think they sometimes feel that way when they are in their remote locations for extended periods of time and even when they are part of those defence cooperation programs. Has recognition of that service ever been considered?

Major Gen. Roberts—Not for the defence cooperation program. The people who are deployed forward into an area of operation to undertake construction tasks there would be entitled to the same conditions and recognition as everybody else is, within that particular area. But the defence cooperation program is a peacetime task. There is no out-of-the-ordinary risk involved in them doing that. So I think my answer to your question would be no.

Mr BEVIS—My question is on a completely different issue—civil rescue. When people decide to try to sail around the world in a canoe or, indeed, in some of the round-the-world yacht races that we have witnessed across the Great Southern Ocean, is there contact between those undertaking these events and the Australian Defence Force so that we have some idea of where they might be planning on sailing, or do we just find out about it when a distress beacon goes up and we see which of our assets is closest to pluck them out of the water?

Major Gen. Gillespie—Not to my knowledge. Certainly in my time we have had no major organisers come to us—some would. Civil aviation regulations cover the sorts of activities to do with aircraft. I know that, in a maritime sense, vessels have sail watches and those sorts of things that cover them, but that does not necessarily cover where they go and what they do. I do not think the round-the-world yacht racing organisations come to us and say, 'Can you sail into the Southern Ocean and pick us up?'

Mr BEVIS—This may not have been the last incident, but I think I am right when I say that in a Whitbread round-the-world yacht race some years ago a number of yachts got into trouble

when they decided to go south to get stronger winds across the Great Southern Ocean. Have we sought proactively to contact the organisers of these sorts of events, firstly, to establish some agreed sea lanes that they might seek to confine themselves to and, secondly, heaven forbid, to suggest that they might actually make a contribution to some of the rescuing that inevitably happens in our waters?

Major Gen. Gillespie—In that sense, no. I should clarify what I said first of all about them approaching us. A lot of organisations will approach Defence—probably through CSIG organisations and so on—if they are trying to attract support for berthing facilities, ships to be present as they sail, firing the starting gun and those sorts of things. We get lots of approaches like that, and there are pretty simple procedures for handling it, but down in the Southern Ocean trying to tell yachtsmen which way they will go—no.

Mr BEVIS—Have we ever initiated discussions with the organisers of these races? It seems that recently there has not been a spate of incidents like there was some years ago, when there were a couple of them each year, but have we actually sought to negotiate with these people some process for their own safety and for cost recovery for plucking them out of the water? I must say that one of the things that sticks in my mind with a couple of these incidents from a few years ago was that there are very large corporates involved in sponsorships of some of these events. It is not your weekend yachtsperson or adventurer involved; there are major corporations with major advertising attached to these events. If something goes wrong—and in our part of the world that is a real possibility—the Australian taxpayer does the right thing, digs deep and looks after them. I think where there are organised races of this kind with major corporate backing it may well be that the backers should be willing to underwrite some of this activity.

Major Gen. Gillespie—From my corporate knowledge, which runs back 18 months in my present position, we have not done anything of that nature. I will endeavour to find out if we communicated with them in those times, but I would harbour a view that Defence would not be the engaging organisation for that. The department of transport and other organisations in government would handle that.

Mr BEVIS—Yes, that is probably right. I assume I will get some information comparing, for example, the Orion training—say, circa 2000—and what is reflected in the current annual report?

Major Gen. Gillespie—I hope CAF is watching, but we will transfer the message.

Mr BEVIS—Very good; thank you.

CHAIR—That is all the questions the subcommittee has for you. Would you like to add anything to what you have said?

Major Gen. Gillespie—I think I will follow the well-established principle and say nothing more!

Mr BEVIS—It is a cunning plan of silence!

Major Gen. Roberts—Chair, I would like to thank the subcommittee for the kind remarks on the AACAP. I will ensure those comments get to the soldiers concerned.

CHAIR—Yes, we really do appreciate what they are doing. I think the thing is that it is little known to the broader public. I would have loved to have taken over a media crew to show the wonderful work they are doing, like we have seen in East Timor, Bougainville, the Solomon Islands and Afghanistan. They get a view of the work the ADF are doing. I think that is an element that gets a little bit lost in the high tempo of activity at the moment. Thank you for your attendance today.

Major Gen. Gillespie—Before we finish, I have more information on a question asked by Mr Bevis about whether or not we had used merchant vessels. We have checked through staff records and the answer is no. I was correct in my initial assessment: we have not used any merchant shipping in the Middle East.

CHAIR—Once again, thank you very much for your time and the way you have answered our questions today. If you have been asked to provide additional material, please forward that to the secretary. We will commence after lunch with the defence white paper and capabilities issues.

Proceedings suspended from 12.19 p.m. to 1.34 p.m.

CARMODY, Mr Shane, Deputy Secretary, Strategic Policy, Department of Defence

CLARKE, Air Vice Marshal Kerry, AM, Head, Capability Systems, Department of Defence

HOUSTON, Air Marshal Angus, AO, AFC, Chief of Air Force, Department of Defence

RITCHIE, Vice Admiral Chris, AO, RAN, Chief of Navy, Department of Defence

ROBERTS, Major General Frank, AM, Deputy Chief of Army, Department of Defence

SHALDERS, Vice Admiral Russ, AO, CSC, RAN, Vice Chief of the Defence Force; Department of Defence

CHAIR—I welcome representatives from the Department of Defence who are giving evidence on the Defence white paper and capability issues. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceeding of the respective houses. Before I ask you to make any opening statements, we have been provided with exhibits—they are the documents entitled the *Evolving force: enhancing the Defence Capability Plan* and *The evolved F111*. They are discussion papers by Dr Carlo Kopp and Dr Adam Cobb and were provided to us on 3 October 2003. Is it the wish of the subcommittee that these documents be received?

Mr BEVIS—People have provided that to us with the expectation that they would be exhibits, yes.

Mr PRICE—Yes.

CHAIR—These will be taken as evidence in the subcommittee's records as exhibit No. 1. There being no objection, it is so ordered. Who would like to open the batting with an opening statement?

Vice Adm. Shalders—I have no opening statement.

Vice Adm. Ritchie—No.

Mr BEVIS—A wise tactical decision, gentlemen.

CHAIR—As I said at the start of the hearing this morning, on behalf of the committee I would like to say that the operations of the Australian Defence Force in the last 12 months—particularly in Iraq at the moment and the other deployments throughout our region and throughout the world—have been exceptional operations. The capture of Saddam Hussein last night obviously brings forward for us all a new dimension of greater relief for the situation in Iraq. Perhaps that does have implications for us all down the track, of which we discussed a little this morning. On behalf of the committee, I extend to our service chiefs and members who were not here this morning our thanks and our congratulations to those people who have been

operating in Iraq in very difficult and trying conditions. The fact that there has been no loss of life is a great credit to the training and risk management of our deployed forces. We certainly thank you and would like our congratulations passed on to members of the Australian Defence Force on what is still a very difficult and demanding operation but one in which we all have great pride.

Last night's capture of Saddam Hussein brings forward a new dimension. Although Australians were not directly involved in the capture, the Australian Defence Force are obviously part of the operation in Iraq and should share in the credit that is rightly due to all members in finding someone who we did not know was dead or alive. The fact that he is alive and in captivity gives us all great heart that another element has been removed from the risk factor of potential future threats. I will now ask the deputy chair of the subcommittee, Mr Price, if he would like to open the batting for the committee.

Mr PRICE—I would like to turn to the white paper where it says that we should be able to mount a brigade level operation and, concurrently, a battalion level operation. How many non-existent army units are required to be activated to sustain, or to meet, the white paper requirements?

Major Gen. Roberts—Certainly, for the first rotation through—when you say 'non-existent army units'—we can do what we are asked to do. The longer that rotation plan for that brigade offshore goes on, clearly the more demand there will be if you get into a routine of a group preparing to go, a group already in theatre and a group coming back which is resting. For the sorts of contingencies that we have had to deal with up until now, the approach has been firstly to group the force according to the task. Largely speaking, except for considerably extended operations, we should be able to do that. Secondly, the approach has been to utilise the Army Reserve as best we can to fill any gaps that may exist in the extant force structure.

I will answer your question in two parts. For shorter duration tasking, such as that which we have had up until now, the force in being, with the assistance of the Army Reserve, has been able to meet the tasking the government has asked of us. Were we to go to the extreme end of that spectrum and have an INTERFET-plus size group deployed offshore for a considerable period of time then the force structure would be placed under some strain.

Mr PRICE—And units that do not exist would be needed to be formed and trained? Isn't that what the Army sustainability model shows?

Major Gen. Roberts—The Combat Force Sustainment Model—if that is what you are referring to—certainly identifies that there are some gaps in the Army force structure if you were to take that model as a template and do nothing more. But that suggests you do not have the ability or were not prepared to mix and match and to move people around to achieve the desired outcome.

Mr PRICE—I asked CDF this and he kindly suggested that I ask you. Given that the regional response forces are blended units, what is the time line once you make a decision to use them to get them together and get them to where they are required?

Major Gen. Roberts—As you know, we have only just stood these organisations up. In fact the majority of them came online with effect on 1 December. So our approach has been to take an incremental path down this readiness requirement for them. At the moment they are on 28 days notice to move. Once we become more familiar with how they work—as you say, how that melded team comes together—we could well reduce that readiness notice further. In saying that I think the first thing we need to understand is that they are a reserve based force and we are trying to get a team, a formed body of troops, out of them as opposed to the traditional method with reserves, which has been to ask for volunteers to step forward. If you want to actually get the team together, I guess you have to give these people sufficient notice to allow them to extricate themselves from their everyday life. If, however, there were a very short notice emergency that was unexpected then presumably we would do what we have always done, which is ask those people who are available to come forward immediately. You would have to say that the reserves' history in that regard has been very good: when called upon they have always managed to step up to the line and do what is asked of them.

The other point I would make to you with regard to 28 days, 14 days or whatever readiness notice we finally end up imposing on these people is that we would be making use of the whole of government threat warning system as well. So, whilst you could say from a standing start we are talking about 28 days—or whatever that moves towards—in effect as the threat changes and as the warning indicators come out it is open to the commander on the day, the CDF, to progressively reduce that readiness notice as the circumstances dictate.

Mr PRICE—When do you anticipate being able to determine what the final readiness would be of these forces?

Major Gen. Roberts—I cannot specifically answer that question, because I am not sure we have moved to the point of doing it. We have just stood them up. We are in the process of validating their training and making sure they have the equipment that they need. My guess would be by the end of next year, having had 12 months of these things in operation, having got some feedback from the soldiers and the commanders and having got further guidance from the department and the government as to what may be required of the RRFs, we would be in a position to do that.

Mr PRICE—Apart from the ready reaction force, are there any other high-readiness troops in the reserve brigades? If so, what are their numbers?

Major Gen. Roberts—At this stage there are not. The regional response forces are the first echelon of high-readiness reservists that the Army has introduced. We certainly do have plans to expand the HRR concept to pick up some other tasks. The first of the two groups that come to mind immediately—and I emphasise we are still planning how we might do this—would be what we are calling force protection companies. This is the notion, should our headquarters be deployed overseas, of whether there is a role for the Reserve to provide a company of soldiers to provide protection for that headquarters. The second group that we would see having some relationship to the high-readiness reserve would be the round-out elements for the Regular Army ready forces. So, for domestic security, we would have the regional response forces—

Mr PRICE—How big are they at the moment?

Major Gen. Roberts—The regional response forces?

Mr PRICE—Yes. It is one company per battalion, isn't it?

Major Gen. Roberts—No, one per brigade. There would be one in Townsville, one in Brisbane, one in Sydney, one in Melbourne, a smaller group in Hobart, I think, one in Adelaide and one in Perth. The 1 Commando Regiment, which is the Army Reserve commando regiment, also has an RRF itself which I think takes in Canberra. Each of those RRFs is approximately 120 people in strength. Going back to my point: you will have RRFs, eventually we anticipate you will have the round-out people the regular ready forces and you may have those force protection companies to protect the headquarters or some other installation overseas.

Mr BEVIS—Earlier today Mr Price asked some questions of the Chief of the Defence Force, and it was suggested that it might be worth while raising them with you. Firstly, I want to talk about an issue I raised this morning of our F111 and FA18 replacements and the question of process. As I understand it, we no longer have a process of evaluation of various options by a participant at some level in the JSF program. What is the benefit that we derive from declining to operate the normal processes that Defence would otherwise undertake for the evaluation of a new platform? What is the value to us in not going through that evaluation phase?

Air Marshal Houston—I suppose I should kick off on that question. We have joined the SDD phase of the joint strike fighter project as a level 3 partner. That gives us considerable advantages which I think we have briefed you on before. Essentially, we have committed to the joint strike fighter. I think that is a good decision because, of all the candidates that might have been on that list—indeed, were on that list—as part of Air 6000, there were only two fifth-generation aircraft. I think a fifth-generation aircraft is bound to be more capable than a previous generation aircraft, and the only two aircraft are the F22 and the F35. They are both manufactured by Lockheed Martin, and I think the really big difference is in cost. Simply put, I do not think Australia can afford to go out and buy the F22. We are much better off going for a multi-role capability, which the F35 joint strike fighter provides. I think going in at this stage is a sensible move. It eliminates a lot of unnecessary staff work—there were a lot of candidates on that original Air 6000 list that I do not think would have made it much further anyway, for a variety of factors. I think we have made a commitment and we are headed in that general direction.

Mr BEVIS—That is not quite the question I was asking. I have no difficulty with us participating in the JSF program. That is not necessarily in conflict with us conducting an evaluation of various platforms that we might want to use to meet our requirements as distinct from whatever may come out of the end of the tunnel of the JSF program. The question that seems to me to be still standing is not what benefits we get out of participating in JSF one of the development partners but what is the benefit for us in not conducting an evaluation? Or did we just get it wrong when we set up Air 6000 to start with? Did we make a mistake there? Should we have just not set up Air 6000? There is nothing new that transpired between when we set it up and when we decided to dispose of it. Was that when the error was made? Should we never have looked in the first place?

Air Marshal Houston—We did an enormous amount of staff work as part of Air 6000 and, as we worked through that, it became quite clear that the F35 was by far and away the best of the options available for Australia. If you remember, aircraft like the Sukhoi 30 were on the list, as

was the Gryphon, the Eurofighter, the current generation F16 and F15 and the Rafael. Of those aircraft, only two were fifth generation. One of the important things that both those aircraft have over all the others is a stealth capability. Stealth gives you an enormous advantage in the air combat environment. We are looking at all the candidates and, by virtue of the combination of the fifth generation technology that was going to be available—stealth, better situational awareness for the pilots, improved sensors—when we did the staff work initially it was quite clear that the joint strike fighter stood out as the aircraft for us.

Mr BEVIS—As much as I respect your advice, I have to say I would feel more comfortable receiving that advice at the end of a normal evaluation program, which it seems to me we undertake for just about every other platform and have in the past for these sorts of major platforms. There is one downside to the fifth generation option, and that is time. When the government decided it would no longer look at any other alternatives and would close down that evaluation process, when was it intended to keep the F111s flying until?

Air Marshal Houston—If we go back to the white paper 2000, the plan for the F111s was withdrawal between 2015 and 2020.

Mr BEVIS—If I move from the question of process to the question of capability, that seems to me to raise another set of dilemmas. We seem to be entering an environment in which we will retire the F111 earlier than was originally anticipated and presumably upgrade the F18s by some measures, but we will not then have a replacement aircraft for potentially four, six, seven or eight years—that is, between the retirement of the F111 and the date on which we would expect our F35s to be in service.

Air Marshal Houston—I do not think that is actually the case.

Mr BEVIS—Please correct me.

Air Marshal Houston—Essentially, we are looking to introduce the F35 joint strike fighter from 2012 onwards. The project is going quite well at the moment and we are pleased with the way it is progressing. You seem to be suggesting that there might be a capability gap.

Mr BEVIS—Certainly plenty of people have.

Air Marshal Houston—Let me give a perspective from the Chief of Air Force. There will not be a loss of strike capability. What we intend to do is basically give the strike capability to the FA18 and the AP3C. Before we can do that a number of things have to happen, and they are on the public record. We need to have the full introduction of the AEW&C, the full introduction of the air-to-air refuelling tankers, the full upgrade of the Hornet with an improved EW soft protection suite, an improved targeting pod, the integration of a follow-on stand-off weapon and the completion of the bomb improvement program so that we can drop either JDAMs, satellite guided munitions or laser guided munitions. We would also put the follow-on stand-off weapon on the AP3. Once we have done all of that, we will have a good strike capability.

There has been a lot in the papers about this concept of throw weight. The concept of throw weight is something that goes back to the Cold War, where you were comparing nuclear force against nuclear force. If you have a look at what happened in recent conflicts around the world,

carpet bombing—indiscriminate dropping of dumb bombs—is very much in the past. In the Gulf War, eight per cent of what was dropped was precision munitions and everything else was dumb. This time around it was 75 per cent. We are moving into an era where precision is what it is all about.

All of the bombs that we, the Royal Australian Air Force, dropped in Iraq were precision guided bombs. I would go so far as to say that we, as a nation that worries about collateral damage, would always endeavour to drop precision munitions. When you drop precision munitions, you do not need as much high explosive in the weapon that you are dropping. So when we eventually field the joint strike fighter with eight small diameter munitions in the bomb bay—and each of them will be precision guided by probably either laser or satellite guidance—we will have a very capable aircraft that will basically match what we can do now with an F111. By the way, if we want to use it as a bomb truck, it actually has more weapon stations on the wing than an F111 does.

There has been a lot of loose talk in the media about the capability of the joint strike fighter. There has also been a fair bit of talking up of the F111. I think the F111 is a very capable platform right now. It is going great guns at the moment. But about 18 months ago I was seriously concerned about its future. We had had a wing breakage, a fuel tank implosion and major fuel leaks. We are having all the symptoms of an ageing aircraft and, as a sole operator, there are some considerable challenges for Australia to maintain that capability in service. So we have had a very good look at all the factors that are at play here, and we assess that the risk of loss of capability goes up from what it is now—medium—to high at the end of the decade.

The other factor that is really important here is that, if we look back over the last few years, the F111 has cost us an extra six per cent per year over the last few years. We project into the future that it will continue to cost us more as each year passes. We are working on five per cent compounded, which is probably a fairly conservative estimate. So, for reasons of capability and cost, we think the decision we have made is a reasonable one and gives the Australian government and the Australian people a good strike capability well into the future. The interim capability is different from that provided by the F111 but, with wide bodied tankers, an upgraded FA18, follow-on stand-off weapons and the ability to drop either laser guided munitions or satellite guided munitions, we think we have a reasonable capability.

Mr BEVIS—There are a couple of points there that I would like to go to. We could probably all discuss with our crystal balls when the JSF is going to be in service here and how well the program is going, and I guess it depends on which bit of information we are reading. I do not particularly want to get into that. I am happy for the purposes of today to accept your advice on that. But, assuming we get the upgrades to the FA18 and the other assets that you described, how would you rate the survivability of that aircraft in a hostile environment with the sorts of aircraft that you earlier referred to, such as the Sukhoi 30?

Air Marshal Houston—The Sukhoi 30 is a very capable aircraft, but obviously the weapons it carries are the crucial thing. The other thing that is important is how well they are employed, how well they are supported and how well the pilots are trained. I think our pilots are world's best standard in terms of training, and I think they will continue to be a good match for anybody. You mention survivability. I point out that we also assess that, with those sorts of capabilities being deployed in the region, the F111 would have to be escorted by FA18s anyway.

Mr BEVIS—Do not misunderstand me. I am not arguing the F111 case.

Air Marshal Houston—No. I am just saying that. The reason we planned those upgrades to the FA18 was to cater for the exactly the sorts of developments that we are now seeing in the region. I guess my predecessors anticipated that we would face a stiffer challenge in maintaining the qualitative edge within our region towards the end of this decade. That is why we have all of those upgrades to the FA18 in place. Once we have those upgrades I think we will be more than a match for the opposition, particularly when supported by AEW&C, air-to-air refuelling tankers and so on. Also, the quicker we become a network-centric force rather than a platform based force the better off we are going to be.

Mr BEVIS—Unfortunately, this takes me back to where I started, because I know that, in the early stages of considering what our replacements might be, some of the competitors—that is, people bidding for proposals other than the JSF—had models of survivability that did not make me feel all that relaxed looking at the sort of configuration you have described. But I will never really know the answer to that through the normal processes, because we no longer have the normal processes to evaluate them. There is one other issue on that that I want to raise, and that is the question of tankers because of the inherent limitations of the FA18. Some advice the committee received on that following the experience in Operation Iraqi Freedom was that, if we wanted to have air tankers to refuel a fleet of, say, 70 to 100 aircraft or thereabouts, you would want 20 to 25 tankers. I think we are getting four or five?

Air Marshal Houston—We are getting up to five. In terms of the number required, I would like to take away the figures you just gave and come back to you to give you some better advice on what we can and cannot do.

Mr BEVIS—I would appreciate that. It will mean more to you than to me, but the advice we received came from a conference on 30 April—a CENTAF review of Operation Iraqi Freedom. I cannot attest to its accuracy, but I would certainly appreciate your advice on it.

Air Marshal Houston—Certainly the more tankers you have, the better off you are. During Operation Iraqi Freedom the US Air Force would have liked to have had a few more tankers, but they will always want more tankers. If I could come back to you on that, I would appreciate it.

CHAIR—For my benefit and I hope the committee's as well, could you give us an understanding of the different capabilities of an F35 and an F111? As is proposed in the plan for the F35, we are part of the project, and I know the project may vary on the way through. But in terms of capability, do they have similar ranges and payloads or are they different? Is one faster than the other? I do not know.

Air Marshal Houston—You are really comparing apples with oranges. The joint strike fighter F35 is a true multirole air combat aircraft. It can excel in the control of the air environment and in any form of strike operation. The F111 is really a one-mission platform. It is a strike aircraft: it can do land strike and maritime strike, and it can do close air support as well, but it cannot do anything in terms of control of the air. It has a rudimentary capability but it is very deficient in that role, whereas the JSF will cover the whole spectrum of air combat and will cover it very well.

CHAIR—In terms of the planned range of the F35, how does it compare to the F111?

Air Marshal Houston—We intend to go for the conventional take-off and landing aircraft. The F35 has much longer legs than an FA18 but not quite the legs of an F111. However, with air-to-air refuelling, it will give more than adequate range for anything that we might want to do.

CHAIR—Does the F35, compared to the FA18, have a similar sort of payload?

Air Marshal Houston—If we are just talking about tonnes of bombs, the F111 can carry more, but, as I said, what is important to compare in the future is the number of precision munitions that the aircraft can carry. Whilst the F111 can carry a little bit more precision weapons than the F35, the comparison is not as great as you might imagine.

CHAIR—Why would we be going for just the conventional take-off and landing aircraft? There are three versions, I understand, and conventional aircraft can carry in a kind of adjunct sort of way.

Air Marshal Houston—The conventional take-off and landing aircraft is considerably cheaper than the other two variants. The carrier based version will be a much heavier aircraft because it has to operate off aircraft carriers. It has all of the landing gear and the heavy equipment that is required to operate off a carrier deck. The vertical landing and short take-off aircraft obviously has a much shorter range and is much more expensive. Whilst it is very reasonable over short ranges, it is quite limited over longer distances. It will also operate to lower G limits than the conventional take-off and landing aircraft.

Mr BEVIS—That has run into some weight problems. I was not planning on getting into this discussion but the chairman's question sort of prompts me to. Given our involvement in the JSF program, are we concerned about the difficulties that have been encountered with the weight to power ratio problems, which have impacted most substantially on the vertical take-off variant?

Air Marshal Houston—I do not think there is a problem with the power to weight ratio; I think there has been a problem with weight, and those problems are greatest on the V-style model. I am not concerned about the weight problem as it applies to the conventional take-off and landing aircraft. I think those problems are manageable.

Mr BEVIS—Manageable in the sense that you reduce the range or you reduce the payload or is there a solution to the weight?

Air Marshal Houston—The project is working on the issues at the moment. I would hope that we get further weight reduction, but the weight issues are not major issues. They do not give me major concern—put it that way—and, indeed, nor do they give any concern to some of the people I have spoken to in the United States.

Mr PRICE—In terms of the FA18 improvements, could you run through what improvements need to be made and in what timeline they will be made?

Air Marshal Houston—What I can do, if you like, is run through the Hornet upgrade program. In the first phase we upgraded the communications, navigation and identification

system. In HUG 2.1 we upgraded the radar; we have now got an APG 73 radar. That was the aircraft that we sent to the Gulf, and it performed very well. The combined interrogator transponder made it very useful in the air-to-air environment and, with the new radar, it went very well. With HUG 2.2 we have the joint helmet mounted cueing system, colour displays and Link16. Link16 is vital to give us that network enabled capability we need in the defence force of the future. It will enable us to link up with the AEW&C and, if necessary, remain passive. It gives us a lot more tactical options than otherwise would be the case. We will also have the software upgrade, and that will enable a lot of other things to be done to the jet further downstream. HUG 2.3 is the EW self-protection upgrade. HUG 2.4 is the replacement of the target identification and designation pod, and HUG 3.1 and 3.2 are structural refurbishment phases that will enable the aircraft to continue operation into the future.

Mr PRICE—What about time lines?

Air Marshal Houston—HUG 2.1 was completed earlier this year; HUG 2.2 should be delivered by about 2006. I have not got information in front of me for the EW self-protection. The new pod will be in by about 2006 and we will be embarking on HUG 3.1, the minor structural refurbishment, in the near future. I have not got a completion date for you. EW self-protection will be complete no later than 2009.

Mr PRICE—With the AEW&Cs, isn't there an option for an additional 10 per cent and you can get two more in terms of the price?

Air Marshal Houston—The government has an option available to it to purchase two more AEW&C if they decide to go that way.

Mr PRICE—When does that option run out?

Air Marshal Houston—I believe the option is open to us until the middle of next year.

Mr PRICE—Has the government sought recent advice on that option?

Air Marshal Houston—I think the government, as part of the defence capability review, confirmed the decision it made as part of the white paper 2000 that it would still—

Mr PRICE—So it is four, is that what you are saying?

Air Marshal Houston—Yes.

Mr PRICE—When do you anticipate the five tankers will be in service?

Air Marshal Houston—It should be 2007.

CHAIR—Has the decision been made on the tanker?

Air Marshal Houston—It is out for tender at the moment. The tenders are being assessed.

Mr PRICE—Are you able to indicate how many Global Hawks you are looking at and what time they might be in service?

Air Marshal Houston—We anticipate around five, with a view to introduction to service around 2009.

CHAIR—In relation to the airborne early warning and control aircraft system, we have got four on order with the possibility of ordering another three—is that correct?

Air Marshal Houston—Four are being worked at the moment as part of the project, and there is an option for a further two—but only two.

CHAIR—I see three, but it must have been two.

Air Marshal Houston—The confusion probably goes way back. The original project had an option of three but it was reworked, if you remember, in 1999-2000.

CHAIR—How critical are the additional two for our capability—that is, having six rather than four? Will four do the job? All of these things are related to money, I know, but four obviously gives us a degree of capability. How much more would another two give us?

Air Marshal Houston—You would obviously get more capability—the more aircraft, the more capability. But four gives us a very, very good capability.

Mr PRICE—Can I ask the Navy whether we are able to transport the Leopard tanks in any of the amphibious craft that we have at the moment?

Vice Adm. Ritchie—I think so.

Mr PRICE—How many would we be able to take?

Vice Adm. Ritchie—I have no idea. I will take that on notice.

Mr PRICE—In terms of the proposed replacements for *Manoora* and *Kanimbla*, it is stated that they can take six helicopters. How many tanks are they going to be able to take?

Vice Adm. Ritchie—A significant amount. Again, I do not know until we come to a view on the physical size of the deck they would be contained in, but it would be in the order of tens of the things, I would think.

Mr PRICE—I think one of the suggestions that has been made by ASPI is that, in fact, if we had those replacements now—and I think we have *Manoora* off the Solomons, haven't we?

Vice Adm. Ritchie—No, there are none deployed at the moment.

Mr PRICE—Referring to when we had *Manoora* there, it is suggested that we would be most unlikely to have the replacement in the Solomons for such an extended period if it represented 50 per cent of our naval lift capacity. Can you comment on that?

Vice Adm. Ritchie—That is ASPI's view, is it?

Mr PRICE—I think they have said that.

Vice Adm. Ritchie—I do not have much truck with that view. We would deploy the ships where we needed them at the time. At the time we deployed *Manoora* to the Solomons, we needed it in the Solomons. If it had been a bigger ship, we would have deployed it to the Solomons. I really do not understand the rationale behind it.

Mr PRICE—That is probably my poor explanation—I apologise. I think the suggestion they were making is that probably we are better off with more at a smaller lift capacity than reducing the capacity.

Vice Adm. Ritchie—This particular decision is really based on the premise of lifting a battalion and getting a company ashore in any one hit. A battalion these days is in the order of 1,500 or 1,600 people, so you need the bigger ship. If there is a suggestion that we should have four or five of the current *Manoora* or *Kanimbla* size rather than two large ones and then an as-yet undecided lift capability, remember that the two ships are not the be-all and end-all of this. There are two large amphibious ships and then a strategic lift capability. In my own mind, that is as yet undecided. It could be smaller ships, but just to provide that lift capability.

Mr BEVIS—As to the FFG upgrade budget, we now plan to retire two FFGs earlier than anticipated. I assume we save some of the anticipated upgrade budget from that. Do you have any idea what it is?

Vice Adm. Ritchie—That is a matter of discussion between the DMO and the people they are in contract with, which is ADI. That discussion is going on at the moment as to how we can do that. But it is not particularly any part of the rationale which says to pay off two FFGs.

Mr BEVIS—I guess in a sense the question had that aspect somewhere in the back of it, but the other part of it is just the up-front bit. How much do we save? Presumably, if we are upgrading two fewer ships, then we are saving some money on what we would have had we gone ahead with the upgrade of those two.

Vice Adm. Ritchie—I do not know what that figure is, and we will not know what that figure is until the discussion with the contractor is completed.

Mr BEVIS—I made some comments this morning about reports that committee members get from time to time about our resources being stretched with the higher tempo that we have. I referred specifically to the situation with Navy, to the fact that freeing up two frigates frees up the crews that go with two frigates as well and to noticing that we have an increase in reserves in Navy which, on the face of it, is a good thing. I am seeking comment on whether or not they are indicators of the Navy being stretched thin with the substantial deployments that it has had to commit to for a fairly sustained period of time.

Vice Adm. Ritchie—There is an increase in the reserve and mostly in those reserves with a training obligation—that is, people we get off the street—which is good. As important as that is also an increase in the strength of the Navy, and the Navy has been growing for the last two years. In fact in this financial year it will grow not only in sailors but it will also have a net increase in officers which, again, is the first time for a number of years that that has happened. The personnel picture, with respect to Navy, is quite good. We look forward to the future with some confidence.

In the first half of this year we were getting stretched. There is no secret of that. But the pace of operations has now slowed significantly. There is one frigate in the Gulf as opposed to the three ships that were in the Gulf. There are now only two small ships in Operation Anode as opposed to the five ships that went there originally. We are back to the point where we can actually reconstitute the naval force. Most of that reconstitution is being applied to make sure that the people can do the sorts of things that they need to do: the individual training, the promotion prerequisites that they need to undertake and, most importantly, the leave. There is an active program of leave credit reduction, getting people to go away on leave. Right now there are many of them on leave, and we hope to see a significant improvement again. We have already improved it in the last three months since we started this program, and we hope to see a significant improvement by February. We have the time and we have the space, if you like, to engage ourselves in reconstitution, because we appreciated that people were becoming stretched and we are going about that business now. I am quite confident we will have some success.

Mr BEVIS—For the air warfare destroyer, what are the platforms we are looking at? Has a platform been selected? What is the process of deciding what we think we need?

Vice Adm. Ritchie—The government has announced that the system that is in the ship would be a derivative of—or it could be the same thing as—the American Aegis system. That is the only decision that has been taken with respect to either the ships or anything in them. We will go through a process of looking at a number of platforms in which we could fit that particular air warfare system. We are not sole-sourcing the platform; we are not even sole-sourcing that system, because we are talking about it or a derivative, but the government is saying that it has a clear preference and indeed a clear direction that the principal system in that ship be American in origin. It will look a lot like the ones that are currently in successful operational use in the US, Japan, Korea and now Norway.

Mr BEVIS—What was the process for arriving at that conclusion?

Vice Adm. Ritchie—A comparative study has been done by the DSTO on a number of systems that exist around the world. There is only in fact one system that is actually out there operating, and that is the one we are talking about. There are others on the drawing board or in various stages of construction, but there has been a comparison within the department of those sorts of systems and the decision is based on that.

CHAIR—In relation to derivatives, I am thinking particularly of our Australian industries and Australian industry involvement. Is that part of any consideration? If you look at the development of, say, the Collins class submarine, we developed that basically in Australia and brought a lot of expertise to our own work force in Australia. Had a version of the Collins been

bought off the shelf, we would not have had that intelligence or that expertise in Australia today. Are we looking at Australian industry involvement in any way?

Vice Adm. Ritchie—We certainly are. When people talk about derivatives that is code, I suppose, for the next version of the system which has not been fielded yet: it is still in someone's brain. But in this particular project and the project to provide upgraded anti-ship missile defence to the Anzac frigates, there are some promising local technologies. The department is well aware of those technologies and room has been left in the program such that, if those technologies are developed inside the right sort of time frame, they can be included as part of the process. In fact, one of those technologies will go to sea in one of our ships in February to further that sort of process.

CHAIR—A derivative of that.

Vice Adm. Ritchie—It is phased array radar technology developed here in Australia by Australian industry. There is great potential, if those things develop to the point where they become operationally viable, that they could be included in that project.

Mr PRICE—That is not built here at this stage, is it, or are you going to buy it off the shelf overseas?

Vice Adm. Ritchie—It is going to be built here. I am sorry, I thought you were talking specifically about developing technologies. The ships will be built in Australia.

CHAIR—The minister said that we had taken the decision that we would be proceeding to acquire three air warfare destroyers. We had decided to limit ourselves to a US air warfare system, which will probably mean a derivative of an Aegis system, but there are some other possibilities in that regard and work has already commenced on an examination of those alternatives. We are trying to find out what the alternatives might be and whether that involves Australian industries or whether—

Vice Adm. Ritchie—Yes, the alternatives involve Australian industry and it is local technology, but it is only for part of that system. A lot of the rest of it would still come from the stable that has been talked about.

CHAIR—What are you trialling in the new year?

Vice Adm. Ritchie—It is CEA, which is a local Canberra company, that has a phased array radar technology which is different to that which has been previously used by the US who are the major manufacturers of those sorts of radars. It has been sold successfully for other than maritime use by CEA Technologies. We are currently engaged with CEA in trying to further prove that technology. It will go to sea in the early months of 2004 for exactly that purpose.

CHAIR—We are asking this question because it is taxpayers' dollars that we spend on defence and we want to find out whether we send that money offshore when there is the capacity for it possibly be spent here and to build a bigger defence industry for Australia. Members of the committee are interested in ensuring that we give Australian industry every chance to develop,

even in new technologies. If those technologies are further developed, we may be able to build a bigger industry in Australia which could become an export industry for us.

Vice Adm. Ritchie—That is exactly the road that we are going down, trying to satisfy all those parameters that you have just listed there, if the technology is successful.

Mr BEVIS—When we signed the contract for the AGM142 air-to-ground missile, did ADF know at the time that it would not fit on to any existing platforms?

Air Marshal Houston—It would fit on an F111.

Mr BEVIS—There is modification work required for the F111 to use that AGM142.

Air Marshal Houston—Yes, any weapon that you buy—

Mr BEVIS—How many years has that modification program been going for?

Air Marshal Houston—I would have to get back to you on the precise number of years.

Mr BEVIS—How long will it be, after we sign the contract and have got the AGM142s, before we can use them?

Air Marshal Houston—We anticipate being able to use them operationally in 2006.

Mr BEVIS—Which is 10 years after we signed the contract, I think.

Air Marshal Houston—I would have to get back to you on that, Mr Bevis.

Mr BEVIS—Which takes me back to my original point: did we know when we signed the contract—which I think was in 1996—that we did not have a platform that we could put them on? Maybe that was not the right way of phrasing it. Did we anticipate that it was going to be 10 years before we could fit it to a platform that, theoretically, could take it with modifications?

Air Marshal Houston—I think that, with any weapon you buy, it has to be integrated into the platform. It would not matter what we went out and bought, we would have to integrate it into a platform. I think it is probably true to say that the scope of the integration task was underestimated when we started the project. I can get back to you on those other details.

Mr BEVIS—The other question that follows from that is: are we continuing with that, so that it will be able to be fitted to an F111 in 2006 now that we are planning on getting rid of the F111s around 2010?

Air Marshal Houston—It has actually been fully tested on the ground, so we have a high degree of confidence that it will work as advertised once the integration task is complete.

Mr BEVIS—I guess I am just looking at the return on the dollar of a decision in 2006 for an aircraft which, at the time, we thought we would probably keep until 2020, then found that it will

not be able to be fitted to the aircraft until about 2006; and in the interim we decided that we will not keep that aircraft until 2020 anyway but that we will probably only keep it until 2010. I am just not sure of the utility of the use of the money, for all of us, to do that.

Air Marshal Houston—Government have made a decision and they decided, as part of the defence capability review, to persist with the AGM142. It is, at the end of the day, the only stand-off capability for land strike that we would have.

Mr BEVIS—If I heard you correctly earlier, you were suggesting I think that the PC3 Orions could be used as a platform for guided precision munitions.

Air Marshal Houston—Yes. It already is used as a platform for precision guided strike in the maritime strike role. We fire harpoons from it on a fairly regular basis.

Mr BEVIS—But in the context of filling a need in that period when an F111 decommissioning occurs and the JSF comes on-line, I assume that your reference there was to some greater role for the Orions. If it was not, then please correct me. I am just trying to get the context correct.

Air Marshal Houston—Certainly we anticipate that we will integrate a follow-on stand-off weapon into the AP3. As it happens, the role of the P3, with the new system—the AP3—is expanding. Right now we do, over land, ISR tasks over Iraq. In terms of this, we already do precision strike, using the harpoon missile, in the maritime environment. Integration of the follow-on stand-off weapon will broaden the options and will enable us to use the aircraft in other strike roles—other than just the pure maritime environment. They will be able to be used in the literal environment and in the land strike environment.

CHAIR—On the proposed retirement of the F111: has there been any study or evaluation done as to how this may affect our industrial base, specifically on Queensland—since it is based at Amberley in Queensland? There are a couple of Queenslanders here.

Mr BEVIS—We will declare our pecuniary interests.

CHAIR—We will declare pecuniary interest on behalf of Queensland first. But in terms of our natural industrial base that has been with us for nearly 40 years now, there obviously must have been some build-up of the natural industrial base, and employment as well. Has there been any evaluation done of what the retirement of the F111 will mean to that industrial base in Queensland and to the jobs?

Air Marshal Houston—If you are talking in terms of a formal study, no.

CHAIR—Will there be FA18s located at Amberley in the interim until the joint strike fighter is available?

Air Marshal Houston—There is an ongoing study being conducted that is relevant to these circumstances—the force disposition study. That is yet to be considered by government, so that is all I can say at this stage.

CHAIR—So the FA18s may not necessarily go to Amberley when the F111s are retired, or the joint strike fighter may not go there? Is it all still in the consideration basket?

Air Marshal Houston—All I can say is that the future of Amberley is, I think, pretty good. It is certainly a strong preference of mine to keep it going, but clearly the force disposition study has to go to government, and government will consider it and make the decisions when the time comes.

CHAIR—Would that include perhaps the impact of the decision to retire the F111—say, the potential loss of jobs or the redeployment of those jobs into other areas?

Air Marshal Houston—I would hope so, but I am sure the government will make the decisions on the basis of everything that is put before it.

CHAIR—I might say I have a lot of constituents who from time to time watch the F111s fly very low over Maranoa. They would miss them if they were not replaced with something similar. Some may not miss them, but that is on a lighter note. They have been a great aircraft and they are certainly on a great base in a great state.

Mr PRICE—Air Marshal, has the lift capacity review that you are undertaking been completed?

Air Marshal Houston—Perhaps Air Vice Marshal Clarke could respond to that question.

Air Vice Marshal Clarke—There are four phases to that study. The first three phases have been completed, and we are currently embarking on the fourth phase, which we anticipate should be available in April 2004.

Mr PRICE—Would you tell me what phase 4 entails?

Air Vice Marshal Clarke—Phase 4 looks at the inter-theatre lift—the lift that is required to support logistics and the mix of rotary and fixed-wing platforms on the battlefield. What is the optimum way to deliver goods and ammunition to those who are fighting? It will be informed by the initial phases, which were really about getting the force to the field, and it was that which informed the decisions on amphibious ships et cetera.

Mr PRICE—Major General Roberts, what would be the cost of a regular infantry battalion of three companies?

Major Gen. Roberts—I cannot answer that, I am afraid. I will have to get back to you; I do not have that detail.

Mr PRICE—I guess what I was thinking was that in a sense you are deriving at the moment, out of nearly $1 million being spent on Army reserves, five companies plus the commando capability and, admittedly, the surveillance units. If you wanted five companies, wouldn't it be more cost-effective to have those companies as regulars?

Major Gen. Roberts—I cannot give you the cost-benefit analysis of whether that would be a true statement or not. You mentioned the surveillance forces there—

Mr PRICE—I am sorry; I meant aside from surveillance forces.

Major Gen. Roberts—So, if you are just talking about what I might call a conventional force, whether reserve or regular, obviously the issue would then come down to our ability to pay for those people. The current government guidance through the white paper is that the Army is capped at 25,000, I think, rising to 26,500-odd at the end of the period, and therefore that suggests that whatever support we need would need to come from the reserves. As I say, I cannot actually answer your question to suggest that one would be more cost-effective than the other but, even if that were the case, the Army still has only a finite cap, in terms of funded strength, to pay for personnel.

Mr PRICE—It is probably fair to say also that you have a financial cap as well and an obligation to give value for money in everything Army does.

Major Gen. Roberts—I think that is true, but at the moment we are at a level where we cannot go much further beyond where we are. Even if we were to try and say that five reserve companies cost such and such and it would be better to have five regular companies, we would still need to get government endorsement of the need to increase the cap.

Mr PRICE—Okay. Just to humour me, maybe the easiest way would be to look at the cost of a regular company of about 120 and a reserve company of 120. We know the reserve costs anyway, so what is the cost of a regular company of about 120?

Major Gen. Roberts—As I said, I cannot give you—

Mr PRICE—Take it on notice, if you would not mind.

Major Gen. Roberts—There will be some qualifiers there. For a regular company in, say, the on-line battalion in Townsville in 1RAR to achieve the level of training that it is at—at 28 days, 48 days or whatever the readiness for that particular organisation is—there will be a cost to do that, versus, say, an Army reserve company in one of the royal New South Wales regiment battalions. It is as much an issue of 120 regular people versus 120 reserve people as it is an issue that these regular people are on very short notice, they are very highly trained and there is a whole lot of support that needs to go into maintaining that readiness, whereas, because the reserve is at a lower readiness notice, that same support infrastructure does not go into supporting them. I will come back and answer your question, but I am just making the point that there will be a whole lot of what-ifs in that as well, because you could take, say, the people on the highest readiness notice to compare them with people on the lowest readiness notice. But we will provide the information.

Mr PRICE—The point I am making is that, with the commandos, I understand you are utilising, in the main, six months up to nine months full-time training in one burst. If we want a really effective reserve then maybe we need to downsize the numbers but increase the training available—and maybe up-front full-time training—as well as better equipping them. Maybe that gives Army more options than trying to derive 120 people out of 3,000.

Major Gen. Roberts—The commandos' training regime is based—

Mr PRICE—I accept that. I meant the model of training—and I accept that they are very highly specialised. But it is interesting that the commandos are able to do those belts of training, do it very well and come out very proficient. I think it is maybe a pity that the rest of the reserves do not have those sorts of options, bearing in mind that you would end up with smaller numbers of reserves. I accept that.

Major Gen. Roberts—I think the reserves do have those options—

Mr PRICE—Six weeks.

Major Gen. Roberts—Yes, but a reserve soldier, at the moment, does the same recruit course as a regular soldier and has the option, assuming there is space available at the schools, to go and do a full-time initial employment training course as well. The issue for a lot of the reservists, as you know, is that they cannot afford that period of time, in a continuous burst, from their civilian employment.

Mr PRICE—I suppose we should not get into an argument, but in relation to common induction training, I think that it is easier for individuals and employers to have a longer period rather than the shorter period of training. I guess we will always have a debate about that, but it is interesting that, in terms of the individuals, as far as the commandos are concerned, they can do it in six months or up to nine months continuous full-time training.

Major Gen. Roberts—Mr Chairman, in response to Mr Price earlier this afternoon I was talking about the regional response forces and I think I may have indicated that there is a regional response force in Brisbane. That is not the case. Because 7 Brigade is located in Brisbane, there was not seen to be a need to raise an RRF there.

Mr PRICE—I thought you were starting a new Brisbane Line!

CHAIR—Can I talk a little about our tank propositions under the defence capability review, and it is really in relation to what Hugh White of ASPI argues. He says:

> Each tank will be more capable, but smaller numbers of heavier tanks means less flexibility and bigger support demands. That does not seem like a smart response to the unconventional threats that are our new priority. Better to keep and upgrade our present tanks and spend the money on more soldiers.

What he is really saying is that the new unconventional threats are our priority now and that means that we should be more agile and perhaps the present tanks should be upgraded and we should spend that extra money on more soldiers. Would you like to respond to those comments?

Major Gen. Roberts—I think the thing that you have to keep in mind when you are talking about the tank is that there are two considerations that are often overlooked. One is the way that we anticipate using it and the other is the environment in which it may well find itself being used. With respect to the way it is being used, the way that the Australian Army has traditionally used tanks has been in close support of the infantry. We have seen that since World War II and we have seen that through Vietnam. We have not employed them overseas since then, but that is

certainly still the way that we train to employ them. That is part of this combined arms group that we have been talking about recently. It is something the Army has been doing for many years, but we still see it as the centrepiece of the way that we will fight—that is, you put a grouping into the field that is matched for the task and invariably it will consist of infantry, artillery, armour, engineers and sufficient logistics support. Increasingly, we are going to have air as part of that package as well, whether it be provided by the Royal Australian Air Force, the Black Hawks or the armed reconnaissance helicopters when they come into place. So what we are talking about here is a tank that can operate in concert with the rest of the Army in the sorts of environments that the Army will find itself in.

That then takes me to the second point, which is the environment. I think the Army sees itself operating both in defence of Australia here, which you could argue is a very important but probably an unlikely scenario in the near future, or it could find itself operating offshore, perhaps in the region or perhaps further afield, but that is for the government to decide. The fact of the matter is that the threat environment is increasing all the time, particularly in anti-armour weapons, and General Cosgrove touched on that this morning. The proliferation of the shoulder-fired weapons that have good armoured penetration means that what was considered acceptable risk in the 1960s and the 1970s is no longer the case.

I know that this morning the CDF touched on the fact that the Leopard was a very good tank in its day, but it traded off light armoured protection for its mobility, as was the case in the 1960s and the 1970s. What we now find, with the proliferation throughout the region and in the broader world of these shoulder-fired weapons, is that you want to have tanks in close support of the infantry, not darting all over the battlefield hiding and whatever but actually there doing their job, which is to bring precision fire onto the target and provide close protection to the forces as part of that combined arms group. That means that they have to be better protected than perhaps they have been in the past.

If you look at any of the present newsreels—whether it be the American tanks in Iraq, the Challenger with the British army in Iraq, the tanks that the Israelis employ in their dealings in Lebanon or wherever they happen to be—what you now see are heavier, better protected tanks in that close support role in that urban, complex terrain environment than perhaps you might have seen if we were racing around the desert or rolling over the plains of Europe somewhere, which has never been our intention. It is a longwinded answer to your question, but the fact is that if we want a tank that can do what we want it to do and survive on the modern battlefield, it is going to have to be better protected than the Leopard was and can be, because it is reaching the end of its useful life.

Mr PRICE—I would like to follow up on the question of tanks. Firstly, to be consistent, thanks to the Army for conducting an evaluation program, as I understand it, of the various options. The experience of the Americans in Iraq—such as is publicly known from what you read around the place—was that, notwithstanding the reputation of the Abrams tank, they did in fact lose a number of them. There are other reports of an Abrams tank with a hole through one side and through the driver's seat and out the other side. This raises the question of whether the modern man-portable packs that are a threat to our existing Leopard tanks are also a threat to the other options that we are looking at. To what extent are the tank options that we are looking at, whether American, European, British or whatever, any more secure in those hostile environments?

Major Gen. Roberts—In absolute terms, I think the ones that we are looking at would probably provide better protection to the crew, and, through that, to the force that they are protecting, than the Leopard tank can provide. I am not an expert on how the American tanks fared in Iraq. My understanding is that at least one tank, if not more, took a hit. From the American perspective, they would say that it was a lucky hit because every tank is vulnerable somewhere and this particular round or whatever it was found that chink in the armour. My understanding is that they did not lose any crewmen. So whilst a few tanks may have been disabled, and it would have been a very low number, I am not aware of any armoured crewmen being killed because of that—except for a tank that rolled over and went into some water. Some people might have died in that incident but, as I understand it, that was not the result of direct enemy action.

So first of all, if we get this right, and I am sure that we will, we will have a tank that is better than the Leopard. The trick for us is to demonstrate to the government that the tank is consistent with what we are arguing for, which is something that can support the Army in likely roles and which can survive on the battlefield of the future. I might also add that, when we talk about the combined arms team, it is not only a case of the tank looking after the infantry. The reverse is true as well; part of the strength is that the infantry and the rest of the group look after the tank. If you get the team working correctly, it certainly minimises the chance of people popping up out of somewhere and getting that lucky shot in.

Mr BEVIS—I have read various articles in different magazines about the logistical support required for Abrams tanks in the Middle East being very resource-intensive. It is on a scale that I think would be a major demand for us if we wanted to deploy them, certainly beyond our shores. When we look at a replacement, to what extent is that factored in?

Major Gen. Roberts—It would certainly be a consideration. You do not buy capability unless you are sure that you can not only maintain it on operations but also maintain it, support it and pay for it here in Australia during peacetime. Going back to the earlier question that was asked of Vice Admiral Ritchie, the ships that are currently in the fleet can carry both the Leopard and the sorts of tanks that we are looking at. That is the first thing: we can actually get them to the theatre. Again, this morning General Cosgrove mentioned that we cannot carry the tanks in any of our Air Force's current fleet of aeroplanes, but that is the same for the Leopard.

Mr BEVIS—What do we need to get them off at the other end?

Major Gen. Roberts—At the moment, we would have to off-load any tank, even the current one, let alone the new one, over a wharf. There are wharves that can do that. I have seen some suggestions in the papers that there are not any wharves in the region that can off-load this tank, but we all know that there are mining companies doing all sorts of wonderful things in the region. If they can off-load bulldozers and heavy plant, I am sure that we can do the same.

So I think we will have the ability to get the tank to wherever it needs to go within Australia. We are just reviewing the issue of how we might get it around within Australia—for example, from Adelaide to Darwin. The issue of rolling stock is something we will have to check because the requirements for the Australian railways to provide that sort of capability has probably been on the decline over the last few years. We are purchasing a new fleet of Army vehicles to move things around. That will now be factored in. When we consider our mobility on the battlefield

we are going to factor in that we might have a heavier vehicle than we have now, and we can do that.

I think anywhere you go with armoured vehicles you are going to have a logistics challenge on your hands in terms of getting fuel and ammunition forward. Again, we just need to make sure that our logistics system is in place to do that. As far as operating with them in peacetime goes, again, we will make sure that we capitalise upon the simulators that the Americans are employing if we choose the American tank. If we choose one of the Leopard family of tanks, I am sure the European armies have similar simulators. The more modern the tank you get, the easier—you could argue—it is to support because people have thought through these issues of the cost of ammunition, the cost of fuel or whatever it might be.

Mr BEVIS—Presumably the armoured brigade stays in the Northern Territory?

Major Gen. Roberts—We do not have an armoured brigade; we have a mechanised brigade up there in one brigade. We are even trying to get away from that notion because, whilst it is convenient to group those people together in Darwin and let them train, if we are not careful we get that mindset that they are an armoured brigade or a mechanised brigade. In fact they are a group of people whom we mix and match, as I have said, as circumstances warrant. So whilst there may be an occasion when you have one brigade roaring around with tanks, APCs and those types of things—that is an option; and we certainly train for that—that is not the only thing that it can do and that is not the only way we see it being used. I would also like to add, just to go back to your earlier comment about the Abrams tanks, that if the government decides that the Abrams are what it wants then I guess there would be an advantage if we found ourselves operating offshore with the Americans. Their plan is to maintain this thing in service until 2020 or 2030. So in terms of interoperability and the ability to feed off their logistics system if we happen to find ourselves working with them that is certainly an advantage we will have to think about.

CHAIR—Thank you. We have gone a little bit over our scheduled time but there has been a lot of interest from our committee members on this subject of capability. I thank the witnesses for their attendance here today. If you have been asked to provide additional material, would you please forward it to the secretary. If there is nothing else you wish to add, we will adjourn for afternoon tea. To those who are leaving now, on behalf of the committee I extend our best wishes for a very happy Christmas and, once again, thank you for the job that you do on behalf of the Australian Defence Force. We appreciate your leadership.

Proceedings suspended from 2.58 p.m. to 3.15 p.m.

CARMODY, Mr Shane, Deputy Secretary, Strategic Policy, Department of Defence

ROWLING, Ms Myra, First Assistant Secretary, Strategic and International Policy, Department of Defence

SHALDERS, Vice Admiral Russ, AO, CSC, Vice Chief of the Defence Force, Department of Defence

CHAIR—This session is entitled defence international cooperation. We have new representatives from the Defence department who are giving evidence on defence international cooperation.

Vice Adm. Shalders—Mr Chair, I have the answers to a couple of other questions that have come up during the day. Perhaps you would like me to give those now.

CHAIR—I will just finish the introduction. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. Would you like to add those answers?

Vice Adm. Shalders—Mr Bevis asked a question on the AGM142 contract and when it was signed. The first phase of that contract was accepted on 14 June 1996. There was a question this morning I think from Mr Byrne on munitions used in the most recent Gulf war. The Air Force used 114 GBU12 500-pound bombs and 11 GBU10 2,000-pound bombs. Some other ammunition was procured through US systems, including some five-inch ammunition used by the Anzac and some small arms. The cost of all those munitions was approximately $2 million.

CHAIR—Would you like to make an opening statement in relation to defence international cooperation?

Mr Carmody—No, thank you.

Mr BEVIS—I want to talk about the Pacific patrol boat program. Are we still building and delivering those boats to those countries? I thought that program had just about run its life.

Mr Carmody—The program is continuing and it is in its half-life extension phase.

Ms Rowling—We delivered the 22 boats to 12 countries between 1987 and 1997. We have just completed this month the half-life refit of those 22 boats. What we are looking to now is a life extension program, and we have done the first of the life extension program on one of the patrol boats from PNG.

Mr BEVIS—Is there any formal evaluation of the success of that program in giving to those countries some greater control over their exclusive economic zones?

Ms Rowling—I am not aware of any formal evaluation of that. We are certainly continually in dialogue with those 12 countries and we work closely with them in the operation of those patrol boats. In Papua New Guinea in particular, there has been a good record of those boats being used to apprehend illegal fishing boats in their waters. In the other countries, the boats are being used to police their EEZ and also being used for other tasks, which are of great benefit to those countries.

Mr BEVIS—Would it be possible to get some idea of what those tasks are that they are being used for in the various countries?

Ms Rowling—Yes. They are involved in disaster relief, search and rescue, and some general police work—tasks of that nature.

Vice Adm. Shalders—In terms of surveillance, it might be instructive to mention that I have just come back from Tonga, which has three of those boats. They are used routinely in surveillance for a very large EEZ, and used successfully as far as I could ascertain during my short visit. Most recently they were used in the apprehension—for the first time in several years—of an illegal fishing vessel within their EEZ.

Mr BEVIS—Could I encourage Defence to look at some point in giving a bit more detail, whether at a hearing here or by taking it on notice or however you want to do it. It seemed to me to be a program that in theory was very good.

Mr PRICE—I think in practice it is very good.

Mr BEVIS—I assume that in practice it has also been good, and I am looking for verification that that is so. If it is—as I hope and believe it is—one of those things we have done that is a good thing to do in the region that has assisted our neighbours, then a little bit of detail about that would not go astray. I suspect that a lot of our constituents, who are the taxpayers who paid for it, would be pleased to know that here is something that we have done and that our defence forces have been involved in in our region that has brought some greater hold on economic prosperity for them and some greater security in the region as well. So, if you can provide any other detail on that, I would certainly be keen to use it.

Mr Carmody—I am sure we can provide something. It is a very positive program. It is very well received and is doing particularly well and has done for some time.

CHAIR—The aim of our defence assistance to Papua New Guinea is to 'achieve stability in the force by making it smaller, more affordable and better managed'. Do you think in Papua New Guinea we really are achieving that? Given the situation from time to time with law and order as opposed to a defence capability, do we benchmark the progress we are making with that in relation to the aid we are giving them—in this case, defence assistance?

Mr Carmody—There are a couple of things we are doing in Papua New Guinea. The real issue is downsizing the PNG DF—or, I suppose, right sizing the PNG DF—and finding a way to assist the PNG government to reduce the size of its defence force, make it a smaller and more professional force and move the people out of the defence force and into other productive activities. That is very positive and it is a very positive sign, but the PNG government has found

it very difficult to do, and financially it has been difficult for it to achieve it as well. We have provided support for the first phase of this program, in which 601 members of the Papua New Guinea Defence Force were made redundant or have received payouts and are moving back into the community. We are looking at phase 2 of the program at present. I would say that it is very successful because it removes the people from the Papua New Guinea Defence Force who, in fact, do not have a lot necessarily to do operationally and would be better placed doing other things back in the community. In that way it does contribute to peace and stability in PNG by not having a large unoccupied force. The intent always was to reduce the force to a more manageable size and then to use our defence cooperation funding, which runs in parallel and has for some time in PNG, to help improve the professionalism of the elements of the remaining force and to do things like provide security for arms and ammunition so that they can be adequately secured in armouries in the right sorts of places. It is a comprehensive program and, although it has taken some time for the downsizing to kick in, it has been very effective.

CHAIR—Are you confident that the 601 people, who you say have been transitioned out of the defence force into civilian employment, actually go into civilian employment? One aspect that I understood about the law and order issue in PNG was that some of the people who were causing disruption were ex-defence—Papua New Guinea defence—and that they were perhaps in need of employment and retraining. Is that part of the plan there, or are they just put into employment that may not necessarily suit their aspirations?

Mr Carmody—My understanding is that they received their full superannuation and redundancy entitlements. One of the things that concerned them very much in the past, and they were agitating about it, was the fact that they were being encouraged to leave military employment and move somewhere else and they did not have absolute confidence that they would receive all of their entitlements which would allow them to resettle their families. Many of them had to return to the villages or areas from whence they came. That caused significant discontent and the view in the community that maybe they were not getting the right sort of deal. Being in a position to assist this and actually manage the program—and we managed it jointly with Papua New Guinea—to ensure that the people got their right entitlements, were able to be relocated back to their home villages with everything that they were entitled to and satisfied that they had received from their government a good deal is the thing that we felt was the best way to move them forward. Without that there would be discontent with the situation that had prevailed. They have been able to return to their villages well-heeled with something to reflect their time of service, and I think that is very useful.

Mr PRICE—You state that there has been a longstanding and strong defence relationship with Singapore, Thailand and the Philippines. I thought our relationship with the Philippines was only relatively recent, or am I mistaken?

Ms Rowling—It is certainly a longstanding relationship.

Mr PRICE—Has it been longstanding?

Ms Rowling—Yes, indeed. I cannot say off the top of my head for how many years, but it has certainly been many years.

Mr PRICE—We have had a longstanding relationship, but I would say that in recent times it has been much more intense, developed or whatever. Would that be correct?

Ms Rowling—No, in recent times it has been at much the level as it has been in past years, but the focus changes as the situation changes. Certainly a lot of our effort at the moment with the Philippines is working with them to help them as they focus on reform issues, management issues and logistic issues, plus the usual ongoing cooperative endeavours such as training and exercises in Australia.

Mr PRICE—You also state:

Increased operational commitments saw a reduction in the ongoing exercise program, particularly with Malaysia ...

But when you go through the exercises, it says that Malaysia is the one that did not participate, not Australia.

Mr Carmody—Can you draw my attention to the page?

Mr BEVIS—Page 175.

Mr Carmody—We did have some reductions in activity in the region this year, particularly with SARS and the related fallout from those issues.

Mr PRICE—It is on the pages where the exercise programs are listed, and it says Malaysia was not available.

Mr BEVIS—The second paragraph on page 175 is where Roger was reading from. I am not sure where the table on the exercises is.

Mr PRICE—I am referring to the ones that were raised this morning with all the operations.

Vice Adm. Shalders—Mr Price, we did have to reduce the size of a number of exercises that we conducted with Malaysia—for example, the FPDA exercises. Because of other operational commitments, we could not send for example the number of ships or aircraft that we would normally send. Does that go part way to answering your question?

Mr PRICE—I am sure I read, though I cannot remember the names, that Malaysia cancelled it, not Australia.

Mr Carmody—The report says:

The program of combined exercises was significantly affected by the operational tempo and resource constraints faced by both nations.

If I could draw a general point—and there is something about the cancellation of exercises—that does happen from time to time. But in terms of our overall relationship with Malaysia, it is fine.

Mr PRICE—There we are—page 115. It is Haringaroo.

Mr Carmody—I am not particularly certain of the reason why the Royal Malaysian Armed Forces withdrew in October 2002 from the exercise or why it did not go ahead. Those things do happen from time to time. It depends as much on their availability as ours. But let me make a more general point: there is not a difficulty, to my knowledge, between us and Malaysia in matters such as this.

Mr PRICE—In the defence relationship.

Mr Carmody—In the defence relationship and in the Five Power Defence Arrangement as well. That is all working very satisfactorily.

Mr PRICE—Do you anticipate that the money we provide for Indonesia will at some point exceed that of East Timor in the defence cooperation program?

Mr Carmody—The money we provided for Indonesia did exceed that which we provided for East Timor at one point in time. That was probably before there was an East Timor.

Mr PRICE—I am prepared to accept that qualification.

Mr Carmody—We significantly increased the expenditure on East Timor and we started to assist them in the development of the East Timor defence force. That happened a couple of years ago and that was really the point where we started to increase our training load and support to East Timor. It is pretty difficult to project what the balance would be. Really, Mr Price, it is needs based. It depends on the level of interaction that we have. In some ways the Indonesian defence force, the TNI, is a little more sophisticated and able to do the types of training that we might do together. The East Timor defence force is still developing and being trained. So they are really quite different. It could quite easily be that the East Timor figure drops at some point in time, depending on how well they develop and how intensive that training has to be.

Mr PRICE—It is not an issue of the program, I guess, but are we doing any joint exercises with the Indonesians at the moment?

Ms Rowling—No. There is no joint exercise with Indonesia currently being undertaken.

Mr PRICE—Do you anticipate that changing?

Ms Rowling—It is possible. The defence cooperation relationship with Indonesia is being developed at a pace that is comfortable for both of us, and steadily. We have a number of initiatives that we are undertaking at the moment. At this stage we are not discussing a joint exercise.

Mr PRICE—Are you allowed to tell us what the initiatives are?

Ms Rowling—Certainly. The initiatives include continuing to focus on training. There were some 100 Indonesians trained in Australia in the past year, and we will continue to focus on that area. As you probably know, we have three advisers in the TNI navy Nomad base at Surabaya,

and we will continue to cooperate in that area. We probably will focus more on English language training. That has always proved to be valuable to Indonesia and they are very interested in that, so we probably will do some more work in that area with them.

Mr PRICE—Is that provided in country or in Australia?

Ms Rowling—It is provided largely in Australia, for Indonesia.

Mr PRICE—Do we provide any assistance to their equivalent to our Department of Defence?

Ms Rowling—We certainly engage in discussion with their department of defence. I have regular informal discussions with my opposite number. But, no, there is no specific assistance.

Mr PRICE—What is the frequency of visits by senior Indonesian defence personnel to Australia? Do you have a number there? How would you rate it? Do you see that increasing?

Mr Carmody—While Ms Rowling is looking for the numbers, I should point out we have just had a visit from General Ryamizard, the Indonesian Chief of Army. He was returning a visit by General Leahy of a couple of months ago. General Lewis and I went to Indonesia earlier this year to discuss some issues on counter-terrorism. We have a range of reciprocal visits—at about two-star level of command—out of places like Northern Command into Indonesia. So the level of visits is pretty reasonable. It could be more, but at the same time the relationship is good and it is working, as was said, at a pace that they are comfortable with and a pace that we are comfortable with. So we are having a few.

Ms Rowling—Yes, and we expect that to continue. There is a regular exchange of Australian people visiting Indonesia and TNI people visiting Australia. Recently we had some TNI members visit to observe an exercise—Predators Gallop—and we expect that sort of interchange to continue.

Mr PRICE—Pardon my ignorance in asking: has there been an external or official review of the defence cooperation plan overall?

Mr Carmody—About two years ago we had an ANAO review; it was in 2000 or 2001. We had a complete ANAO review and it made a number of recommendations, and to the best of my knowledge we have closed them all out. So it has been reviewed. It actually led to part of the development of a more complete defence international engagement plan that runs across all nations with whom we have a defence cooperation relationship.

Mr BEVIS—I notice we do not have much of a defence cooperative arrangement with Vietnam. It is mentioned, but it is obviously a comparatively small part of the program. I am mindful of some comments made to the foreign affairs and defence committee earlier this year by a visiting delegation of Vietnamese parliamentarians, who seemed somewhat keen to pursue closer ties, and I wonder where things are at in relation to that.

Mr Carmody—Our relationship with Vietnam is actually quite good. The challenge for them has been English language skills, and the type of training they want from us is difficult without a good level of English language. A couple of years ago we reached an agreement with Vietnam to

place an Australian Army officer in a language training institute in North Vietnam to help them get their language training up. In that year, with their agreement, we did not take any students because the previous ones looked like they were struggling. That situation has improved. The relationship with the Vietnam People's Army is very good. Their armed forces are developing as well, and trying to find their place and trying to find how much training they can actually absorb. We do not spend a great deal on the relationship, but it is quite positive.

Ms Rowling—It is positive and growing. We have an antimalarial project that we are undertaking with them, and that has been going well. It has been going for a couple of years. We also had recently a good exchange of visits. We have had their CDF equivalent visit just recently, as well as a senior officer from their political department and one from their general technical department. They are also very interested in discussing capability in the counter-terrorism area with us, so that is an area that we will explore in the future that will be valuable to both sides.

Mr BEVIS—What are our linguistic skills like when it comes to dealing with our regional neighbours, bearing in mind what you said, Mr Carmody, that one of the impediments is that they do not speak English that well. I suspect they speak it a damn sight better than I speak Vietnamese.

Mr PRICE—That is not a big rap.

Mr BEVIS—That is true. What are our linguistic skills like within Defence when it comes to dealing with our regional neighbours?

Mr Carmody—The Defence language school, formerly the RAAF School of Languages, has been operating for I do not know how long—probably 30 or 40 years. Our Defence attaches in places like Hanoi speak Vietnamese and usually come out with the delegations and help them. We have very good Chinese language skills with our Defence staff working in Beijing, Vietnam and particularly Indonesia. I would argue that our language program is quite well developed. We are probably well placed to help people in countries like Vietnam improve their English. We also engage contract staff—Vietnamese nationals who are now Australian nationals—in our language training facilities. They conduct a lot of instruction in trying to help people from other countries improve their English so that we can then get them into our schools and colleges.

Mr BEVIS—Do we put much effort into helping Australians understand Vietnamese or any other languages?

Mr Carmody—We do within our organisations. We have a particular identified need to have sufficient linguists to be able to work our way through managing defence relationships and a broader range of relationships. There could always be more, as there always can be.

Mr PRICE—Is it a condition of promotion that an officer have an Asian language?

Mr Carmody—I do not know.

Vice Adm. Shalders—I do not believe so.

Mr PRICE—Wasn't there strong encouragement or some sort of encouragement for officers to have one?

Vice Adm. Shalders—I think we do encourage people to have a language. But if that were the case, I would not be sitting here today talking to you.

Mr BEVIS—I think it was mooted or threatened at one point.

Mr PRICE—How many officers do have an Asian language? What is the percentage?

Vice Adm. Shalders—I do not know the answer to that. I can try to find out for you.

Mr Carmody—You would be surprised at the smattering of senior officers through the organisations in Defence who are graduates of language schools who speak another language.

Mr BEVIS—One of the things that I recall the visiting Vietnamese parliamentary delegation raising with us was advice and assistance with mine clearing. Have they ever raised the issue of landmines with us?

Mr Carmody—To my knowledge, it is not something they have raised with us. We were involved in mine clearing, as you know, in Cambodia, but I do not think we have ever done anything in Vietnam.

Vice Adm. Shalders—We did hold a roundtable discussion with the CDF equivalent from Vietnam and that issue was not raised in that forum.

Mr BEVIS—It certainly was by the parliamentary representatives, because I can well recall my colleague Graham Edwards sitting there saying he had done his bit: he had got rid of one of the mines, which was Graham's dark humour. I guess that if their CDF equivalent did not raise it, there is the answer.

CHAIR—Going back to Indonesia, a couple of members of the committee attended the CSCAP meeting in Jakarta. We have no combat related training in Indonesia at the moment. We used to. Is that right?

Mr Carmody—We did.

CHAIR—It ceased and there is no plan to have some involvement in any combat related training at this stage?

Mr Carmody—It ceased in 1999, with the issues surrounding East Timor. We have not sought to resume combat related training. The government has not sought to resume it, nor have the Indonesians. It takes a while to re-establish a level of trust in a relationship and neither nation is rushing into combat or combat related training.

CHAIR—Does that suggest that there is not sufficient trust at this stage or do we have to withdraw from East Timor before we open up a dialogue on it? That is crystal ball gazing, I know, and it is difficult for you.

Mr Carmody—I suppose I would put it another way. I would say that Indonesia's involvement in East Timor went from 1975 to about the year 2000, which is 25 years—it is the complete career of most senior officials, bureaucrats and service men in East Timor. Clearly, therefore, it takes a bit of time when you are trying to re-establish and maintain a dialogue. I think the level of trust has improved significantly over the last couple of years as well as the level of mutual understanding about issues surrounding East Timor. On a personal professional level it works very well, as evidenced by General Ryamizard's recent visit and many of the other visits that we have had to and from Indonesia, particularly in the last 12 to 18 months. So I think we are getting there. I suppose I would not want to overstate it as a lack. I would like to state that it is improving and we are making progress.

CHAIR—We have members of their defence force at the staff college, do we?

Mr Carmody—Yes. Throughout any of the difficulties we have faced, we have continued to have students at their staff colleges.

Mr PRICE—Isn't this the first year they have sent people back to our colleges?

Ms Rowling—For many years we have had Indonesians attending our Australian Defence College. That was through the period in the late nineties. So it has been continuous that we have had students—

Mr PRICE—What about ADFA, then?

Ms Rowling—We do not have cadets at ADFA, but we do have postgraduate students. We offer scholarships for postgraduates. There may not be any there this year, but it would just be that it was not taken up. Certainly postgraduate scholarships are available at ADFA and we have had Indonesians at the ADC for many years.

Mr PRICE—How many postgraduate scholarships to ADFA are offered to overseas officers?

Ms Rowling—I do not have in my mind the exact number, but I could certainly find that out for you.

Mr PRICE—Yes, if you could, please, as a matter of interest.

CHAIR—Would most of the countries here in the Pacific send people to our staff college?

Ms Rowling—Certainly to the lower college, and I think a large number of those countries would send them to the higher college as well.

Mr Carmody—And we reserve places for them where we can, because we are trying to encourage attendance. Some countries are more able to support themselves financially than others. That is what the Defence Cooperation Program is about—trying to help them and help professionalise their defence organisations.

CHAIR—I would have thought that education in our systems and our colleges as well was very much a part of the cooperation. It would be very beneficial to the understanding back in

their home country of what we are trying to achieve. Do members of the committee have anything further?

Mr BEVIS—No.

Mr PRICE—No, thanks.

CHAIR—It looks like you may have exhausted the committee! Do you have anything further you would like to add, Mr Carmody?

Mr Carmody—No, we have nothing further, thank you.

CHAIR—That has been a common theme all day, so we must have exhausted each other! Thank you for your attendance today. If you have been asked to provide any additional material, please forward it to the secretary. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and fact. Thank you also for your cooperation in providing personnel and making yourselves available for these public hearings. It was the committee's desire that we should get on with the review of the Defence annual report 2002-03 before 2004 arrives.

Mr PRICE—We may have a couple of questions, just to follow up.

CHAIR—Yes, there are some questions to provide information on.

Mr PRICE—Yes, and we might ask one or two.

CHAIR—Thank you very much, once again, for your time. I would also reiterate, as I have said during the day at the close of each session, my thanks on behalf of the committee for the work of the Australian Defence Force in so many areas, not only domestically but also overseas, and particularly in the very difficult task still in front of all of us and the coalition in Iraq. I wish you a very happy Christmas and I look forward to working with you in 2004.

Resolved (on motion by **Mr Price**):

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

Subcommittee adjourned at 3.50 p.m.