

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 1 - Number of Daesh fighters

Senator Conroy asked on 25 February 2015, Hansard page 8:

Senator CONROY: This may be impossible to answer, but do you have any idea what their rough numbers are?

Air Chief Marshal Binskin: I would have to take that on notice and look at it because the numbers vary depending on how you measure them.

Mr Richardson: I might add that the estimates vary enormously.

Senator CONROY: As I said, it may be impossible to give even a rough ballpark figure.

Mr Richardson: When you think of the estimates, if you get within 5,000 of the actual figure you are probably doing pretty well.

Senator CONROY: It depends whether you are counting Syria—

Mr Richardson: Yes.

Air Chief Marshal Binskin: Is it in Iraq? Is it in Syria?

Senator CONROY: Yes, I know. But your best estimate—

Air Chief Marshal Binskin: I will grab the latest number before we break.

Response:

It is difficult to assess the exact number of Daesh fighters in Iraq and Syria. However, credible estimates fall within the range of 20,000 to around 30,000 fighters. Defence generally does not comment more specifically on intelligence matters

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Question on Notice No. 2 - Rate of Effort - Iraq

Senator Conroy asked on 25 February 2015, Hansard page 9:

Senator CONROY: Thank you very much for that. Last time we chatted back in October-November, there was a relatively small number and you were able to easily take us through the RAAF's activities. It may be too large now, given the volume of activity you have had, but I am happy to take a summary. I am just interested to know how many times the super hornets have flown into Iraqi airspace. Has the rate of effort changed since the last estimates? How many missions are we flying daily? The volume may be too large. I know you were able to rattle them off very simply last time, but it may be now your answer would be, 'Oh, my goodness.'

Air Chief Marshal Binskin: We will take on notice to give you all the details.

Senator CONROY: Great.

Air Chief Marshal Binskin: It has been quite significant. I would think up until today we have dropped about 200 precision guided weapons. That is to give you an idea of the number of weapons. But I will give you all the details on notice. For a small force, it is quite significant.

Senator CONROY: From what you have been describing in your opening statement, it does sound like we are right there in the heart of it.

Air Chief Marshal Binskin: They are in the thick of it.

Response:

As at 25 February 2015, F/A-18F Super Hornets have flown 175 missions (349 sorties) into Iraqi airspace and dropped 213 precision guided weapons. The average rate of effort has remained steady since the commencement of the operation.

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Question on Notice No. 3 - Red card system

Senator Conroy asked on 25 February 2015, Hansard page 9:

Senator CONROY: I am hoping that we have even outdone the 95 per cent. We did talk about what is informally referred to as the 'red card system', I think, last time. Have we had any more occurrences of the red card for our forces?

Air Chief Marshal Binskin: Not that I am aware of, but I think sometimes people misconstrue the red card. Because we have our air task group command element in the Combined Air and Space Operations Centre in the Middle East, the considerations of your rules of engagement of the various nations are factored into the planning.

Senator CONROY: So we would be not on the missions where that could become a possibility?

Air Chief Marshal Binskin: Could become a possibility, but I do not believe that we have been in forced into a position where we have had to play it. The fact that all the nations that are there understand that the whole aim here is minimum collateral damage, minimum risk to civilians and the fact that we need to focus on the Daesh and targeting the Daesh has meant that we have not been in that situation. But I will confirm that. I will take that on notice.

Response:

Australian Target Engagement Authorities deployed to the United States' Combined Air Operations Centre (CAOC) have developed a collaborative approach to assessing targets with Coalition military partners.

The collaborative approach means that all pre-planned (deliberate) engagements are developed in line with Australia's national policy considerations, as expressed through Rules of Engagement and Targeting Directives, before a request is made. As a result, employment of the 'red card' is not necessary for pre-planned targets.

Accepting or refusing any target is part of the normal tasking request process. Since the Supplementary Budget Estimates hearing on 22 October 2014, Australian Target Engagement Authorities have refused requests for Australian aircraft to strike a dynamic target on 16 occasions from 122 direct requests; however, at no time has it been necessary to apply the 'red card' in order to halt an assigned task. A target is defined as 'dynamic' if it is not identified in time for pre-planned engagement.

Target Engagement Authority refusal can be based on a number of factors, such as insufficient intelligence on the target or unsuitable weapon loads on the available aircraft, and not solely on issues of compatibility with the established legal and policy framework set for the operation by the Government.

In addition, aircrew assigned to strike an approved target or request to support ground troops on the basis of self-defence are obliged to continue to assess whether engagement of the target complies with national policy considerations, as expressed through their Rules of Engagement and Targeting Directive, and to refuse to strike a target on the same basis as that which applies to the Target Engagement Authorities based at the CAOC.

These assessments by Target Engagement Authorities and Air Force aircrew are routine, business as usual considerations that exist by virtue of a robust targeting governance framework.

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Question on Notice No. 4 - Reports of fire on aircraft in Iraq

Senator Conroy asked on 25 February 2015, Hansard page 9:

Senator CONROY: I appreciate that. I think you did speak to this last time, but just to get an update—have any of our assets been fired upon while undertaking operations since the last estimates? I think you said that there was a report that was wrong last time we were here.

Air Chief Marshal Binskin: That was a report of, I think, a C130J doing the airdrop into Amirli. There was a lot of ground fire and I think someone had reported that, or it might have been one of the Sinjar missions. I do not know specifically if the fighters have, but I would assume they have been, to be honest with you. They are going in harm's way, and I would assume they have been shot at. Has there been any significant engagement put to me? No. And I would think, though I will check for you, that there have been reports of some of the aircraft observing fire. I will take that on notice and get back to you.

Response:

Australian aircrew have not observed or reported coming directly under fire while conducting missions as part of Operation Okra. However, when conducting operations of this nature, ground fire is an ever present danger and we will never really know if our aircraft have been fired upon by unguided weapons such as small arms fire.

When flying over a combat zone, witnessing ground fire is not uncommon. However, this fire does not necessarily present a threat to Australian aircraft.

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Question on Notice No. 5 - International partners in Iraq

Senator Conroy asked on 25 February 2015, Hansard page 12:

Senator CONROY: Who are the international partners we will be operating with in Iraq at the moment? Has it grown since our last conversation?

Air Chief Marshal Binskin: I will have to get the list of nations that we are operating with.

Senator CONROY: Great. Thank you.

Air Chief Marshal Binskin: In the Air Task Group it is very widely reported what air forces are operating out there. I think there are seven air forces, and I am talking about the coalition. Some operate into Syria, some operate into Iraq.

Senator CONROY: Are you comfortable with the level of integration and cooperation?

Air Chief Marshal Binskin: Very much so. The Air Task Group is very well integrated with the coalition air operations. With regard to the AA mission, they are working with the US and with the Iraqi security forces.

Mr Richardson: In terms of countries that are on the ground in Iraq, I think we have—

Air Chief Marshal Binskin: I would have to go and get that.

Senator CONROY: I am happy for you to just table that later.

Response:

The Global Coalition to degrade and defeat ISIL (or Daesh) is made up of over 60 countries, and includes organisations such as the European Union and the Arab League.

The specific involvement of each of these countries varies, ranging from involvement on the ground and the air campaign, to logistic and other support.

Countries which have announced a contribution on the ground in Iraq include: the United States (US), the United Kingdom (UK), Germany, Denmark, the Netherlands, Canada, Italy, Spain and now New Zealand.

Countries which have announced participation in the air campaign over Iraq include: the US, the UK, the Netherlands, France, Denmark, Belgium, Canada and Italy.

The US cites the following countries and organisations as part of the Global Coalition to degrade and defeat ISIL:

Albania	Finland	Lebanon	Republic of Korea
Arab League	France	Lithuania	Romania
Australia	Georgia	Luxembourg	Saudi Arabia
Austria	Germany	Macedonia	Serbia
Bahrain	Greece	Moldova	Singapore
Belgium	Hungary	Montenegro	Slovakia
Bosnia and Herzegovina	Iceland	Morocco	Slovenia
Bulgaria	Iraq	The Netherlands	Somalia
Canada	Ireland	New Zealand	Spain
Croatia	Italy	Norway	Sweden
Cyprus	Japan	Oman	Taiwan
Czech Republic	Jordan	Panama	Turkey
Denmark	Kosovo	Poland	Ukraine
Egypt	Kuwait	Portugal	United Arab Emirates
Estonia	Latvia	Qatar	United Kingdom
European Union			United States

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Question on Notice No. 6 - Government statements on submarines - guidance from the Department

Senator Xenophon asked on 25 February 2015, Hansard page 18:

Senator XENOPHON: Air Chief Marshal Binskin, I have two distinct lines of questioning, and Mr King might find the first line of interest. On 3 May 2013, the then Prime Minister and then Defence minister announced a way ahead for future submarines. They stated: The Government has now taken the important decision to suspend further investigation of the two Future Submarine options based on military-off-the-shelf designs in favour of focusing resources on progressing an 'evolved Collins' and new design options that are likely to best meet Australia's future strategic and capability requirements. When they stated that their decision was based on Australia's future strategic and capability requirements, I presume they would have been provided those strategic and capability requirements from Defence.

Air Chief Marshal Binskin: I would assume so, but I was not involved in that, so I could not qualify that answer.

Senator XENOPHON: Could you please take that on notice. Presumably, that statement of the former prime minister and the former defence minister would have been made on advice from Defence. Last week, we saw a definitive change in the direction away from an evolved Collins and new design options. I presume the current defence minister's most recent announcement, and the Prime Minister's most recent announcement, was based on advice from Defence.

Air Chief Marshal Binskin: Yes.

Senator XENOPHON: What I am trying to establish is that there appears to be a world of difference between the 2013 remarks, presumably based on Defence advice, and the advice some 22 months later.

Air Chief Marshal Binskin: A lot happens in 22 months. As you look at a program developing, you learn more and more about a program. I can put that to the submarine guys here to be able to take you through how we got to where we got to.

Senator XENOPHON: If I could take it on notice—I am worried about time constraints. The chair has been very generous to slot me in at this time. But if I could get some of that on notice. I am just trying to understand that, and I appreciate that a lot can change. When they say a week is a long time in politics, it seems—

Response:

The announcement on 3 May 2013 by the then Prime Minister and then Ministers for Defence and Defence Materiel was informed by the strategic guidance and top level requirements for the Future Submarine, which have not fundamentally changed. Further work on options considered to then have potential to meet the future strategic and capability requirements, namely an evolved Collins and new design, was necessary. This work progressed, noting that the new design option originally focused on submarine design within Australia.

A study and independent assessment of the evolved Collins option was completed in August 2014. Both concluded that the effort required to evolve the Collins class was similar to that involved in generating a new design. This was largely because of the age of the Collins design and the requirement to replace many of the major systems throughout the submarine, which were becoming dated. Moreover, the potential to increase capability in an evolved Collins to meet strategic guidance and top level requirements would have been limited by constraints intended to keep this option within the definition of an evolved design.

Concurrently, an exploration of a new design conducted in Australia exposed substantial gaps in the depth and breadth of necessary skills required to undertake this task competently. These gaps indicated Australia would need to partner with an experienced international designer to develop the Future Submarine.

The Government's announcements on 20 February 2015 reflected these outcomes, and outlined the process that would be followed to select an international partner to develop the submarine to meet strategic guidance and the top level requirements.

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Question on Notice No. 7 - Submarine maintenance

Senator Xenophon asked on 25 February 2015, Hansard page 20:

Senator XENOPHON: Let me put something to you then: I am advised that the anti-ship missile defence upgrade to the Anzacs would not have been possible in Australia without the understanding derived from the Australian build. I understand the same is also true of many of the deep maintenance activities and other modifications on Collins—for instance, hull cuts for diesel remediation. It is much harder to conduct diesel work on board the submarine. We now cut the hull, pull the diesels out and reinsert them. The welding techniques are those gained in the build process; the confidence to do this safely has been gained through the build process. As a general proposition, do you agree with that, particularly in terms of what I have put to you in respect of the Anzacs?

Mr Gould: I cannot comment on ASMD. I do not know enough about that project.

Senator XENOPHON: Right.

Mr Gould: I cannot say yes or no—

Senator XENOPHON: Perhaps DMO might want to take that on notice.

Mr Gould: but somebody else may well be able to. I am sure Mr King could. In terms of the hull cuts, yes, you do need to know about the materials, the material nature of the steel and the specific welding techniques that are needed to both do the cut and then restore the cut. That knowledge needs to be transferred from the build program, but you do not have to have built the submarine to be able to do that.

Senator XENOPHON: You do not even concede that building them here, having those skills, having those expert welders, for instance, being part of the build would be able to better manage and reduce the risks involved with a local build rather than an overseas build?

Mr Gould: I would say there are other ways of doing it. It is really important not to get distracted by the build to maintain argument to the point where you forget that the really important thing is to be planning and understanding the maintenance and the design intent during the design phase. That is the really important connection to make.

Mr King: And the skills that you need to do that maintenance. I am not sure of the very latest figures, but if you take the Collins example—I do not want to be overly negative about Collins; I happen to think it was broadly successful program from a greenfield site—

Senator XENOPHON: Which I think is a very fair comment.

Mr King: The cost of maintaining Collins still sits at about 70 per cent above benchmark.

Senator XENOPHON: But there are lessons we need to learn from Collins.

Mr King: That is what this process is about: bringing together evaluation of the options, marrying them with the lessons we have learnt from Collins and, after we have the information, rather than broad statements or generalities, we will be able to present those to government, and government will be able to make an informed decision about the balance of where things should be done, where it should be built. But one thing is for sure—

Senator XENOPHON: I am running out of time here. Could you take it on notice? I am sorry, I have to ask the Air Chief Marshal some other questions. I appreciate that this is a very important issue, but if you could take that on notice.

Mr King: We can.

Response:

The ASMD upgrade project is the fusion of three very complex activities and disciplines, namely;

- (a) Phased Array Radar design and development
- (b) Combat Management System (CMS) upgrade, and
- (c) Platform integration.

The Phased Array Radar was a high risk, new technology project designed and developed by CEA Technologies and delivered under a separate risk reduction acquisition strategy. This aspect of the ASMD upgrade did not utilise understanding derived from the Australian build of the ANZAC Class in Australia. CEA Technologies were not involved in the ANZAC build program.

The CMS upgrade is being delivered by SAAB Systems under the ANZAC Alliance Contract arrangements. Due to the sensitive nature of the technology and the associated intellectual property rights, there was an advantage in using the CMS designer who was involved in the original build. SAAB Systems were involved in system integration both at build and through life support of the ANZAC Class.

In the context of platform integration, it was considered most efficient to utilise the ANZAC Alliance partner arrangement due to their existing know-how gained through many years of ANZAC ship sustainment. This was a choice exercised by Commonwealth; however, platform integration could have been completed by another experienced ship repairer as the Commonwealth holds the necessary design data.

The Australian build of the ANZAC Class Frigates was undertaken at the Williamstown dockyard, Melbourne. The ASMD upgrade however, took place at the Australian Marine Complex in Western Australia thus utilising a different workforce. As such, limited opportunity existed for build labour skills to contribute to the ASMD upgrade.

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Question on Notice No. 8 - Martin Place siege

Senator Conroy asked on 25 February 2015, Hansard page 30:

Senator CONROY: Liaison can be formal or informal. Were the ADF providing advice to the New South Wales police? I appreciate the point you have just made, that they all just work together. They were very integrated and they knew each other, but were they providing formal advice?

Air Chief Marshal Binskin: They may have in a particular specialist area, which I do not want to discuss openly. We have certain capabilities.

Senator CONROY: I am trying to understand. Were any of those specialist capabilities deployed?

Air Chief Marshal Binskin: I would have to take that on notice. Again, I think you are heading down a path that is different to what I am thinking. They are specialist technical areas, if I were to be precise. You can see where that might be.

Senator CONROY: Media reports suggest that New South Wales police had a prepared direct action DA plan many hours before their emergency action plan had to be implemented. Did the ADF provide advice to the New South Wales police in relation to tactics or weaponry in relation to the direct action plan?

Air Chief Marshal Binskin: I would have to take that on notice. I do not believe so. The New South Wales police is one of the more capable forces in Australia to handle this situation.

(...)

Senator CONROY: Did ADF personnel, liaison specialists or others provide any input into that direct action plan?

Air Chief Marshal Binskin: I would have to take that on notice. I would think that that would be more an area that the coroner would want to look at, so I would have to be careful on how I answered that. I am not trying to be evasive.

(...)

Senator CONROY: Did the ADF have any personnel deployed in Martin Place? **Air**

Chief Marshal Binskin: That is what I will take on notice, from a specialist point of view. And that I do not have exactly to hand. But I will get that for you.

Senator CONROY: Did the ADF provide advice to the New South Wales police in relation to the weapons and ammunition that should be used in the storming of the cafe?

Air Chief Marshal Binskin: I will have to take that on notice.

Response:

To maintain the integrity of the ongoing investigations, the NSW police and the NSW Coroner have requested that details on Defence's involvement with the Martin Place siege not be made public until the investigations are complete.

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Question on Notice No. 9 - Tamworth Flying School

Senator Williams asked on 25 February 2015, Hansard page 39:

Senator WILLIAMS: The Tamworth basic flying school has been operated by BAE Systems under contract to the ADF to train pilots for the Army, Navy and Air Force and they have been there since 1992. My first question is, in the short history of BAE operating the Tamworth flying school, has there ever been a problem or breaches of contract?

Mr Richardson: I would need to take that on notice, Senator.
(...)

Senator WILLIAMS: Good. How much money has been spent on the Tamworth facility since the flying school started?

Mr Richardson: I need to take that on notice.

Senator WILLIAMS: Take it on notice.

Response:

There have been no breaches of the BAE Systems ADF Basic Flying School contract.

Defence is unable to provide a cost for the Tamworth facility because it was built, and is operated, by a commercial entity.

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Question on Notice No. 10 - Environmental Impact Statement (EIS) - JSF

Senator Urquhart asked on 25 February 2015, Hansard page 41:

Senator URQUHART: I just want to ask some questions about the environmental impact statement that is being developed for the flying operations of F35As. According to the RAAF site, the first aircraft will arrive in Australia at the RAAF base in Williamstown in late 2018, with the complete fleet arriving by 2022. I understand that public information sessions have been held in Williamstown, Tindal, Darwin and Townsville. There were some questions asked on notice at the supplementary estimates asking for a summary of the reactions and feedback that you have had at your public information and consultation sessions at Williamstown, Tindal, Darwin and Townsville. The written answer that we received indicated that there would be a supplementary report to the draft EIS. Has that supplementary report been completed.

Air Vice Marshal Davies: I do not believe that report is complete yet.

Senator URQUHART: Do you know when it will be?

Air Vice Marshal Davies: No, Senator. I will take that on notice and get it to you today if I can.

(...)

Senator URQUHART: Thank you. The same report also mentioned concerns from Darwin residents about the effect on house values. Did either of these issues emerge in your public consultations?

Air Vice Marshal Davies: There was some mention of effects on houses. I would like to ask the SRG representative to comment on the movement of houses in the Darwin area, but there are some changes already underway for new houses to be built in Darwin and the older houses to be removed. I am not sure of the outcome of those in terms of noise effect.

Senator URQUHART: Will any of those issues about the house values be addressed in the supplementary report?

Air Vice Marshal Davies: I will take that on notice and I will include that in getting back to you today.

Response:

Defence is preparing a supplementary report, which will address the issues raised in public submissions received, following the release of the Draft Environmental Impact Statement for flying operations of the F35A Lightning II.

This report is in preparation and should be submitted to the Minister for the Environment in the coming months.

The values of individual properties fluctuate for a variety of international, national and local economic reasons of which potential aircraft noise is but one factor. The Draft Environmental Impact Statement RAAF Base Planning and Land Use Assessment (21 July 2014), considered it unlikely that possible noise levels generated by the F35A aircraft will directly affect house values within the Darwin area.

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Question on Notice No. 11 - Submarines - Sweden

Senator Conroy asked on 25 February 2015, Hansard page 50:

Senator CONROY: Thank you. Given that virtually everybody is at the table or in the room, how many designers does Saab have in Sweden?

Mr King: It is in the presentation I had. I can get it for you.

Senator CONROY: Any idea?

Mr Richardson: Mr King gave an answer.

Senator CONROY: Mr Gould?

Mr Gould: We will get the information for you.

Senator CONROY: How many of them are submarine designers?

Mr Gould: I thought that was the first question—how many submarine designers.

Senator CONROY: How many designers?

Mr Gould: How many designers does Sweden have, would be, a very large number.

Mr King: Senator, can I—

Senator CONROY: I understand there is quite a large number of submarine designers too.

Mr King: There is. We will get that information for you, and it is being considered. But there is a great misunderstanding in this country and others about what it takes to have an effective organisation. It is not simply a matter of adding up whether you have 100 or 120 or 300 designers, specialist engineers, production managers, production drawing, it is: do you have all them and do you have a totally efficient and effective functioning organisation? It is all of that. If it was simply a matter of assembling 300 engineers, you would do it every other day; it is having 300 engineers who have all the design standards, design tools, the production standards, the engineering standards to form a cohesive capacity to do this work.

Senator CONROY: Thank you. So you will come back to me on how many designers? Perhaps I can help: there are 400 designers of which 300 are submarine designers.

Mr King: It was presented to us.

Senator CONROY: How many production engineers and workers do Saab have?

Mr King: Again, Senator, I had presentations on my visit, and I am sure we have had it on other ones about how big Saab is, how many people it has, where they have them, we had all that information.

Senator CONROY: That is why I am hoping you can answer these questions.

Mr King: I can but I do not have it off the top of my head.

Senator CONROY: Mr Gould?

Mr Gould: I do not have it on the top of my head.

Senator CONROY: I believe it is 700, just to help—to save anyone running round.

Mr Gould: I take it you are talking about Saab Kockums, Senator? Because that would be very small.

Senator CONROY: Saab in Sweden.

Mr Gould: But Saab is a very big organisation. It depends what we are talking about.

Senator CONROY: How many people does Saab employ on naval projects?

Mr King: We can keep giving you the same answer Senator.

Senator CONROY: I think it is 2000.

Mr King: But that would—

Senator CONROY: Just to save you running around.

Mr King: But that would include all naval projects.

Senator CONROY: That would be when I ask: how many people do they have on naval projects?

Mr Gould: In particular naval combat systems, surface ships, all sorts of things which are not directly related to submarines.

Senator CONROY: Are you aware that Saab can call on more engineers than the ones I have just mentioned, as required, to ramp up design work?

Mr Gould: I am sure that they can.

Senator CONROY: Could you name any of their subcontractors that they have traditionally called upon?

Mr Gould: I do not know the answer to that one.

Response:

In its unsolicited proposal for Australia's Future Submarine Program, Saab has stated that, in addition to an existing 3,000 naval engineers, the acquisition of Saab Kockums AB has provided 350 submarine engineers, and 600 production staff.

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Question on Notice No. 12 - Air Warfare Destroyer

Senator Sinodinos asked on 25 February 2015, Hansard page 55:

Senator SINODINOS: We have already seen some people in the industry, in broad terms, lose their jobs—particular categories of workers?

Mr King: Yes.

Senator SINODINOS: When will the bulk of the job losses occur? In the next couple of years?

Mr King: In the next year or two they will get quite significant. In the case of the AWD we have two module builds outside the ship consolidation yard. The ships are consolidated in Adelaide but there are modules being built in Melbourne and in Newcastle. Obviously the module work finishes well before the ship is finally brought together.

Senator SINODINOS: Do you have a broad figure for impending job losses?

Mr King: I do. I just do not have it in front of me.

Senator SINODINOS: It would be appreciated if you could get back to us with that at some stage.

Mr King: I will.

Response:

Work is winding down on both the Land Helicopter Docks (LHD) and Air Warfare Destroyers (AWD) at the shipyards, with LHD work expected to complete this year and work on AWD modules expected to complete in 2016.

There are currently around 520 personnel working on the LHD in Williamstown, block construction for the AWDs in Newcastle has around 590 personnel and around 290 in Williamstown.

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Question on Notice No. 13 - Landing craft for LHD

Senator Fawcett asked on 25 February 2015, Hansard page 56:

Senator FAWCETT: So with the—I think it was 12—landing craft the government ended up getting Spain—Navantia, I think—to construct for the LHD: what was the process that led to that? Was there an open tender process for that? Was it a sole source decision by government? What year was that taken in?

Mr King: I will have to check both the year and the method, but I recall that Navantia was the designer of the landing craft which is called an LCM-1E, which was purposely designed for the LHD. Within the Navantia offer, I know we asked them for a combination of solutions: offshore build, partly offshore and partly onshore build, and a full onshore build.

Senator FAWCETT: I am happy to put this on notice. What I am trying to establish, though, is that if, as a nation, we want to look towards a continuous utilisation of our manufacturing workers and facilities, despite that desire, since the commissioning of LHD and AWD the only commissioning of vessels that has occurred was a decision taken—was it about four years ago?—to send the work for 12 vessels to Spain, which I do not believe involved an open tender.

Mr King: It certainly did not involve an open tender. I am not sure whether it involved multiple tenderers.

Senator FAWCETT: Could you take that on notice?

Response:

Procurement of the 12 LHD Landing Craft under project JP2048 Phase 3 started with an open Request for Proposal, released on 8 November 2007. Navantia were down selected at first pass approval on 24 February 2009. A Request for Tender was subsequently released to Navantia on 11 May 2009 requesting a number of build strategies. The decision to build the craft offshore and integrate the Communications, Battle Management and Navigation systems in Australia was made at second pass approval on 20 September 2011.

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Question on Notice No. 14 - LHD

Senator Macdonald asked on 5 February 2015, Hansard page 57:

Senator IAN MACDONALD: I wanted to speak about Land 400, but before I do can I ask Mr King, perhaps on notice, how long it takes to build the hull of an LHD?

Mr King: I would have to take in on notice, but I think it was in the order of three years. It might have been a bit longer. It depends what you mean. I am not trying to avoid your question—I will get to the answer. But you have to finalise the design drawings for the changes that we in Australia want and then you start construction and then they were shipped to Australia. They arrived only a few months after the intended date that we first contracted for.

Response:

The Spanish component of LHD1 (Now HMAS *Canberra*) commenced construction from cut steel on 23 September 2008 for load onto MV Blue Marlin for transit to Australia from Spain on 17 August 2012. Thus the hull build took just under four years.

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Question on Notice No. 15 - LAND 400

Senator Macdonald asked on 25 February 2015, Hansard page 60:

Senator IAN MACDONALD: Does the tender provide for trials in different climatic zones?

Lt Gen. Morrison: Yes.

Senator IAN MACDONALD: Does the tender indicate what warranty provisions are required?

Major Gen. McLachlan: Yes, it does, Senator.

Senator IAN MACDONALD: Can you briefly tell me what they are?

Major Gen. McLachlan: I might have to take the specific detail on notice and provide that to you.

Senator IAN MACDONALD: Can you recall the time of the warranty? Is it two years, five years, ten years, a hundred years?

Major Gen. McLachlan: No, not off the top of my head, Senator, so I will take that one on notice and get it back to you.

Response:

The Warranty clause from the LAND 400 Phase 2 Mounted Combat Reconnaissance Capability Request For Tender (RFT) Acquisition Conditions Of Contract documentation details a period of 24 months starting from Acceptance of the Supplies.

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Question on Notice No. 16 - Defence visit to SAAB

Senator Conroy asked on 25 February 2015, Hansard page 68:

Rear Adm. Sammut: I was asked whether we might be visiting them earlier this year. It would have been the January time frame.

Senator CONROY: So in January you send an email that could have been interpreted by Saab that you were going to visit them again in February, March, April?

Rear Adm. Sammut: At that stage we indicated that we were potentially visiting in the first quarter of the year and then also provided advice, in a follow up to that, that we were considering doing so in the March time frame.

Senator CONROY: Rear Admiral Sammut, you are on this committee that formed the view that Mr Richardson has been talking about?

Rear Adm. Sammut: We were part of the deliberations; I was.

Senator CONROY: Yes, you were part of the discussions that reached the view—

Rear Adm. Sammut: Yes, I was part of the discussions.

Senator CONROY: in the first half of December—

Rear Adm. Sammut: Yes.

Senator CONROY: that Saab should be excluded.

Rear Adm. Sammut: Yes, I was.

Senator CONROY: Okay. Were you comfortable sending an email that might mislead them like that?

Mr King: Until government make an announced decision, despite whatever recommendations we have made to government, we obviously continue to deal with the prospective suppliers or whoever as if we are proceeding. You cannot, for example, pre-empt the government's decision by saying, 'Well, I'm not coming.' We do not know that. The government has to consider—

Senator CONROY: When did you send that email, Rear Admiral Sammut?

Rear Adm. Sammut: The exchange I had would have been in January—

Senator CONROY: When in January? That is what I asked.

Rear Adm. Sammut: I will need to check my records of that email and get back to you on that.

Senator CONROY: If you could, that would be great.

Response:

On 4 February 2015, Head of the Future Submarine Program, Rear Admiral Greg Sammut RAN sent an email to Saab's Head of Marketing and Sales (Australia and New Zealand), Mr Gerard Ogden, indicating that Future Submarine Program representatives planned to be in Europe in the first week of March.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 17 - SPA costs

Senator Back asked on 25 February 2015, Hansard page 69:

CHAIR: I have a couple of questions about 34 Squadron, which you might need to take on notice. There were three flights, and the first goes back to 4 February 2009, which the then Treasurer, Mr Swan, took from Canberra to Melbourne to give a speech to the Business Council. From publicly available information, it cost \$5,200. Can you confirm that? Would a commercial option have been available that day, that would not have cost \$5,200 to go Melbourne? The second flight was in June 2010, when, just after becoming the Prime Minister, Ms Gillard took a special purpose RAAF aircraft to Brisbane to attend, I think, a Labor Party fundraiser for Mr Ludwig, who is Senator Ludwig's father. I again would like to know whether the flight was repaid by the ALP? What was the cost of the flight? And thirdly, in March 2013, again Ms Gillard using a special purpose aircraft flew to Ballina to attend the wedding of her press secretary and the then Treasurer's chief-of-staff, now the Member for Rankin, Dr Chalmers.

Senator CONROY: I do not think that is not true.

CHAIR: I understand she did hold a press conference during the visit with the local MP Ms Elliot. I wonder attending a private wedding was an appropriate use of the asset, given the guidelines say that the special purpose aircraft are for 'commitments associated with official responsibilities, and other purposes, including parliamentary business.' I do not expect you to have that information, but if you can give it to me on notice. As part of that, can you also advise the committee the cost of flying the Challenger special purpose aircraft on an hourly basis?

Response:

Information regarding the Hon Wayne Swan MP's return flight from Canberra to Melbourne is publicly available in the Schedule of Special Purpose Flights. This document was tabled in both Chambers of Parliament on 26 November 2009.

The Schedule of Special Purpose flights containing information about the former Prime Minister, the Hon Julia Gillard MP's return flight from Canberra to Brisbane was tabled in the House of Representatives on 25 November 2010 and in the Senate on 9 February 2011. The Schedule containing information regarding the flight from Canberra to Ballina was tabled in both Chambers of Parliament on 12 December 2013. This information remains publicly available from the Parliamentary Library.

Air Force does not cost recover against the Prime Minister or Prime Minister's staff. The Prime Minister and staff travel under the Prime Minister's entitlement. The *Commonwealth Guidelines for Special Purpose Aircraft* denote that the Prime Minister is an entitled person and Special Purpose Aircraft are to be used 'to enable approving authorities and entitled persons to meet commitments associated with their official, Parliamentary or political responsibilities, including electorate business.'

The net additional cost of flying a CL604 Challenger aircraft is \$3,300 per hour.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 18 - Number of JSF in first delivery to Williamtown

Senator Ludlam asked on 25 February 2015, Hansard page 78:

Air Vice Marshal Davies: In 2018, the first JSFs are going to RAAF Base Williamtown.

Senator LUDLAM: How many are you expecting in that first batch?

Air Vice Marshal Davies: I will get the exact number for you, but they flow out between 2018 and 2019 to form the first squadron, which is No. 3 Squadron.

Response:

Two aircraft are planned for the first 'batch' of Joint Strike Fighters that will be ferried to Australia. This ferry is currently scheduled to occur in December 2018.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 19 - Encryption keys

Senator Ludlam asked on 5 February 2015, Hansard page 81:

Senator LUDLAM: Thanks for joining us, Mr Meekin. I put a couple of very quick questions to ASIO last night on the SIM card encryption keys hack that has been in press since last Friday. Mr Lewis was not sure who the lead agency was, but your name came up. Firstly, are you aware of the issue that I am referring to—the compromising of a Dutch SIM card manufacturer's encryption keys?

Mr Meekin: No, I am not aware of the detail of that.

Senator LUDLAM: Are you aware of the broad outlines?

Mr Meekin: No, I am not.

Senator LUDLAM: Really? Okay, this is going to be interesting. Have you been asked to provide a brief to anybody either in government or in industry?

Mr Meekin: I have not.

Senator LUDLAM: Do you know whether anybody in ASD has been asked to provide a brief?

Mr Meekin: I am not aware that they have, but we can take that on notice.

Senator LUDLAM: I would appreciate that. Do you know or could you confirm for me—and it sounds as though it is not ASD—who the lead agency is, if any, within the Australian government providing advice within government on this issue?

Mr Richardson: And precisely what is the issue, Senator?

Senator LUDLAM: Mr Richardson, it is a story that broke on Friday that Telstra, Optus and Vodafone are busy trying to verify the truth or otherwise that United States and British signals intelligence agencies stole encryption keys for mobile phone devices, and potentially passports and credit cards, from a Dutch SIM card manufacturer, Gemalto, which produces around 2 billion SIM cards a year. Now this potentially affects and compromises devices carried by millions of Australians including, presumably, people in this room. I would have thought that would be something that ASD would be interested in or at least aware of.

Mr Richardson: If the allegation is that the UK counterpart of ASD stole the keys, if there were questions within our government, that would normally come to ASD.

Senator LUDLAM: Okay. That is indeed the allegation. Not just GCHQ, but GCHQ in partnership with the US NSA. That is why I have asked ASD to come forward. But now I am hearing, which I am actually a bit surprised about, that you have no idea what I am talking about. That is a bit confusing to me. Not you, Mr Richardson, because I know you are extremely busy. Mr Meekin does not know anything about the issue.

Mr Meekin: I am aware of a media article, broadly, but I am not involved in any detail.

Senator LUDLAM: Okay. That is indeed the allegation. Not just GCHQ, but GCHQ in partnership with the US NSA. That is why I have asked ASD to come forward. But now I am hearing, which I am actually a bit surprised about, that you have no idea what I am talking about. That is a bit confusing to me. Not you, Mr Richardson, because I know you are extremely busy. Mr Meekin does not know anything about the issue.

Mr Meekin: I am aware of a media article, broadly, but I am not involved in any detail.

Senator LUDLAM: Okay. Is this not something that would have come across ASD's desk? Is the potential compromising of the mobile phone handsets of millions of Australians, including diplomats, justices, members of parliament, members of the ADF and your own staff, not something you thought to follow up?

Mr Richardson: ASD could be aware of it. But, one, I am not aware whether the report is accurate—

Senator LUDLAM: That is what I am trying to ascertain, and I thought you guys would be an excellent source of advice on that.

Mr Richardson: and, secondly, we would have to take on notice what we know or do not know.

Senator LUDLAM: Great. I might run through a couple of questions to give some specifics to what I will be asking you to take on notice. I notice, Mr Richardson, that you are stepping in. Would you rather that I go through you or through Mr Meekin?

Mr Richardson: No, you can ask them. It is possible that Mr Meekin may well have the answers that I do not.

Senator LUDLAM: Let me step through these, and you can tell me if you know anything at the moment, or if you are able to take some of this material on notice. The principal question was: is Australia doing anything about this? Who should I go and talk to? Do you think this is a consumer issue I should put to the ACCC?

Mr Richardson: First of all, it would be necessary to ascertain whether the reports are accurate or not.

Senator LUDLAM: Right. And you guys would be quite well placed to do that. I do not have the phone number for anybody at GCHQ; Mr Meekin possibly does.

Mr Richardson: I do not think GCHQ would publicly comment on such an allegation.

Senator LUDLAM: Indeed. So how are ordinary Australians whose mobile phones may have been compromised by overseas intelligence agencies best placed to ascertain whether these stories are true or not?

Mr Richardson: I think the best thing you could do is put the question on notice and we will see what answer we are able to provide.

Senator LUDLAM: Okay. Let's work through them then. My first question is: are you able to identify whether these allegations are true? Gemalto has made some claims that they 'do not believe their systems were compromised'. There is some room for ambiguity, so: can provide us with something to help us verify that or not? What is your advice to Australian users of telecommunications services who may not want to use devices that are compromised by overseas intelligence agencies? Does the Australian government plan to do anything—whether within this building, the defence community, the community more broadly, diplomatic services? And would your response would have been different—perhaps had different a sense of urgency—if Chinese or Russian intelligence services were alleged to have compromised potentially every mobile handset in the country? That seems like a reasonable place to start. Would either of you like to provide any comment on the scope—

Mr Richardson: We will take all of that on notice. In terms of your last question, I will be very open. Of course there would be a greater sense of urgency, if you want—for obvious reasons.

Response:

Australian Signals Directorate has not been asked to provide a brief.

Gemalto has publicly advised their encryption keys have not been compromised. Telstra, Vodafone and Optus have publicly stated they defer to the manufacturer. Telstra and Vodafone also have publicly stated they do not believe their customers have been impacted.

Australian telecommunications service providers are best placed to provide advice to Australian users regarding questions they may have about their devices.

The Australian Cyber Security Centre advises the level of security applied to current telephony implementations is suitable for general public use. Australian customers should follow the advice of their telecommunications providers if they have any concerns in this area.

Department of Defence

Additional Estimates Hearing - 25 February 2015

**Question on Notice No. 20 - Hughes Aircraft Systems International and
Airservices Australia**

Senator Xenophon asked on 25 February 2015, Hansard page 85:

Senator XENOPHON: Again, I am happy for that to be checked. I go very quickly to the issue of Hughes Aircraft Systems International and Airservices Australia—the federal court decision of Justice Finn on 30 June 1997, which is a pretty seminal decision about the whole issue of tender processes and the like. It is an issue that I imagine DMO and other government agencies would know backwards.

Mr King: I am familiar with it.

Senator XENOPHON: This case changed the procurement of goods through taxpayers' money. In essence, the judge said that these processes can be construed as a tender. It raises an issue as to whether a competitive evaluation process could trigger the sorts of considerations that were in the Hughes aircraft case. All I ask, in general terms, is: is that a factor that will be taken into account in terms of potential legal liabilities that may arise as to how any competitive evaluation process is carried out so that it does not trigger the sort of litigation that occurred in the Hughes Aircraft Systems International case?

Mr King: We are certainly conscious of that. I will ask Mr Dunstall to respond in detail, but we have already been tested by the ANAO in terms of the appropriateness of the process.

Senator XENOPHON: I am constrained by time, I am sorry. I am happy for it to be taken on notice.

Mr King: We will take it on notice.

Mr Dunstall: I can give you a more detailed answer if you want me to take it on notice, or I can—

Senator XENOPHON: If you could take it on notice.

Response:

While the legal position is not settled, on the law relating to tender process contracts in Australia, Defence has taken considerations arising from the *Hughes Aircraft International Systems* case into account in designing and determining how to conduct the competitive evaluation process for SEA 1000.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 21 - WRA

Senator Conroy asked on 25 February 2015, Hansard page 101:

Senator CONROY: Are you familiar with the government's submission to the Defence Force Remuneration Tribunal? Have you seen a copy of the Defence Force Remuneration Tribunal submission by the government? Did they make it or it is yours that is made but ticked off?

Air Chief Marshal Binskin: It is ours.

Senator CONROY: My understanding, and I am hoping that you can help because I am a bit confused, is that it indicated that the changes would provide an annual saving of \$69 million. I thought—and please correct me—that was the savings from the offsets, and that is reflected in the Defence Force Welfare Association submission to the DFRT as well. I am trying to understand the difference between what looks—

Air Chief Marshal Binskin: And I am having a hard time understanding what your question is, sorry.

Senator CONROY: The Defence Force Welfare Association believe that the cost of those offsets is \$69 million. The government have given them back to you.

Air Chief Marshal Binskin: They never actually took it.

Senator CONROY: I am talking in a nominal sense—in a different sense of the word 'nominal'. I am just trying to understand whether the \$69 million figure was an incorrect figure, or the \$17 million. You are being very clear: \$17 million worth of offsets have been returned to you, or not taken from you, as had been proposed, but the figure \$69 million keeps cropping up.

Air Chief Marshal Binskin: I do not have the exact costs here. I will have to go to Air Vice Marshal Needham.

Senator CONROY: That is why I was a bit confused when I said—

Air Chief Marshal Binskin: I can understand.

Senator CONROY: Did all of them go back? I thought maybe a proportion of them were handed back, which would explain the difference between \$17 million and \$69 million. That is what I am trying to understand.

Ms Skinner: I will ask Mr Oliver if he can give you a bit of a description of why those numbers crop up, but in detail we might take it on notice to provide you something that is more substantial.

Mr Oliver: In the original submission to the DFRT, I think you are correct: it was about \$69 million worth of offsets when built. But, post the announcement, there was a decision made by government to not apply the offsets until March of the following year. Those offsets, when not applied, took away a good amount of the savings, because in the first year, over the leave period and from when the agreement started, losing that three or four months depleted the offsets. The remaining amount of offsets, as I understand it, was \$17 million worth of value.

Senator CONROY: Okay. That makes absolute sense now. They were forecast to save \$69 million over the three years of the agreement, then they were deferred, pushed back, 12 months. That is a big reduction from just losing 12 months, though.

Mr Oliver: It would be better to take the question on notice. We can provide a breakdown on when the offsets were about to apply and how that was done.

Response:

The proposed productivity initiatives totaled \$69 million per annum in value. However, only \$17 million represented cash savings over the life of the Arrangement.

The productivity offsets were to be applied from 1 January 2015, with the exception of the one day stand down which would have come into effect for the end of the 2014 working year, and continued to apply for the life of the Arrangement. It was later agreed that the initiatives would not be applied at all.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 22 - Ex-gratia payment to Sea King aircraftman

Senator Xenophon asked on 25 February 2015, Hansard page 107:

Senator XENOPHON: I will be very quick, and you may want to take this on notice. I have just spoken to Leading Aircraftman Scott Nicholls, who was seriously injured in that catastrophic Sea King helicopter accident off the island of Nias, on 2 April 2005. He has contacted me. His father has contacted me in relation to trying to negotiate an ex gratia payment after four years of negotiations. There has still not been an ex gratia payment. I do not understand why this case. Mr Nicholls, whom I spoke to just a moment ago, said that on 2 April it is the 10-year anniversary of the helicopter crash. He has been invited to attend a memorial. He cannot bear to be here—he is just so distressed at his treatment over the last four years in trying to finalise this matter. He lost his friends on that occasion. What we do about this?

Air Chief Marshal Binskin: I will take it on notice, because I am not fully across the—

Senator XENOPHON: Is it a matter for Defence, is it DVA or is it Defence legal?

Air Chief Marshal Binskin: To be honest with you, I really do not know until I get the details.

Senator XENOPHON: I have undertaken to do what I can to assist this man. Can we arrange with your office to meet urgently about this on his behalf?

Air Chief Marshal Binskin: I will find out exactly where it sits at the moment.

Senator XENOPHON: It is just that he is—

Air Chief Marshal Binskin: As always, I am sure there is a lot that sits behind the couple of pieces of paper that you have there, and I would really like to get across it. I feel for him.

Senator XENOPHON: If we could, I would like to give him that reassurance. I will give him a call now.

Air Chief Marshal Binskin: I think we should acknowledge it is the 10-year anniversary coming on.

Senator XENOPHON: Yes. He lost some very good friends in that accident. If I may, I will liaise with your office about that.

Air Chief Marshal Binskin: That is quite all right.

Response:

Mr Nichols' request for an ex gratia payment is being managed by Defence Legal in consultation with the Minister for Defence's office.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 23 - Chief of Army's directive 21/13

Senator Xenophon provided in writing:

In the Supplementary Estimates in October, 2014, Defence in response to QoN #174 gave a defining answer to the Senate on the term 'purporting to act'. Can the Chief of Army explain why is so confusingly different from the Chief of Army's directive 21/13 dated the 13th June 2013 which includes: "*Uphold the standard of behaviour contained in Defence Instructions and orders, on and off duty, when purporting to act as a Defence member and in any activity with a connection to Defence.*" Does the Chief of Army and the Army's command officers stand by this directive to the troops, or must the Army now apply the much narrower explanation provided by the Department of Defence to the Senate in 2014?

Response:

Chief of Army stands by this directive.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 24 - Fraud reported to AFP

Senator Xenophon provided in writing:

In the QoN #174 of the Supplementary Estimates in October 2014 in 1 (vii) the question was asked, ‘how many instances of fraud were referred to the Australian Federal Police in the period 1995-2010 with key word “procure”, “contract”, “corruption” and “fraud” were used to report relevant cases?’. I was advised that 228 instances of ‘fraud’ were referred to the AFP. In a 2011 FOI 82/2012 of the AFP PROMIS database, AFP FOI could only identify five (5).

- (1) Can Defence give a detailed explanation as to the huge discrepancy between the Defence’s reported figures and those of the AFP? If not, why not?
- (2) Can Defence corroborate its reported 228 cases by providing the Investigation Number (INV#) the date of the offence, and the monetary value attached to each reported INV# and or case? If not, why not?

Response:

- (1) Defence is unaware of the nature and scope of the 2011 FOI 82/2012 relating to the Australian Federal Police (AFP) PROMIS database. Defence is therefore unable to comment on the AFP response to that FOI request.

Defence’s response to Question on Notice No. 174 from Supplementary Budget Estimates of 22 October 2014 was based on all instances in which Defence reported circumstances of an allegation of fraud to the AFP for the purpose of either requesting the AFP take the lead on an investigation or to seek investigative assistance.

- (2) Each of the 228 cases has a specific investigation record number and case details recorded within the Defence Policing and Security Management System (DPSMS). While details of the case record numbers and offence date are available, the compilation of the fraud debt information over the period 1995-2010 would be an unreasonable diversion of resources.

To provide some context and corroboration of the type of matters referred to the AFP, Defence can provide a breakdown of the 228 reported cases as follows:

AFP Referrals 1995-2010	
Referred to AFP for investigation	66
Referred to AFP for assistance request	44
Referred to AFP for criminal history check	37
Referred to AFP for rego/licence check	26
Referred to AFP for search warrant assistance	55
Total	228

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 25 - Fraud - underreporting

Senator Xenophon provided in writing:

In QoN #29 and #33 of the Supplementary Estimates of December 2004, Senator Ludwig asked about 'Incidents of theft' and 'Incidents of fraud'. In the answer to these two questions, Defence supplied the following definition: 'The current Commonwealth Fraud Control Guidelines define fraud as 'dishonestly obtaining a benefit by deception or by other means' and specifically includes theft as a sub-set of fraud.' My question is why, for the last decade and more, has Defence been under reporting instances of fraud in their Annual Reports, by only apparently on the figures provided, reporting the fraud sub-set of theft and not the full fraud? Given the length of time-frame, I believe a detailed explanation would be in accordance with Senate Standing Orders 25(20).

Response:

The underlying assumption behind this question is incorrect. Defence has not been under-reporting fraud.

All of the information provided in the response to Question on Notice No. 33 from Supplementary Estimates of December 2004 relates to 'fraud' cases. In the response, Defence noted the definition of fraud from the *Commonwealth Fraud Control Guidelines* and specified that 'theft', in regards to Defence's annual reporting requirements, was included as a subset of fraud. In other words, when reporting fraud, Defence also includes all cases of theft.

In the response to Question on Notice No. 33 part (a), Defence provided a table titled 'Property Involved'. This title may have been confusing, as it could be incorrectly assumed that the table only reported on property from theft related cases.

The Defence investigation case management system attributes all fraud cases to a set of 'property involved' categories. The table at Question on Notice No. 33 (a) records the major types of 'property involved' categories which while including tangible property items, also includes intangible benefits such as 'Allowances', 'Accommodation' and 'Cabcharge'. In that regard, the categories identified in the table relate to all fraud cases and are not restricted to theft cases.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 26 - Non –compliance of financial rules

Senator Xenophon provided in writing:

In February 2014, it was reported by the Department of Finance that Defence had accounted for 22 per cent of non-compliance of financial rules in the entire public service for the financial year 2012-13.

- (1) What was the nature of the non-compliance in each incidence?
- (2) Can the Department of Defence put a Dollar value to that 22 per cent so that the Senate can visualise what the 22 per cent is in a monetary and budgetary framework? If not, why not?
- (3) Are you now able to supply the equivalent percentage and monetary value for 2013-14? If not, why not?

Response:

(1) The nature of the instances of non-compliance reported by the Defence Portfolio in the 2012-13 and 2013-14 financial years, as published in the Department of Finance *2013-2014 Certificate of Compliance Report*, is as follows:

Category of non-compliance	Financial Year	
	2012-13	2013-14
Banking and Investment by Agencies	108	6
Miscellaneous Requirements	6	5
The Commitment of Public Money by Agencies	2,879	1,579
The Maintenance of Agency Accounts and Records	0	0
The Proper Use of Financial Resources	128	88
The Use of Drawing Rights by Agencies	1	0
Grand Total	3,122	1,678

A more detailed breakdown of the nature of the instances of no-compliance is at [Attachment 1](#).

(2) According to the Department of Finance *2013-2014 Certificate of Compliance Report*, the Defence Portfolio accounted for 22.5% of the total instances of non-compliance reported across government. In 2012-13, the Defence Portfolio accounted for 24.5%.¹

The majority of non-compliant transactions relate to administrative deficiencies with limited financial impact.

¹ Page 30, Department of Finance *2013-2014 Certificate of Compliance Report*.

However, Defence does track the value of fraudulent transactions, which represent a cost to the Department until they are recovered. The following table details the number of fraud investigations and the determined loss in the period in 2012-13 and 2013-14².

	Financial Year	
	2012-13	2013-14
Loss	\$835,685	\$1,770,422
Registered Investigations	333	288

The significant variance to the value of fraud loss for 2013-14 is attributed to two specific cases. The reported fraud loss from these cases when combined was in excess of \$950,000. One of these cases involved a member of the public misusing a number of stolen Defence fuel cards, while the other involved unauthorised expenditure of Commonwealth money by a Defence member.

Regardless of the outcome of investigations, Defence vigorously pursues all Commonwealth losses associated with fraud. Defence's ability to recover fraud debts is dependant on the sufficiency of the evidence of the case and where liability can be attributed to an individual; their ability to repay. These circumstances can affect the ongoing recovery process, which depending on the size of the debt, may span a series of reporting periods.

(3) See answers to question (1) and (2).

² Table 9.2, *Defence Annual Report 2013-14*.

Defence Portfolio INSTANCES OF NON-COMPLIANCE 2012-13

Requirement of non-compliance	Title of relevant Section, Regulation or policy	Number of instances of non-compliance	The circumstances of non-compliance with the requirements	Action taken
FMA Act	section 10	107	Cheques and cash not banked by next business day in accordance with Defence CEIs.	Public money has been appropriately processed. Going forward business processes have been modified to ensure public money promptly banked.
FMA Act	section 11	1	Public money not banked in an official account by contractors.	Contracts are being re-negotiated to ensure compliance.
FMA Act	section 12	1	Contractors were managing public money without authorisation.	Contracts are being re-negotiated to ensure compliance with section 12.
FMA Act	section 14	8	Overdrawn entitlements	Recovery of all amounts is being pursued. Staff have been briefed on the appropriate use of public money.
FMA Act	section 26	1	Payments made without valid drawing rights.	Activities have ceased.
FMA Act	section 41	2	Public property has been improperly disposed of.	No fraud or theft occurred. Areas have been briefed on Defence's rules around disposal of

Requirement of non-compliance	Title of relevant Section, Regulation or policy	Number of instances of non-compliance	The circumstances of non-compliance with the requirements	Action taken
				public property.
FMA Act	section 42	2	Failure to follow rules around loss of public property.	Area has commenced an investigation. No evidence of fraud at this time.
FMA Act	section 43	4	Gifting not approved by section 43 delegate.	No fraud or theft occurred. Staff have been briefed on the delegation requirements.
FMA Act	section 60	117	Various fraudulent and unauthorised transactions on Purchasing or Travel Cards.	Recovery of all amounts is being pursued. If money is not repaid instances are investigated by the Defence Inspector General or the ADF Investigative Service, resulting in a range of outcomes from counseling, fines to prosecution in criminal court.
FMA Regulations	Regulation 7	184	Procurement process not in accordance with CPRs. Contracts not reported on AusTender.	Officers involved have been briefed on their responsibilities under the CPRs. General awareness of CPRs in regional areas has been raised through training and newsletters.
FMA Regulations	Regulation 9	2,499	Officials authorising	Defence is reviewing its internal processes.

Requirement of non-compliance	Title of relevant Section, Regulation or policy	Number of instances of non-compliance	The circumstances of non-compliance with the requirements	Action taken
			expenditure of public money without appropriate delegation. Officials entering into arrangements without the approval under FMA Regulation 9.	Individuals have been briefed on the requirements of the FMA Regulations. Training has also been provided.
FMA Regulations	Regulation 10	17	Failure to comply with FMA Regulation 10 requirements, including officials providing FMA Regulation 10 without a delegation.	Defence is reviewing its internal processes. Individuals have been briefed on the requirements of the FMA Regulations. Training has also been provided.
FMA Regulations	Regulation 12	179	Verbal approval was provided but not recorded within a reasonable timeframe.	Defence is reviewing its internal processes. Individuals have been briefed on the requirements of the FMA Regulations. Training has also been provided.
Total		3,122		

Defence Portfolio
INSTANCES OF NON-COMPLIANCE 2013-14

Requirement of non-compliance	Title of relevant Section, Regulation or policy	Number of instances of non-compliance	The circumstances of non-compliance with the requirements	Action taken
FMA Act	section 10	4	Cheques and cash not banked by next business day in accordance with Defence CEIs.	Public money has been appropriately processed. Going forward business processes have been modified to ensure public money promptly banked.
FMA Act	section 11	2	Public money not banked in an official account.	Funds transferred to an official bank account.
FMA Act	section 12	1	Contractors were managing public money without authorisation.	Contracts are being re-negotiated to ensure compliance with section 12.
FMA Act	section 14	25	Overdrawn entitlements	Recovery of all amounts is being pursued. Staff have been briefed on the appropriate use of public money.
FMA Act	section 15	1	Loss of public money	Recovery of all amounts is being pursued. Staff have been briefed on appropriate care needed when handling public money.

Requirement of non-compliance	Title of relevant Section, Regulation or policy	Number of instances of non-compliance	The circumstances of non-compliance with the requirements	Action taken
FMA Act	section 41	4	Public property has been improperly used and disposed of.	Recovery is being pursued in one instance where an official excessively used a mobile phone. Three other instances relate to disposal. No fraud occurred and the areas have been briefed on Defence's rules around the disposal of public property.
FMA Act	section 60	62	Various fraudulent and unauthorised transactions on Purchasing or Travel Cards.	Recovery of all amounts is being pursued. If money is not repaid instances are investigated by the Defence Inspector General or the ADF Investigative Service, resulting in a range of outcomes from counseling, fines to prosecution in criminal court.
FMA Regulations	Regulation 7	342	Procurement process not in accordance with CPRs. Contracts not reported on AusTender.	Officers involved have been briefed on their responsibilities under the CPRs. General awareness of CPRs in regional areas has been raised through training and newsletters.

Requirement of non-compliance	Title of relevant Section, Regulation or policy	Number of instances of non-compliance	The circumstances of non-compliance with the requirements	Action taken
FMA Regulations	Regulation 7A	2	Grants not published on the internet within 14 working days.	The staff members responsible for the non-compliances have been counselled on grant publication requirements.
FMA Regulations	Regulation 9	1,116	Officials authorising expenditure of public money without appropriate delegation. Officials entering into arrangements without the approval under FMA Regulation 9.	Defence is reviewing its internal processes. Individuals have been briefed on the requirements of the FMA Regulations. Training has also been provided.
FMA Regulations	Regulation 10	6	Failure to comply with FMA Regulation 10 requirements, including officials providing FMA Regulation 10 without a delegation.	Defence is reviewing its internal processes. Individuals have been briefed on the requirements of the FMA Regulations. Training has also been provided.
FMA Regulations	Regulation 12	113	Verbal approval was provided but not recorded within a reasonable timeframe.	Defence is reviewing its internal processes. Individuals have been briefed on the requirements of the FMA Regulations. Training has also been provided.
Total		1,678		

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 27 - Future Submarine Program - Soryu

Senator Xenophon provided in writing:

On Monday Feb 23 the Prime Minister said in Question Time: “It is true that those discussions, up till now, have been more detailed with the Japanese, because the Japanese make the best large conventional submarine in the world.”

- (1) How many large conventionally powered submarines are operating currently in the world, including Collins?
- (2) Has Defence/DMO provided advice to the Prime Minister that amounts to, or justifies, the assertion that the Soryu submarine is “the best large conventional submarine in the world”?
- (3) Without asking for any technical information that is classified secret, does the ADF have sufficient technical information to support such an assertion that Soryu is the best large conventionally powered submarine in the world?
- (4) Have any Australian submarine experts, commanders or engineers gone to sea in a Soryu and made an official assessment? If so, when and what qualifications did the Australian personnel have?
- (5) A paper was published on the Australian Strategic Policy Institute website in September 2014, written by Rear Admiral (ret.) Peter Briggs AO. In his paper Rear Admiral Briggs compares the Collins Class with the Soryu Class, or at least what is publicly known about Soryu. It’s clear from the paper that Soryu lacks many capabilities that Collins possesses, including range, endurance, speed, more usable weight and arguably better crew comfort/space (see table in the paper). Obviously Collins is older and faces big challenges linked to its age, which make it increasingly costly. Is the Soryu class submarine, as a matter of capability alone, as opposed to age-related maintenance and sustainability costs, superior to the Collins Class subs we currently operate?
- (6) If so, specifically what factors are considered to be superior?
- (7) Have Defence obtained empirical sustainment cost data from Japan?
- (8) The Government has confirmed that there is no military off the shelf submarine option for Australia currently. Upon what basis has the Government concluded that Soryu is an unsuitable submarine for Australia?

Response:

- (1) Taking the definition of a large conventional submarine as a non-nuclear powered submarine having a submerged displacement of 3000 tonnes or greater, there are around 90 such submarines currently in service based on open source information found on the IHS Janes website.
- (2) Defence has provided a range of advice to Government on the future submarine program, and through engagement with Japan, Defence has established that Japan has been successful in the design and build of the Soryu class, which is of a size similar to that required by Australia.
- (3) Defence has technical information that helps us to understand aspects of the Soryu design that relate to our submarine capability needs.
- (4) A senior RAN submarine command-qualified and experienced officer, and a command-qualified and experienced officer on his staff, have been to sea in a Soryu class submarine in early 2015.
- (5) and (6) Publicly available information does not provide a true indication of the capabilities of the Soryu design. Submarine capability is judged against a number of attributes, including range, endurance, payload, stealth and sensor performance. The Soryu and Collins class differ in various ways when each of these attributes is considered.
- (7) Yes.
- (8) There are particular requirements for the Future Submarine that the Soryu class has not been designed to meet. Incorporation of the preferred combat and weapon systems for the Future Submarine would also entail design changes.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 28 - Collins Class submarines

Senator Xenophon provided in writing:

- (1) How does Defence rate the success or otherwise of the Collins Class submarine, please address separately:
 - (a) the selection process for design partner
 - (b) the design development
 - (c) the build
 - (d) planning for taking delivery by Navy
 - (e) operations
 - (f) sustainment

- (2) Has the predominantly Australian supply chains for the Collins build (about 60 per cent) and sustainment phases (up to 90 per cent) been an advantage, disadvantage or made no difference to the outcomes of the Collins Class submarine fleet? Please give reasons for the answer.

Response:

- (1)
 - (a) The selection process for design partner was compliant with selection requirements.
 - (b) The design development generated design products that were acceptable.
 - (c) The build program generated products of acceptable quality, albeit with documented shortfalls and with significant and well-publicised schedule delays.
 - (d) The delays in build posed challenges for Defence, including for acceptance by Navy.
 - (e) Defence does not comment publicly on submarine operations.
 - (f) The Coles report into the business of sustaining Australia's strategic Collins Class submarines concluded that the Collins Class was suffering poor availability due to an inadequate support system. Defence has agreed with this conclusion, and is implementing the recommendations needed to restore the support system to the required levels of efficiency and effectiveness.

- (2) The Coles report criticised the effectiveness of the supply chain in its initial report. Since enacting recommendation of the report Defence considers Collins supply chain performance to be generally acceptable. This response does not reflect any specific Defence position in relation to the percentages in the question.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 29 - Future Submarine Program – Exclusions

Senator Xenophon provided in writing:

- (1) On February 15 the Defence Minister said in a statement: The Government's approach to acquiring replacement submarines will follow the process in place for major defence projects since the 2003 Kinnaird reforms to Defence procurement. This process was used by Labor when they were in government. There will be a thorough "two pass" Cabinet process, and we will receive advice from Defence to ensure we get the very best capability.

In what ways does the announced Competitive Evaluation Process, or any other Government process currently in train in relation to Future Submarines, relate to or resemble the recommendations of the Kinnaird review?

What were or are to be the points at which the two pass decisions will be made? Could there be more than two passes?

In what circumstance could more than two passes be considered necessary?

- (2) Upon what basis has Defence excluded the option of an evolved design based on the existing and successful Collins Class?
- (3) Has Defence made a detailed examination and assessment of an evolved design of Collins that was not limited to the same diameter hull? If not, why not?
- (4) Why did Defence limit its assessment of an evolved Collins option to a submarine of the same hull diameter as the current Collins class?
- (5) In the February 2015 Estimates Defence officials cited a Kockums study commissioned by Defence of the evolved Collins option that found that it would be just as expensive as developing a new submarine design. Is this an accurate reflection of comments by Defence officials?
- (6) Upon what basis did Defence decide to exclude an evolved Collins class design from further consideration for Future Submarines? Please provide details that justify the answer provided
- (7) Why has SAAB-Kockums been excluded from the Future Submarine acquisition?
- (8) What studies, evaluations, risk assessments or similar processes were followed in order to arrive at a decision to exclude SAAB-Kockums? What reports or documents contained these assessments?
- (9) Was SAAB-Kockums provided the opportunity to address the concerns of Defence as to SAAB-Kockums' suitability to participate in the competitive evaluation process?
- (10) If not, why not?
- (11) If so, what did this amount to?

- (12) In what way, if at all, did Defence's decision to exclude SAAB-Kockums relate to Defence's earlier decision not to consider an evolved Collins solution for Future Submarines?

Response:

- (1) The 2003 Defence Procurement Review undertaken by Mr Malcolm Kinnaird AO recommended a suite of reforms aimed at increasing transparency, capability definition and assessment, and management of capability delivery. Central to these recommendations was a thorough assessment of the proposed capability options for the Australian Defence Force.

There are cases where Defence needs to compare offers and determine value for money outcomes based on a range of sources of information, not just from a tender. The kind of process adopted depends on various factors, including the capability required, the available options and strategic requirements. A competitive evaluation occurs when an agency is assessing alternative solutions within a common evaluation framework. In essence, a competitive evaluation process would comprise a comparative evaluation of two or more options under a common evaluation framework. The common evaluation framework would address a range of criteria, which could include matters such as capability, interoperability, cost, schedule and commercial issues.

The Future Submarine Program will return to Government for approvals at key decision points for the program. This is not unusual for projects that are as complex and long running as the Future Submarine Program will be.

- (2) In December 2013, Defence contracted then TKMS AB (which originally designed the Collins class when operating as Kockums AB) to study an evolved Collins design as an option for the Future Submarine. The outcomes of this study demonstrated that the design effort involved would be similar to a new design. This was largely due to the age of the original Collins design and the need to replace many of the key systems throughout the submarine. Efforts to constrain the design task to remain within the definition of 'evolved' would also compromise the capability outcome. This conclusion was determined through independent evaluation of the study outcomes, and Defence assessed that an evolution of the Collins would not provide a beneficial, nor a low cost and low risk solution for the Future Submarine.
- (3) No. Based on the outcomes of the Evolved Collins feasibility study undertaken by then TKMS AB, Defence assessed that even a new design based on Collins, unconstrained by a specified hull diameter, would be challenging noting that only a small percentage of design artefacts might have been used without modification, few items could have been qualified through legacy arguments, and the corporate memory relating to the original Collins design was limited.

- (4) Altering hull diameter fundamentally changes the basis of an existing design, and generates the need for an entirely new design. This would negate the original intent of the evolved Collins option, which was to determine if the option could provide the required capability at lower risk than a new design.
- (5) Defence stated at the February 2015 Estimates that it had contracted Kockums (then TKMS AB) to assess if it would “be possible to restore the capability shortfalls in Collins to return the reliability to modern standards and to bring the submarine up to contemporary standards of design, safety and so forth”. The results of this scoping study were subject to an independent evaluation and assessment by Defence. The evaluation and assessment determined that scope of work to evolve Collins was similar to the work involved in a new design.
- (6) On the basis of the reasons mentioned above, Defence excluded an evolved Collins from further consideration.
- (7) Sweden has not had the opportunity to complete a full submarine design and build program since 1996-97, particularly following the acquisition of Kockums AB by HDW in 1999. Such a hiatus in submarine design and construction has not been without impact in many countries, where an inability to exercise skills across all elements of submarine design and build process over periods preceding new programs has resulted in capability, cost, and schedule impacts. At this critical junction in Australia’s Future Submarine Program, there is a clear imperative for Australia to minimise such risks.
- (8) The assessment to exclude Saab Kockums from further consideration was made on the basis of a comparison between the current design and build programs of potential international partners, supported by our knowledge of the risks in re-starting submarine design and build programs overseas following long gaps in activity. Defence also considered insights gained during contracted work on the evolved Collins option.
- (9) No.
- (10) See answers to questions (7) and (8) above. It is common for Defence to make an assessment of a company based on a range of information without confirming their assessment with the company.
- (11) N/A.
- (12) The decision to exclude SAAB-Kockums from participating in the Competitive Evaluation Process was not directly related to the assessment of the suitability of an evolved Collins design as an option for the Future Submarine. The suitability of an evolved Collins was assessed with reference to the likely capability and technical risks of this option.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 30 - Rossi Boots

Senator Xenophon provided in writing:

In July last year it emerged that DMO had decided to award a contract for 20,000 work boots a year to a supplier sourcing boots made in Indonesia. The then-Defence Minister, Senator Johnston, was quite troubled by the decision and ordered a review. Due to the limitations of Commonwealth Procurement Rules, which fail to take into account the secondary economic benefits of sourcing high quality supplies from inside Australia, the contract remained in place. Since that time the Australian dollar has depreciated considerably both against the Indonesian rupiah and the US dollar (see charts attached). Specifically, the Aussie dollar has dropped 11 per cent against the Rupiah and 18 per cent against the US dollar, since July 1 2015.

- (1) When were the contracts for which Rossi competed signed?
- (2) Were the contracts for the work boots in this case made out in Australian dollars, Indonesian rupiah or US dollars?
- (3) (If the contracts were made out in one of the foreign currencies) by how much has the cost to Defence for this contract increased?
- (4) (If the contracts were made out in Australian dollars) was there a currency-price mechanism included that takes account of shifts in either the Indonesian or US currencies?
- (5) If so, by how much has the cost to Defence increased for these contracts due to currency movements?
- (6) As part of the debriefing and review process, Rossi was informed that its boots were some 15 per cent more expensive than the Indonesian-made boots. There were no quality concerns raised and Defence told Rossi that, technically, it was free to choose Rossi to fulfil the contract, but it went with the foreign-made boots for 'value for money' reasons. Will the contracts for the work boots for which Rossi competed end up costing Defence more, due to currency movements or any other reason, than if Defence awarded the contract to Adelaide's Rossi Boots?
- (7) More broadly, each year Defence spends billions on equipment and supplies brought in from overseas – much of which can only be found overseas but much of which could, if our procurement rules allowed, be sourced here in Australia, with great value achieved for money to Australians. In the financial year 2013-14, by how much did costs to Defence increase (or decrease) for defence procurement due to currency changes?
- (8) What risk assessment or official consideration is Defence required to carry out, as part of the defence procurement system, of the risks of additional costs of currency movements?

Response:

(1) Rossiter Pty Ltd submitted tender submissions for two parts of the tender; Part B – Fawn Industrial Protective Footwear, and Part C – Black Industrial Protective Footwear. On 27 June 2014, the Commonwealth awarded a contract for the supply of the Fawn Industrial Protective Footwear for an initial five year term to Amare Safety Pty Ltd. The Commonwealth did not enter into a contract for the Black Industrial Protective Footwear after evaluating the tenders. It was determined that the boot being procured under Part A – Fireman’s Industrial Protective Footwear – of the tender represented better value for money.

(2) Australian dollars.

(3) Not applicable.

(4) No.

(5) Not applicable.

(6) No. The price variation mechanisms utilised in this contract are applicable for products manufactured both in Australia and Offshore.

Rossiter Pty Ltd’s Fawn Industrial Protective Footwear tender included a statement of non-compliance against the Australian and New Zealand Standard with respect to colour, water and slip resistance and required certification. Rossiter’s Pty Ltd offer was therefore found to be less technically compliant against the preferred tenderer’s submission.

(7) In FY2013-14, the Defence Materiel Organisation returned approximately \$53m due to foreign currency gains. Defence is supplemented for actual foreign exchange losses and gains.

(8) Defence is required to comply with Australian Government financial policy in relation to management of foreign currency exchange.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 31 - Issues in relation to employment of Mr Rex Patrick

Senator Xenophon provided in writing:

- (1) At hearing Vice Admiral Barrett stated “At the time of that discussion, there was an article that Mr Patrick wrote and the question that was discussed at the time was whether someone who was in an employable situation as a contractor would be under the same constraints as one of our own—a sailor, for instance—who may choose to make comment adverse to the service. We had just gone through an issue with social media about how we dealt with people making comments within social media that would clearly put the service into disrepute. There was a question that arose to ask: does this also apply to contractors? There was an ensuing discussion as to whether we actually had an obligation to review contractors saying those things. It continued, to see whether there was an obligation for us to do that or indeed whether there was a need for us to do that, and eventually we drew the conclusion that there was not an obligation. What you see in the subsequent reports and responses to Senate estimates was when we came to the conclusion that that was not a path that we could or should take.”
 - (a) On what date did Defence conclude that “that was not a path that we could or should take”?
 - (b) Was, if any, legal advice sought in relation to these deliberations?
- (2) After being advised by Captain Will Martin on 19 December 2012 that “, There appears to [sic] no case to terminate Acoustic Force’s contract with TA-MW however it is recommend that the contract be amended and a clause added to bind Mr Patrick in what he says to the media and what he writes in the public domain. If these amended terms do not suit him then another contractor could be sourced” Commodore Noonan sent an email on 21 January 2013 to his training authorities indicating recommendations in relation to Mr Patrick would be put to the Chief of Navy as follows:
 - Immediate termination of the contract under the provisions of clause 10.5.1
 - Not renewing the Contract on 22 Jun 13
 - Sticking with the Contract until 22 June 14 (i.e. full 5 years) and amending the contract so as to limit Mr Patrick making further public comment about Defence. As a simple statement of fact (i.e. yes or no):
 - (a) Was Mr Patrick’ contract terminated immediately?
 - (b) Was Mr Patrick’s contract not renewed on 2 Jun 13?
 - (c) Was Mr Patrick’s contract left to expire without renewal on 22 Jun 14?
 - (d) Was an attempt made to amend Mr Patrick’s contract so as to limit him making further public comment about Defence?
- (3) Please provide the Committee a copy of Commodore Noonan’s 21 January 2013 email described above.
- (4) Noting Captain Martin was Mr Patrick’s contract manager, and that Commodore Martin requested in his 21 January 2013 email that “What I need from the three

- of you in short order is the consequences of each of the three option [sic]”, please provide Captain Martin’s short order responses to the three options.
- (5) Please provide the committee with the April 2013 brief entitled “Brief for CN: Options Regarding Mr Patrick” – which has a stated purpose of seeking Chief of Navy’s “direction regarding which of the several options for the management of Mr Patrick Navy is to follow” and a reference number S6073029.

Response:

- (1) (a) The view was formed over a period of time, not a specific day.
- (b) Legal advice was sought at various stages during consideration of Mr Patrick’s contract.
- (2) (a) Mr Patrick’s contract was not terminated at any time.
- (b) Mr Patrick was offered, and accepted, a 12 month optional extension to the contract effective from 22 June 2013.
- (c) Mr Patrick’s contract was not in a position to be renewed on 22 June 2014. It had run its term and expired.
- (d) Discussions took place with Mr Patrick in March 2013 in relation to seeking the inclusion of the clause in relation to public comment into his contract. Mr Patrick rejected the request. Subsequently a decision was taken to exercise the contract extension.
- (3) (4) and (5) In response to these questions, attached are copies of these documents, as released under the *Freedom of Information Act 1982* to Mr Patrick on 26 September 2014 (3 and 4) and 5 September 2014 (5).

The documents have extensive redactions. Redactions were based on exemptions relating to *Legal Professional Privilege, deliberative processes, certain operations of agencies, and personal information*. Mr Patrick has indicated an intention to commence legal proceedings against the Commonwealth and *Legal Professional Privilege* redactions remain to protect the Commonwealth’s legal position. The remaining redactions were subject to consideration of the *public interest test* as required under the Freedom Of Information (FOI) Act.

Two separate reviews of the FOI applications were conducted by officers within the Department who are appointed by the Secretary of the Department of Defence to conduct independent reviews of Defence FOI decisions.

From: Noonan, Michael CDRE
Sent: Monday, 21 January 2013 12:41
To: Martin, William CAPT - RAN; Standen, Tim CMDR; Hoffman, Matthew CMDR 1
Subject: Consideration of the Future of the Acoustic Force Contract [SEC=IN-CONFIDENCE:COMMERCIAL]
Importance: High

IN-CONFIDENCE:COMMERCIAL


Gentleman,

FC is currently considering options that he will be putting to CN in the next hour regarding the Acoustic Force contract (Mr Rex Patrick). There is a long story around all of this, which you may or may be familiar with. I have confirmed that the contract is a 3 + 1 + 1 contract was executed on 22 Jun 09 as a three year contract with two one-year optional extensions. The first of these options has been exercised, meaning that the expiration of the contract is now due on 22 Jun 13. However, clause 10.5.1 states that *'In addition to any other rights it has under the Contract, the Commonwealth may at any time terminate the Contract or reduce the scope of the Contract by notifying the Contractor in writing.'*

The three options available to CN are:

1. immediate termination of the Contract under the provisions of clause 10.5.1
2. not renewing the Contract on 22 Jun 13
3. sticking with the Contract until 22 Jun 14 (ie, full 5 years) and amending the contract so as to limit Mr Patrick making further public comment about Defence

What I need from the three of you in short order, is the consequence of each of the three option, s 47E(d)



Could you please provide me with your assessment of the consequences for each option, and your preferred option ASAP please.

Best wishes,
Mike Noonan

Commodore M.J. Noonan, AM, RAN
Commodore Training

Fleet Headquarters

Ph: 02 9359 4643

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From: Martin, William CAPT - RAN
Sent: Monday, 21 January 2013 1:15 PM
To: Noonan, Michael CDRE
Cc: Standen, Tim CMDR; Hoffman, Matthew CMDR 1
Subject: RE: Consideration of the Future of the Acoustic Force Contract [SEC=IN-CONFIDENCE:COMMERCIAL]

FOI 311/12/13
Item 4
Serial 51

IN-CONFIDENCE:COMMERCIAL

Sir,
answers...

Will Martin

Captain, RAN
CO Watson and TA MW

(02) 93370 201
s 47F

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From: Noonan, Michael CDRE
Sent: Monday, 21 January 2013 12:41
To: Martin, William CAPT - RAN; Standen, Tim CMDR; Hoffman, Matthew CMDR 1
Subject: Consideration of the Future of the Acoustic Force Contract [SEC=IN-CONFIDENCE:COMMERCIAL]
Importance: High

IN-CONFIDENCE:COMMERCIAL

The three options available to CN are:

1. immediate termination of the Contract under the provisions of clause 10.5.1

This leaves little time to organise replacement training though that said the PWO Students received have only just received their training package in the last fortnight. Basic CSO (U) get their package 11 Feb so this option would affect that. I would imagine from a corporate point of view there's risk with this option as Mr Patrick is likely to kick up a stink and, given his alledged contacts, this could attract more attention than we desire. s 47C

2. not renewing the Contract on 22 Jun 13

Allows time to source an interim solution at the least. Again, from a corporate POV there is risk (albeit must less risk) as Defence will find it hard to justify the non-activation of the second extension. s 47C


3. sticking with the Contract until 22 Jun 14 (ie, full 5 years) and amending the contract so as to limit Mr Patrick making further public comment about Defence

Gives us the best result for the delivery of training right through to the end of the contracted window. s 47E(d) and is least rick to our reputation.

s 47C (although I am no longer dealing at the strategic level and totally understand the thoughts of the Admirals and maybe even MINDEF's staff)

Best wishes,
Mike Noonan

UNCLASSIFIED

	BRIEF FOR CN: OPTIONS REGARDING MR REX PATRICK	
	Division: Fleet Command, Training Force	Reference: S6073029
Timing:	Action required by: 29 Apr 13	

Recommendations:

That you:

- i. note the options available to Navy in managing Mr Patrick as articulated below; and

NOTED / PLEASE DISCUSS.

- ii. determine which course of action you wish to pursue.

DETERMINED / PLEASE DISCUSS.

Purpose

- 1. The purpose of the brief is to seek your direction regarding which of the several options for the management of Mr Patrick Navy is to follow.

Background

- 2. During the course of 2013 COMTRAIN has engaged in dialogue with Mr Rex Patrick of Acoustic Force, a contractor who provides training services to a number of Navy courses regarding underwater acoustics. Mr Patrick is also a vociferous publisher of articles and opinions regarding submarine capability. At your direction COMTRAIN approached Mr Patrick with a view to seeking his concurrence to cease publishing articles which may be seen as disparaging Navy and its capabilities. Mr Patrick has indicated his unwillingness to view his articles as disparaging, and has instead offered several alternative courses of action.

Current Position



UNCLASSIFIED

~~UNCLASSIFIED~~

s42



s47E(d)



Options for CN

8. Included in the options available to you are to:

a. s47E(d)



ACCEPT / NOT ACCEPT

~~UNCLASSIFIED~~

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 32 - Sexual Misconduct Prevention and Response Office (SeMPRO)

Senator Xenophon provided in writing:

The Sexual Misconduct Prevention and Response Office (SeMPRO) provides assistance to ADF members and Defence APS employees who have experienced sexual abuse. Can you advise:

- (1) How much federal government funding SeMPRO has received to date?
- (2) Can you provide a breakdown of that funding year by year?
- (3) Does SeMPRO have a physical presence at major defence establishments (such as training bases)?
- (4) If not, how much additional funding would be necessary in order to establish a physical presence on one major establishment?
- (5) How many reports have been made to SeMPRO in relation to alleged sexual or physical abuse to date?
- (6) How many of these reports have been referred to state or territory police?

Response:

- (1) \$2.756 million.
- (2) FY 2013-2014: \$1.441 million.
FY 2014-2015: \$1.315 million.
- (3) There are currently SeMPRO support coordinators located in the following locations:
 - Perth (Leeuwin Barracks)
 - Newcastle
 - Sydney (HMAS KUTTABUL)
 - Frankston/Melbourne (HMAS CERBERUS)
 - Australian Defence Force Academy (on campus)

A SeMPRO-affiliated psychologist also provides support to staff and students in the Wagga/East Sale regions, although the individual is not formally a member of SeMPRO staff.

There are also three support coordinator positions based in SeMPRO's main Canberra office, as well as the Director Response Support and Research who is also a mental health professional. These personnel travel to other major establishments or geographical locations where support is required.

- (4) SeMPRO was established as an initial operating capability based on the recommendations of the Broderick Reviews. SeMPRO continues to evolve to meet the requirements for prevention and response, with the full capability requirement for SeMPRO presence across Australia yet to be finalised. As such, requisite financial modeling to answer this question has not been undertaken.
- (5) Since SeMPRO commenced recording data, approximately 188 people have called to discuss or seek help in relation to an incident of sexual misconduct.
- (6) None. SeMPRO does not take or make reports to State or Territory police.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 33 - ADF Operations in Iraq

Senator Conroy provided in writing:

Can we please be provided with a timeline of ADF activities in Iraq, including indicative dates, since last estimates?

Response:

The following sub-paragraphs outline the key Operation OKRA Australian Defence Force (ADF) activities in Iraq from the last Senate Estimates (22 October 2014) until the time of question (25 February 2015):

- (a) 22 October 2014: Governor-General visit to Special Operations Task Group (SOTG), Middle Eastern Region (MER).
- (b) 2 November 2014: SOTG advance team deploy to Iraq to prepare for the deployment of SOTG to advise and assist Iraqi Security Forces.
- (c) 8-17 November 2014: Insertion of SOTG Main Body into Baghdad, Iraq.
- (d) 9 November 2014: Arrival of Operational Planning Team in MER (2 ADF and 4 New Zealand Defence Force personnel).
- (e) 20 November 2014: SOTG main body completes insertion into the Baghdad Diplomatic Security Centre.
- (f) 21 November 2014: RAAF C-130J Hercules completes two air drops of Humanitarian Aid into Iraq.
- (g) 22 November 2014: SOTG commence Advise and Assist operations.
- (h) 23 November 2014: Operational Planning Team-Iraq formed in Baghdad.
- (i) 25 November 2014: Chief of Air Force visits ADF forces in the MER.
- (j) 27 November - 6 December 2014: Special Forces Advisory Team 1 conducts insertion into MER .
- (k) 9 December 2014: RAAF C-17A Globemaster delivers approximately 40,000 lbs of crated weapons from Albania to Erbil in Iraq.
- (l) 3-4 January 2015: Prime Minister, the Minister for Defence and the Chief of the Defence Force visit Al Minhad Air Base and Baghdad, Iraq.

- (m) 4 January 2015: Head of Mission-Baghdad visits Al Asad Airbase.
- (n) 5 January 2015: Air Task Group (Al Dhafra Air Base, United Arab Emirates) Command Handover/Takeover.
- (o) 10 January 2-15: SOTG commences Operator Training Course with 75 Iraqi participants.
- (p) 25 January 2015: Chief of Defence Force visits ADF personnel in the MER.
- (q) 26 January 2015: ADF completes Taji Military Complex reconnaissance.
- (r) 28 January 2015: Opposition Leader, Shadow Immigration Minister and Head of Mission-Baghdad visit Baghdad.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 34 - Martin Place Siege

Senator Conroy provided in writing:

Chief Air Marshal Binskin confirmed in Senate Estimates that ‘specialist individuals’ had been deployed by the ADF to assist with the Martin Place siege:

- (1) How many specialist individuals were deployed by the ADF?
- (2) What were the respective specialisations of each of these individuals?
- (3) Under what command structure were these individuals operating?
- (4) Did any of these individuals have the capacity to resolve the situation at any time prior to the implementation of the NSW Police’s emergency action plan?

Response:

This question has been answered under Question on Notice No. 8 from Additional Estimates of 25 February 2015.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 35 – Future Submarine Program - Competitive Evaluation Process

Senator Conroy provided in writing:

(1) In the West Australian, Andrew Probyn wrote that the Government talking points to explain the competitive evaluation process were as follows: “Decisions on a design partner and construction of the submarines will be based on a competitive evaluation process managed by the Department of Defence that takes fully into account capability requirement, cost, schedule, technical risk and value for money considerations,” the talking points say. “Any Australian company that can credibly meet these criteria will be considered on merit, as will potential international partners.” Did the Department prepare any talking points in relation to the competitive evaluation process prior to the Government’s announcement of it?

(2) The Prime Minister announced the competitive evaluation process on 8 February 2015, but the details of that process were not fully released until 20 February 2015.

(a) Had the department prepared the details of the process prior to the Prime Minister’s announcement?

(b) Why did it take 12 days to for the full details of the competitive evaluation process to be released?

(3) The Prime Minister announced that there would be a competitive evaluation process for the Future Submarines on 8 February. Did the DMO know that this process was going to be announced on 8 February (prior to the announcement)?

(4) The Defence Minister held a press conference on 10 February in Adelaide confirming the competitive evaluation process. Did the DMO provide the Minister lines, talking points or any other information to help him for this press conference? If so, what were those lines or talking points?

(5) Is the competitive evaluation process a change to what was formerly being followed for SEA 1000?

(6) Why was a competitive evaluation process chosen for Australia’s Future Submarine Program?

(7) Why would DMO conduct a competitive evaluation process over a competitive tender process with a funded definition study?

(8) What is the biggest procurement for which this process has previously been used?

(a) What was the acquisition cost?

(9) In your briefings to the potential builders, whether before or after the competitive evaluation process announcement, did DMO advise them that they shouldn’t build in Australia?

(10) The Government’s process says that an expert advisory panel will be appointed to oversee the competitive evaluation process.

- (a) How will those people be appointed?
- (b) Who will appoint them?
- (c) How will the appointment process work?

Response:

- (1) Defence provided talking points on the competitive evaluation process prior to the Government's announcement on 20 February 2015.
- (2)
 - (a) The Future Submarine Program was exploring options involving Japan and European submarine designer/builders ahead of the competitive evaluation process announced by the Prime Minister on 8 February 2015.
 - (b) The detail announced on the 20 February 2015 followed Government's consideration of the proposal to continue the exploration of options using a common evaluation framework.
- (3) No.
- (4) Briefing material was provided to the Minister of Defence on 10 February 2015 as part of regular daily briefing notes on a range of issues across the portfolio.
- (5) See response to question 2.
- (6) There is no 'off-the-shelf' solution for the Future Submarine. New submarine design at the detailed level is a highly resource intensive and skilled activity. The competitive evaluation process will allow Australia to select the international partner to work with us to deliver the Future Submarine well before a formal tender process would allow such a selection.
- (7) See response to question 6.
- (8) A decision to progress a competitive evaluation process is not primarily based on the anticipated dollar value of the procurement.
 - (a) Examples of the use of a competitive evaluation process by Defence in the past include the selection of the MH-60R helicopter for Navy, the replacement of the Caribou with the C27-J Spartan, the purchase of Ocean Shield (Skandi Bergen) and the Land 121 Ph 4 Light Protected Vehicle selection (ongoing). These procurements range in value from USD\$127.5million to AUD\$3.2 billion.
- (9) Potential partners were advised that various build options, including onshore, offshore, and hybrid builds, were likely to be considered consistent with the need to balance capability, cost, schedule and risks with the Future Submarine Program.
- (10) (a), (b), and (c) The expert advisory panel will be appointed by the Minister of Defence on consideration of candidates proposed by the Department of Defence.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 36 - Future Submarine Program - Japan

Senator Conroy provided in writing:

- (1) Is there any understanding, agreement or commitment between Prime Minister Abbott and Prime Minister Abe to have Japan build our new submarines?
- (2) Has there been any preparatory work conducted within the Department in anticipation of our new submarines being built by Japan?
- (3) Has the Department prepared any press releases, talking points, or any other documents announcing that Japan would build Australia's new submarines?
- (4) Were there any discussions relating to the Future Submarine program included as part of the Free Trade Agreement process between Australia and Japan?
- (5) There are recent reports that said the Japanese would not be involved in a competitive tender process. Is that correct?
- (6) Has the DMO briefed the Government of Japan, either in Australia or Japan, regarding SEA 1000, and any changes arising from the Prime Minister's undertaking to his SA backbenchers?
- (7) Has all information relevant to SEA 1000 sought from Japan been provided?
 - (a) If not, on what grounds was it refused?
- (8) What Japanese company would the Government work with if Japan was to win the Future Submarine contract?
 - (a) Would it be a government-to-government deal?
 - (b) Or would it be a commercial arrangement with Mitsubishi and/or Kawasaki?
- (9) Is it correct that Japan's shipbuilding industry is at full capacity?
- (10) Is it correct that new ship yards would have to be built in order for Japan to build Australia's new submarines?
- (11) Does Japan subsidise its shipbuilding companies?
- (12) What assurance can the Government provide that any plan to purchase Japanese submarines won't be subject to changes in the Government of Japan?
- (13) Do DMO agree that a Japanese design and build presents a number of risks to the capability gap including:
 - (a) Delay caused by the political debate inside Japan around releasing military technologies;
 - (b) Delay caused in Japan because of a lack of design and shipbuilding capacity;

- (c) The challenge of working with Japanese designers and plans that have never been exported offshore. Has the Government and/or DMO and Defence made an assessment of these risks?
- (14) What assurances can the Government give that any plan to purchase Japanese submarines will be supported by the United States so that we can continue to access key technologies including the US Combat System and MK-48 heavyweight torpedo?

Response:

- (1) No decision has been made on the design or build location for Australia's Future Submarine.
- (2) No, not outside the competitive evaluation process which involves Japan, Germany and France.
- (3) No.
- (4) No, Defence is not aware of any such discussions.
- (5) Japan has been invited to participate in the Competitive Evaluation Process, and is considering Australia's invitation.
- (6) Representatives of the Japanese Ministry of Defence and Ministry of Foreign Affairs have been briefed on the competitive evaluation process and our invitation to Japan to take part in the process.
- (7) Engagement with Japan on potential submarine cooperation is ongoing.
- (8) It is a decision for Japan to determine the details of their proposal for Australia's Future Submarine Program, should they choose to participate in the competitive evaluation process, including Japanese industry involvement.
- (9) and (10) It is expected that industry capacity and infrastructure requirements related to the construction of Australia's Future Submarine will be detailed in the build option proposals provided by the invited participants in the competitive evaluation process.
- (11) This is a matter for the Government of Japan.
- (12) The Australian Government would enter into a number of commercial and government to government arrangements or agreements with any future international partner.
- (13) (a), (b) and (c) Each invited potential international partner in the Future Submarine competitive evaluation process will be asked to provide a rough order of magnitude schedule for each option proposed. These schedules will be assessed by Defence along with assessments of capability, risk and cost.

- (14) The ability to access key technologies and incorporate the submarine combat and weapons system jointly developed by the United States and Australia within the proposals of each potential international partner will be assessed as part of the competitive evaluation process.

Department of Defence

Additional Estimates Hearing - 25 February 2015

**Question on Notice No. 37 - Future Submarine Program -
Announcement of Process**

Senator Conroy provided in writing:

Some further detail for this process was announced on 20 February. This came after a cabinet meeting on 19 February. If Cabinet didn't sign off on the process until 19 February, why was it announced by the Prime Minister on 8 February?

Response:

The Future Submarine Program was exploring options involving Japan and European submarine designer/builders ahead of the competitive evaluation process announced by the Prime Minister on 8 February 2015. The detail announced on 20 February 2015 followed Government's consideration of the proposal to continue the exploration of options using a common evaluation framework.

Department of Defence

Additional Estimates Hearing - 25 February 2015

**Question on Notice No. 38 - Future Submarine Program -
Funded Definition Study**

Senator Conroy provided in writing:

The Kinnaird Two-Pass Process, which the Government says they are going to follow, allows for a funded definition study with industry. Will such a study take place for SEA 1000?

Response:

The competitive evaluation process for the Future Submarine Program will involve assessing the ability of France, Germany and Japan to partner with Australia to develop the Future Submarine. The invited participants will provide:

- Pre-concept designs based on meeting Australian capability criteria;
- Options for design and build overseas, in Australia, and/or a hybrid approach;
- Rough order of magnitude (ROM) costs and schedule for each option; and
- Positions on key commercial issues, for example intellectual property rights and the ability to use and disclose technical data.

Work undertaken by France, Germany and Japan to participate will be funded commensurate with the level of effort to deliver the required information.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 39 - Future Submarine Program - Evaluation Process

Senator Conroy provided in writing:

- (1) Has DMO briefed DCNS and TKMS regarding this new process for SEA 1000?
- (2) Has DMO provided any specifications regarding weight, design, endurance, range, yet to those included in the process – DCNS/TKMS/Japan?
- (3) Will DMO now tour the shipyards of DCNS and TKMS to see what they have to offer?
 - (a) Who will go on these visits?
 - (b) Will the Prime Minister's international advisor also go on these visits?
- (4) How confident is DMO that the Government will get the information they need to properly assess the bidders?

Response:

- (1) TKMS and DCNS representatives have been briefed on the competitive evaluation process, both in Australia and in Europe, by Defence Materiel Organisation (DMO) representatives.
- (2) Defence has been liaising directly with submarine manufacturers DCNS of France and TKMS of Germany to communicate the key requirements for the future submarine. The key requirements have been provided to Japan at a government to government level.
- (3) A range of senior DMO representatives have toured a number of European shipyards, including those of DCNS and TKMS. These include Warren King (former CEO DMO), David Gould (General Manager, Submarines), Commodore Michael Houghton (Director General Future Submarine Program); and Dr Chris Edmonds (Chief Engineer, SEA 1000). The Minister for Defence is planning to visit DCNS and TKMS shipyards in Europe in April 2015, accompanied by the head of the Future Submarine Program.
 - (a) and (b) The composition of future delegations that travel to the shipyards of TKMS and DCNS will be determined by the purpose of the specific visit.
- (4) Wide-ranging information will be sought during the competitive evaluation process to assess the ability of potential international partners to work with Australia to deliver the Future Submarine. In our engagements to date to explain the process, potential partners have indicated that the information we are likely to need could be provided.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 40 - Future Submarine Program - Industry

Senator Conroy provided in writing:

- (1) In the press release announcing the competitive evaluation process, it says: “The process outlined by the Government today provides a pathway for Australian industry to maximise its involvement in the program.”
 - (a) TKMS has already said it can build 12 new submarines in Australia for a fixed price of around \$20 billion – doesn’t that maximise Australian industry involvement in the program?
 - (b) How can building our new submarine fleet overseas meet the criteria of maximising Australian industry involvement?
- (2) The Government says there will be at least 500 more jobs through the Future Submarine Project, regardless of where they are built. How many more jobs will be created if the submarines are built in Australia?
 - (a) Has the Government modelled this option?
- (3) It has been estimated that if the submarine is procured overseas some 440,000 FTE jobs will be lost over 40 years. Has the Government made any assessment of potential job losses caused by building a submarine overseas?
 - (a) Will that be factored into the policy of ‘maximising’ Australian industry involvement?
- (4) How does the Government plan to maximise Australian industry involvement in the Future Submarines if they are procured overseas?

Response:

- (1)
 - (a) There is insufficient detail within the unsolicited proposal submitted by TKMS to assess the capability of the submarine offered, the cost, and the actual level of Australian industry involvement.
 - (b) The competitive evaluation process will assess the levels of Australian industry involvement under each of the build options for the Future Submarine.
- (2) and (a) As part of the competitive evaluation process, Defence is seeking proposals from potential international partners that include Australian, overseas and/or hybrid build options. Defence will analyse the options to obtain an understanding of the level of work expected to be undertaken in Australia. Until these proposals are provided, including the build strategy, it is not possible to model the likely workforce requirements associated with the build in any particular location.

(3) Australia does not currently have a submarine building capability or workforce; therefore there can not be any job losses. However, sustainment and maintenance will be undertaken in Australia regardless of the build option, generating at least 500 new jobs. The invited participants of the competitive evaluation process have been invited to engage with Australian industry in developing their proposals.

(a) Maximising Australian industry involvement will be considered along with capability, cost, program schedule and risks

(4) As part of the proposals sought under the competitive evaluation process, information is being sought from the potential international partners to develop options that include plans to maximise Australian Industry involvement for each of the build options. No decision has been made on a build location for Australia's future submarine.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 41 - Future Submarine Program - Project Costs

Senator Conroy provided in writing:

When the Prime Minister and the Defence Minister made the announcement they said that the project cost is around \$50 billion. How was that figure arrived at?

Response:

\$50 billion is a rough order of magnitude figure based on an approximation of the costs for delivery and sustainment of a future submarine capability that matches the broad goals also announced by Government. This figure will be further developed through the competitive evaluation process.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 42 - Future Submarine Program - Economy

Senator Conroy provided in writing:

- (1) Will the Australian Government provide a proper economic impact comparison of the different alternatives regarding building the Future Submarines?
 - (a) Is Government considering undertaking an economic impact statement for any overseas build vs an Australian build?
- (2) What are the costs to the economy of these job losses and ensuing costs to Government in terms of training, loss of skills, loss of taxation, payment of unemployment benefits and so forth?
 - (a) Will that analysis be done before a decision on the Future Submarines is taken?

Response:

- (1) and (2) The Australian Government will consider economic factors in making a decision on the Future Submarine.

Department of Defence

Additional Estimates Hearing - 25 February 2015

**Question on Notice No. 43 - Future Submarine Program -
Assessment of Prof Roos work**

Senator Conroy provided in writing:

Has the Government and/or DMO and Defence made an assessment of the work of Professor Goran Roos in terms of assessing the cost to the Australian economy of buying the Future Submarines from overseas? What are the results of this assessment?

Response:

The work undertaken by Professor Goran Roos is one of many sources of information being considered by Defence as part of the Future Submarine Program (SEA 1000) and the *Defence White Paper 2015* process. Analysis to inform the Future Submarine Program and the *Defence White Paper 2015* is underway and key decisions are yet to be made.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 44 - Future Submarine Program - Minister's Statement on what Competitive Evaluation Process will involve

Senator Conroy provided in writing:

The Minister's statement outlined what the Competitive Evaluation Process would involve. It includes those involved providing:

- (a) Pre-concept designs based on meeting Australian capability criteria:
 - (i) Will these criteria be communicated formally to those involved?
 - (ii) Will it include, for example, the service life of the design and the reliability performance that is required?
 - (iii) How will this criterion be communicated – will it be translated into Japanese, German and French? Or only in English?
 - (iv) Will their designs be in English?
 - (v) How will the designs be verified and validated?
 - (vi) Will this be an iterative process? Will DMO provide feedback or will the bidders receive the criteria and then be expected to meet them?
 - (vii) Who at DMO will be evaluating the designs? Will the expert panel oversee the process?
- (b) Rough order of magnitude (ROM) costs and a schedule for each option:
 - (i) How will these costs be tested? What validation process will occur for these costs?
 - (ii) Will there be a cost audit?

Response:

- (a) (i) and (ii) Yes.
- (iii) and (iv) All business associated with the conduct of the competitive evaluation process for Australia's Future Submarine, including communication on requirements and delivery of design outputs, will be conducted in English.
- (v) Design proposals will be evaluated using a validated submarine design reference, models and tools by submarine technical experts within the Future Submarine Program.
- (vi) The competitive evaluation process includes a series of reviews to discuss and clarify design proposals.

- (vii) The submarine technical experts within the Integrated Project Office will evaluate the designs in accordance with the documented evaluation plan. The expert advisory panel will oversee the integrity of the competitive evaluation process but will not be involved in specifically evaluating the design.

- (b)(i) The rough order magnitude costs will be assessed using a common cost model by cost estimation experts supporting the Future Submarine Program.

- (ii) An independent cost assurance will be undertaken as part of the competitive evaluation process.

Department of Defence

Additional Estimates Hearing - 25 February 2015

**Question on Notice No. 45 - Future Submarine Program - Consideration of
Collins expertise**

Senator Conroy provided in writing:

Are Government and/or the DMO and Defence making any consideration for the embedded knowledge, technology capabilities, specialised equipment, and specific co-specialised assets that have been developed and assembled in Australia to support the build and sustainment of the Collins?

Response:

During the competitive evaluation process the potential international design and build partners will engage with Australian industry and consider their capabilities in developing proposals for the design, build and sustainment of the Future Submarine. This will provide a pathway for Australian industry to maximise its involvement in the program.

The Future Submarine Program has already employed the skills developed in Australia to build its submarine technical assurance capability. It is intended to employ other skills in combat system integration work and land-based testing.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 46 - Future Submarine Program - Arrangements for Overseas Bidders

Senator Conroy provided in writing:

Can you please outline how each potential overseas bidder would establish a design office in Australia, how they would transfer IP to Australia, and how they would ensure a substantial Australian defence industry participation plan to secure sovereign capability?

- (a) How is Japan planning to do this, given they have never exported a submarine before?
- (b) How will the Government ensure full national control over the Future Submarine project, avoiding an over reliance on any direct foreign assistance?
- (c) Has the Government determined that for through-life support, the Future Submarine would not have to go back to the country of origin for any form of service, upgrade or modification?

Response:

As part of the competitive evaluation process, the potential international partners will be asked to provide a proposal that addresses a requirement to deliver sufficient data, knowledge and understanding of the design intent and basis of the design to establish a sovereign capability to operate, maintain, and modify the capability.

- (a) This will be determined on the basis of any proposals received from Japan.
- (b) As part of the competitive evaluation process the potential international partners will be asked to identify how their proposal supports objectives for sovereignty over the Future Submarine capability.
- (c) The Future Submarine will be sustained in Australia.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 47 - Japanese delegation to ASC

Senator Conroy provided in writing:

- (1) What role did the Department of Defence have in arranging for a Japanese delegation to visit ASC in November 2014?
- (2) If none – Was the Department notified of the delegation
 - (a) How was the Department notified?
 - (b) Who within the Department was notified?
 - (c) When was the Department notified?
 - (d) By who was the Department notified?
- (3) Did anyone from the Prime Minister's office attend this visit?
- (4) Is Defence planning any further visits from the Japanese or any other company?

Response:

- (1) and (2) Defence did not arrange a specific Japanese delegation visit to ASC in November 2014. In November 2014, as an element of Defence's celebration of the Centenary of Australian Submarines, the Royal Australian Navy hosted a Submarine Operational Safety Conference. The conference was attended by naval officers from the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Kingdom of the Netherlands, the Republic of Singapore, the Islamic Republic of Pakistan and Japan. Tours of Fleet Base West, HMAS *Stirling* and ASC-West, Henderson, WA, were scheduled as part of the pre-arranged conference agenda. The visits were offered to all conference participants, including officers from the Japanese Maritime Self-Defence Force.
- (3) No.
- (4) Defence continues to work with the invited participants in the competitive evaluation process and Australian industry, with a view to maximizing Australian industry involvement in the Future Submarine Program.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 48 - ADF and Civilian Pay

Senator Conroy provided in writing:

- (1) Will ADF pay levels be reviewed throughout the life of the recently amended agreement to ensure that annual pay increases do not fall below inflation?
- (2) Non-ADF Defence staff support our military personnel to ensure that they are safe, well equipped and appropriately provided for. Will these employees also have their agreements amended to ensure that their pay increases are above inflation?
- (3) Are there concerns that a real pay cut for Defence Staff, with loss of conditions, could have serious effects on the Department's ability to recruit the skilled people it needs?

Response:

- (1) The *Defence Act 1903* contains provisions facilitating review of Australian Defence Force pay by the Defence Force Remuneration Tribunal in response to changing circumstances.
- (2) Negotiations for the next Defence Enterprise Collective Agreement (DECA) remain ongoing.
- (3) The proposed Defence Enterprise Collective Agreement (DECA) provides for a broad range of employment conditions including leave, allowances and flexible working arrangements. The proposed DECA also contains provisions that enable Defence to offer flexible remuneration arrangements if specific attraction issues are identified.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 49 - 2015 Defence White Paper

Senator Conroy provided in writing:

- (1) When is the current expected delivery date on the 2015 White paper?
- (2) Has the White Paper draft required significant amendments since the change of Minister late last year?
- (3) How many people from the Australian Strategic Policy Institute are working on the White Paper – either in a direct writing role or in an advisory capacity? What are their positions?
- (4) The Coalition’s election policy document says that the White Paper will include “costed” ways to meet Australia’s defence and national security objectives. Will the 2015 White Paper be fully costed?
- (5) Will the White Paper include the number of submarines that the Government believes Australia needs?

Response:

- (1) The Defence White Paper will be released in the second half of 2015.
- (2) No.
- (3) Two members of the ministerially appointed Expert Panel work for the Australian Strategic Policy Institute. The Expert Panel provides advice to the Minister, but is not involved in a direct writing role.
- (4) Yes.
- (5) Yes.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 50 - First Principles Review

Senator Conroy provided in writing:

- (1) Has the First Principles Review team presented its report to the Minister, the Assistant Minister, or the Department, or given a preliminary report?
- (2) If not, what stage has the Review reached and when it is expected to provide its report?
- (3) If the report has been presented:
 - (a) What was the final cost to the Department of supporting the Review, including the six Departmental staff assigned to the role?
 - (b) What was the cost of engagement of the Boston Consulting Group to assist with the Review?
 - (c) Will the report be made public?
 - (d) Does the Review make recommendations about the number of APS staff?
 - (e) Does it recommend significant structural changes in the organisation of the Department, including DMO?
 - (f) Has the Review provided “Further options for the enhanced commercialisation of Defence functions, including DSTO but excluding DHA”, as requested in issues for consideration number 3e?

Response:

- (1) Yes.
- (2) N/A.
- (3)
 - (a) \$6.442 million (ex GST). Employee costs are not included as they are part of the Department’s employee budget and additional costs were not incurred.
 - (b) \$5.650 million (ex GST).
 - (c) Yes, the report can be accessed via the below link
<http://www.defence.gov.au/publications/reviews/firstprinciples/>
 - (d), (e) and (f) Yes.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 51 - Fraud Issues

Senator Conroy provided in writing:

- (1) The Sunday Telegraph reported on the 4th January 2015 that \$1.8 million was stolen by Defence staff last financial year, double the previous year. Is this figure accurate?
- (2) The same article reported that 322 investigations were finalised during the 2013/14 financial year, 288 of these “fresh” investigations (investigations that started in the 2013/14 financial year), but only \$133,000 was recovered. Are these figures accurate?
- (3) The report says that \$393,000 was recovered the previous financial year, is that accurate?
- (4) What was the cost of conducting these 322 investigations?
- (5) How many of these 322 investigations resulted in recovery of money?
- (6) The same article reported that 69,000 personnel completed the Department’s ‘Ethics and Fraud Awareness Program’ in 2013/14. Is this figure accurate?
- (7) What was the cost of putting 69,000 personnel through the Department’s ‘Ethics and Fraud Awareness Program’ in 2013/14?
- (8) Is there any research to confirm that this program will reduce the extent of fraud within the Department?
- (9) The Australian reported on the 8th January 2015 that the Department of Defence launched a fraud investigation into the Government contractor ‘Writeway Research Service’. Can you confirm that this is correct?
- (10) Is this investigation still going? What was the cost of this investigation?
- (11) What work had Writeway conducted for the Department and what was the cost of this work?
- (12) What were the findings of this investigation?
- (13) How do these findings impact decisions or assessments made by the Department?

Response:

- (1) The reported fraud loss for the 2013-2014 financial year was \$1,770,422.
- (2) There were 322 investigations completed in the 2013-2014 period, although some of these investigations commenced during previous financial year periods. There were 288 investigations commenced during the 2013-2014 period. While some of these investigations were completed during this period, others remained ongoing.

There was \$133,457 recovered during the 2013-2014 period.

- (3) Yes.

- (4) Defence is unable to provide a quantitative response to this question as the costs associated with investigation effort are not recorded by all Investigative Authorities within Defence.
- (5) 44.
- (6) For the 2013-2014 financial year 69,992 staff completed the Ethics and Fraud Awareness program.
- (7) The Defence Ethics and Fraud Awareness program is available to all personnel as an eLearning course, or as instructor led training. The 2013-2014 financial year cost for delivery of the instructor led training is estimated at \$20,000.
- (8) No.
- (9) This is incorrect. Defence is not undertaking a fraud investigation in relation to Writeway Research Services.
- (10), (12), (13) Not applicable.
- (11) Writeway Research Services Pty Ltd has performed work for Defence on 20 occasions between 2006 and 2009 with total payments made by Defence of \$27,707.81. Writeway Research Services Pty Ltd has not been contracted with Defence since 2009.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 52 - HMAS *Canberra* and LHDs

Senator Conroy provided in writing:

- (1) What sort of activities has the HMAS *Canberra* undertaken since her commissioning?
- (2) Is the crew fully trained yet or is that an ongoing task?
 - (a) When do you expect the crew to be fully trained?
- (3) Is HMAS *Canberra* on target to reach full operational capability by the expected date?

Response:

- (1) Since commissioning on 28 November 2014, *Canberra* has spent significant time at sea for activities including:
 - First of Class Trials (ongoing) to measure and record the actual engineering, ship handling and navigational performance specifications of the ship so as to establish the baseline and standard procedures from which the ship can operate within;
 - First of Class Flight Trials (ongoing) to establish the capability and limitations for the operation of helicopters and associated equipment from *Canberra*. Initially the flight trials will integrate the MRH-90 troop lift helicopter, S70B-2 Seahawk and S70A-9 Blackhawk helicopters;
 - Continuation training exercises both alone and also in-company with other ships. These exercises will continue the development of the crew's professional mastery and knowledge of the ship and its capabilities;
 - Successful completion of the Mariner Skills Evaluation (MSE) which occurred in December 2014. The MSE is a 5-day Fleet Staff covered event which tests and confirms that systems such as propulsion, navigation, amphibious, aviation, fire fighting and life saving equipment are in good working order. The 3-day sea-going component of this five day evaluation tests and confirms that the crew is appropriately trained and competent to operate the ship safely at sea during the subsequent engineering trials and operationally focused training; and
 - Duties as Australia Day Guard Ship in Sydney Harbour.

- (2) Training is being progressed on a graduated scale, starting with the ship achieving MSE and progressing through a program of trials, work-up and Naval Operational Test and Evaluation (NOTE). NOTE will conclude at Exercise TALISMAN SABRE in 2017, at which time both LHDs and an Army Brigade will demonstrate the Full Operational Capability of the amphibious operation. NOTE focuses on testing the ship in progressive and increasingly complex operational scenarios that will confirm the actual scope and boundaries of the ship's operational envelope. Scenarios to embark troops, vehicles and helicopters and the assessment of how these are used in amphibious operations will be undertaken during 2016-17, culminating at Exercise TALISMAN SABRE in July 2017.
 - (a) The crew is considered to be individually trained at this time, however, their skill sets will continue to develop and broaden in line with the progressive phased approach towards Full Operational Capability in 2017 as described above.
- (3) Initial Operational Capability to undertake Humanitarian Assistance and Disaster Relief and Non-combatant Evacuation Operations in a permissive environment is programmed to be declared in late 2015. *Canberra* is expected to achieve Full Operational Capability by the expected date in late 2017 following Exercise TALISMAN SABRE. This will certify and demonstrate the ADF's amphibious capability to undertake the more complex amphibious operations required of the Amphibious Ready Group. Progress to date indicates that this timeline will be achieved.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 53 - Unmanned Aerial Systems

Senator Conroy provided in writing:

- (1) What is the status of the Triton purchase?
- (2) Are you still looking to acquire seven Tritons and will they still be based at RAAF Edinburgh?
- (3) Why have 2 Heron aircraft been retained?
- (4) There has been an announcement from the Parliamentary Secretary to the Minister for Defence that training has started on MQ-9 (the Reaper Unmanned Aerial System (UAS)) for aircrew and support staff. The MQ-9 Reaper isn't mentioned on either the ADF's or RAAF's website as a platform we own. What's the purpose of this training?
- (5) Until recently, the US Government refused to export the Reaper system. Now that they've relaxed that, are we looking to buy them?
- (6) Why are we training ADF personnel to utilise a system we don't own or plan to buy?
- (7) How is the Reaper different to the Triton, or other more tactical Unmanned Aerial Systems?
- (8) Does the Reaper have the capacity to be weaponised?

Response:

- (1) Project AIR 7000 is scheduled for further Government consideration in 2016.
- (2) Analysis indicates up to seven will meet Australia's needs. The actual number procured will be considered by Government in 2016. They will be based at RAAF Base Edinburgh.
- (3) This question has been answered by Air Vice-Marshal Davies, Deputy Chief of Air Force, during the Additional Estimates hearing on 25 February 2015. It can be found on page 36 of the proof Hansard.
- (4), (6) Undertaking training with the United States Air Force on MQ-9 Reaper provides a cost effective method to increase the ADF's understanding of complex Unmanned Aerial System (UAS) operations. Regardless of platform, similar skill sets and capabilities are required to operate complex UAS. It would be remiss of Australia not to continue to develop our knowledge of this technology.
- (5) No project currently exists in the Defence Capability Plan to procure armed UAS. The Force Structure Review and 2015 White Paper teams are considering the future requirement for UAS.

- (7) The Triton is designed to undertake persistent maritime surveillance and is not armed. The MQ-9 Reaper is designed to undertake persistent overland Intelligence, Surveillance and Reconnaissance in support of troops on the ground and it can include armed response capabilities.
- (8) Yes.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 54 - C17 Globemasters

Senator Conroy provided in writing:

- (1) It was reported in November that the RAAF had formally made representation to the US for up to four new C17s. Have these been requested yet? What is the status of this acquisition?
- (2) How much is the procurement likely to cost for four new C17s?

Response:

- (1) and (2) Defence has initiated the procurement process through the US Government Foreign Military Sales program. A Letter of Offer and Acceptance was received from the US on 25 December 2014. As at 25 February 2015 no decision had been made.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 55 - C27 Spartan

Senator Conroy provided in writing:

- (1) Flight training is about to start on Australia's newest transport aircraft C-27J Spartan Battlefield Airlift aircraft. Is it on target to meet Initial Operation Capability of late 2016?
- (2) What training have pilots and crew already undertaken on this platform?
- (3) Is RAAF still expecting ten C27 Spartans?
- (4) When will they be delivered?
- (5) When are you expecting to have Final Operational Capability for this platform?

Response:

- (1) Yes.
- (2) The first maintenance training course was completed on 27 February 2015. The second maintenance course commenced on 16 March 2015. The first aircrew (Pilots and Loadmasters) course commenced on 12 January 2015.
- (3) Yes.
- (4) Two aircraft have been accepted by the Commonwealth and are operating as part of the training system in the United States. The remaining eight aircraft will be delivered by December 2017.
- (5) Final Operating Capability is expected during 2018.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 56 - Defence Redundancies - IT

Senator Conroy provided in writing:

In relation to the planned redundancies among IT staff following the contract with Lockheed Martin Australia for the provision of centralised processing services (as reported in Defence Media Release of 10 September):

- (1) An answer on notice said that there would be 125 APS employees made redundant. Is this still correct?
- (2) How many of these people have already been made redundant?
- (3) How many were voluntary? How many were forced?

Response:

- (1) 128 APS employees were identified in the business case.
- (2) 42.
- (3) All redundancies were voluntary.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 57 - Cyclones Marcia and Lam

Senator Conroy provided in writing:

- (1) What support has the ADF provided to areas damaged by Cyclone Marcia?
 - (a) In which regions is the ADF working?
 - (b) What ADF assets have been deployed?
 - (c) How many personnel have been deployed?
 - (d) How long do you expect the ADF to be providing this assistance for?

- (2) What assistance is the ADF providing to areas damaged by Cyclone Lam?
 - (a) What ADF assets have been deployed?
 - (b) How many personnel have been deployed?
 - (c) How long do you expect the ADF to be providing this assistance for?
 - (d) Do you expect more ADF personnel or assets to be deployed?

Response:

- (1) Defence support to areas affected by Cyclone Marcia included:
 - Aerial surveillance and post disaster assessment in the immediate aftermath, including the collection of high-resolution imagery
 - Damage assessments and recovery planning in conjunction with local council authorities
 - The removal of debris from roads, critical infrastructure and public buildings, including schools and aged-care facilities
 - Vehicle storage for Ergon Energy at the Rockhampton Defence facility, and
 - Rotary wing reconnaissance and logistics support to 3 Brigade recovery support efforts.
 - (a) The Rockhampton and Gladstone areas.
 - (b) One KA350 King Air aircraft, one AP-3C Orion aircraft, two MRH-90 Taipan helicopters and an Engineer Support Group with heavy equipment and troops from 3 Brigade and 11 Brigade.
 - (c) Approximately 200 personnel.
 - (d) The deployment ceased on 13 March 2015.

- (2) Defence support to areas affected by Cyclone Lam included participation in the Emergency Management Australia disaster assessment of Elcho Island and the provision of temporary accommodation for 300 people.
- (a) One C-17A Globemaster aircraft and a 300 bed base camp (delivered to Darwin for onward transportation to Elcho Island by the NT Government).
 - (b) One Liaison Officer for one day at Elcho Island.
 - (c) The 300 bed base camp will remain available until suitable alternative accommodation is available on Elcho Island.
 - (d) No.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 58 - SEA 4000 AWD

Senator Conroy provided in writing:

- (1) Please provide an update on the cost and schedule of the AWD project.
- (2) Have there been any new risks identified since October that may affect the cost and schedule of the project?
- (3) What is the update on the FMI Assessment of the AWD Program, given that the last update was a figure from late 2013 (149 man hours per compensated tonne)?
- (4) Can you provide us with these figures disaggregated over the three ships?
- (5) Has an estimate been prepared for Government on the cost of a fourth AWD?
 - (a) Has the Government taken another look at building another AWD since the reshuffle?
 - (b) Is it still under consideration?
 - (c) Would a fourth AWD support the Prime Minister's commitment to the US to enable an expanded missile-defence shield?
- (6) The Winter report was commissioned by Government to provide it with advice concerning the AWD project, the operation of the AWD alliance, and a road map going forward concerning Australian Shipbuilding Industry.
 - (a) When is the Government intending to make the report public?
 - (b) Please advise what recommendations of the report have been implemented. Are they all being implemented?
 - (c) Has the Minister, the Department or DMO briefed the Australian Shipbuilding Industry on the content of the final Winter report and its recommendations? If not, why no

Response:

- (1) The current contracted delivery dates for the Air Warfare Destroyers (AWDs) are March 2016 for the future destroyer *Hobart*, September 2017 for the future destroyer *Brisbane*, and March 2019 for the future destroyer *Sydney*. As part of the AWD Reform Strategy's Interim Phase, a comprehensive cost and schedule review is being undertaken which will lead to a rebase lining of the project. The outcomes of this review are expected in late April 2015.
- (2) No.
- (3) and (4) The 2014 FMI report – the 'Assessment of Actual and Planned Shipbuilding Productivity for the AWD Project – 2014 Update' – has not yet been finalised.
- (5) (a), (b) and (c) The Government will continue to monitor and assess its capability needs against strategic assessments. The strategic capability assessments for the Australian Defence Force will be addressed in the Defence White Paper in the second half of 2015.
- (6)
 - (a) Advice provided to the President of the Senate in response to motions in 2014 and 2015 was that the tabling of the Report would make public Cabinet's deliberations in relation to the AWD project and could also damage the commercial interests of the Commonwealth.

The key findings and recommendations of the Winter Report were published in a media release and summary in June 2014, available on the Minister for Finance's website.

- (b) Government accepted in principle the recommendations of the Winter Report with the key recommendation being increasing the shipbuilding management capacity of the AWD program through the insertion of an experienced shipbuilding management team. The Departments of Finance and Defence brought forward a detailed implementation plan, known as the AWD Reform Strategy. The AWD Reform:
 - is injecting shipbuilding expertise into the Program
 - is conducting a Comprehensive Cost Review to rebase line the cost and schedule of the program
 - has appointed a new Interim CEO of ASC Shipbuilding, and
 - has reallocated ship blocks from ASC (Adelaide) to BAE Systems (Williamstown).

(c) No. Refer to part 6 (a) above.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 59 - SEA 5000 Future Frigate

Senator Conroy provided in writing:

- (1) Has the Department completed the requirements definition phase?
 - (a) Are the Future Frigates intended to be Anti-Submarine-Warfare (ASW) specialists?
 - (b) Is it envisaged that each Frigate would need 2 Helicopters and their associated Hangars and support facilities?
 - (c) Would the Frigates have the full 48 cell vertical launch system found on the AWD?
 - (d) Will the air-defence solution developed for the ANZAC Frigate be identified as a requirement on the Future Frigate?
 - (e) Will the Future Frigate play any part in building a capability in ballistic missile defence?
- (2) Has DMO and/or the Navy formed a view about the suitability of the AWD Hull for the Future Frigate program?
- (3) Has any decision been taken on the design of the Future Frigates?
- (4) Is it still the case that the Government will only make a decision on the Future Frigates after they see an improvement in productivity on the AWDs?
- (5) Is the Department considering the option of an overseas build for SEA 5000?
- (6) Can you please advise the committee whether the SEA 5000 program was discussed at the recent AUKMIN?
 - (a) Has Australia entered into any agreement with the UK and/or BAE concerning the Global Combat Ship?
 - (b) Can you please advise the committee what opportunities are offered by collaboration between Australia, the UK, Canada and potentially NZ in the task of building up to 25 Frigates and establishing a Global Supply Chain for their sustainment?

Response:

- (1) (a) The Future Frigate will be a general purpose frigate with particular focus on Anti-Submarine Warfare.

(b)-(e) No determination has been made.
- (2) No.
- (3) No.
- (4) Decisions on the future frigate will be taken in the context of the 2015 Defence White Paper, the Enterprise level Naval Shipbuilding plan and the AWD Reform Strategy outcomes.

(5) No decisions have been made.

(6) Yes.

(a) No.

(b) No relevant decisions have been taken.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 60 - Shipbuilding

Senator Conroy provided in writing:

- (1) How many organisations make up the supply chain for Australia's current Frigates – The ANZAC Class?
- (2) I note that the Department has a policy called "Building Defence Capability: A Policy for A Smarter And More Agile Defence Industry Base." Would you please explain how the Department can achieve this policy while exporting Australia's Navy shipbuilding industry?

Response:

- (1) The ANZAC Class supply chain is a global supply chain made up of hundreds of organisations. These organisations include many overseas contributors, all three Australian Defence Force Services, the Defence Materiel Organisation and a substantial amount of Australian Industry suppliers.
- (2) The Government will be releasing a new Defence White Paper later this year. It will align Defence policy with military strategy and deliver an affordable Australian Defence Force structure.

Acquiring and maintaining an effective Australian Defence Force is one of the Government's highest priorities and is vital to national security. This is why the Government will also release a new Defence Industry Policy Statement and Naval Shipbuilding Plan along with the new Defence White Paper.

Specifically, for the Australian naval ship building industry, the Naval Shipbuilding Plan will address the steps necessary for Australia to have a sustainable and viable industry.

It is worth noting that no new naval vessels were commissioned from an Australian yard by the Australian Government between 2007 – 2013. However, the Government has announced this year that 21 Pacific Patrol Boats will be built and sustained in Australia as part of a \$2 billion program.

The Naval Shipbuilding Plan will outline the opportunities for competitive Australian businesses to participate in future naval ship building, ship sustainment and upgrade projects.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 61 - LAND 400

Senator Conroy provided in writing:

- (1) What is the current schedule for completion of the LAND 400 project?
- (2) What are the reasons for the continuing slippage in the schedule?
- (3) Is it not the case that the de-linking of phases for IVF and CRV vehicles in LAND 400 mean that the successful bid in Phase 2, has an advantage when bidding for future phases?
- (4) Can you please provide specific information on precisely how many vehicles and of what type is being sought in LAND 400 Phase 2?
- (5) In reference to QoN 74 from October 2014 Estimates (LAND 400 Phase 2), the answer indicates that –
 - (a) Defence assesses that there are MOTS solutions available for each of the individual requirements;
 - (b) There is no requirement for tenderers to offer both wheeled and tracked vehicles;
 - (c) Defence has no preference regarding wheeled or tracked vehicles; and
 - (d) Defence has not prioritised the requirements found in the Key Requirements Matrix. Is that correct?
- (6) How can it be that industry is being asked to look at a document, the key requirements matrix, without them knowing which requirements Defence is prioritising?
- (7) Has Defence advised industry that LAND 400 requirements include interoperability with ADF air-mobility and amphibious assets, capabilities and operational concepts? If not, why not?
- (8) Is Defence intending to make a decision concerning a preference for wheeled or tracked vehicles? In the absence of such a decision, how can industry reasonably tailor its tenders or requests for information?

Response:

- (1) The current schedule for LAND 400 Phase 2 Market Solicitation activities is outlined in the Covering Letter of Request for Tender documentation released to industry on 19 February 2015 through the AusTender website: <https://www.tenders.gov.au/?event=public.atm.show&ATMUID=8CB4C097-984A-28C5-3CCE37A9719128D1>. The broader schedule dates include an Initial Materiel Release of 2020-21, Initial Operating Capability of 2022-23 and a Final Operating Capability of 2024. Schedule dates for LAND 400 Phases 3 and 4 will be confirmed in the 2015 Defence White Paper.
- (2) There is no 'continuing slippage' in the schedule. Announcement of First Pass approval occurred on 19 February 2015 with the open Request for Tender released on the same day.
- (3) This question has been previously answered under Question on Notice No. 74 from Supplementary Budget Estimates of 22 October 2014. This response remains extant.
- (4) The total number of vehicles being acquired under LAND 400 Phase 2 is around 225 Combat Reconnaissance Vehicles. The seven variants proposed are Reconnaissance and Counter Reconnaissance; Command and Control; Joint Fires; Surveillance; Ambulance; Repair; and Recovery.
- (5) (a), (b) and (c) Yes.

(d) Defence have prioritised the requirements in the Key Requirements Matrix.
- (6) The draft LAND 400 Phase 2 Key Requirements Matrix was released to industry on 11 September 2014 for advice only. Defence have prioritised the requirements found in the Key Requirements Matrix located at Attachment A of the Description of Requirement at Annex A of the Draft Statement of Work (Acquisition) of the Request for Tender documentation released to industry on 19 February 2015 through the AusTender website: <https://www.tenders.gov.au/?event=public.atm.show&ATMUID=8CB4C097-984A-28C5-3CCE37A9719128D1>.
- (7) Yes
- (8) No, all tender responses will be evaluated against the Key Requirements Matrix.

Department of Defence

Additional Estimates Hearing - 25 February 2015

Question on Notice No. 62 - LAND 121 Phase 4 Hawkei

Senator Conroy provided in writing:

- (1) Can you please provide an update on the timeline for LAND 121 Phase 4 (the Hawkei)?
- (2) Why has there been a significant delay in the final approval for this important project?
- (3) Can the Department advise if the delay in approving this project will have any effect on Thales Australia's Bendigo factory, given that their work on Bushmaster is nearing completion and construction of the Hawkei is not expected to commence until 2016?
- (4) Has the recent reshuffle delayed this important project going to Cabinet for final approval? Has there been any substantive work done in relation to Phase 4 of LAND 121 in 2015?
 - (a) Is it the case that the work done so far on Hawkei has satisfied Army and DMO and that there is no substantial reason for the delay in approving this project?

Response:

- (1) Defence completed its evaluation of Thales Australia's response to the Defence Request for Tender for a Protected Mobility Vehicle – Light capability in the first quarter of 2015. Negotiations are scheduled to commence in the second quarter of 2015. The negotiations will provide contract-quality cost, capability and schedule data to inform Government consideration of the project later in 2015.
- (2)–(4) In accordance with the most recent Defence Capability Plan, Government consideration of LAND 121 Phase 4 is scheduled for 2015. There has been no delay in the final approval for this project.
- (4) (a) Defence continues to assess the LAND 121 Phase 4 Manufactured and Supported in Australia option (i.e. Hawkei) as viable.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 63 - Projects of Concern List

Senator Conroy provided in writing:

- (1) In reference to JP2008 Phase 3F, the Australian Defence Satellite Communication Capability Terrestrial Enhancement. This project has been added to the projects of concern list.
 - (a) When was it added?
 - (b) Tell us about the schedule, technical and cost risks facing this project?
 - (c) Is it the case that final delivery is now forecast to be some five years late?
- (2) Can you please provide an update on the Collins Class submarine sustainment?
 - (a) Is Defence meeting the benchmarks established in the Coles Review?
 - (b) It has been often stated that the sustainment of our Collins Class submarines has dramatically improved as measured by their availability and reliability, has this continued to be the case and what metrics can you provide the committee?
 - (c) When is it expected that the sustainment of the Collins Class will meet the final benchmarks set out in the Coles review?
- (3) In reference to SEA 4000 Phase 3, the AWD project:
 - (a) On the 9th of December 2014, the then Minister for Defence and the Minister for Finance announced that three companies had been contracted for the AWD Reform Strategy interim phase. Can you please advise the committee how the Winter Report informed the AWD reform strategy interim phase?
 - (b) The interim phase of the reform strategy was said to be six months long, and would then be replaced by a long term solution. Is this process on schedule? Will the Government be announcing a long term strategy regarding the AWD in June 2015?
 - (c) How does the addition of BAE Systems, Navantia SA, and Raytheon Australia to the AWD Reform Strategy Interim Phase change the work and structure of the existing AWD Alliance?
 - (d) What does the contracting of these companies to undertake this work cost the project?

Response:

- (1) (a) 19 September 2014.

- (b) Schedule Risk: Delays experienced in 2011 by BAE Systems Australia (BAES) led to an agreement to re-baseline the project schedule in December 2012. The new schedule moved the delivery of the Satellite Ground Station West (SGS-W) and the upgrade of Satellite Ground Station Harman (SGS-H) to April 2014 and June 2015 respectively.

The schedule slipped between December 2012 and March 2013 and has continued to slip. The latest forecast from BAES has SGS-W not completing until September 2016. Taking into consideration the risks associated with the complexity and magnitude of the test program at SGS-W, the assessment is a more likely delivery date of mid-2017. This will almost certainly push delivery of the upgraded system at SGS-H into 2018/19.

Technical Risk: BAES have struggled with the complexity of delivering a compliant SGS-W ground station at Geraldton. The system is required to meet stringent United States Government certification requirements and military standards that allow it to operate on the Wideband Global Satellite constellation.

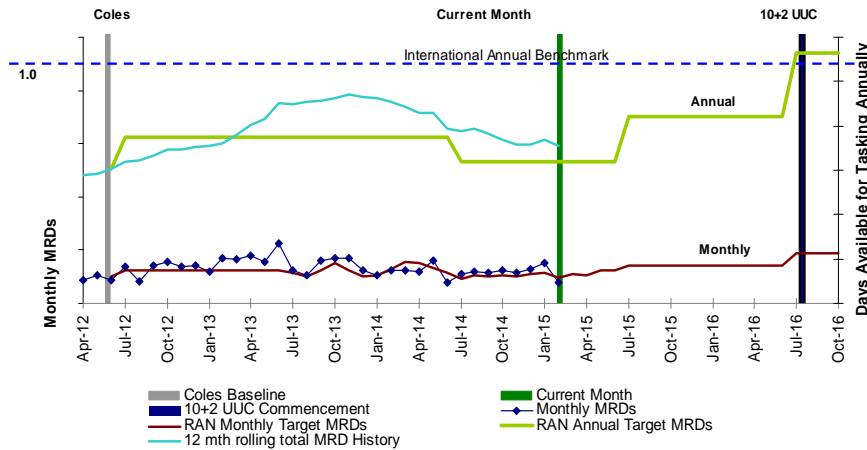
Due to delays to SGS-W, the upgrade to SGS-H continues to slip. Commencement of work on SGS-H is reliant on a considerable period of system downtime. Use of SGS-H to provide operational coverage dictates that work cannot commence until SGS-W has been completed and accepted.

Cost Risk: Delay to JP2008 Phase 3F has put pressure on the project's budget due to ongoing costs to the Commonwealth, however the project is still expected to complete within its approved budget of \$86.4 million.

- (c) The contracted delivery date for JP2008 Phase 3F is June 2015. Based on advice from the Prime Contractor, BAE Systems Australia, that is likely to slip to 2018/19.
- (2) (a) Defence is not currently meeting the Coles benchmarks, nor did it plan to be meeting the Coles benchmarks at this point in time.
- (b) Submarine availability (materiel ready days) is used as one of the main indicators of Collins support system performance. Borne of the Coles Review in 2012, Defence had developed a long-term plan involving realistic, incrementally increasing, interim submarine availability targets building to attainment of Coles-benchmark levels of availability by FY16/17.

HMAS *Waller* experienced a fire on 27 February 2014 just as Coles was concluding his progress review. As a consequence of the *Waller* fire, the interim submarine availability targets have been moderated downwards for FY 14/15. The reduced interim availability targets were not achieved for the month of February 2015 however they have been exceeded in aggregate over the past eight months.

The current (February 2015) unclassified materiel ready days (MRD) data is provided below illustrating both the steady improvement in availability observed by Coles in early 2014 and the setback in availability associated with the unanticipated fire in HMAS *Waller*.



- (c) The support system reforms recommended by Coles continue to be implemented. Coles benchmark availability is planned to be attained by FY16/17. This is contingent on the successful delivery of support system reforms, including timely completion of the first two-year full cycle docking, and also on the timely return of HMAS *Waller* to service. Coles benchmark efficiency levels are expected to take a further five years once benchmark levels of availability are attained.
- (3) (a) Government accepted in principle the recommendations of the Winter Report with the key recommendation being increasing the shipbuilding management capacity of the AWD program through the insertion of an experienced shipbuilding management team. The Departments of Finance and Defence brought forward a detailed implementation plan, known as the AWD Reform Strategy. The AWD Reform is:
- Injecting shipbuilding expertise into the Programme. During the Interim Phase of the AWD Reform, representatives from BAE Systems, Navantia and Raytheon were placed in the shipyard to improve productivity in January 2015,
 - Conducting a Comprehensive Cost Review to (re)baseline the cost and schedule of the Programme,
 - Appointed a new Interim CEO of ASC AWD Shipbuilder, and
 - Reallocated ship blocks from ASC (Adelaide) to BAE Systems (Williamstown).
- (b) Negotiations regarding the long term arrangements for the AWD project are underway.
- (c) The insertion of shipbuilders from BAE Systems and Navantia, and an increased role for Raytheon Australia does not change the structure of the AWD Alliance, nor the work the Alliance is responsible for.

- (d) The overall cost of these arrangements is approximately \$15 million for the period out to July 2015.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 64 - Valour Inquiry

Senator Conroy provided in writing:

- (1) How many of the 140 nominations for recognition of acts of gallantry and valour listed in Chapter 25 of the report of the inquiry into ‘Unresolved Recognition for Past Acts of Naval and Military Valour’ have been completely assessed and a decision made on their future treatment?
- (2) When will those who have submitted these nominations be informed of the outcome of the process?
- (3) In light of the concerns expressed about the time this process has taken by a number of those who have made nominations or been the subject of nomination:
 - (a) Can you identify particular factors to explain the length of time it has taken?
 - (b) How many staff have been assigned to completing this process?

Response:

- (1) 124.
- (2) Applicants will be progressively informed of the outcome of their nominations during 2015.
- (3)
 - (a) Factors affecting the length of time the process has taken are:
 - identifying, sourcing, examining and interpreting official records held in Australia's archival institutions;
 - finding and interpreting contemporary accounts, oral histories, relevant secondary sources and the nominations for each; and
 - assessing the actions under consideration in light of the Defence Honours and Awards Appeal Tribunal's practice and with respect to the current regulations for specific honours.
 - (b) Eight permanent Defence staff members (in addition to their normal duties), one part-time Defence staff member and one Reservist.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 65 - DSTO Staff Morale

Senator Conroy provided in writing:

- (1) How many staff days have been lost as a result of stress related injuries in the past 12 months?
 - (a) How does this compare to the previous 3 years?
- (2) How many staff have accepted redundancies or been made compulsorily redundant since 1 January 2014?
- (3) How many positions are currently not permanently filled?
- (4) How many staff are currently acting in their positions?
 - (a) How do these numbers compare with the previous 3 years?
- (5) How many complaints related to alleged misconduct within DSTO have been raised in the last 12 months?
 - (a) How does this compare to the previous 3 years?
- (6) What were the results for DSTO of the most recent internal surveys on staff morale and satisfaction?
 - (a) What are the changes if any since the previous survey?

Response:

- (1) (a) Defence has no specific data on days lost due to stress, as employees indicate broad psychological injury, which includes stress, in their leave application. Looking at compensation information, in 2014, there were no claims accepted by Comcare for mental stress. In the preceding 3 years, 2011-13, Comcare accepted a total of 5 compensation claims for mental stress, resulting in total days lost of 797 days.
- (2) A total of 28 employees have accepted voluntary redundancies and no employees have been made involuntarily redundant since 1 January 2014.
- (3) There are currently 574 positions not permanently filled within DSTO. It should be noted that Defence has more positions established than funded to provide flexibility in workforce management. Many of these vacant positions will not be advertised or permanently filled. Defence has a process where it regularly reviews its vacant positions and disestablishes those that are no longer required. The latest review is currently underway.
- (4) There are currently 231 employees in receipt of Additional Responsibility Pay (ARP). DSTO monitors and reviews ARP levels on a regular basis.
 - (a) The number of employees over the last three years is as follows:
February 2012 – 97 employees in receipt of ARP

February 2013 – 126 employees in receipt of ARP
February 2014 – 121 employees in receipt of ARP

(5) 17.

(a) This is a decrease. The average over the previous three calendar years (2011-2013) is 21.

(6) (a) Defence Your Say Survey results for February 2015 show no significant differences in workplace morale, individual morale and overall job satisfaction since 2014:

- 43% of respondents rated their workplace morale as moderate or higher in 2015, compared with 38% in 2014.
- 63% of respondents rated their individual morale as moderate or higher, compared with 58% in 2014.
- 56% of respondents agreed that overall, they were satisfied with their job, compared with 55% in 2014.

Department of Defence

Additional Estimates Hearing – 25 February 2015

Question on Notice No. 66 - DSTO - Outsourcing and Commercialisation

Senator Conroy provided in writing:

Question on Notice 59 from Supplementary Estimates:

(a) *The First Principles Review has as a Term of Reference, 'Issues for Consideration, 3f. Recommend further options for the enhanced commercialization of Defence functions, including DSTO but excluding DHA'. Is the first principles review of Defence contemplating the outsourcing of DSTO?*

(b) *Has the Department provided to the review team with information to consider DSTO privatisation or commercialisation? If so, what is the nature of this information?*

The answer advised that these were matters for the Review which had not completed its work.

- (1) Has the Review now completed its work?
- (2) If yes, what is the response to the questions raised in Question on Notice 59?

Response:

As at 25 February 2015:

- (1) No.
- (2) Not applicable.

Department of Defence

Additional Estimates Hearing - 25 February 2015

**Question on Notice No. 67 - Development and Construction of Housing for
Defence at RAAF Base Tindal, NT**

Senator Gallacher provided in writing:

In reference to the DHA referral made December 2013 to the Public Works Committee – Development and Construction for Defence at RAAF Base Tindal, Northern Territory. Who was the official and their position that authorised the 50 new bespoke tropically designed dwellings and associated supporting roads and infrastructure for the use by Defence personnel and their families' at RAAF Base Tindal (NT), at an estimated cost of \$89.4 million?

Response:

This procurement was authorised by Head Defence Support Operations.