



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

ESTIMATES

(Additional Estimates)

WEDNESDAY, 10 FEBRUARY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE**LEGISLATION COMMITTEE****Wednesday, 10 February 2010**

Members: Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Farrell, Forshaw, Kroger and Ludlam

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Troeth, Williams, Wortley and Xenophon

Senators in attendance: Senators Barnett, Birmingham, Bishop, Farrell, Ferguson, Forshaw, Hutchins, Johnston, Kroger, Ludlam, Parry, Trood and Xenophon

Committee met at 9.01 am

DEFENCE PORTFOLIO**In Attendance**

Senator Faulkner, Minister for Defence

Department of Defence

Secretary of Defence, Dr Ian J Watt, AO

Chief of the Defence Force, Air Chief Marshal Angus G Houston, AC, AFC

Portfolio overview and budget summary

Outcome 1—The protection and advancement of Australia's national interests through the provision of military capabilities and promotion of security and stability

Program 1.1 Office of the Secretary and Chief of the Defence Force

Mr Peter Jennings, Acting Deputy Secretary Strategy

Dr Margot McCarthy, Deputy Secretary Strategic Reform Program

Section or output group**Program 1.9 Vice-Chief of the Defence Force**

Lieutenant General David Hurley, AO, DSC, Vice Chief of the Defence Force

Major General B.A. (Ash) Power, AM, CSC, Head Military Strategic Commitments

Air Vice-Marshal Margaret Staib, AM, CSC, Commander Joint Logistics

Major General Paul Alexander, Commander Joint Health

Program 1.10 Joint Operations Command**Program 1.12 Chief Finance Officer**

Mr Phillip Prior, Chief Finance Officer

Outcome 2—Advancement of Australia’s strategic interests through the conduct of military operations and other tasks directed by Government

Brigadier Bill Sowry, Deputy Head Cadet, Reserve and Employer Support Division

Program 2.1 Operations contributing to the security of the immediate neighbourhood**Program 2.2 Operations supporting wider interests****Outcome 3—Support to the Australian community and civilian authorities as requested by Government****Program 3.1 Defence contribution to national support tasks in Australia****Capability development**

Vice Admiral Matt Tripovich AM CSC RAN, Chief Capability Development

Major General Steve Day, Head Joint Capability Coordination

Outcome 1**Program 1.11 Capability development****Defence Materiel Organisation****Outcome 1—Contributing to the preparedness of the Australian Defence Force organisation through acquisition and through-life support of military equipment and supplies****Program 1.1 Management of capability acquisition****Program 1.2 Management of capability sustainment****Program 1.3 Provision of policy advice and management services**

Dr Stephen Gumley, Chief Executive Officer, Defence Materiel Organisation

Major General Grant Cavenagh AM, Head, Land Systems

Brigadier Bill Horrocks, Director General, Land Combat Systems

Brigadier Rohan Boyer, Director-General, Land Vehicle Systems

Brigadier Mike Phelps, Director General, Land Manoeuvre Systems

Mr Kim Gillis, Program Manager, Collins Submarines

Ms Shireane McKinnie, Acting General Manager, Systems

Mr Warren King, General Manager, Programs

Air Vice Marshal Colin Thorne, Head, Aerospace Systems Division

Mr Peter Lambert, Head, Human Resources and Corporate Services Division DMO

Mr Michael Aylward, Head, Electronic Systems Division

Ms Michelle Kelly, Acting Head, Acquisition and Sustainment Reform Division

Rear Admiral Peter Marshall, Head, Maritime Systems Division

Major General Grant Cavenagh, Head, Land Systems

Brigadier Rohan Boyer, Director General, Land Vehicle Systems

Brigadier Mike Phelps, Director General, Land Manoeuvre Systems

Brigadier Bill Horrocks, Director General, Land Combat Systems

Mr Ian Donoghue, Director General, Defence Asset and Inventory Management

Mr Mark Reynolds, Head, Industry Division

Mr Anthony Klenthis, Head, Explosive Ordnance Division

Air Vice Marshal John Harvey, Project Manager, New Air Combat Capability

Air Vice Marshal Chris Deeble, Program Manager, Airborne Early Warning and Control

Mr Harry Dunstall, Special Counsel to Chief Executive Officer, Defence Materiel Organisation

Mr Steve Wearn, Chief Financial Officer, Defence Materiel Organisation

Mr Graham Eveille, Director General, Major Program Control
Mr Terry Whelan, Head, Defence Export Unit
Major General Tony Fraser, Head, Helicopter Systems Division
Commodore Mark Campbell, Director General, Navy Aviation Systems
Mr Andrew Cawley, Program Manager, Air Warfare Destroyer

Capital facilities and Defence support**Outcome 1****Program 1.6 Defence support****Program 1.14 Defence Force superannuation benefits****Program 1.15 Defence Force superannuation-nominal interest****People**

Mr Phil Minns, Deputy Secretary, People Strategies and Policy
Major General Craig Orme AM, CSC, Head, People Capability
Mr Steve Grzeskowiak, Head, People Policy
Air Commodore Henrik Ehlers, Director General, Defence Force Recruiting
RADM Tim Barratt, Commander, Border Protection Command

Outcome 1**Program 1.13 People strategies and policy****Remaining Defence programs****Outcome 1****Program 1.2 Navy capabilities**

Vice Admiral Russell Crane AM, CSM, RAN, Chief of Navy
Rear Admiral Davyd Thomas, AM, CSC, RAN, Deputy Chief of Navy

Program 1.3 Army capabilities

Lieutenant General Ken Gillespie, Chief of Army

Program 1.4 Air Force capabilities

Air Marshal Mark Binskin AM, Chief of Air Force

Program 1.5 Intelligence capabilities

Mr Stephen John Merchant, Deputy Secretary, Intelligence and Security
Mr Michael Smith AO, Executive Officer, Asia Pacific Civil Military Centre of Excellence

Program 1.7 Defence science and technology**Program 1.8 Chief Information Officer**

Mr Greg Farr, Chief Information Officer
Rear Admiral Peter Jones, DSC, AM, RAN, Head ICT Operations
Mrs Anne Brown, First Assistant Secretary, ICT Development
Mr Matt Yannopoulos, Chief Technology Officer
Mr Clive Lines, First Assistant Secretary, ICT Reform

Department of Veterans' Affairs**Portfolio overview****Corporate and general matters**

Mr Ian Campbell, PSM, Secretary
Mr Shane Carmody, Deputy President
Mr Barry Telford, General Manager, Support
Mr Ken Douglas, General Manager, Services

Mr Gary Collins, General Manager, Executive
Mr Sean Farrelly, National Manager, Organisational Change Group
Ms Carolyn Spiers, National Manager/Principal Legal Advisor, Business Integrity and Legal Services Group
Ms Jo Schumann, General Manager, Corporate
Mr Graeme Rochow, National Manager/Chief Finance Officer, Resources Group
Mr Neil Bayles, National Manager

Outcome 1—Compensation and support Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements

Mr Martin Bowles, Deputy Secretary, Defence Support
Major General Elizabeth Cosson, CSC, Head, Defence Support Operations
Mr Mark Cunliffe, Head, Defence Legal
Mr Kieran Gleeson, Chief Operating Officer, Defence Support Group
Mr John Owens, Head, Infrastructure Division

Program 1.1 Veterans' income support and allowances

Program 1.2 Veterans' disability support

Program 1.3 Assistance to Defence widow(er)s and dependants

Program 1.4 Assistance and other compensation for veterans and dependants

Program 1.5 Veterans' children education scheme

Program 1.6 Rehabilitation compensation acts payments—income support and compensation

Program 1.7 Adjustments to the rehabilitation compensation acts liability provisions—income support and compensation

Mr Ian Campbell, PSM, Secretary
Mr Shane Carmody, Deputy President
Mr Barry Telford, General Manager, Support
Ms Carolyn Spiers, National Manager/Principal Legal Advisor, Business Integrity and Legal Services Group

Outcome 2—Health Maintain and enhance the physical wellbeing and quality of the life of eligible persons and their dependents through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements

Program 2.1 General medical consultations and services

Program 2.2 Veterans' hospital services

Program 2.3 Veterans' pharmaceutical benefits

Program 2.4 Veterans' community care and support

Program 2.5 Veterans' counselling and other health services

Program 2.6 Rehabilitation compensation acts—health and counselling and other health services

Program 2.7 Adjustment to the rehabilitation compensation acts liability provisions—health and counselling and other health services

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President
Mr Ken Douglas, General Manager, Services
Mr Barry Telford, General Manager, Support
Dr Graeme Killer AO, Principal Medical Adviser
Mr David Morton, National Manager, Veterans and Veterans Families Counselling Service
Ms Judy Daniel, National Manager, Primary Care Policy Group

Outcome 3—Commemorations Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia’s wartime heritage, and official commemorations

Program 3.1 War graves and commemorations

Program 3.2 Gallipoli related activities

Mr Ian Campbell, PSM, Secretary
Mr Shane Carmody, Deputy President
Mr Gary Collins, General Manager, Executive
Mr Tim Evans, National Manager Commemorations Group
Major General Paul Stevens AO (Rtd), Director, Office of Australian War Graves

Australian War Memorial

Outcome 1—Australians remembering, interpreting and understanding the Australian experience of war and its enduring impact through maintaining and developing the national memorial, its collection exhibition of historical material, commemorative ceremonies and research

Program 1.1 Commemorative ceremonies

Program 1.2 National memorial and grounds

Program 1.3 National collection

Program 1.4 Exhibitions

Program 1.5 Interpretive services

Program 1.6 Promotion and community services

Program 1.7 Research and information dissemination

Program 1.8 Visitor services.

Major General Steve Gower AO, AO (Mil) (Rtd), Director
Ms Rhonda Adler, Assistant Director, Branch Head, Corporate Services
Ms Helen Withnell, Assistant Director, Branch Head, Public Programs
Ms Nola Anderson, Assistant Director, Branch Head National Collection

CHAIR (Senator Mark Bishop)—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Faulkner, the Minister for Defence; Air Chief Marshal Angus Houston, Chief of the Defence Force; Dr Ian Watt, secretary of the Department of Defence; and officers of the defence organisation. Today the committee will examine the additional estimates for the Defence portfolio in the following order: the defence organisation until 6.30 pm and the Department of Veterans’ Affairs from 7.30 pm onwards.

Thursday, 1 April 2010 has been set as the date by which answers to questions on notice are to be returned. Senators should provide their written questions on notice to the secretariat by

the close of business Tuesday, 16 February. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice.

Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate in *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
 - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
 - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
 - (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
 - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
 - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to

the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

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

(Extract, Senate Standing Orders, pp 124-125)

CHAIR—There are copies available on each table. Minister, do you or any officer wish to make an opening statement?

Senator Faulkner—The secretary of the department will make an opening statement followed by the Chief of the Defence Force. I do not intend to make one this morning.

Dr Watt—I will be relatively brief. Members of the committee will be aware that the defence budget audit headed by Mr George Pappas recommended a major reform program in Defence. It is called the strategic reform program. We have spoken about this on occasions before in this committee. This was agreed by the government and announced with the defence white paper. Also, as recommended by the defence budget audit, for the last six months or so Defence has conducted detailed diagnostic and implementation planning for the SRP. The package of measures resulting from that analysis is under consideration by the government.

Ultimately, the goals of the SRP will only be achieved through transforming Defence's business processes, practices and systems and, most importantly, Defence's culture. Careful implementation planning is essential if we are to achieve this transformation while continuing to deliver the full range of defence outcomes that government expects from us.

The government is expected to finalise consideration of Defence's implementation plans in the near future. The government and Defence will then be in a position to provide more detail publicly about the reforms that will result in the reinvestment of \$20 billion over the next ten years.

There is, of course, material in the public domain regarding the SRP, including *The Strategic Reform Program: Delivering Force 2030* document that was publicly released by the department in May last year accompanying the white paper, and this provides a comprehensive public outline of the program. Of course, not every reform requires fully detailed implementation planning and some, either because of early planning or because of the ability to do them fairly quickly, are already in train. For example, we already have reforms underway to improve the efficiency of equipment repair and maintenance; to improve the link between strategy and major equipment acquisitions; to change the way we estimate acquisition costs and scope projects to improve it; and to change the way we manage our science and technology programs to ensure they focus on Defence's strategic priorities. Finally, we have already implemented a range of general efficiency measures that will deliver around the \$795 million in savings this financial year.

The Defence Strategic Reform Advisory Board has met twice and its advice is already adding significant value to the SRP program. In short, we are well positioned for long-term success through a combination of: beginning the savings program with sensible, management-

directed efficiencies; getting on with those reforms that we are able to implement early on; careful planning for the more challenging, longer term reforms; and, finally, by drawing on external expert advice and scrutiny, including through the Defence Strategic Reform Advisory Board.

Sustained engagement with the Defence workforce will be critical to the success of SRP. The CDF and I, service chiefs and group heads, and senior officers of the DMO have already conducted a number of briefings on the program to Defence staff in a range of locations. Following government's consideration of the implementation plan, we will deepen our consultation and engagement, and ensure that it is maintained. The level of energy and commitment shown to date by those Defence staff involved in implementation planning and the rollout of early reforms has been impressive. We look forward to working closely with the whole of the Defence community as we roll out the program in its entirety.

Chair, I might just say a few words about the Defence budget, in particular an article in the *Weekend Australian* of 19 December 2009 by Mr Patrick Walters, headed: '\$3bn hole in defence strategy'. I am not sure how much attention it got in the run-up to Christmas, but some people may have noticed it. There is no \$3 billion hole in the defence budget. Indeed, we are not sure and able to replicate Mr Walters's calculation of a \$3 billion shortfall. The funding to be provided by government over the period 2009-10 to 2029-30 is sufficient to deliver the Force 2030 commitments in the 2009 Defence white paper, provided Defence manages those funds efficiently and effectively.

In the 2009-10 budget, the government provided Defence with an additional \$146.1 billion to fund the white paper over the 21 years to 2029-30. Defence's funding will be based on: three per cent average real growth to 2017-18; 2.2 per cent real growth from 2018-19 to 2029-30; 2.5 per cent fixed price indexation from 2009-10 to 2029-30; and, finally, agreement that Defence will reinvest the savings from the \$20 billion Strategic Reform Program and other initiatives into higher Defence capabilities. These revised arrangements were put in place in the 2009-10 budget and they provide Defence with greater planning certainty than it has had in the past, and Defence's funding will be subject to far less volatility into the future than it has in the past.

In his article, Mr Walters did not indicate the basis on which the \$3 billion was estimated. As I said, we are unable to fully replicate it. However, it may be he has taken the sum of the published gross savings expected from the SRP over the financial years 2011-12 and 2012-13, and they equal \$3.2 billion. As I have said, we are confident we will realise those savings. I am confident that Defence will deliver on that. Thank you, Chair.

CHAIR—Thank you Dr Watt.

Air Chief Marshal Houston—I thank you once again for the opportunity to provide the committee with an update in the form of an opening statement. I intend to speak for about 15 to 20 minutes on a number of topics including Afghanistan, health care, recruiting and retention reserves and military justice.

Firstly though, I note for the committee that a member of the Australian Defence Force was recently named as Young Australian of the Year. Trooper Mark Donaldson, VC, is a very worthy recipient of this great honour. He is a wonderful ambassador for all the younger

Australians we have in the Australian Defence Force, who are very dedicated and courageous in serving our nation and who have a great generosity of spirit. I am very pleased that Trooper Donaldson has received further recognition for his great bravery under fire, for which he received the Victoria Cross 12 months ago.

Turning to Afghanistan; we currently have about 1,550 men and women in Afghanistan as well as an additional 850 in the Middle East area of operations. Since October I have visited Afghanistan twice and attended four separate NATO/ISAF meetings in Europe. I am of the opinion that the tide is turning in Afghanistan. There is now a comprehensive civil military strategy being put in place that will enable the people of Afghanistan to build a better future for themselves. Central to this strategy is an innovative counterinsurgency approach, a focus on protecting the people of Afghanistan and the need to train the Afghan National Security Forces so that they can independently manage their own security. ISAF leadership in Afghanistan has harnessed the resolve of the international community and I welcome the 37,000 additional coalition troops and over 50,000 Afghan security forces that will join this operation in 2010. This builds on last year's almost 30,000 additional American troops.

I think this is the year we will turn the situation around. Following my discussions at the Chiefs of Defence conference at NATO headquarters in Brussels, I can also share with the committee that NATO consultation with Australia is improving, and NATO has undertaken to resolve the issue of leadership in the Oruzgan Province. However, Dutch intentions are still uncertain and until their future contribution in Afghanistan is established we cannot expect any decisions on leadership.

In terms of our mission progress, I am very pleased that the Australian contingent in Tarin Kowt has adapted well to the change in campaign focus to population support and protection. This has been very evident over the past few months with joint Australian and Afghan operations in the Mirabad Valley region. A recent operation, called Pelatel Man'a, involved the Oruzgan based ANA 4th Brigade, MRTF-2, Dutch soldiers, and other ISAF partners. This operation located more than 30 weapons caches containing rocket propelled grenades and mortars, IED components and thousands of rounds of small arms ammunition. These operations are critical to our training mission. In fact, the Afghan platoon commander with the 2nd Infantry Kandak, said the operation has boosted his soldiers' confidence, reinforcing their belief that they can defeat the insurgency. Additionally, our Special Operations Task Group recently held shuras with community leaders to assess their security needs and requirements for humanitarian assistance. Also involved in the mission were Special Operations Task Group medics who conducted several health clinics, treating approximately 200 people in three valleys.

These recent operations have highlighted the benefits of engaging with the local population. We continue to foster positive relations with locals and bolster their confidence in seeking assistance from ISAF and the government of Afghanistan. This approach is working and we are slowly creating the conditions required to transition security to Afghan security forces. This transition will be a key consideration for ADF planners as we monitor progress over the coming 12 to 18 months.

I want to now update the committee on our progress investigating allegations of civilian casualty incidents. I have previously advised the committee of my direction to the Chief of

Joint Operations that all allegations of civilian casualties will be formally investigated and the Australian public will be informed of the findings as soon as possible.

Since July 2008, the Australian Defence Force has reviewed 16 incidents and we have made the Australian public aware of all of these incidents. Two outcomes remain outstanding. The 12 February 2009 compound clearance is still under consideration by the Director of Military Prosecutions. The inquiry process into the incident on 11 August 2009, involving two men on a motorcycle, is in its final stages. I intend to make public the outcomes of these final two incidents as soon as possible. I remain firmly committed to being open and transparent about alleged and actual civilian casualty incidents without compromising the security of our troops and our operations.

This morning I would also like to assure the committee that I take very seriously the need to ensure the ongoing health of the men and women of the Australian Defence Force. I stress that I am referring not only to their physical health, but also their mental health as well. This is why we have undertaken two key reviews of defence health services in the last 18 months; a review of health care in the ADF and the Dunt Review into mental health care in the ADF.

These reviews have generated a range of initiatives and reforms which joint health command is currently developing and implementing. For example, this morning I am pleased to inform you that Mr David Morton, an experienced senior Department of Veterans' Affairs manager, responsible for the Veterans Families Counselling Service, has agreed to join Defence and head up our mental health and rehabilitation programs. He brings a wealth of experience from his work with DVA, and his understanding of the mental health support for veterans will certainly add to our ability to provide mental health care and support to our soldiers, sailors, airmen and airwomen.

We in Defence recognise that post traumatic stress disorder, depression and other mental health issues must be taken seriously. We also recognise that we have a duty of care to ensure early identification and the provision of treatment to allow these individuals to continue as valued members of Defence and the wider community. This is why, in addition to the employment of Mr Morton, we are also currently recruiting national mental health program coordinators and establishing regional mental health teams in Darwin, Townsville, Melbourne and Brisbane.

We have also made significant progress in other mental health initiatives such as education, training, policy research and service delivery. I will be happy to expand upon these initiatives during questioning should the committee so desire. I acknowledge that there is more to do, but I stress that we remain committed to ensuring defence people are supported with the highest standard of holistic health care.

On a different topic, the availability of the submarine force remains a key concern for me, particularly after being told of the recent generator defect on HMAS *Farncomb* that will require some months to repair. However, I am pleased to report to the committee that our ability to respond to this type of issue is being strengthened. The capability manager, who is the Chief of Navy, is working very closely with the Defence Materiel Organisation and the Australian Submarine Corporation, forming a joint team in the Australian Submarine Program Office in Adelaide, in order to keep a clear focus on submarine availability as a submarine

force trains its way out of its current workforce shortages and then expands for the future. I am confident this highly collaborative approach is the start of a new and stronger relationship between Navy DMO and ASC, which is vitally important as we move towards delivering our future submarine force.

I turn now to recruiting and retention. During the last estimates I highlighted for the committee our very pleasing progress in terms of ADF workforce growth. I have been disappointed that recent media reporting has relied on out-of-date data that does not accurately portray our achievements in this area. As at 1 January this year, the ADF has enlisted 2,957 new members into the permanent ADF against a year to date target of 3,265. This is a 91 per cent full-time recruiting target achievement—one of our highest results in the past decade. Additionally, we have seen a dramatic fall in separation rates from the March 2007 peak of 11.5 per cent. Last year, we had 986 fewer separations than the year before, and our current separation rate is an almost unbelievable 7.7 per cent. Consequently, our full-time workforce has increased by over 3,000 members in 2009 and we remain on track to achieve the white paper target of 57,800 full-time ADF members by 2019. I would also like to highlight our recent achievements in gaining higher female participation across the three services. We currently have 7,564 women serving in the full-time ADF as at 1 January 2010. This is 353 more than at the same time last year and 734 more than two years ago.

It might be interesting for the committee to know that following some recent promotions we currently have two females at the two star rank—Major General Liz Cosson and Air Vice Marshal Margaret Staib. We also have seven women at the one star rank and 27 at the 06 level—that is, colonel equivalent—which is the rank level below one star. This is a total increase of 28 per cent from June last year. We are working hard to continue this trend. In November last year, the Minister for Defence Personnel, Materiel and Science and I jointly launched the CDF Action Plan for the Recruitment and Retention of Women. This cultural change program comprises 29 separate initiatives grouped into six themes that will provide our people with conditions of service that will encourage their personal circumstances and enable them to continue to serve, should that be their intention.

This morning, I also want to address the topic of the Reserves. I am aware of recent media reporting and correspondence from individuals and interest groups focusing on perceived reductions to Reserve training days. There are a number of actions currently occurring in the Reserve space; some related to the ongoing management of the Reserve as part of the total force and others directly related to the Defence White Paper and the Strategic Reform Program. I stress that actions currently being taken by the three services are focused on ensuring that the Reserves operate efficiently within the existing budget. This should not be confused with longer term reform intentions. The current issue we are dealing with is that even though the allocation for Reserve training salaries has increased this financial year, an increase in the number of reservists and their pay increases alongside their full-time counterparts, has in some cases, affected the number of days available to individual reservists. In previous years when we have been less successful in recruiting and retention, these factors have been accommodated within the military workforce budget. However, we now have to strike a very careful balance that is focused on those Reserve capabilities with the highest operational priority and driven by Army's preparedness requirements.

I would like to emphasise that, since 2006, Reserves have been part of almost every ADF operation in Australia and overseas. Around 7,500 Reservists have deployed overseas on operations during this period, including around 1,360 to the Middle East. The Reserve will continue to provide an important operational capability for the Australian Defence Force and I will ensure that they are considered as an essential strategic asset and an integral part of total ADF capability.

Finally this morning, given this committee's long association and interest in the ADF's military justice system, I would like to update you on our progress since the High Court of Australia decision in the case of *Lane v Morrison*, which declared the Australian Military Court to be invalid. Immediately following this decision in late August 2009, our previous system of trials of serious service offences by court martial and Defence Force magistrate was reinstated. This interim system commenced operation in October 2009 and is functioning well. Fifteen trials were conducted before Christmas and already a further 20 trials have been listed for 2010.

In September last year, I directed the formation of a new directorate within Defence Legal Division dedicated to working with staff from the Attorney-General's Department to examine options for the future trial of serious service offences. The minister has publicly indicated that a proposed approach would include a court established in accordance with chapter III of the Constitution. At an early stage, the service chiefs provided guidance to ensure the system is effective in its purpose to support commanders in maintaining discipline in order to ultimately enhance operational effectiveness. To ensure every angle of this new system is considered, we have consulted broadly. The Law Council of Australia has been engaged during the process of developing options for a future military discipline system, and legal advice has been obtained from the Australian Government Solicitor and the Solicitor-General for the Commonwealth on a wide range of issues.

Fairness to ADF members, constitutional certainty, support to command in maintaining discipline, as well as efficiency and cost-effectiveness, have been the criteria against which a range of models have been evaluated by Defence and the Attorney-General's Department. Work on this task which, as I have outlined, has been both extensive and detailed is yet to be considered by the government.

On another military justice matter, I want to flag for the committee that, whilst the Chief of the Defence Force Commission of Inquiry process has been a success and is working well, I am conscious that there is still more work to be done in the context of administrative inquiries where we need to become more professional. I note the Australian Law Reform Commission has just released its review of royal commissions and public inquiries. We will be looking closely at this work to see what we can learn and what we can apply.

I thank you for the opportunity to speak to you this morning.

CHAIR—Thank you CDF for that customary thorough overview of your work in recent times. We will now turn to questions.

Senator JOHNSTON—Thank you, CDF, for that report. I would like to ask you about allowances to our personnel, particularly in Afghanistan and East Timor, and follow up on the SAS pay issue. We have, as I am sure you are aware, an unpredictable explosives allowance

for our combat engineers of about \$109. I am advised that we also have an allowance for mines of \$54 for these men who are involved in defusing and detecting these things.

Bearing in mind that of our 11 casualties, six died from the results of IEDs, I am told that we have, whilst they are in theatre, unilaterally terminated those allowances. Can you tell me how that has happened and whether it is a PMKeyS issue related to the retrospective diminution of their qualifications and entitlements? What we are doing about this in that they have now, in line with what happened to the SAS soldiers, got debts of, in some cases, over \$1,000 because those allowances have been, at the stroke of a pen, removed from them?

Air Vice Marshal Houston—First of all, we ensure that everybody who has an entitlement or allowance gets that allowance. I will ask General Hurley to basically answer the detail of your question if he is able to do so.

Lt Gen. Hurley—In relation to unpredictable explosive allowance, there has been no cessation of the allowance in theatre. There are two categories of the allowance. One essentially is a classification where your skill set allows you to search for IEDs. The other allows you to render them safe. There are two completely different skills sets there. During one of the tours in Afghanistan, members who were really only qualified for search were entered in on the wrong allowance rate as render safe. When that was discovered we put them back to the appropriate allowance rate. There might have been some minor overpayments in that period. I will get the detail and the amounts, but I think it was about \$800. It was quickly found and corrected. People were put at the appropriate allowance rate. After that occurred, I took action to centralise, from across Defence and the three services, the management of our allowance under joint logistics command in my group, which was responsible for explosive ordnance. We now have one point of contact in the department to manage those allowances.

Senator JOHNSTON—Thirty-eight thousand dollars of overpayments?

Lt Gen. Hurley—There were 56 people in that group. Essentially, it was the engineering group that was doing the work on that tour.

Senator JOHNSTON—How was it detected that they were overpaid?

Lt Gen. Hurley—Could I bring up the air vice marshal in charge of the day-to-day detail?

Senator Faulkner—I think you will find that you will get much more detailed evidence, but this in fact was discovered during some routine administrative checks of the Army unit pay records. It was during that process that the circumstances that we are addressing were discovered. We have some officers at the table who will be able to give you the absolutely precise information about that.

Lt Gen. Hurley—I can confirm it was during a routine administrative check. No-one put a hand up about it; it was just us doing our normal business.

Air Vice Marshal Staib—I cannot add anything further with regard to how the overpayment was discovered. It was a routine check. Since then we have done a complete audit. As Vice Chief has said, we have put in place certain changes to the way we manage that, so we have one central authority to approve that allowance and we can do our own internal checks.

Mr JOHNSON—For my own understanding, what precisely happened here? We had erroneous qualifications entered against the names of these 56 service personnel?

Air Vice Marshal Staib—That is correct.

Senator JOHNSTON—How did that happen?

Lt Gen. Hurley—I would not say they had erroneous qualifications. I think at the unit level, during the administration when they read the manual as to what allowance were they entitled to, people said ‘We think they are in that category.’ That was an error in judgement in making that decision. We went through the checks and checked qualifications against what they are actually being paid and corrected that decision. So it is an administrative error at unit level.

Senator JOHNSTON—Is this not a much wider problem dating back to some several tours where people have fitted into the category that has now been reversed?

Lt Gen. Hurley—No, not to my knowledge.

Senator JOHNSTON—Have we gone back and had a look?

Lt Gen. Hurley—There were a couple. At the beginning of that check we picked up a couple from previous periods, but not bulk numbers like we had on this occasion.

Lt Gen. Gillespie—Since the issues of the special forces pay—it is nearly 18 months ago when we were talking about these issues—I have dissipated a lot of my Defence personnel organisation in Army headquarters into routinely embedding into the Defence Force Pay Accounting Centre, and routinely worked with Deputy Secretary Martin Bowles and his Defence Support group and conducted our own checks of PMkeyS across a broad range of pay issues. We have discovered a number of pay anomalies across very many groups in that area. We are remediating those as we can with the same principles that we have applied to people, as we told you in the SF pay issues deal. We are devoting almost as much effort as the people that I have devoted to personnel management and policy in Army headquarters, to—as they can—bring about a greater governance overload on our pay issues.

Senator JOHNSTON—Thank you. Can you tell me what other areas you have discovered as a result of the audits you have carried out?

Lt Gen. Gillespie—Yes, we have discovered some overpayments in campaign allowances where it became clear to us when we did some of these audits that people were continuing to receive campaign allowance after they had returned to Australia.

Senator JOHNSTON—The campaign allowance is an amount of how much?

Lt Gen. Gillespie—The amount depends, Senator. What happens is that when people are on operations overseas they earn leave and for the period of that leave they are entitled—when they come home and take that leave—to continue the allowance regime that they were on whilst they were away. The important part of that process, as we have discovered in our auditing, is that if people are not properly dismantled by the dismantling authority and the pay issue entered into our pay system they go on leave and, by the time they get back from leave, having generally taken much more leave than they were entitled to from the period of their deployment, they find themselves in an overpayment situation. What we have done in

that process is to very much refine the dismounting of forces who proceed overseas, applying much the same sort of rigour as we apply to the mounting of the operation when they go.

Senator JOHNSTON—How many people were affected by the campaign allowance overpayments?

Lt Gen. Gillespie—There were 63.

Senator JOHNSTON—Totalling a sum of how much?

Lt Gen. Gillespie—It was \$340,000.

Senator JOHNSTON—Right. Next one.

Lt Gen. Gillespie—We have discovered some issues with Reserve pay grade anomalies and, in essence, when we changed the system of how we qualify Reserve recruits through Kapooka a few years ago, we shortened the length of time that they were at Kapooka and we threw the onus of completing three modules of training that used to be done at Kapooka on to the Reserve formations. When we checked our records some of those modules had not been passed on to the individuals concerned and therefore they were being paid trainee rates of pay rather than recruit rates of pay. We have taken steps along the same sorts of principles and guidelines as we did in the SF area to rectify that with a plan and a training remediation plan. I think that is in hand.

Senator JOHNSTON—How many were affected there?

Lt Gen. Gillespie—We did a detailed audit of 3,982 Reserve personnel and we figure about 531 of those people needed some adjustment as a result of our audit.

Senator JOHNSTON—What was the sum involved?

Lt Gen. Gillespie—It is not the same for each person, but in the worst case it was about \$7,000.

Senator JOHNSTON—In each case or in aggregate?

Lt Gen. Gillespie—No, it is in each case. In the worst case, they are sums of between very little and \$7,000.

Senator JOHNSTON—Do we have an aggregate figure?

Lt Gen. Gillespie—No, I do not have an aggregate figure.

Senator JOHNSTON—Goodness. It is obviously quite sizeable, given 531 people are affected. Am I wrong in making that assumption?

Lt Gen. Gillespie—No, it is quite sizeable. I have to say that, in my humble opinion as the chief, it is not an issue of a systemic pay problem; it is an issue of people not having done their jobs properly.

Senator JOHNSTON—We will come back to that in a moment. The next one?

Lt Gen. Gillespie—I have one other which, if you would indulge me, I would rather not discuss here because I have an investigation going on into it at the present time.

Senator JOHNSTON—I accept that.

Lt Gen. Hurley—Could I just clarify that UEA business, the unpredictable explosives allowance?

Senator JOHNSTON—Yes.

Lt Gen. Hurley—During the routine pay administrative checks we were doing of the pay records, on that allowance we found an anomaly of two individuals. From that anomaly we then did a complete audit of all people entitled to the allowance. That is where the 56 cropped up. The total amount of recovery was \$38,000. That ranged from about \$250 to \$1,000 but averaged at about \$840 per person.

Senator JOHNSTON—I take it that the personnel affected, the combat engineers affected, have accepted that they received an overpayment. Have we engaged them as to what their position is with respect to this allowance?

Lt Gen. Hurley—I cannot comment on what actions were taken in the operational theatre, other than that we would have advised joint operations, and as for the onus, because they come from three services, for what action was required, I cannot talk to how that was actually administered.

Senator JOHNSTON—It concerns me that people conducting a very, very vital and important role, and one in which we invest very large sums of money jointly with our allies, in theatre are told or informed that they have received overpayments and underpayments for the work that they have done. I am keen to know whether we have consulted them as to whether they accept the legitimacy of the adjudication of the system.

Mr Bowles—I assume you are talking about the 63 people?

Senator JOHNSTON—It is 64 UA. Is it 63 with mines, and only 56 or 58 with—

Mr Bowles—It is 56. I was not sure whether you were talking about the—

Senator JOHNSTON—They are both pretty important, aren't they, in this particular operation?

Mr Bowles—In relation to the 63 that the Chief of Army talked about, which was the campaign allowance, our process is that if there is an overpayment we write to the individual—so they are contacted—and we work out what is the best strategy for that individual. Normal practice is that it deducted at approximately 10 per cent, but we will write to the individual asking them what is the best arrangement.

Senator JOHNSTON—And no interest is charged?

Mr Bowles—Not if it is paid within the normal limits of what we deal with, and it is usually a 12-month period.

Senator JOHNSTON—Do they have a say in whether it is paid within the normal limits? You just deduct it, don't you?

Mr Bowles—No. We have a process where we would start deductions at that 10 per cent rate, which is the historic rate at which these overpayments are deducted. We write to the individual and we work with each of the individuals about the best way forward from there. In most cases we have no issue with having the money repaid; it is just over what period of time.

Mr JOHNSON—And interest kicks in after 12 months?

Mr Bowles—It can, Senator. We take it case by case.

Senator JOHNSTON—What is the rate we charge?

Mr Bowles—I do not have that, not off the top of my head.

Senator JOHNSTON—Can you take that on notice for me.

Mr Bowles—I can take that on notice.

Senator JOHNSTON—How did this happen, General?

Lt Gen. Gillespie—I think we have been here many times before talking about our pay systems. I think we could also talk about the complexity of the industrial environment in which our pay and allowances are done. The system administers over 1,000 different sorts of allowances that people can be paid. We have a difficult environment in which to do it. We do not resile from the fact that we need to pay our people properly, which is why I have devoted a good part of my personnel resource to looking at this. On the issue of the engagement of people, I have a very clear policy which we follow up, in that anybody who is affected by these things is contacted and spoken to personally about the issues that we have. I can give you a very personal experience about receiving a debt out of the system for over \$20,000, which is a little surprising.

Senator JOHNSTON—You have actually received that?

Lt Gen. Gillespie—I have received the debt.

Senator JOHNSTON—One part of me says that I am gratified to hear that, but the other part says that I am concerned about hearing you have been put through that anguish.

Lt Gen. Gillespie—The reason I raise it is to make you aware that it really does not matter where you sit in the system; this can happen. I received a letter saying that my superannuation contributions had been ceased. Once you reach 40 years in the system that I am in you do not pay any more because the benefit does not improve after the 40-year mark. I received a letter that said that the payment had been stopped prematurely and that I was now in debt to the system for \$20,000. I got a letter; I had the ability to ring people and talk to them about it; I had the ability to choose the options for the repayment of that, which extended from paying it in a lump sum to a range of issues. We do that to our people in exactly the same way.

Senator JOHNSTON—I feel much better about all of that. I would like to talk about the deployment allowance and the field allowance in East Timor now. You can correct me if I am wrong, but I believe that unilaterally in November we suddenly told all of those personnel in theatre that there is no longer a field allowance because their conditions were not perceived to be 'in the field'. Where are we at with that? Is that a correct assessment of the situation or is that in fact wrong?

Lt Gen. Gillespie—I am perhaps not the best one to talk about that.

Air Chief Marshal Houston—I will address that in the first instance. Your characterisation is not correct.

Senator JOHNSTON—Good.

Air Chief Marshal Houston—We are currently in the process of changing the allowances and I guess it will be done in a way which looks after the interests of our people.

Senator JOHNSTON—Is the information received by those people who have been informed that they have lost their field allowance in East Timor incorrect?

Air Chief Marshal Houston—Nobody on operations anywhere has lost any allowance during their deployment. However, if changes are required they will be made at a time which is consistent with their deployment. So if there was a change to an allowance it will probably occur at the end of their period of deployment.

Senator FAULKNER—You would be aware, Senator, that regarding the advice that you are speaking of on November of last year, it is true to say that personnel or some ADF members were incorrectly advised of considerations that might inform the CDF's determination relating to the payment of field allowance. I think you would probably also be aware that that advice was quickly rescinded by Defence.

Senator JOHNSTON—And they have not in fact lost their field allowance in East Timor?

Senator FAULKNER—That is correct.

Senator JOHNSTON—Very good. So what is the future for field allowances in East Timor?

Air Chief Marshal Houston—When we first go into an area, there are usually no facilities, people are out sleeping in the open and there is an entitlement to field allowance. But, as you have seen in the Middle East and in Timor and, indeed, in the Solomon Islands, the longer we are there the more we go about improving the accommodation and the conditions. Over time we get to a situation where we review the conditions on the ground and it is probably appropriate that the field allowance be withdrawn because the original conditions that existed do not justify the field allowance. From time to time we review the circumstances that people are in and we then make the necessary adjustment. With regard to the way in which we make the adjustment, we will make the adjustment at a time when there is a change in the people. So, as the rotation occurs between one deployment and the next deployment to a particular location, that would be the point at which we would change the field allowance.

Senator JOHNSTON—If I can just persist with this for one moment longer: is the Army *Soldiers' Newspaper* an official publication of Army?

Air Chief Marshal Houston—Yes.

Senator JOHNSTON—There is a report in, I think, the October edition from the pay and conditions reporter, the opening two paragraphs of which say:

The special rate of East Timor peace enforcement allowance will cease in November on a date yet to be confirmed. The ceasing of the 125 allowance related to changes to the nature of service in East Timor from warlike to non-warlike.

Is that accurate?

Air Chief Marshal Houston—Yes. Essentially what we are doing there is that we are flagging to our people that there will be a change in the allowance circumstances, well in

advance. What this means is that people who have made plans in the short term have plenty of time to adjust to the fact that when they deploy to Timor there will be change in the allowance conditions.

Senator JOHNSTON—We are not talking about November last year?

Air Chief Marshal Houston—No, we are talking about November coming.

Senator JOHNSTON—November 2010.

Air Chief Marshal Houston—Absolutely.

Senator JOHNSTON—Very good.

Air Chief Marshal Houston—There is a requirement for us to look at the circumstances. If I could just take Timor as an example, when we went in there in 2006 there was a high physical threat to our people. There was also a certain level of threat in terms of the environmental conditions. Those threats are the basis for the amount of the deployment allowance. But over time things have settled down in Timor. The threat was high in 2006; it has now come down to low and, as a consequence, the allowance entitlement will reduce over time. What we endeavour to do is manage it in a way where we give our people plenty of notice to the fact that the allowance is going to change. That is why we have flagged to our people that we are going to change it in November, and that is what we are trying to do across the board.

Senator FAULKNER—Senator, you have made the point that, if there are to be changes as a result to the change of threat levels, this should not occur while a deployment or rotation is in place. As you know, I agree with that principle completely and I can assure you, Senator, it has not and it will not happen.

Senator JOHNSTON—Very good. Thank you, Minister.

Air Chief Marshal Houston—If I could just add a little bit on field allowance. I guess late last year the Chief of Joint Operations, General Evans, completed an audit of the living and working conditions of all our people who were deployed—the Middle East area of operations, Timor, Solomon Islands. The audit identified that living conditions in almost all of the areas had improved due to the government spending considerable sums of money on improving accommodation and other infrastructure. As a result of the audit, we identified that field allowance may need to be adjusted in Timor—and we talked about how we were going to do that—and across the Middle East area of operations.

Field allowance does not require adjustment in the Solomon Islands because we made a previous adjustment back in November 2008. The whole approach here is to try to do it in a way where we are very cognisant of our people's requirements. The last thing you would want to do is give them two weeks notice that we were going to change the allowance. We try to give them plenty of notice of the fact that there is going to be a change; we explain why there is going to be a change. Of course, I am accountable to the government through the FMA to make the changes when the conditions change. We just try to manage that accountability against the need to be very reasonable with the way we manage our people.

Senator JOHNSTON—With the caveat that we make those changes to the affected personnel at the end of their rotation.

Air Chief Marshal Houston—That is what we endeavour to do.

Senator JOHNSTON—Very good. Can I go to the task force that we have established on pay—

Senator Faulkner—Yes, Senator.

Senator JOHNSTON—which has been stood up, I think, on 2 February.

Senator Faulkner—That is correct, Senator.

Senator JOHNSTON—The SAS pay issue arose in May 2008. Why has it taken so long to put together a task force into what is clearly a problem area for us?

Senator Faulkner—It is appropriate to ensure that our responses deal with the issues that we have before us. It is, I think, fair and true to acknowledge that Defence does not have modern, integrated human resource and pay systems for its total workforce. At the moment we have three separate systems, of which I think you are aware, PMKeyS being one of them. I think it is fair to say they feature old technology. They are expensive systems; they are problematic systems. As you have heard, we need also to acknowledge that there have been instances within the payroll environment where the service groups have been attributed overpayments, as you know, due to current systems issues. But I think it is fair to say that what we are dealing with here in terms of overpayments in the main can be attributed back to poor administration, to poor execution of delegated authority, and at times we have had inconsistent record keeping.

Major efforts have now been made, as you would be aware, for a long period of time to improve the situation that we face in these areas. It is as you know a very complex framework. With the recent concerns that you and other colleagues are aware of, it became clear to me and clear to the Minister for Defence Personnel, Materiel and Science that we need to take this to a higher level. I would say to you that the establishment of the ADF payroll task force, given that it is co-chaired by VCDF and the Deputy Secretary Defence Support, is an indication of how seriously Defence is treating this. I can run through the areas that the task force will be focusing on, if you would like.

Senator JOHNSTON—I have those. They are in the minister's press release.

Senator Faulkner—If you are aware of them, Senator, I will not go to that level of detail. It is my view and it is Defence's view that we have to do more to deal with this issue. Great efforts have been made, but we are still encountering the sorts of problems that have been outlined to you, hence the establishment of this taskforce to deal with those critical elements. I think it is an appropriate way forward in the circumstances. I would commend it to you.

Senator JOHNSTON—I note that we are stating that over the next three months we will establish the taskforce with General Hurley and Deputy Secretary Bowles. Firstly, why a further three months to establish the taskforce? Has there been any meeting of the taskforce to this point?

Lt Gen. Hurley—Yes, we have already met. Quite a number of significant actions have already occurred. We have conducted an audit of all international campaign allowances from 1 July 2005 to 30 June 2009 and found one member—

Senator JOHNSTON—What date was the meeting?

Lt Gen. Hurley—There has been a number, all last week. Martin and I met on Monday, Wednesday and Friday, so we met three times at least in the last week. The taskforce members have been to headquarters to an operations command to—

Senator JOHNSTON—Who are the taskforce members?

Lt Gen. Hurley—We chair it and it is mainly personnel from Martin's area. He can run through all the names for you.

Mr Bowles—As General Hurley said, the taskforce is made up of members from both my group, with representation from audit and the vice chief's group as well. The person I—

Senator JOHNSTON—How many people?

Mr Bowles—It will vary. It is people who are doing full-time jobs working in this as well. I have my Assistant Secretary, People Services, Mark Sweeney, who is leading it on our behalf, who is going through the activities that the taskforce are undertaking. I might add that it is not going to take three months to establish the taskforce. The taskforce are going to look at a range of issues over the three months. The taskforce is well and truly underway. We have a series of actions, a number of which are listed in Minister Combet's release.

Senator JOHNSTON—Thank you, Mr Bowles. General, I did interrupt you when you were telling me about what you have done with respect to allowances. I apologise for that.

Lt Gen. Hurley—As you would expect, there are short-term things we need to do. For example, we are in the middle of a major relief in place in Afghanistan, swapping troops around. We are ensuring that we capture over the next month that there are no errors as people return—the pay and allowance is adjusted. Where the manual system meets the IT pay system, that interface works effectively because that is where a number of our problems have been in the past. There is a very short-term focus as to manpower and command attention on that process. A directive to that effect will go out, if not today, this week, to all group heads and commanders in the ADF. Those group heads include civilian group heads who have Defence personnel deployed as individuals across the board. We will then be rolling into the more mid-term and longer term work we need to do, such as a series of audits to get a base line of data to make sure we understand exactly where we are at, and then move from the current situation to work that has been laid out in the strategic reform program, for example, for technical refresh of our pay systems and then will put in the proper platforms and processes to meld it all together over time.

Senator JOHNSTON—Very good. The taskforce was established at ministerial direction?

Lt Gen. Hurley—That is correct.

Senator JOHNSTON—What is the taskforce going to cost?

Lt Gen. Hurley—At the moment they are all people who have normal jobs, so there is no increased cost in that sense. There may be a bit in travel if we need to journey elsewhere in Australia, but I doubt that would be much. I would think it would be minimal in terms of the direct cost to the taskforce.

Senator JOHNSTON—Very good. When are we likely to see the plan arising from the review and the undertakings of the task force?

Lt Gen. Hurley—As I said, they are short term tasks to really look after this high-risk period over the next month. While we are doing that we will be looking at process planning to map the two processes to make sure they link together. That will take about a month or so. It is after we have done that work that we will sit down and say, ‘Okay, where are the bits and pieces to be done? We are still very much in a planning phase for that bit, but we can take direction action now.’

Senator JOHNSTON—I note that the minister says that there is a requirement for responsibility to be placed upon the shoulders of those receiving their pay to review it. I have to say that I think that is utterly unrealistic, given the complexity of ADF pay slips—having seen several of them in the last several years. Are we realistically asking our front line soldiers to, whilst they are on active combat duty, analyse their payslips looking for anomalies?

Lt Gen. Hurley—Really the point there is that when you return to Australia you bring back with you a document that tells the pay system how to adjust your pay and that is entered into the pay system. On your SVA, your pay slip, there will be a line that says you are in receipt of an international campaign allowance or something. It is very clear. If, after the due of which you have been advised and after you have spoken to your pay clerk and had that entered in your pay, you found it still had ‘international campaign allowance’, I do not think that is a difficult request to deal with.

Senator JOHNSTON—When you come back?

Lt Gen. Hurley—Yes.

Senator JOHNSTON—Not whilst you are overseas?

Lt Gen. Hurley—No.

Senator JOHNSTON—Of course, the allowance issue for the explosives and the mines occurred whilst these men were on service and they only found out about it when they came back.

Lt Gen. Hurley—No, they were advised while they were over there.

Senator JOHNSTON—Okay. I accept that. The press release says ‘the government has endorsed a long-term plan’. Have we heard about the long-term plan this morning, or is there something more to it?

Lt Gen. Hurley—That is where I talk about moving from the short-term focus to the mid- and longer term. The mid- and longer term is really what we have already addressed in the Strategic Reform Program for addressing the systemic issues we have in our human resources management processes and the pay system. Mr Bowles can talk about that.

Air Chief Marshal Houston—Could I just say that there is other work that is going on concurrently. You have heard about the complexity of the current allowance system. One of the things that has been ongoing for quite a while is a strategic review of all of our allowances with the intent of simplifying them. I can get the Deputy Secretary, Mr Phil Minns, to talk to

that if you wish. The other thing that is happening is that we are proceeding with a project to upgrade our pay systems. Initially there will be a technical refresh of the pay system and then eventually we will transition into one integrated pay system. That is well on the way; it obviously takes time to bed that down. If you are interested, I will invite Mr Phil Minns to give you some detail on that.

Senator JOHNSTON—I am very interested. Firstly, Mr Minns, does it have a project name?

Mr Minns—Yes is the answer, but perhaps I should bring a bit of clarity to it. General Hurley spoke about how the initial task force work then morphs into the work under the SRP program. We have a campaign to introduce shared HR services in a range of personnel areas across Defence. We are in the process of designing that shared services delivery model. That model itself will play a role in determining how we develop and configure our future HR and pay system so that the future HR operating environment of the system, both for personnel records and for pay purposes, will reflect the way we design the shared services model. There is a project which is called Shared Services HR Reform; then there is the specific technology project, which is called JP 2080, and it lives within the Defence Capability Plan. It is—

Senator JOHNSTON—What is the costing on JP 2080, please?

Mr Minns—There is an allocation in the DCP at the moment of a very considerable sum of money which we would not say at the moment is a confirmed cost.

Senator JOHNSTON—What is that sum?

Mr Minns—I think it is about \$400 million—or is it more than that, Martin?

Mr Bowles—From memory, it is around \$500 million.

Senator Faulkner—We will get you the precise figure in a moment, Senator.

Senator JOHNSTON—The project is called project—what?

Mr Minns—Its name within the DCP is JP 2080. That current amount of money is a placeholder, if you like. As we work through the detailed program planning and development we will have a very clear and firm sense of what the costs are, and we will have to go through the normal approval processes associated with a DCP project.

Senator JOHNSTON—So that has not even got to first pass yet?

Mr Minns—We had a first-pass process some years back on this project. At that time—

Senator JOHNSTON—When you say some years back, how long ago did we have this plan?

Mr Minns—July 2005.

Senator JOHNSTON—July 2005—to reform defence pays?

Mr Minns—When PMKeyS was introduced, we introduced an HR system for Defence, for HR records and personnel records, and we introduced a pay system for the Australian Public Service workforce. That project as originally conceived was probably meant to continue on and integrate ADF pay and reserves pay. I would need to get someone who was here at the time to give you the detailed reasons why it did not do that. Essentially, I think it was an issue

around organisational resources, the ability of the people in the pay and personnel areas of Defence to cope with still more change while we tried to bed down the changes that were involved in the implementation of PMKeyS on just the HR records side. When we went to the market for a first-pass process—again I would get my colleague, Steve Grzeskowiak, to give you the factual detail—we discovered that we did not quite get the solution from the market that we felt we needed.

Senator JOHNSTON—Can you give me the plan? We have talked about a long-term plan. We know that there is a capability plan project, JP 2080. It had a notional figure of \$500 million. It was in 2005. It has not been persisted with. What is our time frame for the current plan? And I take it that plan is still identified as JP 2080.

Mr Minns—It is the two plans that I have referenced. It is the plan for shared services reform, with the JP 2080 project as the technology enablement for that reformed environment. We have what we call an HR shared services master plan that embraces all of that. It does have timings and dates for first and second pass. I invite Steve to talk to that.

Senator JOHNSTON—I would love to know them.

Mr Grzeskowiak—It is, strictly speaking, JP 2080, phase 2B.1.

Senator JOHNSTON—2B.1.

Mr Grzeskowiak—That is right. JP 2080, in the broad, also subsumed the finance systems upgrades that have been ongoing over a period of years. The plan is for a revised first pass in the first half of this year which will essentially then lead us through a period of work to define the detail of the project and approach the market looking for industry quality costing, leading to a second pass around the middle of 2011 and then, obviously, contract placement following that process.

Then the project is anticipated to take of the order of two to 2½ years from there. Clearly, the detail of that will emerge as we go through the approach to market and the detailed scoping of the project, and it is likely that, as we run through that project, we will be seeing a phased implementation of improvements rather than two years work and a big bang. Capability enhancements will be phased in through 2012-13. That is important because it syncs with our strategic reform program savings achievement plan, particularly in the people-HR service delivery space.

Senator JOHNSTON—What is the cost of phase 2B.1, please?

Mr Grzeskowiak—As has been stated, I do not have the exact figure, but in the capability plan there is a provision of the order of \$400 to \$500 million. Clearly, that is a rough figure at this stage. Until we have done the detailed work through the next 18 months to articulate the scope of the project in detail and to approach industry for industry quality pricing, we do not know the detailed cost.

Dr Watt—We will get you the DCP allocation against the project at morning tea.

Senator JOHNSTON—I am very much obliged to you for that. Can you tell if that phase 2B.1 has in fact been published anywhere to date?

Mr Grzeskowiak—It is in the public version of the DCP.

Senator JOHNSTON—In the 2006 version or the latest version?

Mr Grzeskowiak—It is in the latest version.

Senator JOHNSTON—I turn now to the situation with respect to special forces recruiting where former members have been invited to join either special forces in Western Australia or special forces in New South Wales. I have a couple of examples where very highly qualified men who have undertaken training to join a rotation into Afghanistan were told they would not be going—in one instance with only a few days notice. These men were under contract. Can you advise me as to whether that is an acceptable situation? Do we take them through training, sign them up on contracts and then bring them back? Both of these particular fellows are completely out of pocket having both altered their lifestyles and family arrangements quite substantially to come back for us to utilise their quite specific skills.

Lt Gen. Gillespie—I can confirm that there are two cases. We have invited people to come back and undertake training, and we apply exactly the same measures to those people as we would apply to normal people rotating into Afghanistan. At the end of the pre deployment training if they do not measure up in terms of their medical checks or qualifications they do not go. That is the process.

Senator JOHNSTON—You have a system of waivers, do you not?

Lt Gen. Gillespie—We do not have a system of waivers for skilled in the special forces group, for very clear reasons. We have actually been through this in the SF pay issue, if you recall. The people were not under contract at the time. It was our intention that if they passed their medicals and their qualification arrangements then they would go on full-time duty for the period of the deployment.

Senator JOHNSTON—They had signed their contracts, and the contracts were in the system. They were led to believe that the contracts would be signed by—

Lt Gen. Gillespie—Yes, if they passed their medicals and the qualifications. The point that I make here is that both of the individuals involved have redress action in the system.

Senator JOHNSTON—We all know how effective in terms of time that is.

Lt Gen. Gillespie—It is working its way through the system.

Senator JOHNSTON—Can you give me a hint as to when it is likely to come out of the system.

Lt Gen. Gillespie—Probably within a month we will have been through those sorts of decision making processes. One of the redresses has already been dealt with. The member concerned was not happy with the result that he got from the redress, and that has been referred to me. I have one of my delegates looking at that issue again. I will close that as quickly as we can because I am not an inhumane person; I understand that these people have issues.

Senator JOHNSTON—And I do not want to delay you on the subject, but can you give us a hint as to roughly when he might expect your answer.

Lt Gen. Gillespie—I would hope to be able to do that within a month.

Senator JOHNSTON—Much obliged. I would like to ask you about our discussion with respect to the food facilities at Tarin Kowt and the forward operating bases. The forward operating bases have had the benefit of our chefs. I am interested in our kitchen facility that was to cost some millions of dollars. How are we going with that?

Air Chief Marshal Houston—It is fully implemented and it is up and running. Our people are getting a reasonable amount of good Aussie tucker. We are actually managing all of the catering for ourselves and the Dutch at the moment.

Senator JOHNSTON—When did we take that over?

Air Chief Marshal Houston—It was around the beginning of the year that the transition was completed.

Senator JOHNSTON—This year—January 2010?

Air Chief Marshal Houston—Yes, we have basically been solely responsible for a short period of time.

Senator JOHNSTON—What can you tell us about what we have actually done with respect to the kitchen? What is the nature of the facility we have installed? What have we undertaken? What has it cost?

Air Chief Marshal Houston—I would like to come back to you on that detail, if I may. I can probably come back to you straight after morning tea and give you all of the detail, but fundamentally there are a lot more fresh rations and the food is of a style that suits the preference of our troops.

Senator JOHNSTON—Very good.

Air Chief Marshal Houston—We have put in a number of people to provide the catering capability, including a number of cooks. As I have spoken about previously, we are also putting fresh rations out to the forward operating bases so that our people out there at least get some fresh rations from time to time. I will give you the full detail of how many, how much and how much it costs immediately after morning tea, if I may.

Senator JOHNSTON—I am very much obliged to you for the undertakings you have taken in that regard. I think that is a very significant and positive step forward. If no-one else has questions around the sort of operational pay and conditions issue, I want to move to the Australian military court. CDF, where are we at with respect to, firstly, proceeding with what the minister has indicated is a priority—a chapter III court for the Australian Defence Force? Where are we up to?

Air Chief Marshal Houston—We are working very closely with the Attorney-General's Department. As I said in my opening remarks, we are working through all of the issues.

Senator JOHNSTON—Would you like to tell us what some of those issues are?

Air Chief Marshal Houston—We have looked at the full range of options that might be considered to satisfy the requirement to have a chapter III court under the Constitution. I guess what we have ended up with is two options. One option is to go for a stand-alone Australian military arrangement, which would comply fully with the chapter III arrangements. It would be a stand-alone special military court.

Senator JOHNSTON—Have we costed that option?

Air Chief Marshal Houston—We still have some work to do in that area. The other option would be something that was sort of embedded within the Federal Court. We have had extensive discussion around both options. As I mentioned in my remarks, we have considered it. The Chiefs of Staff Committee has been through the full raft of options. We have provided advice to the minister. At this stage what we need to do is work closely with Attorney-General's to come up with something that is acceptable to the government.

I might add that I have had a number of discussions myself. I have met with the chief military justice from the Federal Court of Australia, His Honour Michael Black. I also met at the same time with the Judge Advocate General. We have been through lots of the sorts of issues that are involved. I think one issues that has to be dealt with is deployability, how do we handle circumstances in a place like Afghanistan or some future place where we might operate? That is an area we have looked at very closely.

Of course, we have looked at the implications of transitioning to a chapter III arrangement. I have to say that the chiefs and I are pretty comfortable with the way it is all going. I think that at the end of the day we will come up with an arrangement that looks after the requirement that we the military have and also satisfies the need for a chapter III arrangement under the Constitution, which is the very strong position of the minister.

Senator JOHNSTON—Have the two options that you have mentioned been put to government? Is the ball rightly perceived by the committee to be in the minister's and the Attorney-General's court, or is it yet to come out of Defence?

Air Chief Marshal Houston—No, I would not say that. As far as Defence is concerned, we have a pretty definitive position, but what we need to do is work with the Attorney-General. As you would be aware, the Federal Court comes under the auspices of the Attorney-General. What we need to do now is work with the Attorney-General's Department to come up with an arrangement that is signed up to by both Attorney-General's and Defence that we can present to the Minister for Defence and the Attorney-General.

Senator Faulkner—As you would appreciate, in relation to this issue—and I know that you are aware of this—there are very significant legal and constitutional issues involved. I think one of the lessons that we must learn from what has occurred in relation to our less than happy experience of last year is that we have to get this right. So, clearly, as you would appreciate, it is a matter for close involvement between Defence and the Attorney-General's Department as those complexities are worked through. It also, of course, depends upon advice. I can assure you that advice—for example, from the Solicitor-General of the Commonwealth—is being sought as we work through these issues.

Senator JOHNSTON—Minister, do we have an interdepartmental committee established on this matter?

Senator Faulkner—Effectively we do. Whether it has been formalised as an IDC I will seek some advice, but it is effectively an IDC. I am not sure we are giving it that nomenclature. Both agencies, of course, need to work closely together and are working closely together.

Air Chief Marshal Houston—The Chiefs of Staff Committee, which of course is a military committee under my chairmanship, met four times on this issue: on 28 October, 30 October, 9 December and 22 January this year. We have had meetings with the Department of the Prime Minister and Cabinet and the Department of Finance and Deregulation on 22 September and with the Law Council of Australia on 2 November 2009. The Registrar of the Federal Court of Australia and the Australian Defence Force's Chief Judge Advocate and registrar of military justice met on 4 February. There was another meeting with the Department of the Prime Minister and Cabinet and the Department of Finance and Deregulation on 4 February 2010. So it is moving along but the issues are significant. Whilst we are progressing well, there is still some work to be done.

Senator JOHNSTON—Apart from the deployability aspect, what other issues are there?

Air Chief Marshal Houston—I would not call them issues. We are getting to a stage where there are two options and we need to refine those options. I would suggest that we in Defence probably have a preference and we have to work with the Attorney-General's Department to come up with a common position. I think that that is really where we are at the moment—in other words, whether we go with a military court under the chapter III arrangements or we have something that is embedded within the arrangements of the Federal Court of Australia.

Senator JOHNSTON—After the break I will continue with what is currently in practice as a result of Lane and Morrison.

Senator FAULKNER—It might assist Senator Johnston if I can formally say that there is in fact no formal IDC. You have heard of some of the processes, but is there a formal IDC? The answer to that question is no.

Dr Watt—We promised Senator Johnston an answer on the interest rate. I am advised that we use the 90-day bank bill acceptance rate less 10 basis points. That currently is an interest rate of 4.09 per cent. As Mr Bowles said, an interest rate applies only after 12 months.

Senator JOHNSTON—Thank you.

Proceedings suspended from 10.31 am to 10.47 am

CHAIR—The committee will come to order. I think CDF has something to advise the committee.

Air Chief Marshal Houston—Chair, would it be okay at this stage to update the record on some of the issues that were raised earlier? I believe the Chief of Army would like to read something into the record.

Lt Gen. Gillespie—When I answered one of the senator's questions on the issue that we discovered on Army Reserve pay, I said that I thought the amount was between a very small amount and about \$7,000. The amount that I gave you was correct but in the wrong context. I would just like to go through what the reserve pay issue is and correct the record. I said that there were 3,982 members of the reserve affect by this issue of transition from recruit pay to trainee pay. Let me tell you that 531 of that 3,982 required additional training to meet the competencies for the pay that they were getting. We treated them in exactly the same way that

we treated the SF. They did not lose any money. I do not have an aggregate total for what the effect was on those 531 members.

Four hundred and two members are having their accomplishment correctly loaded in PMKeys. In other words, PMKeys was not loaded with the correct data. A further 1,252 members were granted recognition of current competencies or recognition of prior learning because they had attained the necessary competencies on other courses; 25 received back pay because their units had kept them at recruit level rather than the trainee level at which they were entitled. The aggregate of that back pay was the \$7,204.91c.

The remainder of the group were not anomalous and only 25 Army Reserve soldiers were adversely affected initially, not the 531 as previously advertised. Nobody has been adversely affected in the process as a result of the remediation, and significant headway has been made there. I would go back and say that the audit has done this, and I make the point that I made during the thing: a lot of the issues that we are checking are unit-level record checks that have not been done correctly, not systemic checks in that regard. That corrects the record.

Dr Watt—Mr Chairman, we promised Senator Johnston some information on JP 2080 phase 2B.1. Just very briefly, Senator, as you may be aware, in the DCP we tend to put bands in—in the public DCP—and point estimates for obvious reasons. The public DCP shows a band of between \$100 million and \$500 million and indicates also that the amount is towards the upper end of that range—that is, the public DCP. We would not publicly make any more comment than that. Clearly, it is towards the upper end of the range.

JP 2080 consisted of two parts. First is an upgrade of the ROMAN, the finance system. That is completed—that is the first part. That has been a lot of the focus since 2005. The first and second parts that Mr Grzeskowiak was talking about will be for the personnel system with the first pass coming in the middle of the year, as he said, or before the middle of the year. Separately, we are investing \$61 million of sustainment money in a technical refresh of the IT system to stabilise our HR and our pay IT systems in the lead-up to the full implementation of JP 2080 phase 2B.1. So it is not like nothing has been happening.

Senator JOHNSTON—Thank you. Can you tell me the date when you expect JP 2080 2B.1 to be accepted into service?

Dr Watt—I can get you that information. I think you are looking at, from Mr Grzeskowiak's comments, about three or so years. Vice Admiral Tripovich reminds me it will be in the period 2014-2016.

Senator JOHNSTON—As I thought, 2014-2016. That is good.

Air Chief Marshal Houston—Chair, perhaps I could just read into the record something with regard to Senator Johnston's query about food. The new arrangements came into place 1 December 2009 and we took over management of the catering services in the main base at Tarin Kowt. As I mentioned, the menus now contain a far larger proportion of fresh food, including fruit, vegetables and fresh meats. As we look into the future, the new Australian contract will progressively increase the provision of freshly cooked meals to all coalition personnel. Come the middle of the year we will refurbish the catering and dining facility so that we can deliver the full range of fresh food menus, and that should occur by late June 2010. In the interim, fresh meals are being prepared in what amounts to a temporary facility.

In terms of the other measures, we have deployed three army cooks to the forward operating bases. That is in addition to the 10 that we have at Tarin Kowt. The mentoring and reconstruction taskforce spend additional money on supplementary rations, so they can purchase special rations when they need them. We have installed deep freezers, fridges and barbeques at all the forward patrol bases to facilitate the provision of several fresh meals a week, and local purchase of bread for forward patrol base personnel when available. We conduct a weekly fresh food run to the forward patrol bases to replenish consumed fresh rations. As to the cost, we are obtaining that and I will come back on the cost a little later on.

Senator JOHNSTON—Thank you very much. Chair, if I can go on with the Australian Military Court?

CHAIR—Indeed you may, Senator Johnston.

Senator JOHNSTON—I suppose, Mr Cunliffe, my questions are to you to some extent. What has it cost ADF with respect to the decision in Lane v Morrison to overturn the Australian Military Court? Have we evaluated the cost of that?

Mr Cunliffe—That is not a question to which I have an answer. We have not attempted to try to calculate an amount. To be honest, obviously our first priority is to put in place a system and deal with the matters arising, and then of course work towards the long-term model. So, no, I do not have an answer to that question.

Senator JOHNSTON—Just tell me the difference between the interim system—is it fair to call it that? We do call it that, don't we?

Mr Cunliffe—Yes, Senator.

Senator JOHNSTON—and the formerly permanent system of an Australian Military Court. I take it that we have had to renegotiate all of the terms of employment of all of the employees relevant to the judicial staff, their staff, the court administrative staff et cetera.

Mr Cunliffe—No, Senator. The large number of individual terms and conditions are not affected by the changes because, in the main, these were not jobs which were directed to specific roles. Those that were, of course, were those who were formerly in the position of judicial officers, and the legislation made provision for dealing with those people who were previously statutorily appointed and continue to be statutorily appointed now as judge advocates or a chief judge advocate.

Senator JOHNSTON—How many of those people do we have? How many were affected by this decision in terms of the judicial area?

Mr Cunliffe—There were three. The legislation continues the terms and conditions.

Senator JOHNSTON—The interim legislation?

Mr Cunliffe—The interim legislation, yes. I should, for good measure, identify also the Registrar of Military Justice, who is also affected because the position was related to the court and is now back related to the previous system. That person had in fact initially been appointed to a role that was also related to the current, interim system.

Senator JOHNSTON—What about any rental accommodation or anything like that? Has that been affected?

Mr Cunliffe—Not at this stage. Obviously the long-term model may have implications for that, but at this stage they continue in the previous premises.

Senator JOHNSTON—Where were those previous premises?

Mr Cunliffe—They were in Fyshwick.

Senator JOHNSTON—Were they specifically dedicated premises?

Mr Cunliffe—They are premises which were leased for the purpose of the Military Court and which continue, to my knowledge—I suppose it is properly a question for somebody on behalf of the current structure—to operate totally satisfactorily in the short term. Equally, they would be potentially available for longer term use if we go down a further road, subject to suitability. Of course, that will not be a decision for us.

Senator JOHNSTON—How many cases were affected by this decision?

Air Chief Marshal Houston—If you want the statistics, I think I covered those. There were 15 trials conducted before Christmas. A further 20 trials have been listed for 2010. There are 53 cases awaiting trial in the interim system in 2010.

Senator JOHNSTON—So, what is that—about 88, 89 cases?

Air Chief Marshal Houston—Of those, 31 have already been given dates for trial, of which 27 will be tried by court martial. That gives you a feel for where we are at.

Senator JOHNSTON—The object of my question was to work out what the rate of case management was per annum prior to the decision in *Lane v Morrison*. Do we have an idea of that?

Air Chief Marshal Houston—Yes. Perhaps if I use the workload of the independent Director of Military Prosecutions. There were 211 matters completed by the office of the DMP from 1 January 2009 till 11 January this year. This compares with 196 matters completed in the previous calendar year.

Senator JOHNSTON—So about 200 a year?

Air Chief Marshal Houston—Yes.

CHAIR—Do you have a geographic break-up of where those offences were committed?

Air Chief Marshal Houston—I am sure we could come up with that. I do not have one readily available. I think it would reflect the population of the ADF in Australia. We can certainly have a look at that.

CHAIR—No, not at this stage. It would probably be too much work. I will return to the point in another context later.

Senator JOHNSTON—When did we stand up the Australian Military Court? I think was about 2006, wasn't it?

Air Chief Marshal Houston—I think it was 2007.

Mr Cunliffe—The legislation was in 2006.

Senator JOHNSTON—So when did Defence Legal become aware of this constitutional challenge? Were it to succeed, obviously it would have cast a giant shadow over the structure

of the Australian Military Court. When did we become aware of the potential of a High Court decision?

Mr Cunliffe—I think it would be fair to say that we were always conscious of the possibility, or even the probability, that there would be challenges. As I think I have said to you in a different setting, it is what lawyers do. It is, therefore, something we have always lived with as a possibility throughout the consideration of what the new structure might be. I would have to come back to you with details of the precise date on which we were given notice of the challenge, but it was certainly an issue that nobody was oblivious to.

Senator JOHNSTON—Is it fair to say that the new court always had some judicial constitutional questions to be answered given its unique disposition with respect to the administration of military discipline?

Senator Faulkner—I am comparatively relaxed with the question, but I think it is getting close to asking Mr Cunliffe for a legal opinion. I think it is not unreasonable for you to go there, but I am sure you appreciate the point I am making.

Senator JOHNSTON—Sure.

Senator Faulkner—I do not want to give Mr Cunliffe a level of discomfort in answering it, that is all. Having said that, I will pass the ball to him.

Senator JOHNSTON—I thank the minister for his forbearance because I am asking for a sort of opinion on the state of legal thought.

Senator Faulkner—You are, and I think I understand why you are doing that. I am not ruling the question out in any sense, but I am making the point that you would be aware that we might be trespassing into an area that ordinarily committee members might not ask of witnesses. I think it is best that I just make that, I hope not ungenerous, qualifying statement and then we will leave it to Mr Cunliffe to deal with.

Mr Cunliffe—I need in a sense to go back to the developments that happened over time if I can in a very broadbrush sense because I am extremely conscious of the minister's comments and am conscious of the fact that the work as we lead to new structures in this area was not done by any single individual. The Chief of the Defence Force has identified the processes now, which have involved Chiefs of Staff Committee meetings et cetera over some time. A similar process was in place in the lead-up to the revised arrangements previously.

One of the differences on that occasion was that Defence stood up a military justice implementation task force. The military justice implementation task force was largely the centre of activity responsible for developing matters. They did that hand in glove, I think I can say in fairness, with the Australian Government Solicitor's then Chief General Counsel. There were a range of key issues on which advice was sought and obtained.

The discussion is certainly live about the decision of the court in relation to the history of the courts martial structure, the processes, the constitutional dilemmas and I suppose also the judicial initiative, if I can put it like that. You will be aware—and I know one of your colleagues raised questions with the Attorney-General's Department the other day—of continuing discussion from learned authorities, if I can call them that, about what is the right course now, what is the desirable constitutional but also operationally relevant course now.

I think it is fair to say that none of these issues were black or white. When it comes to the Chief General Counsel of the Australian Government Solicitor, who has a QC after their name, and anything I might think on an issue, I show due deference. On a range of issues where, even if I had felt sufficiently able to discuss the matters, at the end of the day I think it would be fair to say that we sought appropriate professional advice and we then made decisions guided by appropriate advice.

Life is not without risks. As I have already said, life in the legal arena is highly risky in most settings. I was saying to a colleague the other day that I do not think you go into court without a one-in-two chance of losing. Anybody who tells you you have a 100 per cent guarantee is, in my view, possibly deluding themselves. I suppose here on this occasion the assumptions and expectations proved to be not as well placed as perhaps people expected.

Senator JOHNSTON—Exactly. So we all acknowledge that the ultimate arbiter of the constitutionality of what we had done with the Australian Military Court was the High Court and this was the first case that came before it—*Lane v Morrison*.

Mr Cunliffe—Yes.

Senator JOHNSTON—How many cases followed *Lane v Morrison* arguing the same principles?

Mr Cunliffe—From memory, three were listed at the point when the *Lane v Morrison* decision was brought down. I could check those figures, but I think it was three.

Senator JOHNSTON—I think there were several others coming through the system.

Mr Cunliffe—There were certainly a number on which we had understood that either action had been launched or was imminent. As I said, three is in my mind, but in a sense it arguably does not matter. None of those of course have progressed. We have progressively dealt with each of those.

Senator JOHNSTON—What has happened to those three cases?

Mr Cunliffe—Given that the AMC had not dealt with them to finality, I expect the answer would be it went back to the Director of Military Prosecutions. I have not tracked the specific instances of those cases to see what decision the Director of Military Prosecutions has taken. It is of course the case that with the No. 2 legislation of last year those matters would still be in a category that potentially would fall to be dealt with through the new structure.

Senator JOHNSTON—I suggest to you—and I am interested to hear you, as the principal legal advisor for the ADF—that *Lane v Morrison* was in fact a very important case that bore directly upon the constitutionality of the Australian Military Court such that it would not be unreasonable to categorise it as a test case. Your silence does worry me a bit, Mr Cunliffe.

Mr Cunliffe—I hesitate to use the term because it does carry a meaning, particularly in other portfolios—

Senator JOHNSTON—I am just about to put those to you.

Mr Cunliffe—which are the responsible entities for making decisions on such matters. You will know that, in relation to that case, that was put in advance, and my understanding is that

the decision was made by that authority. I am not going to trample into, frankly, what is their responsibility, not mine—and not Defence's.

Senator JOHNSTON—You are well aware of the model litigant rules.

Mr Cunliffe—Yes.

Senator JOHNSTON—Are you very comfortable and happy that all of those rules have been complied with in the administration of the prosecution or response to Mr Lane's appeal to the High Court?

Mr Cunliffe—I am equally conscious that there is one matter still open. An ultimate decision in that is not a matter for me. On the information made known to me and of which I am aware, I have no reason to doubt that at this stage. I do know that an issue has been raised with the Office of Legal Services Coordination. As far as I know, that matter remains with them.

Mr JOHNSON—I do not want to take it much further, because I actually think that things would be better served through the minister at the table and through the Attorney. Can I just say to you that, moments before the decision was announced, the offering of indemnity to this appellant strikes me as being a smoking gun of a breach of those rules. I do not expect you to comment on that. The point is this: none of the three counsels involved, one of whom is a squadron leader ready reservist, have to this point in time been paid. Whilst there might be some technically good reasons relating to security for costs surrounding that, I actually think that there are some significant problems with the integrity in the conduct of this matter, given that it was always going to be a very important matter for Defence, if you follow me. Unless you want to say something to particularly shoot me down on those assertions, I am happy to leave it there and take my grievance to the minister and to the Attorney on behalf of those people. I am interested to give you the opportunity to say something.

Mr Cunliffe—There are a couple of things that I think are important to say, without going into the personal information and detail, notwithstanding the matter has been raised. I would not choose to do that lightly and perhaps it is a matter for another occasion to do that. It is important because at times this distinction is either ignored or overlooked. This matter was not brought by people acting as members of the ADF; these people were private counsels. In the case of each of those counsels, they were members of various reserves, but they were not acting in that capacity in taking this matter. That, I suppose, is a first step because I think at times there is confusion or perhaps a lack of clarity in identifying those two distinctions, and the one does not automatically wash over into the other.

The second step that I think is important to identify is that the course that has been taken has been the taxing course within the court. Again, that is by no means novel or unusual. That was against previous offers which were made in an attempt to settle what was a very large initial bill.

I suppose those things are probably important just as general statements, if I can make them. I am not suggesting that there is not room to engage on this issue, but I do think that at times the roles and the standing of the individuals is perhaps not entirely clear in the conversation. As I said, not wishing to enter into the personal information and the details, I would prefer to leave it there.

Senator JOHNSTON—I will take my grievances elsewhere! Chair, I have finished with that area. I know that some senators want to question CDF on matters relating to Afghanistan and other things, so I am happy for them to intervene now.

CHAIR—Senator Forshaw has some questions on this issue.

Senator FORSHAW—Just a follow-up question. If I heard Senator Johnston's question clearly, I think he asked you about three other cases after the initial judgment from the High Court. Were those cases on foot at that time? Where were they at in the chain of litigation, as it were?

Mr Cunliffe—Let me say that this is my recollection and I will correct it if it is not right. My memory is that there were three additional cases. We were aware that notice had been filed in the High Court in at least one case and I think two, and my belief is that in at least a third we had advice that it was imminent, but I think it had not actually happened at 26 August, which was the date for the High Court decision. But each was a case which had progressed to a point of recognition and identification.

Senator FORSHAW—Yes, the next stage was the High Court.

Mr Cunliffe—They were not all raising identical issues to the issues in *Lane v Morrison* but there was a kernel of consistency, if I can call it that. In any case, the decision of the High Court that the Military Court was invalid, if you like, resolved the effective issue for the time being, subject to further steps that might be taken.

Senator FORSHAW—That is fine, thank you. I thought that was the case; I just wanted to clarify it.

CHAIR—Senator Trood.

Senator TROOD—Mr Cunliffe, independent of those three cases, are there any cases which had been concluded and in which, in light of the decision of the High Court, those involved sought to raise the consequences of *Lane v Morrison* and the way in which those matters were disposed?

Mr Cunliffe—Yes, there are. I think you will recall—and again it was something that I know there was some detailed discussion on in an earlier meeting last year—that, of the two stages of interim legislation that were passed by the parliament in September, one of them was to reinstate the previous system, if I can put it like that, but the other one was to give effect to the punishments and orders except for the punishment of imprisonment that had been made in the interim period, but not to the convictions. So the convictions were, if you like, excluded from any coverage and have no standing, and indeed the legislation took steps to ensure that no further reliance could be placed on a purported conviction by the interim court.

The legislation then set in place a series of steps, which in some cases were compulsory, mandatory ones, for where people had been convicted by the Military Court and punished to detention, and there were some 25 of those. All up, there were a total of 105 cases where people had been convicted and punished by the AMC. A series of things occurred in relation to that. The legislation provided in some cases, as I said, for automatic follow-up activity to review the validity. Those matters are required to go a particular sort of senior legal member

who is one of the people identified by the Judge Advocate General and agreed by CDF as a section 154 officer, and that process is continuing.

The other category, those in the general group, have all been written to so that, all up, 105 letters were sent by the various services in slightly differing terms, depending on what the circumstances were, indicating to them either that they had a right to seek the review or, alternatively, that the review would happen automatically. We had three of those total letters returned because the person was not known at the address, so effectively 102 have had the information conveyed to them.

There was also a campaign of general media advertising, with two sets of advertisements advertising through the Defence internet system and in each of the service newspapers to draw the various strands of potential review that were available to the attention of people. At this stage I am advised that some seven of the 25 mandatory reviews of those involved in the detention have been completed. The numbers I have are 102 out of 111, where the review has been requested—I think this is the correct number, but I will correct it if I have misread my numbers—and progressed, but not all to finality. Progressively, those matters are being handled, firstly involving a legal officer and then involving a relevant decision maker.

Senator TROOD—A majority of the 102 have not been finalised as yet. Is that right?

Mr Cunliffe—I will have to check that and confirm. Certainly a majority of the mandatory 25 have not been completed. That is certainly correct.

Senator TROOD—If you can find some statistics that would help.

Mr Cunliffe—I can provide you with some statistics which will be clearer and more precise. The mandatory process is being handled through the Chief Judge Advocate. Obviously it is a progressive process where, as well as the legal review, there is also a further stage to be conducted.

CHAIR—Are there any further questions on military justice generally, arising out of the CDF's statement? I have one issue, CDF. At the end of your comments on page 10, you flag that the Chief of Defence Force Commission of Inquiry process has been a success and was working well. You then deliberately make the point that there is more to be done in the context of administrative inquiries, where we need to become more professional. Does that relate to the capabilities of command officers doing a line function or is it a more general problem, without going into any detail at all?

Air Chief Marshal Houston—I have had a large number of inquiries done over the last five years. Some of them are very good but some of them are not so good. It is a huge ask to get somebody who is not a specialist inquiry officer to embark on a complex and challenging inquiry. We have specialists within Defence. The inquiries that are generally done out of the Inspector General's office are of a very high quality. In other circumstances we take a general duties officer from any of the three services. They do an inquiry under the inquiry regulations within Defence. Sometimes those inquiries are not as thorough, complete and comprehensive as they should be. There are sometimes other issues. Regarding the areas we need to concentrate on as we look forward, the military justice system was given a good looking over by Street and Fisher, but one area that stands out for future reform is probably the inquiry area. What I would want to do is perhaps review how we do inquiries and come up with a

more specialist, professional approach so that we are not expecting general duty officers to transition into this and deal with very complex matters—matters on which they have not been trained to inquire in or on. That is what the reference is about.

CHAIR—Have you initiated that work yet or is that something that you are giving consideration to in the future?

Air Chief Marshal Houston—I have a way ahead, but I need to do some more work. I think we need to review that particular area of the military justice system. To that end, I draw comparisons between the way we do inquiries and the way we do commissions of inquiry. I would have to say that the introduction of independent presidents of the commissions of inquiry, people who have a former judicial background, has been very, very successful. We are getting very good outcomes out of that process. There is scope for us to perhaps travel in a similar way in the general inquiries that we conduct. Of course, I think what we need to do before we decide on the way forward is to have a look at the work that has been done on royal commissions and general inquiries and the report that is with the Attorney-General at the moment. We could perhaps leverage off that work and basically go in a slightly different direction from where we are right now.

CHAIR—You made reference to ongoing internal discussions within Defence and discussions with the Attorney-General on the two alternate models: stand-alone Australian Industry Court and, presumably, a division of the Federal Court. Could you answer me two things. Is there a time line involved in both the internal and the cross-agency negotiations before you and the Attorney-General are able to take a finalised piece of advice for resolution by the government? Secondly, I am aware of the discussion where it is argued that there is a significant element of both discipline and command in military justice matters generally. It is very important to the service—services particularly in operations. Can you give the committee any idea of the number of serious offences that have been the subject of complaint and resolution in the set of deployments we have had offshore in recent years, without going into large amounts of work? Do we have, for instance, dozens of court martials arising out of, say, our major deployment up in East Timor, or is it really just such a rare matter that you wonder—as I wonder—why so much discussion revolves around the point? Can you give us some idea of the scale of the issue?

Air Chief Marshal Houston—Thank you for that question, Senator. On our deployments, we have not had to deal with many serious offences. I can come back to you and give you a sense of that, but I cannot recall anything in recent times where we have had to resort to a process involving either court martial, as we have established at the moment, or a case that was referred to the DMP and the Australian Military Court before that. I cannot recall one at all. That is not to say there was not something there, but generally speaking we have not had many serious offences, if any serious offences, on our various deployments over the last few years.

Why is it important to consider deployability? If you have a look at the experience of some of our friends and allies, they have had some very serious circumstances arise from time to time, and when those circumstances arise it is very important that you have a process that is able to deal with those serious offences. Often the circumstances will be such that you may need to do the process in the deployed location. I just say that. That has been the subject of

quite a bit of discussion as we work through the chapter 3 arrangements. We will come up with something that will work and will cover those circumstances. It is important that we have a means of handling those circumstances if and when they arise.

CHAIR—The first question was the timelines for internal discussions between the agencies and advice for probably the Attorney and the minister.

Air Chief Marshal Houston—We will work closely with the Attorney-General's Department. I cannot give you a definitive answer to how long that process will take. All I will say is that I think we are nearing the end of what has been an extensive process of discussion and consultation. I would hope that very shortly we are in a position to get the two ministers together so that we can work out a joint submission that, I imagine, would go to cabinet for a government decision.

Senator Faulkner—Can I just stress again with you, Chair, that this is a priority issue. It is something that obviously needs to be and should be addressed as soon as possible, but not at the cost of not getting it right. We have to get it right this time and, if that takes a few extra days or weeks, so be it. It is a high priority in terms of time and it is high priority in terms of getting the policy outcome correct as well. This is what is obviously being balanced at the moment. I said to the parliament at the time when the interim measures were put in place that we would move as quickly as possible in presenting to the parliament a permanent solution on this issue; a substantive proposal. That is very much front and centre of our minds. It is a collaborative approach with the Attorney-General's Department but it balances the need to move quickly with the absolute necessity of getting it right.

CHAIR—Thank you, Minister, and thank you CDF for those comments. I think we all share those comments. Are there further questions on military justice or further matters arising out of CDF's opening statement? Senator Trood.

Senator TROOD—CDF, I have several matters that I want to raise in relation to your statement. The first is Afghanistan and your assessment that the tide is turning as you see it. I am a little surprised about this because most of the material I read, which of course is only the material in the public domain, suggests that things still remain very difficult there. The casualties, deaths and injuries compared to last year have risen significantly. President Karzai has yet to confirm a government. The Taliban has moved its forces from the south and now occupies a large section to the north as I understand it, strategically. The overall outlook from some of the analyses that I have seen from military and civilian people in the United States seems to me to be pessimistic rather than optimistic. I am just wondering the source of your cautious optimism?

Is it the result of the view you have reached that there is now in place a strategy which you think represents a sound basis of going forward—in other words, a prospective expectation about Afghanistan? Or does it reflect some results on the ground of which I am unaware? There may be things you do not want to talk to us about, but I would be interested in the basis of your assessment because it seems to be contrary to most of the material that is in the public domain on this matter.

Air Chief Marshal Houston—Thank you for that question. If we go back to the middle of last year, Dr Gates appointed General McChrystal to command the ISAF coalition. One of the

first things that General McChrystal was tasked with was to do a full-blown assessment of the circumstances on the ground. Out of that came an approach, I will call it the McChrystal approach, which has been embraced by both the President of the United States and the Secretary General of NATO. This is a fully integrated military-civilian strategy which has at its centre a proper counterinsurgency approach to the business of fighting the campaign in Afghanistan. Fundamentally, I think General McChrystal has been able to enunciate and articulate what is required in terms of the strategy on the ground in Afghanistan. His campaign strategy, I think, is a very good one. I think he has a very clear idea of how he needs to lead the coalition and, importantly, I think the strategy has been fully resourced. In the past we have always been dealing with what I would call an economy of force operation, where there simply were not enough soldiers on the ground to achieve any form of effective counterinsurgency operations.

Going back to last year, you will recall that when he came to office President Obama announced an increase in American forces of 30,000. That has been followed up with his announcement at West Point in December of a further increase of another 30,000 troops on top of that, so that is 60,000. In addition to that, NATO has increased force levels through last year, and there will be another 7,000 as we look forward—so about 37,000 coalition troops. In addition to that, what we are seeing in prospect in the coming 12 months is another 50,000 or so Afghani national security force personnel trained for operations in Afghanistan. So we now have the resources starting to be put in place.

I am confident that we are headed in absolutely the right direction. We have the right strategy; we have the right leader in General McChrystal and his major subordinate commander, General Rodriguez; and we have the resources being put in place to break the back of the insurgency in Afghanistan. It is a very focused campaign. I think you will see a lot of activity in the south in the coming weeks which will be aimed at the centre of gravity of the Taliban insurgency. I am very confident that we will start to see a turnaround on the ground in Afghanistan.

The other thing is that I think the coalition is engaging Pakistan in a much more constructive way than we have seen in the past. As you would be aware, the Pakistanis have also been very active in working against dissident elements within their society. We saw the operation in the Swat valley; we have seen operations into Waziristan. I think that as we go forward things are looking better than they have in the past.

Senator TROOD—You are clearly confident that the right strategic approach is now in place, but we have yet to see any, shall we say, comforting results from that strategic approach. You are expecting that there will be some results from it in the near future, but it has yet to yield the kinds of results that you are expecting it to yield.

Air Chief Marshal Houston—You are talking in terms of results. If you have a look at what is happening on the ground in Afghanistan, I think you will see that good things are happening. If you have a look in our province, you will see that we are making substantial progress. A large part of General McChrystal's counterinsurgency approach is to protect the population and work on Afghanising the security forces. In Oruzgan, you see us expanding the area that we dominate in and that, as we expand, that ground is being held by the Afghan National Army people that we mentor and train with our Dutch colleagues. As we go forward,

I would anticipate that the Afghan National Army, in particular, and the Afghan National Police will get more and more capable and more and more proficient and will be able to take over the business of securing Afghanistan. We are starting to see the genesis of that in our own province. The people that we are mentoring and training are coming along quite well and, over a period of time, after we have trained them, they will be capable of independent operations in their own right.

Senator TROOD—I want to ask you some questions about the training, particularly in relation to police. The Prime Minister announced in December that further AFP officers were going to be sent to Afghanistan, beyond the 22 who are there at the moment. As I understand it, that is the number. They are yet to be deployed. When do you expect those deployments to take place?

Air Chief Marshal Houston—We have done a lot of work with the rest of government in terms of a whole-of-government approach to the business of our deployment in Oruzgan. We have been working very closely with the AFP, AusAID, the Attorney-General's Department and obviously DFAT. We are now in a position, I think, to go forward to government with an integrated approach to our deployment in Afghanistan. The government will consider the whole-of-government submission in the very near future.

Senator TROOD—The Prime Minister announced this decision two months ago and there still has not been any action on it. Do you take it that this was in fact premature and that no decision had actually been made in relation to the AFP at the time?

Air Chief Marshal Houston—I would not characterise it that way. I think the Prime Minister gave the government and us a very clear direction as to what was required, and we have spent time working the detail of that so that we can go back to government and put a formal proposal to them that puts the Prime Minister's intent into a deployment that meets his requirements.

Senator TROOD—In training some forces in Iraq, a model was used in which quite a substantial number of police officers from Iraq came to Australia and trained here. Is that a model that might be applicable to the Afghanistan situation?

Air Chief Marshal Houston—It could be. The Australian Federal Police is doing a great job at the moment, providing ab initio training to the police in Oruzgan province. They have trained several hundred Afghan people to be policemen. I might add, our special forces are partnered with the provincial police reserve and, again, the results there are very pleasing. They are mentoring and training these people to become much more effective in their various roles. It is happening on the ground in Afghanistan. At the moment, militarily, there are two forms of training going on. There is the training in the institutions that are being set up in Afghanistan and there is a huge expansion of what I will call institutional training capability across Afghanistan. The coalition has really seized upon the need to do that. And with the creation of the NATO Training Mission—Afghanistan—we are seeing enormous resources being put into the business of training the Afghans in the security sector. The Americans are putting several billion dollars a year into the training function. So that is all happening.

On the ground, in Oruzgan, we are doing the other form of training—what I will call the operational training—which is mentoring and training the Afghan Kandaks that are on-the-

ground in our province, and that experience is replicated right across the board. There are operational mentoring and liaison teams which are embedded within Afghan Kandaks and Kandak formations right across the country. Everything is being done in partnership with the Afghans and this is something that has really taken off since McChrystal took over command.

I am very confident as we go forward, as with Iraq. I think the last time I spoke about what happened in Iraq—you will recall that in 2006 I spoke to the committee—it was not looking terribly good, but we seized the need to get in there and train the Iraqi forces, both the army and the police. Eventually, we created a force that was able to prevail in its own country. As we look at Iraq now, sure there are challenges, but that country has been turned around and the Iraqi security forces are doing a good job. I would expect that the effect we seek in Afghanistan will be a similar experience, over time. The secret to long-term success is to eventually transition this security responsibility, this security requirement, to the Afghan national security forces.

Senator TROOD—This is the last question I have in relation to Afghanistan. I wanted to ask about progress in relation to the Dutch contingent. You alluded to that in your statement. This is obviously a very difficult set of circumstances for us, if the Dutch resolve to withdraw their forces. When are we expecting a decision about this matter?

Air Chief Marshal Houston—The first point I will make about the Dutch is that they have made one very important decision. They are not going to lead in Oruzgan. That must be understood. There is no prospect of them leading in Oruzgan. So, essentially, what we are waiting for is a decision as to what their future contribution will be in Afghanistan and whether that contribution will be in the province of Oruzgan.

Now, we hope that our partners—they have been very good partners—will come to a decision where they remain, at least with some force level, in Afghanistan, but that is a matter for them. Their government is a coalition government and there is a need to reconcile, I guess, different views, and I would anticipate that the decision is not that far away. Whether it is this week or next week, I do not know, but I am sure that the decision will be made in the short term. I am sorry; I cannot give you anything more than that because this is a decision for the Dutch government.

Senator TROOD—In relation to the point you made about the Dutch leadership in the province, has a decision been made as to who will take over command of forces in the province, in light of their decision not to do it?

Senator Faulkner—Both the Chief of the Defence Force and I, over the last few days, attended a NATO and non-NATO ISAF defence ministers meeting in Istanbul. Of course, for Australia, the issue of leadership in Oruzgan province was, as you can appreciate, I am sure, a very high priority issue, if not the highest priority issue, for us at that particular meeting. We did take the opportunity that was afforded to us there to speak very frankly with a range of counterparts, particularly those other nations who are represented in Regional Command South in Afghanistan. I can assure you that CDF and I both took every opportunity, not only with ministerial counterparts but also with the Secretary-General of NATO—and at bilateral meetings I had with ministerial counterparts—to stress the importance of this issue and to stress that a quick resolution of the leadership issue in Oruzgan was critically important.

While it is not appropriate to go to the detail of some of those discussions, I think I can say to you, Senator, that I think it is well understood by my ministerial counterparts, by CDF's military counterparts and, certainly, more broadly within NATO and ISAF that this issue now requires urgent resolution and, I am quite confident, will receive urgent resolution.

But it is also true to say—and I think we need to be clear about this—as CDF has just said to you, these matters in relation to the nature of the ongoing Dutch role in Afghanistan, in the broad and in Oruzgan in particular, are still matters that, as we speak, are being considered and debated and will, we hope, soon be finalised in The Hague. I think it is important to give that context to you. But CDF has made the point, and I reinforce it, that, whatever the final decision by the government of the Netherlands, something that we can say to you is absolutely clear is that the Dutch will not lead in Oruzgan province. That is clear.

Having said that, it is important to reinforce—as I have said before and as it is important, from an Australian perspective, to say again—that we very much appreciate the role that the Dutch have played in leadership in the province. I have used the term 'magnificent' at times, and I believe that they have been magnificent partners for Australia, as the lead nation in the province. Whatever the final decisions made by the Dutch government, they will not lead in the province. So that becomes a high priority not only for NATO, in making decisions to replace them as the lead nation, but also from Australia's perspective. I would just stress one other thing with you, as I have with colleagues from other nations and with NATO and non-NATO ISAF defence ministers: it is obviously very important that Australia is consulted and involved as these decision-making processes evolve.

Senator TROOD—Thank you, Minister. I do not have any further questions on Afghanistan.

CHAIR—We might have to return to Afghanistan later, as Senator Ludlam foreshadowed to me that he had questions. He is not here, so we will go to other matters arising from the CDF's and secretary's statements.

Senator KROGER—I just want to take the CDF back to some advice he gave us last year in relation to Breeanna Till. At the last meeting, CDF, you advised us that you had become involved in that particular case. She had been advised that she had to leave her home earlier than she had hoped to. I was just wondering if you could give us an update on that.

Air Chief Marshal Houston—I have not had any contact with her in the recent past. You will recall that we extended her agreement to stay in the house by a considerable period of time. I understand she is doing well. She has a new baby. I guess that was the last time that I spoke to her.

Senator KROGER—Is she still in the house?

Air Chief Marshal Houston—I believe so, yes.

Senator KROGER—From that instance and others like it, has any consideration been given to changing the way in these cases are dealt with?

Air Chief Marshal Houston—Yes. I think one of the reasons that her circumstances came up is that she thought it was important that she go along to the review that was being conducted on military compensation matters. As you know, the government has

commissioned a review of military compensation arrangements. One of the concerns she had at the time was that there was not enough consideration given to people like her who were in different sorts of circumstances from the norm. I think the way she characterised it to me was that one size does not fit all and that she was very much different from most of the people, most of the widows, who seek compensation. There were some complications in her circumstances, as you know, because she was married to Brett and there had been a former relationship. There were some complications in the way the compensation was applied. I might ask Craig Orme to give you a little bit more detail on that.

Major Gen. Orme—Senator Kroger, I remember your questions at last estimates around this issue. The policy now enables somebody to stay in their house for six months and, with the CDF's discretion, for longer. In this case that discretion has been exercised out to two years. The process we have in place is quite sound. The issue around this matter was the question about the extension of time and, when it was approached through the chain of command, the opportunity to extend was very readily given. The six months is to clearly allow the people to look at the circumstances around a death and the issues involved such as children's education and a whole range of other issues. The key element is the discretionary nature of the policy to ensure that the circumstances in each unique case can be dealt with flexibly.

The other issue around the bereavement process is that the Defence Community Organisation has, obviously in light of the publicity that came out of that, reviewed what it does. It found that all the information and support services provided were in place and continue to be in place. The key element here I think is the very emotive nature of the circumstances at the time of a tragic death, as they were here. Also, as the CDF alluded to, with the complex circumstances of each individual case it is very difficult to have a policy written out that adapts to each of those. It is really in the judgment, the interpretation and the application of the policy. I am very confident that the Defence Community Organisation in the first instance, the unit support, the DVA support from veterans' affairs that kicks in as well as the other support of those ex service organisations and additional organisations that help us, for example Legacy, all come together in a community around supporting those bereaved people from either combat deaths and deaths that occur during service.

Senator KROGER—Thank you. From an outsiders perspective it looked like there was very much an issue of insufficient or inadequate communication between various agencies and various parties. I am pleased to hear that you believe the process is a fairly strong one and I would be keen to see it strengthened in cases like that, because they are so stressful to the individuals concerned. There may only be one but, I am sure for those involved, one is too many.

Major Gen. Orme—The military compensation review that is being conducted at the moment is still in its deliberation process. I am the Defence member on that review and we have travelled in the country. Last week I was in Darwin meeting at Army, Navy and Air Force bases and we have also had public meetings around Australia. In those meetings we have met with younger widows from recently serving members who have died and we have had a conversation. Each of those cases has all been quite different. There have been those who were killed in combat and others who have died on the way to work. Sitting there

looking in the eyes of each of the widows is a difficult task in the first instance, but each of their circumstances is quite different and each of them grieve and manage in a different way. They are supported in the same way by the service and also by the additional agencies that support regimental associations and service organisations. I am very familiar with the complexity around each of the cases and that is why I am very confident to say that we have very effective processes in place. The issue of communication is an important one and, to be frank, I think the key element of miscommunication in this case came out a newspaper article, which was inaccurate and did not convey the circumstances appropriately. That led to an element of hysteria which caused review, which was appropriate. I think that article set the hares running in the wrong direction completely.

Senator KROGER—Just picking up on your public meetings that you are holding. Are they one-on-one meetings or are they group meetings?

Major Gen. Orme—Without stealing Veterans' Affairs thunder, who are coming this evening, they are advertised public meetings, they have been held in prominent locations, I have been to all public meetings except the one in Sydney. We had one in Darwin at the Crowne Plaza last Thursday. We have had them in Brisbane, we have had them in Townsville, we have had them in Perth. A broad invitation is set out and we generally have a range of people at the meetings. They tend to be the ex-service organisations represented. We have had a significant number of what is being called generically 'younger veterans' who are coming to share their stories and what they have experienced through the process of military compensation. We have had some of our young widows attending as well. In Perth we also held a separate meeting with some of the young widows and people with specific claims. The key here is that we are trying to go for as broad an area of consultation as possible to seek out all those people who may wish to come to us either in a public forum, privately or on base visits.

Senator KROGER—Thank you very much for that.

Senator TROOD—CDF, I wanted to ask some questions about civilian casualties. I assume that the three paragraphs in your statement all refer to events in Afghanistan. Is that correct?

Air Chief Marshal Houston—That is correct.

Senator TROOD—Could you please inform us about the situation regarding the motor vehicle accident in Timor last year? It was an Australian Defence Force vehicle, as I understand it, that collided on 18 December. There was a road accident with a pedestrian, a lady who subsequently died after being taken to hospital. There is clearly some dissatisfaction with the way in which this matter has been managed subsequently—whether by the ADF or by the forces in place in East Timor. Has there been a report conducted into this accident? What has been done about it?

Air Chief Marshal Houston—Thank you for the question. Obviously there was a vehicle accident on 18 December. Essentially, one of our vehicles was involved in an accident where the lady in question was badly hurt and subsequently died in hospital. At the time I am informed that she was taken to the hospital and an ADF person ensured that she got to the hospital. I understand there was a process where compensation forms were provided to the

next of kin. What subsequently happened was that she died in hospital and we were not aware of that.

Senator TROOD—May I just interrupt? Why did the Defence Force not subsequently learn of her death in a reasonably timely way?

Air Chief Marshal Houston—I guess it is a lapse. Unfortunately our people did not keep track of how she was going, and she died and we were not aware of it until sometime later.

Senator TROOD—Not just a lapse. They would appear to have been delinquent in the matter. She was injured by an Australian Defence Force vehicle and subsequently went to hospital. She was obviously in a serious condition—so serious that subsequently she died. And yet there was no follow-up.

Air Chief Marshal Houston—No, there was no follow-up, and eventually we found out about it. Perhaps if I get General Alexander to take you through some of the detail.

Major Gen. Alexander—The circumstances were as the CDF mentioned. A motor vehicle accident resulted in injuries to a civilian casualty, who was then transferred to the Dili hospital. Subsequently, the East Timorese medical staff were informed and an ADF medical officer visited the hospital.

Senator TROOD—Subsequent to her being admitted or subsequent to her death?

Major Gen. Alexander—Subsequent to her being admitted. They discussed the clinical situation with the East Timorese doctors who were treating her at the time. The understanding is that there were lower limb fractures that occurred and that there were lacerations to the scalp. The East Timorese doctors were comfortable that her condition was stable and that there was no requirement for any further intervention, that she was being managed. The ADF medical officer was not invited to or did not examine the patient at that stage. Subsequently, it was determined that the patient had died from injuries.

Senator TROOD—How much time elapsed between her admission and the attendance of the ADF medical officer and her death.

Air Chief Marshal Houston—She was admitted to hospital I understand on 18 December. The medical officer went to the hospital on 18 December, so he went straight after the accident, as described by General Alexander. I guess we were initially informed of her death on 1 January. So that was 13 days later.

Senator TROOD—When did she die?

Major Gen. Alexander—I cannot confirm the exact date. It was at some stage—

Senator TROOD—It was well before 1 January. Is that not correct?

Major Gen. Alexander—Yes.

Senator TROOD—What happened such that nobody thought that the ADF should be advised of her departure or that the ADF medical officer did not think it was appropriate that he or she should make further inquiries about her condition?

Major Gen. Alexander—My understanding is that when the discussions took place between the ADF medical officer and the treating doctors at the Dili hospital there was no

concern expressed by the treating doctors as to the nature of her condition. She was stable at the time and there was no concern expressed. Subsequently, obviously her condition did deteriorate and she succumbed to her injuries. But at the time that the medical officer attended, which was shortly after the accident, the patient was quite stable and that is not unusual for such injuries. One would suppose that there are other less obvious conditions that came to light at some later stage, whether that was a developing head injury that occurred and was not picked up at the time or there was some intra-abdominal haemorrhage that may have occurred that was not picked up at the time.

Senator TROOD—Is it your practice to not follow up on events of this kind? As you well know, these are very sensitive matters. We have known of the problems we have had in Iraq and Afghanistan in particular with these matters and here is another example of a civilian being affected by the presence in his or her country of the Australian Defence Force. These are matters of immense sensitivity and they are the kinds of things that undermine all the good work we do in Afghanistan, East Timor and everywhere else. I would have thought that there might have been some interest taken in her condition to ensure that she was making a good recovery and that everything was being done to ensure that her interests were being protected.

Air Chief Marshal Houston—I agree with everything that you have said and I think that there is a need for us to have a close look in every circumstance where somebody is injured as a consequence of a collision or an accident which involves our people with anybody that we are working with—that could be Timorese, Solomon Islanders or indeed Afghans. In those circumstances I think it is incumbent upon us to follow up and make sure that we keep track of how those people are doing in hospital. You have an undertaking from me that we will basically put in place processes to ensure that happens.

Major Gen. Alexander—It certainly was clear from the discussion and the feedback that I have received from this incident that the medical officer who attended shortly after the accident was assured by the East Timorese doctors that the patient was alert, conscious and stable. Those are the words that he has used in his report: alert, conscious and stable. In those circumstances it would be reasonable for the medical officer to assume that things were okay. In this situation that was not the case and it is most unfortunate. He has made certain assumptions on the information he has been given by medical practitioner that was not the case.

Senator TROOD—Perhaps it was in some respects. But these are unique circumstances, as we know. Did the medical officer not visit the hospital subsequently for any other reason that might have caused—

Major Gen. Alexander—No. We have limited interaction with the Dili hospital now. The health facility that we provide in East Timor is the facility that we provide for the purposes of supporting our troops. Any other interaction is back to Australia, so we have very limited interaction now. That was not the case initially, of course. We had very substantial interaction, but now it is provision of health care to our own people and then back to Australia for ongoing support.

Senator TROOD—I am very dissatisfied with what occurred. Did you do a report on the matter?

Major Gen. Alexander—I have a report from JOC in relation to the circumstances that I have just explained to you. I have not seen any more detailed report from Joint Operations Command.

Senator TROOD—Was there a more comprehensive inquiry into the incident itself, the treatment of the lady concerned, the follow-up and, more particularly, any questions which may arise with regard to compensation et cetera? Was there a comprehensive report of a kind that, as understood it, you usually do in these circumstances?

Air Chief Marshal Houston—I understand that the accident is being investigated by the East Timorese authorities. Because this was a traffic accident the East Timorese police, who have jurisdiction, did the investigation. Now that is complete we have some idea of the circumstances of the accident.

Senator TROOD—So the only inquiry that took place in relation to the matter is with regard to the accident itself and that was undertaken by the Timorese police. Is that right?

Air Chief Marshal Houston—The Dili police, yes.

Senator TROOD—So you or JOC have not undertaken a more comprehensive inquiry as to the management of the whole issue in Timor.

Air Chief Marshal Houston—No, we have not.

Senator TROOD—Is that unusual? Obviously this was not a combat event, but the practice has been for there to be a comprehensive inquiry where a civilian is injured by the Australian defence forces while on deployment, has it not?

Air Chief Marshal Houston—This was a civil accident and the accident was investigated by the police force that had jurisdiction in that area. Because of the initial circumstances that seem to suggest that the woman was stable and was okay, assumptions were probably made that she had relatively minor injuries and as a consequence this was not seen as a major event. I think it was with some considerable surprise that our deployed people discovered later that the woman had died. It might sound like I am trying to justify the circumstances. That is not what I am doing. I am just trying to explain how this set of circumstances might have arisen. What I give you is an undertaking that in similar circumstances in the future we will make sure that we follow up in a very complete way.

Senator TROOD—I am grateful for that assurance. Indeed, I accept that you are seeking to provide the committee with information and explain the events. Major General Alexander, can you tell us when the police investigation was completed about the traffic accident? Was that recently?

Major Gen. Alexander—I am not aware of the circumstances in relation to the investigations that occurred. I can confirm that the patient was admitted at the time of the accident. I can now confirm that she died from her injuries during the first evening. She died that night.

Senator TROOD—It gets worse. If she had died a couple of days later, closer to the time that you were advised of her death, then perhaps it might be different, but you are telling me that within hours of her arrival in hospital she died and that within hours of the advice that

you received from the consultant in the hospital she died and that nobody advised the ADF and nobody thought to follow up when you had not heard for two weeks.

Major Gen. Alexander—The circumstances were such that the ADF medical officer responded to determine the circumstances.

Senator TROOD—I understand what you have told us.

Major Gen. Alexander—The circumstances were that the patient was stable after the accident. Unfortunately, that was not the case in the seven to eight hours. In the vast majority of motor vehicle accidents, if the patients are going to become unstable, they will do so over 12 hours. They will not do so after 36, 72, 80 hours or a week. I would expect that if there were going to be a deterioration, it would have occurred during the first day.

Senator TROOD—I understand what you have told us and there was clearly a misdiagnosis perhaps by the hospital about her condition or at least the seriousness of the condition. I accept that the medical officer was advised by the hospital, in their view, and you say that there was no examination of this lady by the medical person.

Senator JOHNSTON—There could not possibly have been.

Major Gen. Alexander—No, there was not.

Senator JOHNSTON—Could I interrupt there. There is no legal basis for our medical officer to examine an East Timorese national in that hospital, is there?

Major Gen. Alexander—Strictly speaking, he does not have any right to do so.

Senator JOHNSTON—Correct.

Major Gen. Alexander—It would only be on the agreement of the East Timorese doctors and the health department, because any credentialing that we do for medical officers within operations overseas is for the purpose of examining and looking after Australian troops.

Senator Faulkner—I could perhaps assist—

Senator TROOD—Minister, that would be helpful.

Senator Faulkner—senators with this. You, Senator Trood, made the point earlier that, of course, the circumstances are unique—that is true—but it is not the first time that there has been an accident or incident involving Australian forces deployed overseas. In fact, certainly there has been one occasion, quite recently, since I have been minister, that I have been briefed on. It is not the East Timorese case on which I am yet to be formally briefed; I expect that will occur very soon, and appreciate that I have only just come back to Australia. But there has been one recent example where an inquiry officer's report came to me in a substantive briefing. What I have done as a result of that is ensured—insisted, in fact—that one of the recommendations of that report is followed through. It goes to a very similar issue, if you like: the issue of follow-through, which is an issue that you are speaking to us about.

In that inquiry officer's report there is a recommendation that goes to a situation where someone is injured in an accident involving Australian forces. This is more specific than the term I am using. I am deliberately using the term 'someone' here because I am going to broaden this out. When someone is injured in an accident involving Australian forces—this is irregardless of liability and whether liability has been established or not, which I think is

starting to go where Senator Johnston might have been considering—all reasonable measures should be taken to track the subsequent treatment, location and medical status of the injured person commencing immediately following hand-off to another medical authority.

That was, in broad terms, a very accurate reflection to you of a recommendation that has been made in another inquiry officer's report that has come to me through the mechanism of a Defence briefing. I think the spirit of that recommendation has very much been reflected in CDF's evidence to this committee and General Alexander's evidence to this committee. What I have asked to be done is to ensure that the recommendation of that inquiry, which is from a different matter, is implemented. I think that is absolutely critical. We have to ensure that that is implemented and that it applies to all operations.

Senator, I have taken that action in advance of receiving formal briefing, if you like, on the East Timorese incident. I think it is a sensible approach. I think the inquiry officer's recommendation is appropriate. I think it does point to a fact that maybe we have had a weakness for a long period of time here about tracking or follow-up. Let us acknowledge that and make sure that, as has been said by CDF to you just a few moments ago, we ensure that it does not happen again. The way to ensure it does not happen again is to make sure that our processes are more robust. I hope I have been able to ensure that through the directions that I have issued as a result of another incident. I hope that gives you, Senator, some confidence that we are treating this seriously.

Senator TROOD—I approve of that course of action. I think it is absolutely the right thing to do. I hope that that directive that you issue will be implemented very quickly.

Senator Faulkner—It is not 'will issue', I have done it, Senator. I did it, if you would like to know, on 2 February this year.

Air Chief Marshal Houston—Senator, to close off on this and for completeness, I will give you some further information that I have just become aware of. The medical officer went along on the day of the accident. The medical officer returned one week after the accident, went to the hospital and inquired after the woman of how she was doing and so on. The hospital had absolutely no record of her or of her condition. He then went back another week later, made the same inquiry and this time he was informed that she had died. That is when we became aware that she had died. I guess what we have here are unique circumstances. I think the intent was there to follow through but unfortunately it was not effective because of a combination of circumstances. Just to complete the story and to ensure that the record is complete, I thought it was important to put that.

Senator TROOD—That is an unhappy set of events, I have to say. Is there a case for compensation for the woman's family the ADF? If so, what is the status of that; can you tell us?

Air Chief Marshal Houston—At this stage no decisions have been made. If we were to look at this in strictly legal terms, there is no liability on our people under the arrangements whereby we are in Timor in these sorts of circumstances. I would like to come back to you on that as to how we might proceed with this in the future. We have special circumstances here and I have not engaged the minister on where we might go on this, and I think it is important

that we do not jump to a particular way ahead without my having further discussions with him.

Senator Faulkner—Chair, I know we have reached the lunchbreak time but if I could just add to what CDF has said as I do think it is important. I say to you, Senator, that probably formal processes have not concluded. As I said to you, I have not been formally briefed yet on this matter. My decisions, which I have outlined to you about approach in these sorts of circumstances, have arisen out of another matter. However, I have ensured that wherever the ADF is on overseas operations this approach will apply. It is important I think, given you have asked a question about compensation. At this point we have not reached the end of any decision-making processes which might occur when a brief comes to me unless there is any follow-on action. But at that stage that matter has not come to me.

Senator TROOD—Thank you for that information but I think this matter needs to be resolved expeditiously and not drag on for months. I think the family has a reasonable expectation along those lines.

CHAIR—The committee stands adjourned for the lunch break.

Proceedings suspended from 12.32 pm to 1.34 pm

CHAIR—The committee will come to order. We are still dealing with opening statements by CDF and the secretary. Minister, do you have something to say?

Senator Faulkner—Thank you. Just for the completeness of the record, when I spoke about the issue of my awaiting a substantive briefing from the department on the issue that was being canvassed before the break on the East Timorese woman, that is absolutely true. I think I used the terminology ‘awaiting formal briefing’. That was probably imprecise language. I should have used the words ‘substantive briefing’ because I certainly have been notified in a routine briefing, including in a daily operations report of last year, and an information brief this year about the incident. Obviously the substantive matter has not come before me. Just in case there is any uncertainty I wanted to make that clear for the purposes of the record.

CHAIR—Thank you.

Air Chief Marshal Houston—I would like to correct the record and elaborate a little on the accident on East Timor of 18 December. I think I said in testimony just before lunch that a medical officer might have visited the hospital. That is incorrect. He telephoned the Dili National Hospital to inquire about Mrs da Costa’s condition. He phoned again on 1 January and that is when he was told that she had died. Subsequent to that, on 8 January, our post in Timor wrote to the East Timor Secretary of State for Security, his Excellency Dr Francisco Guterres, to provide him with an outline of details surrounding the accident that led to the death of Mrs da Costa, and confirming our understanding that the PNTL, that is the police, had the lead for and was investigating the incident. Finally, on 3 February following completion of the PNTL investigation into the incident, the ISF, that is our people, together with the PNTL liaison officer to the ISF approached Mrs da Costa’s son, that is Mr Costa Exposto to offer their condolences. At that time all the circumstances surrounding his mother’s death were discussed with Mr Costa Exposto. That is the extent of the contact with the hospital and the relatives. I am informed in this correspondence that Mr Costa Exposto

was quite understanding of the circumstances, and we assisted with the funeral arrangements. We paid for the funeral. That completes the story.

Regarding the second one, the costs of the Tarin Kowt fresh rations contract, the initial facilities cost was \$2.8 million and then a further \$3.87 million were required to improve the kitchen facilities with an expected completion date of June 2010. This is to upgrade the kitchen from just reheat facilities to be able to cook and prepare fresh meals. The expected costs are approximately \$1.7 million per month, which is about what we are paying currently. The contract covers support to the Dutch and we have a cost recovery arrangement with the Dutch in place for this. The basis of the contract is cost plus. The contract will be reviewed in mid-March 2010.

CHAIR—Thank you. We are still dealing with questions arising from the secretary's and the CDF's opening statements. Are there any further issues?

Senator TROOD—I thought Senator Johnston had some questions.

Senator JOHNSTON—I have one brief matter. Minister, in anticipation of the exercises that are coming up in this and next year, could you give us a very brief outline of what is planned and approved with respect to exercises with multilateral partners?

Senator Faulkner—I am happy to, Senator. I will need to seek a little advice so that we can be absolutely precise on this. Let me get the precise list for you.

Air Chief Marshal Houston—As to the number of exercises that we conduct, there are literally tens and tens of them. Quite a few of them involve, say, three or four partners and so they are not as large sometimes as Exercise Talisman Sabre, or something like that. However, the list is very extensive, and it is probably best if we could take that on notice.

Senator JOHNSTON—CDF, if I could tie the question down a little bit: if we were conducting exercises with someone like Myanmar, for instance, you would be aware of that.

Air Chief Marshal Houston—I think you are probably referring to Exercise Milan.

Senator JOHNSTON—I would appreciate it if you could tell us about Milan.

Air Chief Marshal Houston—Exercise Milan is a multilateral exercise that is organised by our Indian friends. We have been invited to participate in that exercise. India invites a large number of nations to participate in that exercise. We participated in an exercise—I do not know whether it was called 'Milan' then, but its predecessor—a couple of years ago with an Armidale patrol boat. It is quite normal that a number of regional nations participate.

Senator JOHNSTON—One of which is Myanmar.

Air Chief Marshal Houston—I understand that Myanmar has been invited to participate, yes.

Senator JOHNSTON—We do not have a problem with that?

Air Chief Marshal Houston—No.

Senator JOHNSTON—Good. That is all.

Senator Faulkner—I have just checked with the officials behind me, and I hope to be able to get a precise list of all these exercises for you to hand. We may actually need to generate

such a list. I will provide it to you at the earliest opportunity. There are a significant number of these things, and it may be that we need to generate a list. I will let you know, if I can, a little later in the hearing.

Senator JOHNSTON—Thank you very much, Minister.

Senator Faulkner—We might as well get it precisely right for you.

Senator JOHNSTON—Chair, I would like to go on to matters of clothing, if I may. That intercedes a bit, but I think it is a fairly important matter—

CHAIR—I do not have a problem with that. But before you go there, are we concluded with questions arising from the secretary's and the CDF's opening statements, because that is what we are going to finish before we go anywhere else?

Senator TROOD—I have some questions related to the reserve. The CDF did raise them in his statement, but they occur later in the program.

CHAIR—We can deal with the Reserves at Portfolio overview of budget summary.

Senator TROOD—I am happy to do that later. I do not insist on doing it now.

CHAIR—In that case, we have concluded with the opening statements of the Secretary of Defence and the Chief of the Defence Force. We will now turn to Portfolio overview and budget summary. We are dealing with outcome 1.

Senator JOHNSTON—The areas that I would like to discuss are the LAND 125 project and the matter of the DPCU—disruptive pattern combat uniform—which obviously everybody is aware of. What is the current status of LAND 125?

Senator Faulkner—Would it assist you, Senator, if I asked the CEO of the Defence Materiel Organisation to provide you with a status report on that?

Senator JOHNSTON—I think that is very important, yes.

Senator Faulkner—Dr Gumley will do precisely that, and he will be joined by Vice Admiral Tripovich. So we will have a very, very good team at the table.

Air Chief Marshal Houston—And Bill Horrocks as well.

Senator Faulkner—In fact, the team is growing by the minute.

Dr Gumley—Which part of LAND 125 are you most interested in?

Senator JOHNSTON—I want to know whether C3 has got to second pass yet? That is the MCBAS, isn't it?

Vice Adm. Tripovich—Phase 3C, I think, is the offensive support. Is that the one you are talking about—the weapons? There are a number of phases. There is a C4I; a command controlled communications information phase has been approved. There is a phase related to improvements to the Steyr rifle, not yet at second pass. Not that one?

Senator JOHNSTON—No, the body armour one.

Vice Adm. Tripovich—No, I do not believe it has.

Brig. Horrocks—Senator, there is, within LAND 125 phase 3B, an area called survivability. That requirement has yet to go to second pass; in fact, the requirement is yet to mature sufficiently to go to second pass.

Senator JOHNSTON—What does ‘survivability’ mean?

Brig. Horrocks—It involves the equipment that the soldier would wear to be able to survive on the battlefield. So, once the requirement is sufficiently mature, it would involve the development of future body armour.

Senator JOHNSTON—Right. Looking at questions I asked you some time ago, I thought we were talking about the deployment of modular body armour. Mr Sharp told me about 8,000 sets had been delivered, I think.

Brig. Horrocks—The answer is yes, and in fact the contract for the delivery of the modular combat body armour system has been completed and delivered.

Senator JOHNSTON—Okay. So what we talking about when we say something has not reached second pass? What aspect of that is relevant to survivability?

Vice Adm. Tripovich—I believe the body armour was taken out as a separate thing, to address an urgent requirement as a result of some experiences in them in the theatre of operation. Let me go back. Survivability is about protecting a soldier and the equipment he carries. The C4I area of the project is about his communications and battle space awareness, if you like. Lethality has to do with the offensive weapons he carries, largely around the Steyr. So we are expecting to go to second pass for survivability, the equipment the soldier carries, around the next 12 months, in accordance with the public DCP.

Senator JOHNSTON—And that has got nothing to do with the body armour?

Vice Adm. Tripovich—I believe, if I recall correctly, the body armour that the brigadier is talking about was an element that was moved forward to address the urgent requirements that have come out of the Middle East through various incidents and investigations that were done about the efficacy of body armour. But I will have to default back to the brigadier.

Brig. Horrocks—Yes, the modular combat body armour was not part of LAND 125-3B; it is separate to that.

Senator JOHNSTON—Does it have a phase number?

Brig. Horrocks—It is not a major capital acquisition—or a minor capital acquisition, for that matter. It was part of an additional Army requirement to meet operational needs.

Senator JOHNSTON—We are getting 14,688 sets, aren’t we?

Brig. Horrocks—Correct.

Senator JOHNSTON—And that is not a major acquisition?

Brig. Horrocks—It was not part of the DCP.

Senator JOHNSTON—And how much is it? What is the cost of those 14,688 sets?

Brig. Horrocks—I will have to get back to you on that.

Senator JOHNSTON—Okay. Now, what aspect of LAND 125 is modular load carriage? That is the backpack, isn't it?

Vice Adm. Tripovich—That is correct, yes.

Senator JOHNSTON—Right. Just tell me what has happened with that tender process. I am given to understand that, in this very complicated, segmented combat equipment capability number, there has been a false start with respect to that tender process. Am I right in that?

Brig. Horrocks—No. As part of LAND 125-3B, there has been no start to that in terms of delivery of the survivability requirements. There has been no start to delivering load carriage in terms of that requirement because, as was indicated, this project is yet to go to second-pass approval.

Senator JOHNSTON—So, if someone was to say that the LAND 125 modular load carriage tender was cancelled, that would be incorrect?

Brig. Horrocks—To include LAND 125 as part of that would be incorrect. There was a modular load carriage request for tender that had been released—again, as part of the additional Army requirement. In a sustainment sense, there was a tender released for that, and that tender had been cancelled; correct.

Senator JOHNSTON—Why?

Brig. Horrocks—Working through the tender process, a series of allegations have been raised in terms of that. An internal investigation was conducted and as a result of that it was decided that the tender process should not proceed and it should be cancelled.

Senator JOHNSTON—Do you want to tell us what the allegations were?

Brig. Horrocks—Yes. The modular load carriage request for tender was released in October 2007 with the aim of securing a prime systems integrator to deliver all aspects of modular load carriage capability. The procurement provided for the delivery of 13,000 sets of modular load carriage valued at approximately \$20 million. It closed on 7 February 2008 and we received a number of responses. We went through a short-listing of those responses. Allegations were raised by one of the short-listed tenderers in terms of impropriety in the tender process. As a consequence, those allegations were handed internally to the Inspector-General's division to investigate and also to the Defence Security Agency to investigate. The matter was certainly taken very seriously and industry representatives were also involved in assisting in the investigation. The Inspector-General's investigation did not find any evidence of corruption in the tender process at all. In the Defence Security Agency's investigation into the unauthorised release of material relating to that investigation, they were unable to identify the source of that release. The recommendations from the Inspector-General's division were implemented and a key recommendation was to actually appoint a probity auditor to complete a comprehensive analysis of the tender process itself, and this was undertaken. The probity auditor identified that there were process breaches in the modular load carriage tender process and recommended its cancellation and that is exactly what we proceeded with.

Senator JOHNSTON—Just repeat that. The probity auditor what?

Brig. Horrocks—Identified breaches in terms of the tender process. When I say breaches, I mean the process was not correctly followed and so, as a consequence, they recommended that it be cancelled.

Senator JOHNSTON—What were the breaches?

Brig. Horrocks—They were administrative breaches in terms of the *Defence Procurement Policy Manual* as to when certain activities should have been undertaken to allow a decision to be formed. Again, I would have to get back to you on exactly what those activities were.

Senator JOHNSTON—Okay. So where are we now with the modular load carriage tender process?

Brig. Horrocks—As a result of the cancellation and a review of the requirement, the requirement is currently being redrafted. Once that is completed, we will release a new tender to satisfy that requirement.

Senator JOHNSTON—And when do you anticipate being able to do that?

Brig. Horrocks—I anticipate that will go out in the latter half of this year.

Senator JOHNSTON—So what are we doing in the meantime with our—

Brig. Horrocks—At no stage was there any shortfall in the supply of load carriage to soldiers within Australia or overseas. We were able to satisfy their requirements under existing contracts and standing offers.

Senator JOHNSTON—What I am concerned about is that we have taken enough trouble to run a process to acquire a better standard of load carriage equipment. What are we doing in the meantime? Where did we source the current stuff from, how much did it cost us and what is the lost-opportunity cost of having to delay this tender process? What has it all cost us in round terms?

Brigadier Horrocks—As I said, nothing was lost, in a capability sense, because we were able to satisfy the need under current standing offers. The purpose of this tender was really to establish a prime systems integrator to bring together a number of contracts into a single contract for us to manage. So the opportunity cost was really the fact that we were not able to establish that single contract, and we maintained the current series of contracts that we had in place. We were able to continue to source from those and supply the needs of the Australia Defence Force.

Senator JOHNSTON—So we have had to source the ones we have wanted to replace. My question is, obviously: how many have we sourced as an interim measure whilst we were waiting on this tender process? The backpack is obviously unsatisfactory in several ways.

Brigadier Horrocks—In terms of the unsatisfactory nature of the backpack, I am not aware that that is the case.

Senator JOHNSTON—Why are we going to tender, then?

Brigadier Horrocks—To establish a prime systems integrator—so, to establish a number of contracts that we had in place under a single contract.

Senator JOHNSTON—Let us go back—and just bear with me with respect to some of these issues. A LAND 125 pack in ADF language is a what?

Brigadier Horrocks—There is a current pack that is issued to soldiers which is called the 94 pack—

Senator JOHNSTON—I do not think that is what I am talking about.

Brigadier Horrocks—and then there is a pack that was delivered under an earlier phase of LAND 125, delivered to our combat forces, particularly those who were deploying overseas, and that is, as you have stated, a pack as part of the LAND 125 program. That was under phase 2B, I think, from memory.

Senator JOHNSTON—I am talking about the LAND 125 packs that were spoken about by Dr Dawson, Lieutenant Colonel Thompson, Mr Radoslovich and Major Adams in paragraph 4.1 of a report they have done where they say: ‘The main issue raised in relation to the LAND 125 packs were weight, comfort and ergonomics.’ What are we talking about there?

Brigadier Horrocks—I would need to see the report that you refer to there to be able to answer your question.

Senator JOHNSTON—I am sure you know those people. The report was completed on 21 April 2009.

Brigadier Horrocks—My apologies—I do not, and I have not seen that report.

Senator JOHNSTON—All right. You said to me that—

Dr Watt—Senator, I think you have an advantage over us. It is not clear to me that anyone here has seen the report, nor I think does anyone at the table know of the individuals concerned. However, we will check to see if anyone else in the organisation does.

Senator JOHNSTON—Let us go to the MC body armour. I asked you previously, I think, about the number of RODUMs you had received. A RODUM is what, for the benefit of people who aren’t versed in the art of clothing in the ADF?

Brigadier Horrocks—‘RODUM’ stands for ‘report of defective and unsatisfactory materiel’. A RODUM is used by soldiers who operate the equipment to raise concerns that they may have; if the equipment is defective or there is something wrong with it in terms of design, they can raise that. The report is then investigated and the soldiers are responded to in terms of the fact that it has been received and the fact that an investigation is underway. Then they are provided with feedback as to the result of that, to ensure that they understand that—whether action was required or not. It is not just that the RODUM is investigated within the Defence Materiel Organisation; obviously, the Australian Army are intimately involved in that process.

Senator JOHNSTON—Do you recall my discussion with you with respect to the feedback from soldiers relating to those 8,400 units of modular combat body armour back in June 2009? You said:

The soldiers are concerned about the weight. They would like a lighter system. Nevertheless, for the level of protection that we are providing, it is going to be a heavy system. That is a fact.

I asked you about complaints and you said that you were still developing the body armour. I am told that in 2008 there were some 300 clothing RODUMs raised for clothing related issues, which included packs and webbing. Is that right?

Air Chief Marshal Houston—I know back then there were some issues with webbing. According to the advice I have with regard to a review we did in Afghanistan on force projection, there were only 15 sets of the modular combat body armour identified as having a fault.

Lt Gen. Gillespie—I do not know if I can help in this process, but the MCBAS body armour came up in the last estimates hearing; we have discussed that before. The soldiers' principal concern with the MCBAS body armour was that it was heavy, that it restricted their movement and that, on foot, at the attitudes that our people are operating at it meant that they became tired very quickly and that they could not keep up with their Afghani counterparts, who did not have similar armour.

The history of the MCBAS body armour really stems from this project providing what we thought at the time was increasingly improved body armour from our earliest days in Afghanistan and more particularly in Iraq. The MCBAS body armour was the result of all of the development work, trials and use that we had when we were in Iraq. Most of our operations were mounted and the attacks that had happened against us were against our ASLAVs and our vehicles, and the MCBAS body armour was developed with soldiers' feedback to protect them in that environment.

That was not a suitable body armour for our Special Forces in Afghanistan because they were not moving in those sorts of built-up areas with those sorts of vehicle movements et cetera. So we had for them a lighter set of body armour called Eagle Marine body armour. That lightness—or lighter approach, because none of them are light—gave them greater flexibility to manoeuvre on foot and to do the things that they were going to do.

The rollout of MCBAS really coincided with a change of task in Afghanistan for the more conventional troops to wear. In the OMLT work that we are doing we manoeuvre much more on foot, we manoeuvre with our Afghani counterparts and the MCBAS body armour, which was the right solution for the Iraq campaign, was found to be the wrong solution for the type of campaign we now have in Afghanistan. So, as an interim measure, we were able to purchase more Eagle Marine body armour such that our people in the OMLTs could have a lighter set of body armour to give them greater agility on foot.

Senator JOHNSTON—Could they be called load-bearing vests?

Lt Gen. Gillespie—Each of them has the ability to hang bits and pieces off the body armour because that is essential. If you have your webbing on and your body armour over the top of it, you cannot access anything underneath. So, yes, each of the body armours and the webbing that goes over the plates has the ability to attach bits and pieces of the kit.

Senator JOHNSTON—Where is Eagle Marine?

Lt Gen. Gillespie—It is an American organisation.

Brig. Horrocks—It is a United States of America company. It is based in the US and they supply to the US Marine Corps, for example.

Senator JOHNSTON—This is the Las Vegas company, isn't it?

Brig. Horrocks—No, not that I am aware of.

Senator JOHNSTON—They are not based in Las Vegas?

Lt Gen. Gillespie—Let me finish the story. Because they said the MCBAS was too heavy, we asked the soldiers in the Force Protection Review what it is that they wanted. The reality is that the different task groups have different combat body armour requirements. So we conducted some trials, along with the DMO and our troops, in October last year to look at how we might pursue a more modular approach to combat body armour for our troops. We are taking the results of that early trial and turning it into some design briefs with the idea of being able to offer soldiers a choice, like an elite sporting team, of body protection for the type of mission they are on. If it is a light infantry type task then they will have it, but if they are actually involved in convoy protection or something like that then they would have the full MCBAS that we have got. So that trial is under way.

What we have done is make sure that we have got the full protection of the MCBAS for those people who need it, those who are in convoys, in vehicles and those sorts of things; we have a lighter set of body armour in the Eagle Marine for those people who need to have more agility; and we are developing in close consultation with the DMO a new modular approach to the MCBAS so that we can offer better protection as time goes on for the sorts of things that are likely to crop up.

Senator JOHNSTON—How many units from Eagle Marine have we acquired?

Lt Gen. Gillespie—We have a current stock of 854 sets. We are currently buying an additional 1,000 sets. Delivery of those 1,000 sets started in October last year at the rate of 100 sets per month. I also have to make the point that our ability to show great agility in this space is limited by the fact that we go seeking the best that is around and, not surprisingly, so too do our coalition partners. So our ability to increase that number and rapidly get 1,000 sets out of Eagle Marine is limited by the fact that they are actually spreading their output to look after the US forces, some British forces, us and others who are in the same game.

Senator JOHNSTON—How much is those 1,800 sets costing us?

Lt Gen. Gillespie—I do not know the answer to that.

Brig. Horrocks—Again, I will have to take that on notice.

Senator JOHNSTON—Do we not have a capability number for this acquisition?

Brig. Horrocks—Again, it is not a major or a minor capital investment, so it does not sit with—

Senator JOHNSTON—What is the threshold for major and minor capital acquisition with respect to these matters?

Vice Adm. Tripovich—The threshold is \$20 million for a major capital investment. There is another form of investment which Defence does use, which is fully authorised in the cabinet rules, which is rapid acquisition. That is for urgent operational requirements. I suspect this has come under that process. Where that does occur and is appropriate—for example, in the Defence Capability Plan I may have been stewarding through a project that was intending

to buy this stuff in the future and an urgent requirement comes up to buy it earlier—there is a process where we seek the funding earlier and the scope of the original project is changed. I just wanted to explain there were other ways.

Senator JOHNSTON—Thank you. Am I right in thinking that the 800 followed by the 1,000 exceeds \$20 million?

Vice Adm. Tripovich—I was not involved in it. I would have to default to the DMO to see how much that cost.

Brig. Horrocks—As I said, I will take that question on notice. But I can say it would be well and truly less than \$20 million.

Senator JOHNSTON—And that was a sole-source contract with no tendering of any sort. It was just an acquisition made discretionary.

Brig. Horrocks—Because of the direct source and because of the urgent operational requirement to satisfy the needs within the Middle East.

Senator JOHNSTON—Just refresh my memory, we went to tender on MCBAS, did we not?

Brig. Horrocks—Correct.

Senator JOHNSTON—How many Australian tenderers participated in that process?

Brig. Horrocks—From memory, we had a total of 17 tenderers who responded. Of those 17 tenderers we had at least four tenderers who were overseas, so approximately 13 of those tenderers would have been Australian.

Senator JOHNSTON—What was the value of the tender?

Brig. Horrocks—This is to your earlier question for the Modular Combat Body Armour System: the value of the tender when we first went out with it was \$60 million.

Senator JOHNSTON—Okay. We might come back to this later. Can I turn to the DPCU, or disruptive pattern combat uniform. I am advised that Army HQ personnel in Canberra can use their DPCU when they are doing office duties, and no-one else can.

Lt Gen. Gillespie—I made a hurried trip back to the table.

Senator JOHNSTON—I am sorry, General. I do not mean to trouble you, but these matters do pop up from time to time.

Lt Gen. Gillespie—That is rubbish. I can confirm that. The disruptive pattern uniform issue in Army headquarters is as follows. As you know, we have been looking at ways to make savings in our organisation. As we had rationalised our issuing of equipment to our troops, we had rationalised the issuing to points of entry. That means that most of our uniforms are issued at either Kapooka, at the recruit training organisation, or at Duntroon, the officer induction area. We were issuing everybody with their full entitlement to uniforms at those two places. That included issuing polyesters, the uniform that I am currently wearing, to everybody on enlistment. The greatest percentage of our young soldiers, who have a four-year enlistment period, are eventually deployed to units that never wear those uniforms. So the

sense in issuing all of those uniforms was called into question. It became a simple economic issue of how we manage those sorts of things.

The other thing I will be quite truthful in saying to you is that in the Army there is great pride in the DPC uniform. That is how they do it. So there was a very strong push for them. The attitude was: if we can save money by wearing the DPCUs and we can wear the one that we have greatest pride in, why not? So, being the controller of dress in the Army, I agreed that the daily work dress in Army headquarters would be the disruptive pattern camouflage uniform. I gave discretion to others in the Canberra environment who command Army troops, as well as the non-army groups and the vice chiefs group et cetera, the ability to either follow the Army headquarters lead or determine that this would be their day-to-day dress. So there is no rule that says you can only wear it if you are in Army headquarters. It is a discretionary thing that belongs to those who command Army troops. Some have determined that their people should wear DPCUs; some have determined that it is more appropriate that they wear this type of uniform.

Senator JOHNSTON—The next issue that I am going to raise with you, obviously, is the money—the uniform maintenance allowance. For the DPCU, you get \$600. If you rip it, damage it or whatever, it is replaced, at no cost to the service person involved. But they have to pay for the polyester uniform—for the dry-cleaning and all of the things that go with it. So what you have is a differential to the value of \$600.

Lt Gen. Gillespie—Yes.

Senator JOHNSTON—That is perceived to be a problem.

Lt Gen. Gillespie—There are two factors that I will put to you. One is that the uniform maintenance allowance has been around for a long time. There is currently quite a debate across the service, the Army, about its appropriateness and whether or not we should keep going with it. The other thing is that, in simple dollar terms to the Commonwealth, issuing polyester uniforms that are never worn and that are thrown out at the end—because even if they are worn once, we cannot take them back and reissue them—is uneconomical. The straight economics of it are that it is a much cheaper way to do it by wearing DPCUs than issuing polyester uniforms and wearing the bulk cost loss of a uniform that is rarely worn.

Senator JOHNSTON—I do not think we are talking about that. We are talking about the fact that service personnel in Army who are based at headquarters get to wear their DPCU, whereas everybody else, depending on the discretionary response of their direct commanders, has to wear their polyesters.

Lt Gen. Gillespie—I can tell you that everybody in the forces command wears DPCUs, everybody in the first division wears DPCUs and everybody in the second division wears DPCUs. People in Army Headquarters wear them, unless it is inappropriate to—and I have determined that coming here to a day like today is inappropriate for DPCUs so I wear a more presentable form of uniform—and others. So there is not very much of the Army left, if you like, can wear the uniform at the discretion of their commanders.

Senator JOHNSTON—All right, I accept that. What work has been done to develop the DPCU, and where do the intellectual property rights in it reside?

Dr Gumley—My understanding is that the Commonwealth owns the intellectual property—

Senator JOHNSTON—Solely?

Dr Gumley—A company owns some of the intellectual property of how to apply our intellectual property to the uniform, but certainly the background intellectual property is owned by the Commonwealth. Much of it was developed by DSTO back in about the 2002-03 type period. When we go out to tender we make it clear that the Commonwealth owns that part of the intellectual property.

Senator JOHNSTON—Are you aware of how much it cost us to develop that intellectual property?

Dr Gumley—I do not have a figure available.

Senator JOHNSTON—Would you take it on notice for me.

Dr Gumley—Sure.

Senator JOHNSTON—I imagine it took some years of research and involved the incorporation of various low-signature technologies et cetera. I would like you to tell me, if you can, what makes the DPCU different and what the intellectual property relates to specifically in that. I do not want to know any technical specifications but, broadly speaking, its thermal signature attributes—if it has any—et cetera. I think you know where I am going with this.

Brig. Horrocks—I might attempt to answer that question. What makes it different from what we are currently wearing—

Senator JOHNSTON—No, I mean what makes it different from ‘cammies’ across-the-board. Why have we spent time and money on developing and reserving intellectual property rights in our particular product?

Brig. Horrocks—It has within it, clearly, the camouflage in the visible part of the spectrum and also it has camouflage properties in the near infrared—

Senator JOHNSTON—Sorry, in the what?

Brig. Horrocks—Near infrared, so if you were to use an image intensification device it would provide camouflage within that region or low signature of the wearer. In terms of thermal properties it does not hide any heat being produced by the individual who is wearing the uniform. When you say, ‘What makes it different?’ that is similar to other camouflage uniforms worn around the world by other nations.

Senator JOHNSTON—But they do not have the benefit of our DSTO in developmental technology, do they?

Brig. Horrocks—They would have the benefit of their own R&D and their own signature management techniques that they have used. Now, in terms of the intellectual property itself, and the Commonwealth’s ownership of that, the Commonwealth owns the intellectual property in terms of how to provide that camouflage in the near infrared. The commercial application of that is not owned by the Commonwealth. That is owned by the companies who

commercially apply, and when we go and ask for companies to supply that, it is up to them to how they go ahead and commercially apply.

Senator JOHNSTON—But we have developed our own technology with respect to our own DPCUs.

Brig. Horrocks—In terms of how to provide that camouflage in the near infrared, that is correct.

Senator JOHNSTON—Yes, and we have not previously requested or instructed or specified to any foreign manufacturer that specification and that technological knowledge in the near infrared to anybody else; and I wouldn't have thought any one of our allies would have entrusted that specification and knowledge to a foreign manufacturer.

Brig. Horrocks—Not only previously, but also currently have we not done—

Senator JOHNSTON—I know. I found out that 'currently' means this morning, I think you will find. But let us bat on in respect of this. We have had the company in Bendigo successfully tendering for the supply of DPCUs, have we not?

Brig. Horrocks—Yes, Senator, a company in Bendigo has recently won a contract for the ongoing supply of combat clothing. The name of the company is Australian Defence Apparel.

Senator JOHNSTON—When you see 'combat clothing'—and I am talking about DPCU—is there something in addition to that?

Brig. Horrocks—Yes, Senator.

Senator JOHNSTON—Could you please tell me what that is.

Brig. Horrocks—The disruptive pattern camouflage uniform and also the disruptive pattern desert uniform.

Senator JOHNSTON—Right, so the two versions of the DPCU. There are in fact four versions, are there not?

Brig. Horrocks—No, there are two versions. There is the camouflage uniform and the desert pattern.

Senator JOHNSTON—I note the Navy wear one too.

Brig. Horrocks—That is a naval camouflage uniform. That is a separate tender, not part of this.

Senator JOHNSTON—Right. So we are talking about the Australian normal standard green one. What is the value of that tender?

Brig. Horrocks—The value of the tender that was just currently released?

Senator JOHNSTON—Yes.

Brig. Horrocks—The value is \$13.6 million.

Senator JOHNSTON—And for how many units?

Brig. Horrocks—That equates approximately to 120,000 uniforms.

Senator JOHNSTON—In the paper today, which I am sure you have read, we have a report that says that a Defence spokesman confirmed that material for the uniforms would be made in China. Can you tell me whether that is correct or not?

Brig. Horrocks—Before I answer that, I would like to correct one thing that I just said in terms of what is under this tender. It also includes a small number of camouflage uniforms that have fire retardant capability. It is a small percentage. So it is three aspects of the camouflage. There is the desert uniform and the fire retardant uniform. In terms of the manufacture of these, the contract is for the award for a firm order for the supply of approximately 60,000 uniforms, or approximately one year's supply, and the contract is with the Australian company, Australian Defence Apparel.

Senator JOHNSTON—Out of Bendigo.

Brig. Horrocks—Out of Bendigo. The fabric supplier is a company called Bruck out of Wangaratta.

Senator JOHNSTON—Let us come back to the original report. I am looking at this morning's *Herald Sun*, 10 Feb 2010, which says:

A Defence spokesman confirmed material for the uniforms would be made in China.

Dr Gumley—Perhaps I could help there. The contract had two parts. It had a part for supply this year, where the fabric came from Bruck in Wangaratta and was put together and stitched in ADA. There was an option in that contract for a second year of supply where the fabric could come from China. We will not be going ahead with that particular part of the contract. It has an option in the contract and we will not be going ahead with that.

Senator JOHNSTON—We are all very relieved to hear that, I can assure you. How is it that we came to select a tenderer with an option for China and then have a Defence spokesman confirm—obviously before the minister intervened this morning—that the material for the uniforms would be made in China? Let us go through the process. The tender incorporated a capacity to have the uniforms made in China—am I right?

Dr Gumley—The tender was for the original material—the actual clothing itself—and the material supply was a subcontract to that tender. The tenderer put in several responses, one of which was with an option to get the cheaper fabric from China.

Senator JOHNSTON—But don't we have to give our specifications and—

Dr Gumley—It was a performance specification. We did not give away any technology. We said that it has to do this, that and something else. It was up to the prime contractor to prove to us that they could do that.

Senator JOHNSTON—So the tender has in fact been awarded, has it not, with the option for a Chinese provision of material?

Dr Gumley—Yes, a tender was awarded just before Christmas with that provision for the second year, but it was only ever an option. It was not a confirmed quantity of supply.

Senator JOHNSTON—Who signed off on the tender? Did the minister sign the tender and approve the tender process and give the contract to this Bendigo company with the Chinese option?

Brig. Horrocks—It is an APS member within the DMO, within the clothing area, who held the appropriate delegations to sign off on the tender.

Senator JOHNSTON—Was the minister informed of the Chinese option?

Brig. Horrocks—At the signing of the tender, no, Senator.

Senator JOHNSTON—That is a relief.

Senator Faulkner—But not a surprise.

Senator JOHNSTON—No, not a surprise, because I think we know what would have happened—it already has. The article went on:

The spokesman said a \$13 million, two-year contract had been won by a Bendigo company, who would still sew the uniforms in Victoria.

That was the option. The option was to sew the material produced in China into uniforms in Bendigo.

Dr Gumley—That was the option, yes. Senator, I have got to say, I am a bit bemused by that article. I do not know who the Defence spokesman was and I do not think that they were correct in what they said. It was a bit of a surprise to us this morning when we read it, as it probably was to many other people.

Senator Faulkner—It is not beyond the realms of possibility that something that is recorded is not accurate!

Senator JOHNSTON—I think that you will agree, Minister, I am giving everybody a golden opportunity to correct the record. I am putting the allegations exactly, fairly and squarely. We know that a tender was accepted with a Chinese option to manufacture our DPCU.

Senator Faulkner—And I appreciate that, Senator, and I think that you are hearing from a range of officials at the table about what the situation is. I do not know why a person has been quoted in the form that they have. It is not a matter for casting aspersions or criticism, but nevertheless, the fundamental point remains that it is not necessarily accurate, as you have heard.

Senator JOHNSTON—I am happy for you to correct me and intervene to correct any misconception that I might be putting to any of the witnesses when you see that I am doing the wrong thing.

Senator Faulkner—I think the key thing is that the witnesses at the table are providing you with an accurate and, I believe, complete picture of the situation that we have in relation to this particular issue. And, as you correctly say, it is something that has been reported in the newspapers this morning.

Senator JOHNSTON—And clearly concerns all of us, given the minister intervening. When did we take this tender forward? When did we go to tender on these uniforms?

Brig. Horrocks—The tender was issued on 17 July 2009 and it closed on 4 August 2009.

Senator JOHNSTON—How many responses were there to the tender?

Brig. Horrocks—The tender was a direct-source tender, so it was to two Australian companies only. They were the last known suppliers of this product to us.

Senator JOHNSTON—The Chinese option, I take it, obviously was preferable on the basis of price.

Brig. Horrocks—The tenders were assessed in accordance with the Commonwealth procurement guidelines. The competitiveness of the tenders was assessed, the value-for-money option was considered, and there was a clear saving in terms of cost and also in terms of schedule.

Senator JOHNSTON—The head of the DMO has told us that no intellectual property or technological capacity in the DPCU material went to China. To your knowledge, has there been a commencement of or an attempt to fulfil any part of that contract in China?

Brig. Horrocks—The contractor that we have in place—

Senator JOHNSTON—In Bendigo?

Brig. Horrocks—Yes—has to demonstrate to us, if we were to exercise that option, that the product meets our needs. Hence, in that process, samples have been provided for our assessment, but there was no requirement to do that. We have not asked for that to occur. The contractor has taken that step forward to provide that to us to demonstrate that, if the option had been available to exercise, the product would meet our needs.

Senator JOHNSTON—The contractor is bound to provide the tender terms and conditions—that is, the uniforms?

Brig. Horrocks—That is correct.

Senator JOHNSTON—He has sought to provide a quality of the material to you to seek approval to exercise the option to go to China.

Brig. Horrocks—He was in the process of doing that prior to the decision—

Senator JOHNSTON—He presented some material—

Brig. Horrocks—That is correct.

Senator JOHNSTON—and said, ‘Here’s what we can do in China.’ When was that presented?

Brig. Horrocks—It was presented in the first instance in December last year.

Senator JOHNSTON—So there have been a number of attempts.

Brig. Horrocks—As I say, we have not asked for that but the contractor is presenting the samples to meet our needs.

Senator JOHNSTON—As a percentage, if you can, give me the differential between the Australian manufactured DPCU and the Chinese manufactured DPCU.

Dr Gumley—It is only the fabric that is changing between the two. The stitching cost, of course, will be similar.

Senator JOHNSTON—Sure, but the fabric is the crucial ingredient.

Dr Gumley—Could I take that on notice? I do not have that figure in front of me.

Senator JOHNSTON—I am sure that the tender set out a double whammy, if you like, of price. That is obviously what the value for money aspect of the resolution of the tender was about.

Senator Faulkner—When you say a ‘double whammy’ do you mean some form of differential?

Senator JOHNSTON—Yes, the Australian product, X; the Chinese product, Y. I am interested to know—the uniform or whatever. If you have to take that on notice, that it is okay, but a lot of people are very interested to know what has gone on here.

Senator Faulkner—I appreciate that. I am just getting clear on the terminology. We will help you if we can.

Senator JOHNSTON—‘Double whammy’ is not an expression we use in ADF.

Senator Faulkner—I think I can understand that you are talking about a differential between the two.

Brig. Horrocks—The saving from the tenderer responses was approximately 10 per cent, which equates to \$1.5 million.

Senator JOHNSTON—So for \$1.5 million we go to the Chinese?

Brig. Horrocks—That was offered and that was an option if the decision had been to exercise that.

Senator Faulkner—Let us be clear: the option has not been exercised by the Department of Defence.

Senator JOHNSTON—I am just looking at how close we went.

Senator Faulkner—Let me go further to say that it will not be exercised.

Senator JOHNSTON—We are all very relieved to hear that, I am sure, but I am just looking at the process to see what went on so that we do not go near this again.

Dr Gumley—Could I add that much of this was happening over the Christmas break. I first heard about it two to 2½ weeks ago and I initiated an internal review of aspects of this case. I have engaged someone to have a look at the various policy aspects and what has happened here, because I was uncomfortable. It is one of those issues where when you hear an allegation you sense that there is a bit of smoke and you wonder whether there is a bit of fire, so about 10 days ago I initiated an inquiry into this.

Senator JOHNSTON—Do we have a name for the inquiry?

Dr Gumley—No, we do not have a name for it.

Senator JOHNSTON—Remember we had the Harding-Treloar inquiry.

Dr Gumley—I remember that very well.

Senator JOHNSTON—I am just worried that we are going down that path again; I hope we are not. I take your assurances, Dr Gumley, as I always do, but I just hope that we are not going down that path again.

Dr Gumley—It is being done by a reputable, retired ex-DMO senior officer who is fully conversant with both the policy and the procurement aspects that might apply to an issue like this.

Senator JOHNSTON—Very good. May I have the name of the Chinese subcontractor?

Brig. Horrocks—The name is Zhejiang Huili Dyeing & Finishing Co.

Senator JOHNSTON—When did they finalise this tender?

Brig. Horrocks—The tender closed on 4 August and the contract was awarded on 22 December.

Senator JOHNSTON—So it has taken about a month to come to the surface. Dr Gumley, when will we know the results of your inquiry?

Dr Gumley—I am expecting by mid-March that I will be in a position to inform the minister of our findings.

Senator JOHNSTON—Very good. I am done on clothing, you will be pleased to know. I would like to go to submarines, just for a change of pace.

CHAIR—We will do Navy and submarines from now on.

Senator JOHNSTON—In our 2006-07 and 2007-08 annual reports we featured a qualification for our submarine called ‘mission capability’. As you know, mission capability was usually about two thirds of unit ready days. I note that in our own 2008-09 annual report we have done away with mission capability. First of all could you explain to me what ‘mission capability’ refers to?

Vice Adm. Crane—‘Mission capability’ refers to the ability of the unit to perform a particular role or mission which might be imposed upon it, as opposed to a unit readiness day, which is a day where the unit is available for tasking by the fleet commander across a full range of capabilities. It varies depending upon the platform. For instance, a surface ship, in terms of a unit readiness day, might have a much greater availability for a whole range of tasks—those might be humanitarian assistance or disaster relief—to which a submarine would not necessarily be able to contribute. That is essentially the difference between the two.

Senator JOHNSTON—We note that a unit ready day in 2006-07 was about 802 days and a mission capability day was 583. So whilst you have a unit ready day, you can be tied up unable to go to sea or unable to perform significantly innate tasks but you still qualify as a unit ready day. Is that right?

Vice Adm. Crane—A unit ready day might be a day that the submarine can sail within its readiness notice for a lesser task than is mission—for instance, a training task, in the case of the submarine in the Western Australian exercise areas, and that type of thing. It is an attempt to try to distinguish between that higher level of capability versus a level of capability to be able to get to sea.

Mr JOHNSON—So Collins is, I think, tied up in *Stirling*.

Vice Adm. Crane—That is correct.

Senator JOHNSTON—And it is available for unit ready days but it has some significant issues, does it not?

Vice Adm. Crane—Collins, at the moment, would not be contributing towards unit readiness days.

Senator JOHNSTON—I just note the PBS:

Collins will remain alongside Fleet Base West in a training role from late 2009.

That is in the portfolio budget statement 2009-10.

Vice Adm. Crane—Yes, she was alongside. The plan at that stage was for Collins to be alongside in a training role but would not contribute to unit readiness days. It would be inappropriate to include Collins, because she would not be manned. The plan was for her not to be manned. She was a platform alongside being used for training.

Senator JOHNSTON—So the training role that was designated is not counted as a unit ready day?

Vice Adm. Crane—No, because she is alongside.

Senator JOHNSTON—Very good. I am pleased to hear that. Why is it that we do not provide that mission capability reference in the latest annual report? Whose decision was that? Can you give me the number, or is it that bad?

Vice Adm. Crane—It is not an issue of the number itself. As you might appreciate, there are a number of people who pay great attention to the capability inherent in our submarine fleet. I think we need to be very careful about providing detail on operational capability of the submarine fleet and, indeed, other parts of the Navy as well. I think a unit readiness day figure will provide a metric for us to be held accountable towards, without us going to the level of detail on true capability of our submarine fleet.

Senator JOHNSTON—How is this committee to make a proper, fair and reasonable evaluation of the capability's capability if we do not have that figure? How would you like to proceed to inform the committee?

Vice Adm. Crane—Senator, I would put to you that the unit readiness day figure gives you a valid understanding of the ability of our submissions to put to sea, because a unit readiness day is a day that a submarine is available for tasking across a full range of capability when it is not in a major maintenance period. If it is in a major maintenance period, that is not going to be counted as a unit readiness day because it is not available for tasking.

Senator JOHNSTON—So I take it that you were the person responsible for taking it out of the annual report.

Vice Adm. Crane—I do not recall giving that direction, but it is not something that I would support being in there.

Senator TROOD—I just want to clarify something. So a unit readiness day means that the submarine is available for any of the tasks or any of the capabilities for which it has been acquired? Is that right?

Vice Adm. Crane—That is correct. It is available to do anything within the accepted roles of that platform.

Senator JOHNSTON—So it is available and is fully serviceable?

Vice Adm. Crane—Yes. It is available within its readiness notice to proceed to sea. Submarines will have different levels of readiness notice. I am required to deliver a capability to the CDF in his accordance with his direction and we have to manage to that.

Senator JOHNSTON—Why are the mission ready days less than the unit ready days? With great respect, I do not understand the differential.

Vice Adm. Crane—In the past, the mission capability days have been where the submarine is at a more advanced level of its capability.

Senator JOHNSTON—So you are saying that classification does not relate to serviceability? It is not about whether it is fully mission capable, because ‘unit to ready days’ means ‘fully mission capable’. It is about when it is actually doing missions.

Vice Adm. Crane—No. I am confusing you and I apologise. It is when the submarine is available for tasking—that is, it is within its readiness notice and it can be called upon to sail and conduct an operation within that readiness notice. That would be a unit readiness day. If it had a defect or an engineering problem which put it outside that unit readiness requirement, that would not count as a unit readiness day.

Senator JOHNSTON—I follow you on that. Why do we use and have used, historically, the expression ‘mission capable’? We have had a figure in our annual reports, as I indicated to you, that is on average about two-thirds of the unit ready days. For instance, if I go back to 2006-07, we had achieved 802 unit ready days; we had achieved 583 in mission capability for assigned tasks. All I am asking is, if neither of those classifications relate to level of operational performance, what does mission capability relate to and why is it a lesser figure than unit ready days?

Vice Adm. Crane—I will give you an example to try and walk you through this. If we took a submarine coming out of a major activity, like a full-cycle docking, the submarine goes through a range of licensing trials to ensure the equipment and the personnel are able to meet initial capability. That culminates in a safety assessment, which says the submarine is safe to proceed to sea. At that stage—the unit readiness days figure—the clock starts, but the submarine is not necessarily worked to its full mission capability. It still has a range of activity it needs to do to work up. That is why the unit readiness days will generally—in fact, almost always; I cannot think of an instance where it would not be—be greater than the mission capability days.

Senator JOHNSTON—What then do mission capability days refer to—that is, that everything is 100 per cent?

Vice Adm. Crane—And the submarine is at a level of mission availability.

Senator JOHNSTON—The point I make about that is that it is pretty important we know what the reality of the capabilities performance is. I do not think there is much to be read into the number of days. We have published it for tens of years. We have stopped publishing it and I would like you to tell us on what basis you are nervous about publishing those numbers and what you think is to be protected. I am happy to be convinced, I might say, but I think the committee wants to know where we are at with these artefacts.

Air Chief Marshal Houston—I think that we need to protect that information. We need to protect it because it is good practice. In terms of keeping you informed, we probably need to arrange for—

Senator JOHNSTON—A private briefing.

Air Chief Marshal Houston—in camera briefings on, if you like, the status of the capability that we maintain in the Australian Defence Force. Submarines is one thing but, obviously there are other capabilities that might fall into the same bracket. Obviously, subject to the minister's views, I think that is the way to go. I think this sort of debate about the precise readiness to go and do the sort of stuff that we might want to go and do is not helpful.

Senator JOHNSTON—You know that I would not put up a struggle on that issue.

Air Chief Marshal Houston—I did not think you would.

Senator Faulkner—And you know, Senator, that this minister has been very forthcoming in terms of the briefings that have to be provided to the opposition on matters of operational sensitivity.

Senator JOHNSTON—Sure. Can I then move onto our portfolio budget statements. Looking back over this FEG and its history, the 2008-09 portfolio budget statement said that *Sheean* and *Rankin* will remain in full-cycle docking for all of 2008-09. When we get to the 2009-10 PBS it says that *Sheean* and *Rankin* will remain in full-cycle docking for all of 2009-10. Obviously we have some serious issues there, if these two vessels are spending two years in full-cycle docking. Am I misreading that or are these documents wrong? What is the story?

Vice Adm. Crane—No, you are not wrong. The program for the maintenance of the submarine fleet has had a history of mobility. The integrated master schedule for the submarine refits and maintenance availability has been moving quite significantly.

Senator JOHNSTON—Moving to the right over time?

Vice Adm. Crane—In some cases. Some have moved left. So the full-cycle docking period that we are currently allocating as we move this forward will be around 30 months.

Senator JOHNSTON—For both those vessels?

Vice Adm. Crane—*Sheean* is actually about 23 per cent of her way through her full-cycle docking. *Rankin* is just commencing. But a period of 2½ years for a full-cycle docking is not unusual. We are working hard to try and bring that left, but it is a matter of balancing ASC's ability to be able to complete the work with the resources available and balancing that into a program that delivers the operational requirement for our submarines.

Senator JOHNSTON—I thank you for that answer but I take issue with one little aspect of that. The PBS says that *Rankin* will remain in full-cycle docking. The PBS of 2008-09 was written and signed off for by the then minister on 9 May 2008. Are you telling me that *Rankin* did not come into full-cycle docking until the latter half of 2009?

Vice Adm. Crane—I am not sure of the exact date that *Rankin* went into full-cycle docking. I would have to check that and get back to you. I can do that pretty quickly.

Senator JOHNSTON—I would appreciate it, because you have told me that it was in full-cycle docking when this document was written.

Vice Adm. Crane—I will check the dates that I have given.

Mr Gillis—*Rankin* actually has not commenced its full-cycle docking. We have done some preliminary work on it. The focus is now on *Sheean*, to get *Sheean* out as fast as we practically can, to get it back into operations. So the negotiations that the Chief of Navy and I have had with the CEO of ASC are to focus his workforce, his labour force, on *Sheean*.

Senator JOHNSTON—What has *Rankin* been doing for the last two years?

Mr Gillis—She has been predominantly in lay-up. We have been doing some work with respect to some rust preservation, but the predominance of the work has been on rectifying issues in other submarines and in focusing on *Sheean* and getting *Sheean* out.

Senator JOHNSTON—That is good. Can you just tell me when *Rankin* went on the hard—I take it that is where it is—and when you anticipate she will come off the hard, or is there anything else you want to tell me about that particular vessel and problems that require remediation of a major nature?

Mr Gillis—The expected completion date on the integrated master schedule at the moment is approximately October 2013.

Senator JOHNSTON—Goodness me.

Mr Gillis—But one thing we have to realise is that we have a limited workforce. We are trying to actually do a number of pieces of work—as Chief of Navy said, some 30 months to do a full cycle docking. If in fact we end up with *Sheean* and *Rankin* at the same time, it will extend both of them out. These are compromises that we have to work with and we have to use the resources in the best way we possibly can.

Senator JOHNSTON—So *Rankin*, at the completion of its full cycle docking, will have been out of action for five years?

Mr Gillis—That is right.

Senator JOHNSTON—I note we have not published that anywhere. Do we not think that is an important thing for this committee to know, in a private briefing or in any form? One of our six Collins class submarine is inoperable for five years. Help me.

Vice Adm. Crane—It is a function of how long it takes to get through the full cycle docking period. I know it is a long period of time.

Senator JOHNSTON—It has been there for two years and nothing has happened.

Vice Adm. Crane—Yes.

Senator JOHNSTON—Okay; let us go back to *Sheean*. When did we put that on the hard and start doing the maintenance on that? You can see where we are going here, can't you?

Vice Adm. Crane—I do not have that date, but Mr Gillis might.

Mr Gillis—I do not have the date with me, but I think *Sheean* has been there approximately a year. We are now working on *Sheean* to be completed by September 2011.

Senator JOHNSTON—So that is in 18 months time?

Mr Gillis—Yes.

Senator JOHNSTON—And how long has *Sheean* been out of the water? According to these documents, it is already two years.

Mr Gillis—Overall it will be approximately four years that she will be out of the water.

Senator JOHNSTON—So that is two submarines out of the water for not less than four years.

Mr Gillis—And, Senator, that is fundamentally why I have been tasked by CDF, the secretary and the minister to have a significant focus on this. This is a project of concern, or a sustainment area of concern, and that is one of the reasons why Chief of Navy and I and the CEO of ASC are now meeting on a regular basis—to ensure that we bring this back on track.

Senator JOHNSTON—That is one of the few aspects that fills me with confidence, Mr Gillis—that you are in charge of it now. Nevertheless, it is a pretty sorry, sad situation, I have to say.

Let us go to *Waller*. We said that *Waller* would be full, licensed and certified in June, in the 2006-07 annual report. We then changed that to May 2008. Do we have a date for when *Waller* actually became operational—sorry, let me correct that: mission capable—with a new combat system, the whole thing?

Vice Adm. Crane—Yes. I do not have an exact date; I will have to get back to you. But she was running, certainly, through the second part of last year—I will correct this if I am wrong—and fully operational. She went into a maintenance availability towards the end of the year—

Senator JOHNSTON—2009?

Vice Adm. Crane—2009—and is due to sail again on Friday.

Senator JOHNSTON—Beautiful. Okay. *Collins*?

Vice Adm. Crane—*Collins* is, as we mentioned earlier, currently alongside. You will recall that *Collins* was the submarine that had a significant diesel generator issue. That was resolved. The *Collins* came back from ASC in Adelaide at the end of last year. Our plan was to put *Collins* alongside as a training platform, because we have only three crews available at the moment until the end of next year, when we will generate a fourth crew. Because of the difficulties that we have had, or the loss of the generator in *Farncomb*, our plan is now to move the crew from *Farncomb* into *Collins* and get *Collins* underway.

Senator JOHNSTON—Is *Collins* mission capable?

Vice Adm. Crane—We plan to have her alongside and we need to do a maintenance activity in *Collins*, so she is not accruing unit readiness days at the moment, but we plan to have her back at sea with a crew in May.

Senator JOHNSTON—In May? What is wrong with the generator on *Collins*? Is it a systemic problem?

Vice Adm. Crane—No, *Collins* is serviceable and available.

Senator JOHNSTON—And it is the oldest of the six?

Vice Adm. Crane—Correct.

Senator Faulkner—It is HMAS *Farncomb* with the generator defects that we are aware of.

Senator JOHNSTON—Yes. We are going to come to that in a minute. Interrupt, Senator Trood, if you feel like it.

Senator TROOD—Chair, if Senator Johnston is happy to yield, I have a question on the same theme.

CHAIR—Yes. All right—

Senator JOHNSTON—I have two to go also.

CHAIR—Senator Ludlam has questions on the same topic as well, so if Senator Johnston yields to you it will extend to Senator Ludlam as well. I have been holding off. You cannot go all over the place and not expect the same rules to be applied to everyone.

Senator TROOD—It is on the *Collins*.

CHAIR—Okay, you have made a decision, then. We will go to Senator Ludlam.

Senator TROOD—Thank you, Chair. The *Collins* was the ship that suffered what Dr Gumley called the catastrophic failure. Is that correct?

Senator Faulkner—No, that was HMAS *Farncomb*.

Senator TROOD—No, I realise there has been a subsequent one, but, on the last occasion we met, you, Dr Gumley, described the ship—I do not think it was actually named during the course of the proceedings, but it is *Collins*, I think, isn't it?

Dr Gumley—Senator Trood, that is correct. At the last hearing we mentioned that *Collins* had a catastrophic failure. It was diesel engines, and it is *Farncomb* that has had the failure of the generator.

Senator TROOD—I appreciate that, but the one we were talking about was *Collins*. You described it as a catastrophic failure at the time—I think I am right in saying that. You also said that an independent report was being conducted on that incident, and on the last occasion we met that report had not been provided. Is that correct? And it now has been, I assume?

Mr Gillis—Yes, we have now received the independent report. I have formed a view on that. I have now put a proposition to ASC as the result of the cause and sought a claim against ASC for approximately \$5 million to recompense the Commonwealth for that damage.

Senator TROOD—The thing that I think many of us on the committee were concerned about at the time was that the failure on the *Collins* at that time, which was a result in part of maintenance activity, as I recall, was not going to be replicated in other submarines that might be going through similar maintenance.

Mr Gillis—No, the report clearly indicated that it was very specific to some bearings and the way in which bearings were removed, inspected and replaced in that particular vessel, so it is very specific to the *Collins* and to that specific maintenance activity.

Air Chief Marshal Houston—Could I just say that I accept all of that, but we are embarked on a new approach here. I think one of the things that are vitally important about getting well in the submarine FEG, as I said in my opening statement, is getting all elements

working together in a cooperative way to solve all of the issues that confront us with an ageing fleet of submarines. The capability manager, the Chief of Navy, has done some excellent work with Kim Gillis and the new CEO at ASC, Stephen Ludlam. Steve is a very experienced submarine man. We are very fortunate to be able to recruit him. Essentially, we are focused on the future and focused on getting this capability back to where it needs to be.

I mentioned in the opening statement the Australian submarine program office. That is an initiative of the three of them. What we will have is all elements working together harmoniously, cooperatively, to a common set of values and a common set of behaviours. They have defined what is required in a charter. We are focused on sorting out the issues so that all of the things that have happened in the recent past are put behind us, we learn the lessons from what happened there and we go forward with a much more cohesive approach to the business of generating capability to meet the requirements. I just mention that because I think we want to get away from the focus on who is to blame and focus on a constructive approach.

Senator TROOD—It is very reassuring, CDF, that we are on that course. I was merely seeking to dispose of some unfinished business because that was an issue which was very specifically raised on the last occasion. Dr Gumley made it clear a report into that event was in the course of being provided, and, as far as I was aware, we had not been advised of the results of those inquiries. But I understand that the Commonwealth now has a claim of \$5 million—against ASC, I assume?

Mr Gillis—It is with ASC. ASC is looking at their insurers and also looking at subcontractors that were involved in the activity.

Senator TROOD—Have they accepted the claim?

Mr Gillis—No, they have not accepted the claim. We are still in negotiations with them.

Vice Adm. Crane—Looking forward, perhaps it might be helpful if I explain the plan that is now in place to be delivered as part of the Australian submarine program office. Our plan at the moment is that, as I mentioned, we will man up *Collins* using *Farncomb*'s crew. *Collins* will be underway in May. *Waller*, as I mentioned, is sailing this week. *Dechaineux* will sail out of full-cycle docking in March and we expect her to be available for full tasking in May. So, in May, we will have three submarines running, on the current plan. I am looking forward to having *Farncomb* at the end of the third quarter this calendar year, when we will look at remanning *Farncomb* with the *Collins* crew.

Senator JOHNSTON—Which of those three has the combat system?

Vice Adm. Crane—*Farncomb*, *Waller* and *Dechaineux* all have—

Senator JOHNSTON—Two of the three that are available will have the new combat system?

Vice Adm. Crane—That is correct.

Senator Faulkner—If I can make a comment or two, the first thing to mention is: what is Navy's target here? Navy's target for submarine availability is four submarines, crewed and operating from Fleet Base West. Of course, that contemplates, if you like, the other two submarines in unmanned maintenance or full-cycle docking in Adelaide. Of the four

submarines crewed and operating, two of the four are expected to be deployable at short notice to meet Navy's preparedness requirements. As we talked about not long ago, of course the exact deployment notice and the tasking of those two submarines are classified. That is the big picture in terms of objectives.

In order to meet those objectives, as CDF outlined in his opening statement today, a new submarine program office will be established in Adelaide next month. That follows very cooperative work between Navy, DMO and ASC. The Chief of Navy, Mr Gillis and the new CEO of ASC, Mr Ludlum, have met to develop a new approach to drive the relationship and to make a much more effective relationship between the three key players: Navy, DMO and ASC. There is a particular focus at the moment on the generator problems that we have with HMAS *Farncomb*. The most recent information, in fact, I have on that—as I just heard at the table now from Chief of Navy—is that, hopefully, we will by the third quarter, or later this year definitely, have those repairs in hand.

But putting *Farncomb* aside, you have heard that HMAS *Waller* is crewed and sails on Friday. HMAS *Dechaineux* is crewed, is out of full-cycle docking and sails in March for sea trials. With HMAS *Collins*, as we know, there are ongoing maintenance issues. Chief of Navy has been able to say that the target date in relation to that boat sailing is in May.

You have heard about *Sheean* and *Rankin*. Neither of those subs are crewed. *Sheean* is about a quarter of the way through its full-cycle docking at ASC. *Rankin* is effectively awaiting to commence full-cycle docking, as you have just heard in evidence. *Farncomb*, as you have heard today, has an electrical failure in one of the three main generators. But I stress that is a critical priority for the partnership I have spoken about between Navy, ASC and the DMO.

What you have heard today from all the witnesses at this table is a very frank assessment of submarine availability. That is the best advice that can be given to this committee. It is frank, it is forthright and it is thorough.

Senator FERGUSON—I want to clarify one thing. Did I hear the Chief of Navy say that during this year you hope to have four submarines in service but in fact currently you only have three crews and you hope to get a fourth crew during the year. Is that what you said earlier?

Vice Adm. Crane—Not quite. On the current plan we are aiming to stand up the fourth crew at the end of 2011.

Senator FERGUSON—So you can have four submarines and three crews?

Senator Faulkner—Let us be clear about this. The Navy's target is four submarines.

Senator FERGUSON—Yes, I understand.

Senator Faulkner—That is what the target is. I am being very frank with everyone about this and laying it on the line. At present Navy, as we know and as you have heard, is not achieving that target. There are two reasons for that. It is a combination, if you like, of crewing shortages and platform availability. They are the issues that are being grappled with—and I would say to you they are being grappled with a great deal more effectively than we have done for a very long time. What I have done, what witnesses at this table have done

and certainly what Chief of Navy has done today and over a recent period of time is make clear in a very frank and forthright way what the situation is.

Senator FERGUSON—I understand that, but I am surprised that I heard the chief use the term ‘the ageing submarine fleet’. I was here when the Collins was launched with then defence minister Senator Ray.

Senator Faulkner—That means that you and I are both ageing too, Senator.

Senator FERGUSON—Yes, it does, Senator Faulkner, unfortunately. But the point I make is, at the time of the launch I just wonder what the expected service life of the Collins class submarines was, because all the other subs have been launched subsequent to that—1994, I think it was launched. I would have thought that some of those have been in service for less than 10 years, or about 10 years. Bearing in mind we had the Oberons for something like 40 years, to refer to it as an ‘ageing submarine fleet’ is a bit premature.

Air Chief Marshal Houston—Perhaps if I can take a broader canvass. One of the things I think people do not understand is the fact that when you have high-technology systems—and particularly a unique and complex system, like a submarine—you are not going to get 100 per cent availability out of a fleet of platforms: six, 12, 24, whatever it is. If you have a look around the world, most people do not publish their availability figures. But I can tell you that nobody maintains 100 per cent availability; in fact, way below that. And if you have a look at any high-technology system, over the life of the fleet you are going to have a certain proportion of them available.

Navy’s target is very ambitious. Having four of the six available is highly ambitious. What you have to work into that is the fact that, from time to time, you are going to have unexpected arisings, unserviceabilities. It is the same for aircraft as it is for submarines. From time to time, even though you are aiming for four you might have one or two of those out of action, because something happens with one of the systems on the aircraft where it becomes unserviceable. As systems age, you get issues with obsolescence and wear and tear, and you start to get into an era, at some stage during the life of a fleet, where they become more prone to unserviceability because of the age and the obsolescence of the equipment contained therein.

We have a challenge. This fleet of submarines is going to take a lot more maintenance than it did back in Senator Ray’s time when it was brand new, or back five or 10 years when it was travelling really well. It is the same with our helicopters. It is the same with a lot of our other fleets. As they get older, availability becomes less. So, I guess what I am saying is, let us be realistic about our expectations of this very good fleet of submarines. These submarines are very, very good in their operational role but it is always going to be a challenge to keep them at sea, because they are very complex and they are getting older.

Senator FERGUSON—Chief, I agree with you. They are very good vessels, but the history and sequence of events in the past 12 or 14 years would suggest that not only is your target highly ambitious; if you were to judge their past record you would probably say it is highly fanciful. I do not say that unkindly, but you can only judge by the past record what has happened with these ships. I do not blame you for having a highly ambitious program but if that target is achieved I, for one, will be amazed.

Senator Faulkner—It is fair enough for you to make that point. You are aware of the target and, of course, we should acknowledge that the target has not been met and is not being met, so that is true too. But you have also heard about progress that is being made towards meeting the target and, given that you are a senator from South Australia, I would stress that the establishment in Adelaide of the submarine program office is also going to be something that is very positive, not only for Adelaide but also in terms of the serious focus of the key players—Navy, DMO and ASC—on that target. I think there is a very significantly enhanced emphasis on the challenge and meeting the challenge, which is of course the target that you refer to. I think there is a way forward to make progress towards the target without gilding the lily about the fact that it has not been achieved in the past and it is not being achieved at this time.

Senator JOHNSTON—Can I go to the *Farncomb* incident and what happened there. A generator blew up, did it not? What was the issue?

Mr Gillis—Yes, we had a failure in one of the generators. It effectively, from the photographs, had an internal rupture or explosion within the thing. It was more of an electrical crossing that actually caused the generator to fail.

Senator JOHNSTON—What is the name of the generator? It is not a Hedemora is it?

Mr Gillis—No, the Hedemoras are the diesels. These are originally designed by Jeumont, but they were actually manufactured by an Australian manufacturer.

Senator JOHNSTON—Does that have to be completely disassembled to get it out?

Mr Gillis—Yes, that is one of the original design issues. I will state upfront that this is where we are learning lessons for future submarines and where Admiral Moffitt and I are joined at the hip with respect to some of the things we are learning now. A hatch on a Collins class submarines is one metre. The generator, with its surrounds is 1.093 metres, so it misses by a very small part. Whereas on a normal ship I could safely say that I could take a generator out, have it restored and put it back in within maybe two to three weeks, in a Collins class submarine a generator fix, because of the nature of a submarine—the complexity of engine space and the jigs that are required to get it out—it is a 23- to 25-week iteration. I have talked with the CEO of ASC, Stephen Ludlam this morning. Stephen has just returned from Western Australia and he has put a significant challenge on his team in the west to see if he can do that as fast as practically possible. One of the things about reliability for the submarines is that we have got to do it properly and we have got to do it as best we can. We are going to do a complete rewire and put these submarines back into the best condition we can.

Senator JOHNSTON—How many Jeumont generators are there in each submarine?

Mr Gillis—Three.

Senator JOHNSTON—Is this issue a problem across the board?

Mr Gillis—Not in Collins, because the three generators in Collins were actually manufactured overseas. Subsequently, the remaining five were manufactured in Australia. So we believe that there may be a fault in the generators, but as there are three generators in each submarine you can actually risk mitigate this.

Senator JOHNSTON—Some redundancy.

Mr Gillis—There is redundancy and one of the things we are looking at is to manage effectively the use of those generators to minimise the risk. We have international experts providing us the best possible advice on how to monitor and maintain them. We are also working with Electric Boat and with Babcock, the British and American sustainers of generators for their submarines. Both the British and the Americans have had identical issues with their submarines and their generators, and we are receiving a lot of support internationally on how they have gone around monitoring, maintaining and restoring them back to full operational capability.

Senator JOHNSTON—I note that we are seeking to recover \$5 million from ASC for the bearings that were arguably wrongfully installed. Of course, ASC are over in finance—they attend as an agency and tell their story in another estimates hearing somewhere in this building. I do not think we take much comfort from the fact that we have got a claim, quite frankly, and I think we would all acknowledge that. Which foot are we going to shoot off first is really the bottom line.

Mr Gillis—One of the things is that ASC does insure itself for these types of activities, and we are basically adopting the terms of the contract. The terms of the contract provide a cap of \$5 million for an incident like this and we are just executing our rights under the terms of the contract. We did appoint an independent expert to review it and to provide us information. We have provided that information to ASC and now we are in that negotiation of how best to resolve the issue.

Senator JOHNSTON—And our loss is much, much more than \$5 million.

Mr Gillis—It is more than \$5 million but not much more, and we still have not reconciled the totality of that amount—but I would not say it would be in an order of magnitude.

Senator JOHNSTON—Is the \$5 million a contractual term? In other words, we asked them to provide public liability insurance for professional negligence and we stipulated that the top end was \$5 million.

Mr Gillis—That's right.

Senator JOHNSTON—Well, it is obviously too small, isn't it?

Mr Gillis—It is one of the things that I am looking at in renegotiating the in-service support contract. The issue you have with that is that the larger you put that public liability the more costs there will be associated with this. So it is something—

Senator JOHNSTON—It is not DMO's cost.

Mr Gillis—No, it will eventually be DMO's cost because ASC will put their price up to pay for the insurers, and so—

Senator JOHNSTON—That brings me to the next question: how much are we paying ASC every year for submarines maintenance.

Mr Gillis—Approximately \$175 million.

Senator JOHNSTON—And they are carrying \$5 million worth of public liability! You have to be kidding me.

Mr Gillis—No, there is a cap for an instance of \$5 million. I am not sure exactly what their liabilities are—it is probably best to ask ASC that.

Senator JOHNSTON—Yes. But this is not just one isolated incident in terms of maintenance. Our relationship with ASC as a consumer is pretty poor, is it not?

Mr Gillis—Not at the moment.

Vice Adm. Crane—If I could help you there, Senator, this goes to the point that both the minister and the CDF raised. What we want to do is draw a line in behaviours, and the formation of the Australian submarine project office which has, as the minister has indicated, the three key players Navy, DMO and ASC, in order to move the program forward, is fundamental. I have to tell you I am very encouraged by the meeting that we had in ASC. The feedback that I got from those in ASC, those in the DMO and those in my own organisation was very positive. I am encouraged that we can address this and move forward in a collegiate and tripartite way to deliver the capability that I need to deliver to the CDF.

Senator JOHNSTON—When is the 2005 contract with ASC up for renegotiation?

Dr Gumley—Do you mean the 2003 contract, Senator?

Senator JOHNSTON—I thought it was 2005.

Dr Gumley—The through life support contract was signed, from memory, in December 2003.

Senator JOHNSTON—Okay. When does that expire?

Dr Gumley—It is a 15-year contract, plus five plus five as options.

Senator JOHNSTON—So we will be paying about \$175 million-plus a year to ASC for the next 10 years.

Mr Gillis—One of the tasks that I am working with Steve Ludlum and with the Chief of Navy is, under the review that I undertook late last year, that I identified that the existing contracting structure, the TLSA, needed to move far more towards a performance based contracting methodology, actually making a significantly higher focus on the integrated master schedule, engagement with the Chief of Navy significantly in the decision-making processes, the capability manager and a complete refocus of how we actually contract with ASC including those issues of limitation of liability et cetera. I am currently in the middle of those negotiations with ASC and I can report that ASC has been very responsive in the way in which they have negotiated that change. They are under no obligation to move away from the TLSA—it is an extended contract—but they are willing to move away so that we actually focus on achieving a better capability for the ADF.

Senator JOHNSTON—Okay, I'm happy with that. Well, I'm not happy with it but let's say I have no further questions on that subject matter.

CHAIR—All right. What other headings do you want to pursue on submarines?

Senator JOHNSTON—I am happy to jettison personnel because I think we have answered it. I will be very quick with SETF questions. The new SETF contract has been signed, I hope.

Mr Gillis—Can you broaden that question?

Senator JOHNSTON—Remember we had a problem with the tender when the *Remora* was sitting on the bottom? ASC were the successful tenderer and they would not reduce their price so there was a contractual dispute and we had to send all of our submariners for their escape training. Now we have another contract going.

Mr Gillis—I think you are mixing two issues. I will go to the SETF. We undertook a review of the SETF early last year. There was a contractor doing some work for us in that area. One of the things we did is that we got an independent expert in to review the maintenance of the program. We then undertook some maintenance work. We identified that poor maintenance was being undertaken in that area. The further we got into that, the further we found that we had issues in respect of the longer term liability of that particular facility. In consultation with Navy, we identified that we were far better off doing a complete review and a complete overhaul of the SETF. Navy then undertook to do some training in Canada, and that training has been occurring. We are undertaking now to finish all of the work at the SETF to bring it up to contemporary modern standards, internationally certified, by April this year so that we can start undertaking that training again by June.

Senator JOHNSTON—At what cost?

Air Chief Marshal Houston—Just before he answers that, you said that ASC was the contractor. ASC were not the contractor in this particular circumstance. I think it is important that we note that.

Senator JOHNSTON—Sorry, they were a tenderer. What cost are we up for in April?

Mr Gillis—I would have to take that on notice.

Senator JOHNSTON—Are we still sending submariners to Canada?

Vice Adm. Crane—We have 12 people that need to go this month. On current projections I suspect a similar number probably around May.

Senator JOHNSTON—What about the *Remora*? How are we going with respect to the deep sea recovery vessel? Is there a system in operation?

Vice Adm. Crane—There is a system available—the LR5, which is under contract to us through Jenkins—for emergency call out at 12-hours notice. That is in Western Australia. Our current plan is that there will be an exercise conducted between, I think, 2 and 5 March to deploy it onto a Collins Class submarine to exercise the capability. They are going through the safety case now, ahead of that particular deployment. But it remains available today if required.

Senator JOHNSTON—Okay. And the support vessel to deliver that LR5 is certified? Its lifting equipment has all been approved? The engineering is certified, and everything is absolutely pristine.

Vice Adm. Crane—That is the case they are working through now.

Senator JOHNSTON—So currently it is not certified, but it will be?

Vice Adm. Crane—I think the certification has been done but the safety case is still to be completed. But I defer to DMO for that.

Dr Gumley—Yes, that is right.

Senator JOHNSTON—Thank you.

Senator LUDLAM—I would like to follow up where Senator Ferguson left off because I am not sure he got an answer to his question. What was the expected service life of the Collins Class?

Senator Faulkner—My understanding is that it was a 30-year service life for the Collins Class.

Senator LUDLAM—Is that on a parity with submarine platforms world wide?

Dr Gumley—Yes, that is broadly equivalent to what other nations use.

Senator LUDLAM—Between 1990, which I think was when we launched the first one, and 2025, which is when the expected replacements will come on—

Senator Faulkner—The first one was 1996.

Senator LUDLAM—I will have to correct Wikipedia.

Senator Faulkner—As I understand it, that can be done on a regular basis, not that I know much about these things

Senator LUDLAM—Effectively, you are looking at a 30- to 35-year replacement cycle for those vessels?

Dr Gumley—That is correct. We will need to have new submarines, from about 2024, 2025 onwards, to replace the retiring fleet.

Senator LUDLAM—I appreciated Senator Johnston taking the time to go through vessel by vessel. But if there were the kind of security emergency, in which these vessels are meant to be deployed, declared this afternoon how many ships, out of the six, could we actually put to sea, in a hurry?

Air Chief Marshal Houston—Can I just go to the issue. We will brief those sorts of aspects in camera. That sort of information is highly sensitive and I would prefer to discuss it with you in camera.

Senator Faulkner—As I said before—and this is as it should be—the tasking is classified and it ought to be, for obvious reasons. What this committee has heard is a frank and full assessment in relation to submarine availability, the current submarine disposition, if you like. What the committee has not heard, but I would respectfully say should not hear—and I hope the committee would accept—is deployment notices and tasking. They are classified matters.

Senator LUDLAM—I appreciate that being part of the briefing, but presumably it is a number between zero and three; there is not a broad range of possibilities left, is there? We can move on. That is fine.

Senator Faulkner—That is very deductive.

Senator LUDLAM—One of the officers mentioned limited workforce as being a reason why it would take up to 30 months for a full cycle docking to occur. I wonder whether you have any idea of what the workforce capacity constraints are going to be in the event that we

have 12 more of these vessels under construction while you are still trying to keep our existing ships afloat?

Mr Gillis—My comment with respect to limited workforce related to the fact that we have defined our workforce within ASC. That is structured around doing a full-cycle docking as the primary task and then undertaking a series of other maintenance tasks to do two full-cycle dockings, such as for HMAS *Rankin* and HMAS *Sheean*, and coincide them at exactly the same time. We do not have the workforce to do that. That is why we stagger it. That is why we have an integrated master schedule, which the Chief of Navy, Steve Ludlam and I agree with and we work towards. The limitation is really only in respect of that. In respect of your second question and future submarines we would obviously have to grow a workforce to meet the requirements of future submarines. Those specific requirements are still under development at the moment.

Senator LUDLAM—What I would like to do is move on from the current fleet and request some information about the Collins class replacement project. Who is best qualified to speak to that?

Senator Faulkner—How long will this questioning take? I wonder when we plan to have the tea break.

Senator LUDLAM—Probably five to 10 minutes. It is up to the committee.

Senator Faulkner—It is up to you, Chair.

CHAIR—It would be useful if we could finish submarines in their entirety and then take the afternoon tea break.

Senator Faulkner—Senator, shoot—perhaps not literally!

Senator LUDLAM—Can I start at that very general level, Minister, and get an update for those purposes on the status of the Collins class replacement project.

Air Chief Marshal Houston—I will start. We have done a lot of work in the department on the issues surrounding the new submarine. All of that has been very useful and I think we are ready to move forward with the development of a submission to the government on key aspects of the new submarine capability. In the first instance this will obviously be about the strategic requirement, the operational requirement and the likely operating environment. Of course, that is something that will need to be considered by the government later this year.

Obviously, there are other things going on. We have the RAN study and other studies going on. There is also a lot of work in DSTO, a lot of work in Navy and a lot of work in other agencies within Defence, particularly the DMO. Fundamentally, we are starting to narrow the focus of our work so that we can start to engage the government on some of the key decisions that have to be made in regard to this very important capability. With those opening words, I would invite the other people at the table to contribute to the answer to your question.

Rear Adm. Tripovich—I have steerage, if you like, of the project at this stage, which is the formative stage. The project is steered by a three-star group, comprising me in the lead, the Chief of Navy and the CEO of the DMO, and is supported by the Chief Defence Scientist and others as required. A project team was stood up last year under Rear Admiral Rowan

Moffitt. The project team consists of about 25 people at the moment and will grow over successive years.

In very broad terms, the schedule for the project, if it were a standard project, would be second pass in 2016. That is on the public record. Importantly, this is a very unusual project in a large enterprise and, therefore, as the Kinnaird process calls for, the government would expect to consider this project many times on the way between now and the delivery of the first submarine. The first submarine is scheduled, at this stage of the planning, to be transitioned from the builder to start its sea trials over the period 2023- 25. Around 2025 the first submarine would become the Navy submarine, which coincides with the first of the Collins class retiring from service.

Senator LUDLAM—In relation to your definition of second pass, when will you be in a position to put a proposal to a defence minister, hopefully our current one, to sign?

Rear Adm. Tripovich—As I was saying, in a traditional Kinnaird—what I would call a very simple project—you would have a first and second pass. As with the Air Warfare Destroyer, the Joint Strike Fighter and many of the other very large, megaprojects, the government will consider a number of decisions many times between now and the delivery of the first submarine. As CDF indicated, the first of many considerations will be taken by the government later this year.

Senator LUDLAM—Can you give us an update on whether your unit, or however you define the group that you are helping to direct—

Rear Adm. Tripovich—Project team. It is about 1,000.

Senator LUDLAM—Thank you—has a separate line item in the budget that we can point to?

Rear Adm. Tripovich—The public DCP refers to the SEA 1000 Future Submarine Project. A line of funding has been approved and, off the top of my head, it is about \$14 million—but I will confirm that in a second.

Senator LUDLAM—Annually. And we can expect that to ramp up—

Rear Adm. Tripovich—Yes, absolutely. That is an initial investment to start the round of studies that need doing. Each time we go to government, we will be able to describe the next element of work that needs doing. A provision would need to be approved for that and a line of funding would be generated.

Senator Faulkner—A range of studies are being undertaken that will inform government decision making as this project moves along.

Senator LUDLAM—I think, as you were just describing, not all of those studies are within your domain. They are distributed across a range of different—

Rear Adm. Tripovich—Certainly. But they are steered by the SEA 1000 project under Admiral Moffitt.

Senator LUDLAM—Can you confirm for us that you have not ruled out, formally or informally, developing nuclear propelled submarines?

Senator Faulkner—It is probably a question that is appropriate for me to answer. The government has made it clear that the SEA 1000 Future Submarine Project is a conventionally powered submarine project. I will also make the point, which is perhaps another thing that has been made clear—you will be able to read it in the white paper—that the future submarines will be assembled in South Australia. It is something that the Prime Minister reinforced on his recent visit to ASC.

Senator LUDLAM—Thanks, Minister: assembly in South Australia, and you have formally ruled out nuclear propulsion for the submarines.

Senator Faulkner—Correct. They are conventionally powered submarines.

Senator LUDLAM—If they are not in the budget, can you provide us with your forward estimates for the next couple of years for the SEA 1000 project? How far forward can we see?

Vice Adm. Tripovich—Whatever is in the previous document. I do not have it to hand. I will check with the CFO and come back to you before we leave today.

Senator LUDLAM—Okay. I am presuming there are two or three years worth of records there.

Vice Adm. Tripovich—That would be about right, yes.

Senator LUDLAM—I am as dismayed as the other senators who have been speaking this afternoon about the enormous difficulties we that have had maintaining a seaworthy fleet of submarines to date. How are you incorporating the learnings that have been described into not simply doubling the size and scope of the sorts of troubles that we are experiencing at the moment?

Senator Faulkner—I think you have raised a very important issue. As the project SEA 1000 evolves, it is critically important that we do learn the many lessons from the Collins program. As the defence minister, I have said to Defence this is a fundamental threshold requirement. I think it is fair to say that it is not just the Collins program where we need to learn the lessons. I think there are other major Defence procurements that will be a key part of informing the future submarine program. But it is critically important that we learn the lessons of Collins. I can absolutely assure you that all in Defence are absolutely apprised of that necessity.

Senator LUDLAM—This is proposed, is it not, to be one of the largest, if not the largest, Defence procurement in the country's history?

Senator Faulkner—Yes.

Senator LUDLAM—And we are benchmarking it against a fleet of submarines that are apparently barely seaworthy and hardly half crewed at the moment.

Senator Faulkner—As I said a moment ago, the committee has been given a full and frank assessment of the current situation with our Collins class submarines. You make the point that the 12 future submarines that are proposed will be larger and more capable. That is true; hence the critical importance of learning the lessons of Collins that you mentioned in your earlier question.

Senator LUDLAM—I am sensing that the committee needs to be recaffeinated, so I will leave it there. Thank you, Chair.

CHAIR—Thank you, Senator Ludlam.

Proceedings suspended from 3.50 pm to 4.06 pm

CHAIR—The committee will come to order. Admiral, I believe you have a few remarks you wish to make.

Vice Adm. Tripovich—Yes, thank you. In response to the earlier question from Senator Ludlam about the amount of money that has been approved in the phasing, the government has approved a total of \$15.6 million to be expended for SEA 1000 early studies to date—\$4.8 million in the financial year 2008-09 and \$10.8 million in the financial year 2009-10. Going forward, the amount of money that will be sought from government will depend on what the government agrees to do in the next tranche of work if you like and so there is no specific number that I can give you for the forward estimates.

Vice Adm. Crane—I would just like to correct the record on a statement that I made earlier. The contract with the LR5 is with the UK company James Fisher Defence. I think I said it was 'Jenkins' but in fact it is James Fisher Defence.

Mr Cunliffe—I would also like to add to some comments that I made this morning in responding to questions from Senator Johnston and in a couple of cases correct some figures. I mentioned this morning that there are 105 members who have been convicted by the military court who had been written to—some 25 of whom had received attention and are getting the mandatory review. In fact four members of the other group have submitted optional punishment reviews which are in the process of being conducted. There is a total of six in all who have sought it but some of those were convicted at summary level although with a right of appeal to the AMC under the previous structure.

I also indicated that I understood there were some three matters waiting for consideration at the time off Lane v Morrison being brought down. In fact I have been told that there were seven matters filed in the High Court. One had been remitted to the Federal Court and there were a further three in the Federal Court separately. We have taken action to finalise seven of what amounts to 10 matters. In three cases where the Commonwealth was not a party our correspondence with solicitors for the applicant has not actually had any result so we are not actually a party in those. Senator, you also asked me about the matters which were pending. The advice which has been provided from the Director of Military Prosecutions source is that five of those matters have since been tried, three have had a date set between now and the end of July, one has had no date set and in one case the Director of Military Prosecutions has decided not to proceed. Separately, because it was not a part of that matter, in the instant case, the case that was before the court in Lane v Morrison, I am advised that it of course is not part of that group of 10 since it is the source case. It has actually also received further consideration but no date has yet been set for a hearing in that matter.

Brig. Horrocks—I took some questions on notice earlier from Senator Johnston and I would like to respond to those questions now if that is possible. Senator Johnston asked me about the cost of the Eagle Marine body armour. The total cost of the 1,854 sets is \$13 million. It was an operational requirement that was satisfied there.

In terms of the backpacks, you read out the names of the authors of a report. I now have in my possession a copy of that report. There were in fact two reports written in 2009 relating to soldiers operating in Timor-Leste and those reports deal with the LAND 125 pack, which you referred to. The recommendations from those reports will be used in the development of future requirements. We spoke about the process of developing those requirements under LAND 125. The recommendations from that will inform the development of those requirements so that when we do go to second pass that will then form the basis of what we eventually go out to tender with.

Finally, you asked about the Modular Combat Body Armour System. You asked about the number of Australian tenderers—how many tendered against that. I said 17. There are in fact 16 tenderers who responded. Of the 16, five were Australians. Five would have been classified as original equipment manufacturers, the work would have been done in Australia. As you know, Senator, the contract was won by an Australian company and the work has been done in Australia.

CHAIR—Very good. Thank you, Brigadier.

Senator JOHNSTON—If I can go to HMAS *Success*. In the capability plan SEA 1654 is the replacement of *Westralia* and the replacement of *Success*, if I am not mistaken. I am given to understand that we now have a variation of that project and that is the insertion of a second hull to make it marine regulation compliant. Can you tell me where that project is published.

Vice Adm. Tripovich—I was just madly flicking through my public DCP to see if it was there and it is certainly a project. It is part of the strategy—

Senator JOHNSTON—Does it have a name?

Vice Adm. Tripovich—The strategy to have a replacement for *Success* is project SEA 1654. The timing is such that it is well beyond the public DCP. Between now and when *Success* will reach the end of its life there is an issue of compliance with the International Maritime Organisation in relation to pollution. It is an in-service capability and the element you are referring to is a strategy for managing the in-service ship.

Vice Adm. Crane—If I could touch on the double hull, which may be your question.

Senator JOHNSTON—That is right.

Vice Adm. Crane—The current state of the *Success* is that it is a single hull—in other words, the cargo carried in *Success* is up against the hull itself. In March, it will run out of compliance with IMO standards. As a sovereign warship, there are exemptions available to navies around the world and many take advantage of those. However, in our case our policy is to attempt, wherever possible, to comply with the IMO standards for environmental compliance, which means that we needed to come up with a way in which we could double hull *Success* so that we can continue to use it in all of the areas in which we do need to use it around the globe. Many countries now exclude non-double-hulled tankers from visiting their waters, so it is important that we get on with this. There is now a plan in place to address that particular issue.

Senator JOHNSTON—How long have we known about the requirement for it to be compliant?

Vice Adm. Crane—For some time, I would have to say.

Senator JOHNSTON—Is that one year, two years, five years or 10 years?

Vice Adm. Crane—I would think in the order of three to five years, but I cannot be certain of that.

Senator JOHNSTON—The 2006 capability plan talks about the replacement for \$600 million. The cost of the double-hulling of this vessel is \$40 million to \$80 million?

Rear Adm. Marshall—We currently have a request for tender on the streets. I think it would be inappropriate to discuss the value of the conversion of *Success*.

Senator JOHNSTON—That is why I banded it. When we talk of prices that are subject to tender, we band them. Can I say \$30 million to \$100 million?

Rear Adm. Marshall—That would be on the high side.

Senator JOHNSTON—We called for tenders for this project when?

Rear Adm. Marshall—We issued an invitation to register interest in January 2009, last year. We released the request for tender on 7 December 2009. That RFT will close on 7 March.

Senator JOHNSTON—How many applicants or participants in the tender have we got?

Rear Adm. Marshall—That is part of the commercial-in-confidence information of the tender.

Senator JOHNSTON—Can I ask how many Australian participants we have got?

Rear Adm. Marshall—There are several.

Senator JOHNSTON—Good. It strikes me that the insertion of a second hull into this French designed Durance class vessel is a major design alteration that will affect the stability of the craft. Am I right?

Rear Adm. Marshall—Any modification to a ship of this magnitude necessitates a significant amount of engineering design effort. That has been under way for a good number of months. I think it commenced primarily in September last year and a critical design review has been held. A part of that design effort certainly considers in great detail the stability and structural integrity of the ship.

Senator JOHNSTON—This ship is essential to our maritime operations, is it not?

Vice Adm. Crane—Yes, it is. It is one of two that support the fleet.

Senator JOHNSTON—*Sirius*?

Vice Adm. Crane—*Sirius* being the other. From time to time we do need to take these ships out of service availability, if you like, for major refit. There are a number of times when we have been reduced to one replenishment vessel.

Senator JOHNSTON—How long do you anticipate this job is going to take?

Vice Adm. Crane—That is not clear to me at this stage. You talked about the magnitude of the task of a second hull. There are a range of options that might be available. I have not seen any of the responses, so I would be speculating. But with a ship such as *Success*, given that it

has fuel tanks in it and that is the section that we need to protect with a double hull, we may—and I might go so far as to say ‘I would hope’—for simplicity be able to take advantage of part of the existing cargo capacity of the ship to provide that second hull effect. That might mean we have to accept a slight reduction in our carrying capacity, but it would I hope simplify the task that needs to be done. But we are waiting to see what comes back.

Senator JOHNSTON—So we are not sure what the design parameters for this alteration to this important vessel are, but we have called for tenders?

Rear Adm. Marshall—The scope of the design change involves converting the wing tanks on the port and starboard sides to ballast tanks and the centre-line fuel tanks will remain as fuel tanks, so on the outer skin, port and starboard, we will have a barrier. Currently the fuel goes right down to the keel of the ship. The design involves the installation in the centre-line tanks of an additional bottom to the fuel tanks, which is approximately two metres above the keel of the ship.

Additional to that are the significant amount of pipe work modifications, rerouting pipes, rerouting control systems and monitoring systems for all of the tanks. It is a very significant change. I think, Senator, you also asked about the duration of the availability. The intention is to commence production work in about September of this year and complete in about February of next year but that is subject to the responses we get to the RFT.

Senator JOHNSTON—Let’s talk about the ballasting. What is envisaged for those wing tanks? How do you anticipate ballasting those wing tanks?

Rear Adm. Marshall—There are a couple of options, one of which is to bring in seawater, and the other is to bring in freshwater. The answer to your question is that we need to install all of the pipe work to allow us to do that. If we are discharging water overboard we will need to filter and clean that water before it is discharged overboard.

Senator JOHNSTON—The project requires an onboard filter and cleaning facility for how many kilolitres of water?

Rear Adm. Marshall—I am not aware of that, Senator. I will have to come back to you on that.

Senator JOHNSTON—It is a 19,000 tonne vessel. It is some millions of litres, isn’t it?

Rear Adm. Marshall—It would be of that order, I suspect, Senator, yes.

Senator JOHNSTON—We will have a vessel bringing water back from wherever this vessel goes to our waters with millions of litres of either seawater from a port somewhere out there or freshwater that we have acquired.

Rear Adm. Marshall—Senator, our operating procedures dictate that we would discharge the water well outside the Australian coastal regions prior to coming into harbour. If necessary we can then re-embark ballast water from within Australian waters but only if that is necessary. That is also subject to weather conditions.

Senator JOHNSTON—You anticipate that this reengineering will take six months?

Rear Adm. Marshall—Five months’ production time.

Senator JOHNSTON—And you cannot tell me the cost because it is subject to tender.

Rear Adm. Marshall—Correct, Senator.

Senator JOHNSTON—When do you anticipate the tender will close?

Rear Adm. Marshall—On 7 March.

Senator JOHNSTON—We are aware that the French and Argentineans have paid off their Endurance classes. If I want to know about this project, which I see as a reasonable size project, where do I go to get the information?

Vice Adm. Tripovich—Project 1654 is mentioned on page 18 of the DCP in the Beyond 2013 group which talks about how we will be working up options for this project for consideration by government after 2016. In the development of the DCP and the white paper we looked at options for *Success* in light of the IMO requirements, for example. We did a cost benefit analysis of replacing the ship earlier well before the end of its life of type or taking this option, which as Admiral Marshall described, is not an inconsiderable amount of money but compared with the cost of the replacement, given the life remaining in the ship and the relatively short time it takes to do this—five months, as you heard—there is a much more practical and affordable solution for *Success* without having to dispose of a very valuable asset that still has many years of life remaining. Therefore the permanent replacement, if you like, for the vessel can wait until the end of its life after 2016.

Senator JOHNSTON—Just refresh my memory in passing. We got *Sirius* for how much?

Vice Adm. Tripovich—I do not know. We will have to take that on notice. Someone will have it on the record in the DMO.

Senator JOHNSTON—And what did it cost us to refurbish, \$100 million?

Dr Gumley—Senator, we will get that information for you.

Senator JOHNSTON—Enough questions on *Success*, I am happy to cede to someone else, Chair.

CHAIR—I think it would be useful if you proceeded with AWDs.

Senator JOHNSTON—I am happy to do AWDs. Can I talk about the terms and conditions of employment with respect to the hours of work that was the subject of the tender for the air warfare destroyer?

Mr King—What is the specific nature of your question?

Senator JOHNSTON—If we go from a 38-hour week to a 36-hour week on AWDs, what is the cost or time delay involved in that?

Mr King—That has not happened.

Senator JOHNSTON—I am pleased to hear that.

Mr King—There was a an erroneous report earlier in the week about the hours worked in the AWD production. The AWD production labour contract is 38 hours in the shipyard.

Senator JOHNSTON—Do our labour costings follow that figure?

Mr King—We develop costings based on labour rates and labour hours, but ultimately—and I think this is probably not well understood in the Alliance contract—the industry

participants are contracted to deliver the supplies on schedule and at the cost. We expect industry to act as they would in deriving the right efficiencies and productivity. It is the combination of hours and productivity. For example, a company might add automatic steel-cutting machines. If at some future time a new labour agreement might be struck that has fewer working hours, for example, it could be offset by other productivity gains. The point remains that the industry participants are required to deliver the supplies on schedule and at the budget. That is incorporated in the contract.

Senator JOHNSTON—So we are not exposed in terms of the price of the three vessels that we have contracted with ASC if they changed their labour rates of pay and hours of work?

Mr King—There is a subtlety to the answer. In striking the contract—as we do with most long-term large contracts—we provide a degree of flexibility based on published indexes for material changes and labour changes. It depends, of course. We have two industry participants. We have ASC, with a large production labour force, and we have Raytheon with an electronic labour force. But we have a number of published labour indexes that we allow the companies to work within so that they do not bid that in as risk money. Anything outside those published labour indexes become the responsibility of the companies.

Senator JOHNSTON—A 36-hour week would be their responsibility?

Mr King—It would depend how that panned out in productivity terms.

Senator JOHNSTON—So if there is no productivity, we are exposed?

Mr King—No. We are not exposed beyond any gain beyond that normally achieved by published indices for like industries.

Senator JOHNSTON—Just tell me how many man hours are involved.

Mr King—The indexes are very broad. They do not drive the indexes, if that is your question. But I think your question might be: if a company working on the AWD gets an excessive labour cost increase, will that reflect back on the cost of the project?

Senator JOHNSTON—Yes.

Mr King—The simple answer is: within the normal bounds of what the community expects in pay adjustments, there is no reflection back on the project costs. If it were to exceed those normal bounds then the companies would wear that responsibility.

Senator JOHNSTON—What is normal?

Mr King—What is published by the labour indexes—the Bureau of Statistics indexes and so on—which are broad labour indexes.

Senator JOHNSTON—I come back to 38 hours to 36 hours. Bear in mind the submarine side of ASC is, I believe, on 36 hours.

Mr King—I cannot answer that, but I do not think so. I think it is 38. I am not sure. I know on the AWD project it is 38.

Senator JOHNSTON—Is 36 within the band flexibility that you have described?

Mr King—It would depend on the pay. You have to take into account the whole productivity effect. If, for example, the negotiation reduced it to 36 hours you might get productivity gains or other effects—imagine an hourly rate reduction or a weekly reduction. But if in totality that exceeded the cost that we anticipated for the labour, the companies would wear the costs.

Senator JOHNSTON—Do we have any role in the negotiation of labour agreements with ASC?

Mr King—Only to the extent that they brought to the AWD board—

Senator JOHNSTON—A variation?

Mr King—There was a variation. Can I just stress that it is in the company's interest. One of the advantages of alliance contracting is that any cost that the company incurs—apart from this particular issue where they specifically wear directly the costs that exceed normal labour movements in the community—also diminishes its potential return on its profit. So you have two motivating forces there why a company would seek within community norms to negotiate a responsible and fair agreement.

Senator JOHNSTON—Have we received any notice of a change in terms and conditions?

Mr King—No, because there has not been any on the AWD program.

Senator JOHNSTON—Have we done any work to participate a change?

Mr King—Not in that specific sense, although we aware that companies do, as a matter of process, renegotiate their agreements with their workforce. We anticipated setting these boundaries that companies would wear those additional costs specifically if they exceeded what I would all community norms when we set up the contract. That anticipates any behaviour along those lines.

Senator JOHNSTON—What sorts of productivity gains, apart from the automatic metal cutting, are you looking to see if there was a move to 36 hours?

Mr King—It is very hypothetical. What we are looking for for the project is efficiency—full stop. The whole structure of the alliance, which has all the benefits of a fixed-price contract in terms of driving the outcomes, is also exceeding those outcomes. I will give you an example. When we started the project and signed the contract, one of the first things we did was establish across all of the elements of work—not just blue-collar work but all elements of work—target cost reductions. Each one of those brings different features. In say, metal cutting, there are a whole lot of features that you might do. There is enhanced IT and better production methods. We have clearly looked at production methods which are pretty much aimed at load-levelling labour force; whereas we looked for a rescheduling of the building of the blocks so that we would get higher efficiency because we are driving for earliest possible delivery at the lowest reasonable cost. So I think the whole structure is trying to drive our behaviour and industry's behaviour to an efficiency outcome.

Senator JOHNSTON—Off the top of your head, do you know how many man hours are involved in the project?

Mr King—Not off the top of my head. Production hours are in the order of four million.

Senator JOHNSTON—Per ship?

Mr King—Per ship, but you have a learning curve. I could be out by 500,000 or more but it is in that sort of quantum. The first ship has more hours than the second ship and the third. I would not like to focus on blue collar being the sole content of the costs of the project. There are a lot of other costs at the managerial level, white-collar level, design, integration level and testing—and that could be over exaggerated as a driver.

Senator LUDLAM—I have issues that range across a number of different area and, potentially, portfolios as well. I understand Senator Johnston touched on the issue of exercise Milan and put some questions to you, CDF. The questions that I want to raise will probably eventually stray into policy, Minister, so I am just letting you know.

Senator Faulkner—No problem, Senator.

Senator LUDLAM—CDF, in the nature of these kinds of exercises—which are multilateral and I understand vessels of a number of nations from around our region participate—what would the normal amount of contact be between the crews of the different vessels?

Senator Faulkner—That is something that I will not be able to assist you with and—

Senator LUDLAM—That is understood.

Air Chief Marshal Houston—It all depends. I guess there will be periods when they are in port. There may be an opportunity to engage; there may not; it just depends on how many participants there are in the event. Sometimes there is an opening to the exercise or a closure to the exercise where most of the crews would be participants.

Senator LUDLAM—Presumably that is part of building trust and information sharing between different—

Air Chief Marshal Houston—That is the sort of standard fare in regional exercises.

Senator LUDLAM—I believe this one, Exercise Milan—the one in question—started in 1995 but Australia has only been a participant since 2006. There are 13 countries involved. Can you tell us what happens at these exercises? I notice they have not been characterised as defence training as such. What are they exactly?

Air Chief Marshal Houston—It is a regional multilateral exercise. Usually most of the ASEAN nations would participate in this one. India was organising and sponsoring the exercise and invited all the participants. I will ask Chief of Navy to comment on the type of activity involved.

Vice Adm. Crane—This particular one was really focused on the humanitarian assistance and disaster relief element of exercising. Milan this year was predominantly a shore conferencing activity. The ships did spend a day, I think, at sea on departure, but it predominantly took place ashore looking at humanitarian assistance and disaster relief and some counter-piracy types of issues. I understand that was the focus of this particular exercise.

Senator LUDLAM—Does the focus change year on year? It does not always have the same basis or focus?

Air Chief Marshal Houston—Yes. A point I should make is that Burma was not a full participant; it was simply an observer. For example, when we conduct activities here in Australia, we will have four participants and we will invite other nations to come to observe. That is standard practice for these sorts of multilateral exercises.

Senator LUDLAM—At any time did anybody in the Australian Navy, or at a political level, Minister, raise concerns about the participation of officials of the Burmese navy in those exercises?

Air Chief Marshal Houston—Again, they were not participating; they were simply observing.

Senator LUDLAM—They were in the room.

Air Chief Marshal Houston—We do have limited defence contact with Burma. We do not have anybody living in the country, but we do have an attache in Bangkok who is cross-accredited to Burma. He visits Burma on a periodic basis, usually about once a year. Basically, he engages while he is there and then comes out again. That is the limit of our engagement with them. I imagine on this particular occasion there might have been some contact, but there was nothing formalised and nothing programmed. It would have just happened, if it happened.

Senator LUDLAM—Would you describe a little more the role of that attache. I am not clear whether that is someone who is a naval officer or ADF more broadly. Where does that person fit in?

Air Chief Marshal Houston—The defence attache is a colonel—an O6. He has been up there for a couple of years. He is our defence attache in Bangkok, and he spends nearly all of his time in Thailand. Once a year, though, he goes up to Burma and is involved in engaging the military there. It is a very limited form of engagement, where we do it once a year and that is it.

Senator LUDLAM—When was the last occasion of one of those visits?

Air Chief Marshal Houston—I understand that it was not so long ago. I can come back to you with that information later.

Mr Jennings—Our defence attache, who is based in Bangkok and cross-accredited to Burma, has visited twice in 2009. The first time was in March, when he attended the armed forces day, and the second time was in December when he attended the Defence Services Academy graduation.

Senator LUDLAM—Do these visits take place in Rangoon or in the capital?

Mr Jennings—In the capital, I think.

Senator LUDLAM—How long have these visits been occurring?

Mr Jennings—Our attache has been cross-accredited for some years now.

Senator LUDLAM—That is not really an answer.

Dr Watt—We do not have that information; we will get it for you.

Senator LUDLAM—Thank you. How long do visits last?

Mr Jennings—They are very short, usually a matter of days.

Senator LUDLAM—Okay.

Air Chief Marshal Houston—I spoke to the attache just the other day on the way back from Europe and he talked to me about the engagement. It is very limited. He spends probably a few days and he engages other attaches, in the main, and basically finds out what is going on there.

Senator LUDLAM—Is that attache in contact with embassy staff or our consular officials in Rangoon? What degree of cross-pollination is there between those people?

Air Chief Marshal Houston—Absolutely.

Senator LUDLAM—I will probably come back to that. But I would appreciate it if you can provide us with some information, and also about the degree to which that person is accompanied by staff—or anything else that you can provide on the nature of those visits.

Mr Jennings—I can say that he works very closely with the Australian mission when he is in Burma. He operates out of the Australian mission for the time of his visits, so there is a very close connection between him and members of the Australian mission there. I should also say that he seeks permission from the International Policy Division in the department when he proposes to visit Burma, and that is a matter that we consider.

Senator LUDLAM—Thank you very much. I do want to move on, because I know time is short, but I just wonder—I am not familiar with the work of offices like this. It is normal for Australia to maintain that kind of, I suppose, reasonably high-level military contact with other dictatorships, such as Zimbabwe or any others that we can care to name?

Mr Jennings—I would not describe it as high-level military contact. In fact, on the contrary, it is extremely low-level contact. It is largely limited to attendance at a small number of ceremonial events and contact with the Burma based attache community from an information gathering point of view. In fact, I would describe it as the least possible level of engagement that one could possibly have.

Senator LUDLAM—Without being seen to be rude—okay. So it is a kind of minimal presence. But do we maintain those sorts of contacts, for example, with the regime in Zimbabwe?

Mr Jennings—No.

Senator LUDLAM—Why is that?

Mr Jennings—We do not have a defence attache accredited to Zimbabwe.

Senator LUDLAM—So Burma because they are in our region?

Mr Jennings—Burma is a member of ASEAN and it is, I suppose, largely because of that that we do have that minimal degree of contact.

Air Chief Marshal Houston—I might add that, on occasion, it is extremely useful. You may recall that we put a C17 into Burma carrying some helicopters that were redeployed out of South Africa in the aftermath of the cyclone that devastated that country a couple of years ago.

Senator LUDLAM—Thank you. I probably should move on but I am just wondering, Minister, whether you can tell us about the nature of the government's thinking on conducting joint exercises at which the government of Burma is either a participant or an observer, given that this is a regime against which we maintain an arms embargo and have done so for a number of years. Our government recently changed policy to support a universal arms embargo against any weapons transfers globally to this regime. Can you tell me if an assessment was made as to whether conducting joint exercises, even with the Burmese government at the table just as an observer, is in any way incompatible with the nature of our diplomatic relationships with that country.

Senator Faulkner—I am certainly not aware of any assessment having been made, but, if an assessment has been made, no doubt an official at the table will tell me that that is the case. But I have not been made aware of it. To be frank with you, I would not ordinarily be made aware of either participating nations in multilateral exercises or observing nations in multilateral exercises. That is why, earlier on, I took a question on notice for another senator in relation to the number of exercises, which will include both bilateral and multilateral exercises.

Just for the record—let us be clear—the ADF does not hold bilateral exercises with the Burmese armed forces. You have heard that my understanding is that occasionally we participate in multilateral activities to which Burma has been invited. In this case that you are specifically speaking of, I understand it was India—the Indian Navy, in fact—that hosted Exercise Milan, which was of course a multilateral exercise. On that basis, it is the Indian Navy who would decide on who was invited to participate.

For the record, in relation to this particular exercise, which was held on 4 to 8 February this year, HMAS *Glenelg*, which, as you know, participated in the exercise, joined ships from Singapore, Sri Lanka, Thailand, Bangladesh, Indonesia and Malaysia for the exercise. There were representatives present also from the navies of Brunei, the Philippines, Vietnam and New Zealand, which perhaps completes the picture.

That is in relation to the exercise, but the issue that you raise is an important one about the government's approach in relation to contact with Burma. You would be aware that there are a range of sanctions firmly in place against Burma. I think it is always important to stress, as far as the bilateral relationship is concerned—of course, it is primarily a matter for the Department of Foreign Affairs and Trade, not for the Department of Defence—that there are some targeted measures, as you know. There are longstanding visa restrictions against senior members of the Burmese regime and their supporters, associates and—

Senator LUDLAM—With respect, Minister, I am aware of those. I have been following those.

Senator Faulkner—I was going to mention also the ban on defence exports to Burma, which has been in place since 1991, as well as the financial sanctions that were introduced in October 2007. That is the complete picture, but you also asked earlier whether I was briefed on this matter, and I did not have an opportunity to answer you. The answer to that question is no. Ordinarily these things are not matters that ministers determine. The issues in relation to these exercises are ordinarily ones on which decisions are made at the service level.

Senator LUDLAM—Minister, could you take on notice whether anyone in Defence or anyone in your ministry made any representations to the hosts, the Indian government, relating to the participation of Burma in those exercises as an observer.

Senator Faulkner—As I said, I was not actually briefed on that matter. You talk about the term ‘ministry’ in the broad, but I suspect we do not have an uppercase ‘M’ ministry, so to speak. Unless an official at the table knows, I am happy to take that on notice so we can give you a clear answer.

Air Chief Marshal Houston—We will take it on notice, but I am almost certain that we would not represent—Burma is a member of ASEAN. We participate in a number of ASEAN activities, particularly anything to do with humanitarian assistance and disaster relief, which is very important. I would just like to make a correction. I said that we attended the exercise as an observer. I was wrong there. Burma did send a ship and did participate in the exercise.

Senator LUDLAM—I have one quick question about Security Council Resolution 1325, of a couple of years ago, which I have asked about before in this committee. It is a resolution on women, peace and security. Most of my question will go to the Department of Foreign Affairs and Trade, but my question for you is: what efforts do you have underway within Defence to recruit and train women peacekeepers as well as Australian gender advisers for UN peacekeeping operations?

Senator Faulkner—I might ask the CDF to give you a status report on that.

Air Chief Marshal Houston—We do not specifically recruit women to be peacekeepers per se; we recruit women to be fully participating members of the Defence Force in all of its activities. To that end, in my opening statement this morning I covered in some detail where we are at with the participation of women in the Defence Force.

Senator LUDLAM—I would just like to narrow the focus to peacekeeping operation specifically. Are there specific barriers or other qualifications for women to be assigned to peacekeeping operations?

Air Chief Marshal Houston—Generally speaking, women can be involved in peacekeeping. Indeed, many of our women have participated in peacekeeping over the years. But I guess there are circumstances where we might have a peacemaking operation where there might be a possibility of combat, where we would probably be careful about the participation of women in some activities because of longstanding policy restrictions.

Senator LUDLAM—I draw your attention to the question of whether any specific activities are under way within Defence on Security Council Resolution 1325. Peacekeeping operations increasingly do have women’s units and gender components to their operations. One example I am aware of is that the Japanese sent a women’s contingent to East Timor. Is there anything of that nature underway?

Senator Faulkner—We might ask Mr Jennings to assist you on that question.

Mr Jennings—The Office of the Status of Women has carriage of developing a whole-of-government response to UN Security Council Resolution 1325. As a part of that process, Defence, through the minister, has put to the office our view that we provide principle support for the development of a national action plan to give effect to the recommendations of the

Security Council resolution. It is also our view that existing ADF practices and doctrines essentially complement the recommendations of the Security Council resolution.

Senator LUDLAM—That sounds great. What is that actually going to mean? Will it mean specific training? Will it mean specific deployments? What will it look like?

Mr Jennings—That is still a matter for further government consideration, so I do not think I can go there except to say that our broad approach to it is supportive.

Senator LUDLAM—It sounds supportive, but we cannot identify anything that you are actually doing apart from being supportive.

Air Chief Marshal Houston—I think that is probably further downstream. We are broadly supportive of the initiative, but we still have a long way to go in terms of developing a response, and obviously we need to engage government on that.

Senator LUDLAM—It does sound like an accurate comment that there is a long way to go. Are you looking at these sorts of actions that other countries are taken—for example, Sweden and Japan, to pick two obvious ones?

Air Chief Marshal Houston—We are aware of what they are doing but, at this stage, we are not actively working on any specific proposals along the lines of those other countries. But I hark back to the words of Mr Jennings. I think it is still in the policy development phase and, once it has been sorted, I would see no difficulty with proceeding along the lines you have indicated. Having said that, we are a very small defence force and the way we are organised is that women play their part in the force in the same way that men do. So I think there are other issues that we need to consider further downstream.

Senator LUDLAM—I would like to move on, but I will pursue this matter in future sessions to see how progress is tracking along.

CHAIR—A report of this committee came down late in 2008. Is it Defence or DFAT that has carriage of the government response?

Mr Jennings—It would be decided, I think, on a recommendation-by-recommendation basis.

CHAIR—Defence is the major contributor.

Air Chief Marshal Houston—We would be a major contributor, but it is a whole-of-government response and other departments contribute to the report.

Dr Watt—In the hour and a half we have left, why don't we see if we can get you an answer to that.

CHAIR—'Who' and 'when' is all I want to know.

Dr Watt—Okay.

Senator LUDLAM—I have a couple of questions relating to veterans of British atomic weapons testing that occurred in Australia in the mid-20th century who, as you are no doubt aware, have been calling for compensation for a long time. Some of them have joined a class action in Britain after a UK High Court ruling—which I presume you are aware of—which did not rule in favour of veterans but at least allowed them to have their day in court and

make a case. The former opposition Labor spokesman, now Minister for Veterans' Affairs, Alan Griffin, is on the record during the 2006 election campaign acknowledging that Australian members of the armed services were used as guinea pigs in its tests and that the strategic ambitions of the UK were given priority over the safety and wellbeing of people that the Australian government should have been protecting. To me, that seems like a fairly clear acknowledgement of responsibility and perhaps even liability. A review was announced on 9 September 2008 to revisit the Clarke review recommendations that had been rejected by Prime Minister Howard. We have moved on; it is two years later. When is it anticipated that that subsequent review will be completed?

Senator Faulkner—I think this is front and centre an issue for consideration of the estimates of the Department of Veterans' Affairs, which will be later on. While I can probably try and assist you on this, I think it is more appropriate for when DVA is before the committee later tonight.

Senator LUDLAM—That is fine. If the expertise will be at the table then, I am more than happy to wait.

Senator Faulkner—I will check on that. I may have actually misled you. It may be the Department of Resources, Energy and Tourism, not the Department of Veterans' Affairs, that will take the lead on any legal claims or funding for any litigation associated with Australian participants in the British nuclear test program. Perhaps General Orme might be able to assist you are little more than I can assist you, but I would have thought that the Department of Veterans' Affairs was clearly involved. But let us see if General Orme can actually help you here more than I can.

Major Gen. Orme—The minister is absolutely correct, this is an issue for Veterans' Affairs. As you have identified, Senator, it has come up in a number of fora, most notably recently the Clarke review and the undertaking of Minister Griffin to review the Clarke findings as part of a pre-election commitment. That remains under consideration by the Minister for Veterans' Affairs at this stage and his department will be here this evening. It is appropriate to go before Veterans' Affairs. It is under consideration but no decision has been taken at this stage.

Senator LUDLAM—Let us just park out and we will rejoin it later tonight. I hope we are not going to be then redirected to Martin Ferguson's office.

Senator Faulkner—Not his office, but let us be honest here. I was flagging with you that there might be some issues that actually belong with DRET. What I can say categorically to you is that the issues do not belong here with Defence.

Senator LUDLAM—That is understood. Thank you, Minister. My last bracket of questions relates to an issue that I think we touched on last time I was here, which was the role of nuclear weapons in Australia's security policy. These probably are more policy questions rather than operational, but I will be guided by you.

Air Chief Marshal Houston—I think we will get Mr Jennings to the table to respond to your questions.

Senator LUDLAM—There is a degree of contradiction between the way nuclear weapons policy as far as Australia's defence policy is concerned or extended nuclear deterrence is addressed in the current defence white paper with the recommendations of the recent report of the International Commission on Non-proliferation and Disarmament which was co-chaired by Gareth Evans. Can we start there. Are you aware of some of the recommendations or the positions that were taken in that more recent report?

Mr Jennings—Yes, I am.

Senator LUDLAM—Am I off beam to suggest there is a different approach being proposed there than we saw in the white paper?

Mr Jennings—No, you are not off beam to suggest that there is a different approach proposed in that paper.

Senator LUDLAM—Okay. Are you able to give us your views as to what Mr Evans and Ms Kawaguchi have proposed in that paper and whether you see any essential contradiction or a need for a shift in Australian security thinking?

Mr Jennings—I do not think that would probably be the way I would propose to start. What I would say is this. The Prime Minister launched the report of the international commission and when he did so he indicated that it was the intention of the Australian government to make a public statement about its response to the 76 recommendations of that report at some point during the course of 2010. Really that is the situation that we are currently in. The Department of Foreign Affairs and Trade has the lead in terms of shaping what our response to those recommendations is going to be and until such time as that response is made it is really not appropriate for me to anticipate what government policy will be.

Senator LUDLAM—My understanding is that there would be a response from government before Australia sends a delegation to the 2010 NPT review conference, which is in May this year. Can you confirm that for us, because there is not much point getting a response in October.

Mr Jennings—It is certainly not a matter for Defence to do that. Foreign Affairs will essentially take the running on that.

Senator Faulkner—While we might have input, what Mr Jennings is saying is that the lead agency here is DFAT.

Senator LUDLAM—I will pursue that tomorrow. Can you describe in broad terms the nature of your contribution to that review? Have you played any part in forming the government's views on the response to the ICCND report?

Mr Jennings—Yes, indeed. We have been closely consulted by the Department of Foreign Affairs and Trade, so we have been closely involved. The process is continuing; it is not finished at this stage.

Senator LUDLAM—This is an area I think you have had quite long experience in, so it is good that that expertise is being drawn on. Do you concur with the view that there is a lot of value internationally in decoupling American security assurances to Australia from questions of nuclear weapons and nuclear deterrence?

Senator Faulkner—It is reasonable I suppose to ask a Defence official for a view, but it is also reasonable to say that I think most officials would be extremely reluctant to proffer either a personal or departmental view about a matter that, at the end of the day, is something that in terms of whole-of-government process is being coordinated by another agency. I think we have got to respect that process and I think the question places Mr Jennings in an invidious position.

Senator LUDLAM—It is always worth asking.

Senator Faulkner—Hence my intervention. We do need to consider and defend proper processes of the committee. Obviously there will be an opportunity tomorrow to ask questions about these issues of the agency that is actually coordinating the government response.

Senator LUDLAM—Okay. I will leave it there and we will pick up some of these issues in other sessions.

Senator Faulkner—Thank you, Senator.

Air Chief Marshal Houston—Can I just clarify the issue of the peacekeeping report. Defence led the whole-of-government response and we obviously got input from AFP, DFAT, AusAID and other agencies. We collated their input and our minister has signed a letter to the PM seeking approval to proceed with tabling that report. I guess the status is pending at this stage.

CHAIR—Understood. Thank you, CDF. We will now turn to Senator Kroger.

Senator KROGER—In previous meetings we have discussed the consolidation of Defence housing stock and I wanted to ascertain the status of that in Victoria.

Dr Watt—I think that is a matter for Mr Bowles. We will get him to the table.

Mr Bowles—Could I just clarify what you are talking about—defence housing as in housing our members or the broader estate?

Senator KROGER—Housing stock that we have, the actual estate.

Mr Bowles—There is a subtle difference between the housing stock that we put our members in, as in living, and the estate itself.

Senator KROGER—If I can turn to what you have in Point Cook and the housing stock that you have there, do you have properties there, whether that is estate owned by Defence or property that is managed by Defence?

Mr Bowles—Yes, we do have some stock there that we do not necessarily use for housing. Point Cook is part of the estate that houses a range of different activities, from museums to some other active elements. We have historically had housing on base that is not in use, mainly because our troops are not there these days.

Senator KROGER—What does that housing you are speaking of comprise? How many houses are there?

Mr Bowles—I could not say off the top of my head. I would have to find that out. I do not have the details of every single thing that is on those sorts of bases.

Senator KROGER—So the housing you are referring to is actually on base.

Mr Bowles—Yes, there are some houses on base.

Senator KROGER—And some houses are not on base?

Mr Bowles—Most of our houses are in fact not on base.

Senator KROGER—What are your plans in relation to that existing housing that is not utilised? I gather from your statement that they are not used at the moment.

Mr Bowles—That is correct. There are no plans for those to be used in relation to housing Defence members at this stage.

Senator KROGER—Are there any plans to utilise that housing stock in any way?

Mr Bowles—There have been some discussions with Immigration about whether we could use that, but we have not necessarily got to any end point with that discussion at this stage.

Senator KROGER—What have been those discussions in relation to immigration? What is the basis of that?

Mr Bowles—In relation to whether those houses could be used to house families—through immigration obviously.

Senator KROGER—That is very interesting, Minister. It sounds like you thinking about a possible plan for your overflow from Christmas Island.

Senator Faulkner—You are partly right, Senator; I am actually thinking more of the overflow of my in-tray!

Senator KROGER—Well, from what I hear, there are discussions—

Senator Faulkner—Sorry, I thought you were mentioning my signal about—we are talking at cross-purposes.

Senator KROGER—I think we are. I think we are.

Senator Faulkner—So just run that by me again, Senator.

Senator KROGER—Minister, I have heard that there have been discussions taking place about the use of housing stock for Immigration purposes. I would be interested to know what you know about that.

Senator Faulkner—I think the number is 13. For their precise location, it is best if I ask Mr Bowles.

Mr Bowles—It is at Point Cook.

Senator Faulkner—Yes, it is at Point Cook, but I would describe it as contiguous to the base. I want to get the terminology right so you get the picture.

Senator KROGER—I appreciate that, Minister; terminology is very important.

Senator FAULKNER—Well, accuracy of the information is.

Mr Bowles—I have also got to go from memory. If you know Point Cook at all—

Senator KROGER—I do.

Mr Bowles—it is around the school-childcare area; it is over on the western side of Point Cook.

Air Chief Marshal Houston—It is on the boundary of the base. There are a line of houses along the boundary, 13.

Senator KROGER—And how long have those houses been empty?

Mr Bowles—I could not say off the top of my head, but, from recollection, it is a while.

Senator Faulkner—I think, Senator—and I am just going on memory now, from a briefing a considerable time ago—they number 13. If it is not 13 then it is very close to 13.

Air Chief Marshal Houston—It is 13 houses. They are on the boundary of the base. They have been vacant for a considerable period of time. I guess there has been consideration of their possible use in circumstances where families were to arrive, but no decision to use those houses has been made at this stage. There has just been discussion around the fact that these houses are vacant and might be a place where families might go. That is as far as it has gone at this stage.

Senator KROGER—If they have been vacant for some time, how long have the discussions been going on about their possible use for Immigration purposes, as you say?

Mr Bowles—There were some interim discussions late last year which went nowhere, and there were some discussions earlier this year that we have not really progressed too far at all. As has already been said, there has been no real decision. It is at the officer-to-officer level between the two departments and it started late last year. I cannot remember the exact time.

Senator KROGER—Has there been any consultation with the residents of Point Cook, those in the area, about the possible use of these houses?

Air Chief Marshal Houston—No decisions have been made. This is something that was raised by another government department, and no decisions have been made to use those houses.

Senator Faulkner—Just so you are clear, Senator, when another agency—and I may as well tell you the name of the agency in the interests of transparency; it is the department of immigration—raised that issue, it was reported to me. But, as I said, it was a considerable time ago now.

To complete the picture and so that you are under no illusions, Senator, because you mentioned the Christmas Island detention centre, the current government policy is to transport all persons from vessels intercepted in Australian territorial waters to the Christmas Island detention centre. It is for security and it is for health processing and eligibility processing. You would be aware of that policy. But it is true that the Department of Immigration and Citizenship, DIAC—and you would have heard Senator Evans mention this in the Senate chamber—had consultation with Defence some time ago and there were those discussions at officer level about those 13 dwellings. Nothing further has happened.

Senator KROGER—I am also well aware of the enormous stress that is placed on the so-called system on Christmas Island at the moment. I would be interested to know when the department of immigration approached you in relation to inquiring about those 13 houses.

Senator Faulkner—If an official at the table cannot answer that question, given the broad time frame, I would certainly be able to provide it to you. There was official-to-official

contact about this matter. The stress matter has not progressed. Late last year is the general time frame, but we will get you a precise timing of that contact.

Senator KROGER—That would be appreciated, Minister. Just as an aside, I think it was the nation building website where I saw that some 27 new defence homes are being supported through the nation-building stimulus package. I do not understand this: if we have empty houses—housing stock that is not being used—why would we then determine to build another 27 in the same area?

Mr Bowles—Houses are utilised by Defence on the basis of their fitness for purpose. The houses on Point Cook, as has been said, have not been utilised for a long period of time—they are quite old. Through the nation-building program, the Defence Housing Authority had funding allocated to it to build a range of houses across the country, some of which were built in the Melbourne area. I do not have specific issues about their nation-building program because it was done out of the Defence Housing Authority. We will constantly upgrade our stock based on the standards of accommodation that we have for our service men and women, and that is one of these issues.

Senator KROGER—I presume from what you said earlier that those 27 houses would be built outside the base, not inside the base.

Mr Bowles—That is correct.

Senator Faulkner—Senator, what I will do, if it assists you—and I am very happy to do this—is refresh my memory about the 13 houses and make sure that the information that is provided to you is precise.

Senator KROGER—Thank you, Minister.

Senator TROOD—I have a couple of issues that I want to raise. One relates to the Defence Assistance to Civil Community program. You can help me with that?

Air Chief Marshal Houston—I may be able to.

Senator TROOD—Apparently there is a subset of that called the ‘public events of significance’.

Air Chief Marshal Houston—Yes, I can help you.

Senator TROOD—I am interested in the decision made last year to provide a Black Hawk helicopter to the NRL.

Air Chief Marshal Houston—This is the one that was provided at \$13 additional cost?

Senator TROOD—I do not know. CDF, perhaps you could firstly explain to me the purpose of the public events significance program.

Air Chief Marshal Houston—Certainly. The policy is laid out in DIG OPS 5/1. Without going through all of it chapter and verse, I will table this so you can have a look at it. It says ‘Defence participation in tattoos, displays and public events of significance attracts public attention and may help to maintain a favourable public image for defence. The combined benefits of an enhanced public image and any training value that may accrue must be balanced against the impact on Defence resources.’

The Public Events of Significance Program is a program that is submitted to the minister on a six-monthly basis. The PES concept allows the ADF to support nominated significant events in accordance with the approved guidelines and also addresses the relevant cost waiver implications. The program includes major national, state or territory events, such as the Commonwealth Games and other significant sporting or public interest events. The contribution defence is asked to make may involve special defence skills, logistics or management support and, indeed, a whole host of other things. One of the things that we assess is the public affairs and recruiting value of the event within the PES program. On some occasions there is also a training value associated with it. The event you refer to is the 2009 National Rugby League grand final on 4 October 2009. What was asked for and what was provided—

Senator TROOD—Presumably, the NRL approached defence for assistance.

Air Chief Marshal Houston—Absolutely.

Senator TROOD—Was it a specific requests for a helicopter or was it for some kind of general assistance?

Air Chief Marshal Houston—Danielle Heptonstall from the National Rugby League requested the support, which was a helicopter to deliver the NRL trophy. We, as always, assessed the request. We thought this was something that would have considerable publicity value, as there was going to be a big crowd at the ground and, of course, a big national audience. To have one of our Black Hawks go into the stadium—which, in itself, presents some training value—we thought was a good use of the helicopter, in support of this program.

We do not do this sort of thing all the time but, given there would be several hundred thousand people, maybe even a couple of million people, watching the TV, we thought this was something that would be worth while. And, of course, it was very well received by the crowd and we got a lot of positive feedback about it. We went in and did the job and I am completely satisfied that that is an appropriate use of resources, in these circumstances.

Senator TROOD—That is fine. I presume there are some criteria by which you judge the appropriateness of responding positively to a request of this kind. You have mentioned one in relation to the effect it might have on people's perspectives on defence and the kind of general view that people have about defence. Are there specific guidelines for the program that have to be satisfied?

Air Chief Marshal Houston—Yes. We have to make an assessment in accordance with the policy, which I have just referred to, and I have taken some of the extracts out of there.

Senator TROOD—I see.

Air Chief Marshal Houston—Let us take another example. On Sunday night I attended the Royal Edinburgh Military Tattoo, and that was something that we were participating in. Our participation was under this same policy.

Senator TROOD—I see, good.

Air Chief Marshal Houston—Again, there was great value in it because the Defence Force was portrayed in a very positive light. And again I got very good feedback about what a

wonderful night it was and how well our people did. Given those circumstances, it means our recruitment, generally, is positively affected by our participation in those sorts of events.

Senator TROOD—You have not given me the figure of the cost of this exercise to the Defence force. I would like to know how it cost.

Air Chief Marshal Houston—I am not being flippant here. When we account for these things we always use full cost and ‘full cost’ means everything that contributes to the generation of two flying hours. What was involved here were two flying hours and the cost per hour is \$18,781, which meant a full cost of \$38,137. The reality is that this is absorbed within our training program. Our pilots got good training value flying from Holsworthy into the area of the stadium, into the stadium and then out again. The additional cost associated, I am advised, was \$13 because this was absorbed within our training allocation of flying hours.

Senator TROOD—The costing for the use of the aircraft, the availability of its crew, et cetera, fuel and presumably other things is \$38,000, but your proposition to the committee is that these are costs that are absorbed and they take up some of the training activity and things of that kind.

Air Chief Marshal Houston—The full cost includes everything—the overheads, the capital costs, the maintenance—absolutely everything. Because we absorbed it as part of the annual allocation of flying hours, the actual additional cost associated with us putting this on was \$13; that is the advice I have. Total full cost estimate is \$38,137 incorporating \$13 total net additional cost.

Senator TROOD—You probably could have sought to recover that amount from the NRL.

Air Chief Marshal Houston—The \$13?

Senator TROOD—Yes, the \$13 at least, then it would have been a non-profit exercise.

Senator Faulkner—I did not go to the game but I am a rugby league supporter and, even though the Tigers were not playing, there was a lot of really positive feedback about the ADF involvement. As minister, you can imagine there are a lot of these sorts of requests and I think Defence is very, very hardnosed about the recommendations they make to me about their participation in events of significance. Inevitably whenever you say no to something like this it is going to offend some people. We very regularly say no. On a range of occasions we do say yes and, as I say, these things are not determined lightly. I believe it is fair to say that a lot of consideration and thought goes into what is appropriate in the circumstances. There are a range of considerations, which you have heard from CDF, which are taken into account, and I can assure you that I write a lot of letters to a lot of people saying no.

Senator TROOD—How long was the event over the stadium, CDF? Do you know?

Air Chief Marshal Houston—Fundamentally the job was to deliver the trophy.

Senator TROOD—How long was the chopper in view?

Air Chief Marshal Houston—It is quite an extraordinary thing to see a helicopter. These helicopters are obviously used for working with the special forces, so going into a stadium actually has some real training benefit because they go into urban areas to do their job. They

would have come in, landed, delivered the trophy and then they would have taken off and gone.

That is basically a quick 'in and out', but with dramatic effect. People go there to watch the rugby league, and this is something that really gets the crowd talking and gets the TV audience talking as well. We get a lot of good feedback about it. I might add that we have been doing this sort of thing with a number of platforms for years. The policy basically was put in place way back in the 1990s, and we have applied a fairly restrictive regime. We only do a limited number of these every year. This is one that we have done a fair bit of. The VFL grand final is another one.

Of course we do big events in the states. In Western Australia we use the PC9s to support the odd event. You will not see them regularly, but if there is a really big event in Western Australia they will be there—and at big events in the other states as well. In Brisbane, they participate in the motor race on the Gold Coast—I forget what it is called. We participate in the grand prix in Melbourne too. The reason is that we get such incredible publicity, and that might have made a difference when a young person says, 'Yes, I think I'd like to do that' and we get a recruiting inquiry. So there is benefit.

Senator TROOD—I can see the possible benefit. I was interested in the cost of the exercise, and you have told me that. Thank you. Do you undertake any formal follow-up? Do you just expect that it will have an impact and that that may well be reflected in intentions regarding recruiting et cetera, or do you undertake some sort of formal process assessing the impact of the event?

Air Chief Marshall Houston—We have certainly had a look at how we might assess the impact of what we do, but it is quite difficult to quantify, for example, how many young people are influenced by that event to join the Defence Force. We know it has a positive effect. I guess it is more qualitative than quantitative.

Senator TROOD—It was \$38,137 and some cents, I think you said, and then \$13 and no cents. Are those two figures right?

Air Chief Marshall Houston—No. There is the—

Senator TROOD—I just want to understand what they are.

Air Chief Marshall Houston—I do not think I mentioned cents. It is \$38,137. Essentially the total net additional cost was \$13.

Senator TROOD—Thank you for that.

Senator Faulkner—Can I just finish off the issue with Senator Kroger? The issue I wanted to check in relation to the 13 houses was their habitability, because I was not certain about that. I have been advised that their status is nonhabitable.

Senator KROGER—My only question about that would be that if they are nonhabitable why were they being considered by the department of immigration as a suitable or possible site for housing?

Senator Faulkner—As the department of immigration looks to all the responsibilities that it has in a whole raft of areas, obviously a dwelling that is not habitable can become habitable.

I think it is as simple as that. I am advised and am confident to be able to say to you that they are not habitable and that that is their status.

Senator FERGUSON—I want to ask a couple of questions about the Woomera Prohibited Area. Probably you guys are the ones I should be talking to.

Senator Faulkner—Again, I can say yes, of course. There are some things we cannot and will not say about the Woomera Prohibited Area, and I know that you understand that, Senator. With that qualification, please ask away.

Senator FERGUSON—You are aware that the Woomera Prohibited Area covers roughly 13 per cent of South Australia, so it is quite a large area.

Senator Faulkner—It is indeed.

Senator FERGUSON—It also occupies about one-third of the Gawler Craton. My question really is about mining and the relationship with mining in the area. What assurances can the department give that their stated policy position of coexistence with the mining sector is being adhered to?

Air Chief Marshal Houston—Can I just say before our experts respond that the Woomera range is the jewel in the crown as far as South Australia's defence state status is concerned. I mentioned this to the Premier of the state some time ago. This is a place where we do all of our airborne platform developmental testing and evaluation and all our operational testing and evaluation. It is a place where we can test very sensitive systems. It is a place where other activities can be conducted as well. It is a vitally important area for us. There is nowhere else in Australia where we can do this. I just mention this because South Australia basically publicises itself as being the defence state and from our point of view the jewel in the crown is the range. It is a vital asset for the maintenance and development of ADF capability.

Senator Faulkner—I can reinforce that by saying that I recently made similar points at the PAC 2010 conference to his Excellency the Governor of South Australia, the state Treasurer and a range of state officials who were present. It is true, in answer to your question, to say there is, as you know, some mining and related activity that occurs within the Woomera Prohibited Area. This is carried out in accordance with the land use practices which favour multiple land use where that is compatible with Defence use of the WPA. Defence, in managing the issues that you raise of operational compatibility, safety, national security and these sorts of issues, go to considerable lengths to require companies to enter into legally binding deeds of access that set conditions that are acceptable to Defence, given the critical importance of the Woomera Prohibited Area that I think the CDF has eloquently outlined.

Senator FERGUSON—So you are saying that the defence department's stated policy position of coexistence is being strictly adhered to? It is a stated policy position.

Air Marshal Binskin—With the companies that currently do mine within the Woomera restricted area, as far as I know it is being adhered to. In fact, the current miners in there are pretty good partners and abide by it.

Senator FERGUSON—In October 2009 there was a meeting with Western Plains Resources regarding Hawks Nest. Defence indicated that the Commonwealth's decision related to the WISCO joint venture and further exploration and mining at Hawks Nest would

be taken on a whole-of-government basis, not just by Defence acting unilaterally, as appears to have been the case up until that time. If that is the case, is it Defence's position on all future project proposals in the prohibited area and what processes have been put in place to ensure that your policy position of coexistence is adhered to?

Senator Faulkner—It is true that we are looking at a whole-of-government approach to the Woomera Prohibited Area. I think that is very appropriate. I would in fact go beyond saying that it is a whole-of-Commonwealth-government approach and say that we are also in a very appropriate and consultative way engaging South Australian authorities and agencies in the development of this work.

Senator FERGUSON—I understand. One of the problems of course is that there are some 80 companies with tenements now inside the Woomera Prohibited Area. It is all very well to talk about the companies that are already there being quite happy with the arrangements, but there are 80 companies with tenements. An upsurge in mining and exploration in South Australia has taken place in the last 10 years. Western Plains Resources abandoned its project when it could not commit a further \$660,000-odd without the secure knowledge that it would be able to establish mining operations. It is very, very difficult.

Air Marshal Binskin—It is a difficult issue. We do abide by the coexistence policy. We do work together in there, and we have done with a number of other mines. The particular issue with the Hawks Nest one was that it sat right on the centre line of the range where most of the activity would occur and it was an area where we could not have coexisted.

Senator FERGUSON—Most of these mining tenements are actually on the eastern side, near the eastern boundary.

Air Marshal Binskin—Olympic Dam and out that way—

Senator Faulkner—I am surprised, Senator, that you would be critical of Defence looking at ensuring it adopts a broad whole-of-government approach because, while there is what we would call a critically important and paramount defence interest, there is an acknowledgement that there are other interests and factors that are appropriately taken into consideration.

Senator FERGUSON—I understand that. I am not being critical of Defence. What I am saying is that the eastern side of the area is especially prospective for mining companies. Why I really want to know is: is there any scope for Defence to direct any activities they might have in the eastern area away from the eastern boundary to allow for greater exploration and potential mining activities?

Air Marshal Binskin—It would depend on where we are talking about and what the activity is going to occur out there. In the eastern area at the moment we are already fairly flexible about what can occur out there. It is on a case-by-case basis.

Mr Bowles—I might just add a couple of things. Yes, you are right: there are a large number of tenements on that particular side, very few of which actually go too far. We have constant contact with mining companies in a range of areas and we do work through the majority of these issues. There are some significant mining activities on the Woomera Prohibited Area already as we stand and we have always encouraged miners who want to look at a deed of access to talk to us about the issues there. As the Chief of Air Force said, there are

some areas that are more sensitive than others that we need to keep in the front of our minds, as the Chief of Defence says. So we are constantly monitoring these things. We do have miners there. They are there regularly. They apply for a deed of access either for exploration or ultimately to mine particular sites. Once we have gone through those arrangements there are no troubles. In some cases we might ask them to cease and desist doing something for a period of time. They are well aware of all those issues. It is a constant issue that we deal with. If you have a look at the range of activities happening in the Woomera Prohibited Area you will see that overwhelmingly with just about everything we are actually able to come to some agreement about how that might happen. That said, there are particularly sensitive areas of that range that we would want to have a significant discussion about before anything went there.

Senator FERGUSON—I am not concerned about the sensitive areas; I know they have to be that way. It just seems that, with the upsurge in exploration, the eastern part of the prohibited area is where the concentration of tenements and, if activities are not sensitive and can be moved elsewhere, it would make it a lot easier for some of those in the eastern area.

Air Marshal Binskin—I probably need to clarify it for you, Senator. Sometimes when people look at Woomera range, they look at weapons activity and think, ‘There’s the impact,’ or ‘There’s the flight.’ We have Woomera because of its size and remoteness and because it is a clean electromagnetic spectrum. Although what we are testing may not be right near where these mines are, they may provide magnetic interference. That is one issue. The other thing is that we may be testing weapons where they are emitting, and we do not want that to be collected as well. So it is not just overflight or close proximity. Obviously in the electromagnetic spectrum those signals go a long way, and that is a concern for us as well. There are some tests that we do where, even if they are mining there, we may ask them to move out while we do it.

Senator FERGUSON—On another subject: in the last week or so, there has been a meeting in the northern Spencer Gulf in relation to expanding the land owned there and land acquisitions. I am not so concerned about what was said at the meeting, but it is almost four or five years since property owners—particularly at Tregalana, Middleback and Roopena stations—were negotiating acquisition. Five years later, these people are still in limbo. Some want to transfer their operations, but there have never been any definitive decisions made. When are the owners of particularly Middleback and Tregalana likely to get some satisfaction over the land acquisition?

Mr Bowles—The particular properties you are talking about are adjacent to the current Cultana training area and, yes, we have been in negotiations for a period of time—

Senator FERGUSON—It is a long time actually.

Mr Bowles—a long period of time, to expand the Cultana area. Most of the issues that we are currently dealing with are to do with Indigenous issues and the arrangements that we put in place with the Indigenous people of a particular area, which are sometimes slow to work through. As far as a time frame is concerned, we are trying to move this as quickly as we possibly can. I can get my colleague Mr Owens, who is head of infrastructure, who was

actually down there last weekend having a look at some of these issues, to elaborate a little bit further.

Senator FERGUSON—Are there Indigenous issues with Tregalana?

Mr Owens—The task of expanding the Cultana training area is a complex one. Because we are looking to change the nature of the lease purpose from a grazing lease to a miscellaneous lease for defence purposes, we are obliged to enter into Indigenous land use agreements with the native title claimants or groups with an interest in that area. We are working with four Indigenous groups. As you can imagine, working with a number of different groups with a number of different claims and different ties to the region can be complex, and we are very sensitive obviously to ensuring that we get the best possible outcome. That is the main reason why the process has taken time. As I said at the weekend to the people of Cultana and Whyalla that attended the community information days, we are very conscious that this has taken a long time but the issues are sensitive and complex. We are working well. We have had 11 meetings with the Indigenous groups that we are working with and we hope that the final remaining issues can be resolved quickly. I know the next question is ‘What does “quickly” mean?’

Senator FERGUSON—The next question is: how many meetings have you had with the owners of the stations? They are the ones I am concerned about.

Mr Owens—We have had a range of meetings and contact with the owners of the stations and other letter and other contacts. We have met with their legal representatives on a number of occasions. It is a complex issue, but we are hoping to finalise negotiations on the Indigenous land use agreement quickly, and then we can move to the next stage, which is open formal negotiations with the pastoral leaseholders in the area.

Senator FERGUSON—How long do you reckon that is likely to be? I know it is over four or five years since I first raised it with a former defence minister, who promised some satisfaction reasonably quickly. Some of these guys want to purchase land elsewhere. They are left in limbo. They are in an invidious position because they know they are going to lose their land at some stage and they cannot go anywhere.

Mr Owens—We are very conscious of that. We do hope to finalise it by the end of this year, but I will caveat that by saying that these negotiations are complex. As I say, we are working with the Indigenous groups and the government of South Australia on that. That is our estimate at the moment, but, as I say, these negotiations, as you can imagine, can be difficult and protracted.

Senator TROOD—I have some questions about reserves. CDF, I am conscious of the remarks you made this morning about reserves. In particular, I am aware of the distinction you were making between the long-term reforms and intentions and the short-term issues that you alluded to. I take it that the long-term reforms are a reflection of the fact that there is no question in your mind or in the department’s mind that the reserves will continue to be an important part of the overall defence force of the country. I will leave that to one side; I am interested in the more specific issues of the moment. You, of course, did not say this, but the remarks you made seemed to me to amount to the fact that there are indeed quite severe budget constraints on the reserves operating at the moment and it is having an impact on

training days at the very least. Is that an accurate statement of the status of reserves at the moment?

Air Chief Marshal Houston—I will ask others to comment in a moment, but before I do let me just say that in the past few years we have had recruiting and retention issues. As I think I also made clear in the opening statement, right now we are doing very, very well in both areas. As a consequence, we have some real budget issues associated with paying everybody who is on the payroll. As a consequence of that, the reserves who were able to, if you like, make the most of a situation where we had shortages across the board are not able to perhaps spend as much time supporting us as was the case two or three years ago, when we had shortages everywhere. They are getting their minimum days and some of them are getting more, but the time of plenty for the reserves is probably not there the way it was three years or even two years ago. I might let my colleagues go into that in a little more detail. I think Army and Air Force are the two services that are most affected by the current conditions.

Senator TROOD—I am more than happy to hear from Chief of Army on this because the questions I have are about the Army Reserve—I have a range of questions, but I am running out of time. General Gillespie, I wanted to ask you specifically about training time in Victoria. Has there been a contraction in, or a limitation or a cap placed on, training days in relation to any units in Victoria?

Lt Gen. Gillespie—It is a hard question to answer specifically; can I step back a little and paint you the broader picture so that we understand the environment we are in. Two factors need to be understood. One, as the CDF outlined this morning, is the recruiting and retention outcomes that we are achieving in the organisation. The net effect of those is that both the regular army and the reserve army are growing—and, in fact, have grown to the extent that I am actually risk managing the level of salary that I have available to pay people.

Army Reserve training days money has not decreased. In fact, it has increased year by year in the process. One of the perceptions of the reserve population and others and why there appear to be cuts is that you will recall that at many other estimates hearings we have been talking about the strength of the regular Army et cetera and we have always been missing our recruiting. We had some hollowness; we did not do it. The essential nature of the reserve, being able to fill in to help us there, came to the fore. Because we have been doing that for several years, many reservists came to understand that, if they asked for reserve training days and they wanted to do it, we were able to manage our salaries in such a way that they generally got their wishes.

That has led to a perception. I heard one young reservist on the radio the other day, saying, ‘We have an entitlement to work 150 days a year.’ That has never been true. The fact he has been able to work 150 days a year I think is analogous to an industry where there has been a shortfall in the skilled staff and overtime has become readily available to those who could support that industry. But, as the skilled staff have increased, the amount of overtime available has decreased. Currently, we are managing reservists and their salaries in accordance with the readiness requirements for the status of the units that they belong to.

That was a longwinded answer but, getting back to your Victorian point, it may well be that the commander of the second division, our reserve division, has made some changes in some

units in Victoria to reflect more about managing the reserve training days that we have rather than trying to manage cuts to reserve funding, which has not happened.

Senator TROOD—Thank you for that information. Can I ask you specifically in that context, and I think I understand the point you are making, whether or not a live fire exercise for reservists was cancelled in October last year and, if so, for what particular reason? Are you aware of that?

Lt Gen. Gillespie—I cannot tell you that off the top of my head. I do not keep track of the activities of all of the units, but I could certainly provide you with an answer to that.

Senator TROOD—If you need to, would you take that notice?

Lt Gen. Gillespie—Sure.

Senator TROOD—The reason I am concerned about this is that I understand at least some of the people concerned were in preparation and training for deployment.

Lt Gen. Gillespie—I can quite categorically say that would not be true, because people who are deploying on our operations undergo a formal period of force preparation for the operation in which they are being deployed, and there is no shortage of resources applied to it. In fact, we will apply as many resources as necessary if people have to go around again because they have not measured up to the standards that were required for the deployment. So, if it is a deployment related thing, I can say to you categorically that we have not shortcut any forced preparation for any organisations going overseas.

Senator TROOD—That is reassuring that that is the case. Further, can I ask you whether or not it is true that, in the light of these circumstances that you have alluded to in the first part of your answer, are there any restrictions on the availability of ammunition for the second division in Victoria?

Lt Gen. Gillespie—It is quite likely that units are being asked to remuster their training activities in accordance with the amount of ammunition that is allocated for their readiness status rather than the amount of ammunition that might have been available because the Regular Army was hollow and we had an excess in each financial year of what ammunition we could fire.

Senator TROOD—I appreciate you have not checked the detail of this particular circumstance, but does that mean it is possible that the allocation of ammunition for 2009-2010 has been completed and that no more ammunition is available to be expended in this budget period?

Lt Gen. Gillespie—It is possible.

Senator TROOD—So that is possible?

Lt Gen. Gillespie—It is possible. My advice to you is that if that allocation of ammunition were such that the people were unable to meet the level of readiness that they are supposed to be at in the organisation then I would have to take some steps for the remainder of the year to ensure that ammunition was provided because I have a responsibility to the Chief of the Defence Force and the government to ensure that people are trained to the readiness levels necessary or are directed to me by the government.

Senator TROOD—I see the point you are making. That, presumably, is a point that goes to the possibility that some units might be readying for deployment. That is to say, you would make all resources available to them that are necessary to ensure that they are prepared for deployment.

Lt Gen. Gillespie—That is correct.

Senator TROOD—But based on your remarks I think it is also accurate that those who may not be in the process of preparing for deployment could well be in a position where no ammunition is available to them or their unit for the balance of the year.

Lt Gen. Gillespie—That is correct. From time to time we do not have as much of some natures of ammunition as we would like and, like in any other business, we go into close management of that particular nature. The close management of that particular nature can affect regular units as much as it can affect reserve units. The point I am making here is that if the natures are required for the preparation for overseas deployments then those people have first call on that scarce nature.

Senator TROOD—I understand that point. I would be grateful if you would take on notice the question as to whether or not there is—and I use this phrase advisedly and in a shorthand way—an ammunition shortage in Victoria. But I would also be grateful if you would respond to that question in relation to units in other states as well and whether or not that situation is widely occurring across the country.

Lt Gen. Gillespie—I am happy to do that.

Senator TROOD—Of course, I am particularly interested in the situation in Queensland, for obvious reasons. In relation to this matter, are there any plans to amalgamate any units in New South Wales in the context of dealing with reforms of reserve units?

Lt Gen. Gillespie—There are two issues outside the reserve training days that we have just spoken about that occupy my time at the present stage. One is that I have a requirement to rebalance the Army. There are, if you like, 1,700 establishment positions in our Army, which over the years have grown but for which there has not been salary coverage, and it is my intention to bring the size of the Regular Army down by 1,700 to meet the actual requirement that the government has placed on us through the white paper with the fiscal guidance that we have. That activity in itself may well have an effect on the reserve. But in terms of plans—no. I could characterise that by saying that I am in discussion with the minister about how we might do some of those things and eventually I will get myself to the stage where I will give him formal advice as to how we might rebalance the Army.

The second part that affects the reserves in that regard is reform that comes from the strategic reform program, and, again, we are in discussions with the government about what options we might have in that space. So are there plans? No, because you do not have plans until the government gives you direction on what they are. Am I in discussion with the minister and the CDF on options? Yes, certainly I am. I am not going to go through what those options are here, because we may well set a good set of headlines going that say, ‘The minister says it is unacceptable’.

Senator TROOD—I can understand why you might be cautious about this, but that answer leads me to the conclusion that you are seriously thinking about the possible amalgamation of brigades, for example, and that you might also be thinking in that context of the possible downsizing of brigades. You have not answered this question specifically, but are you also thinking in that context about the possibility of closing certain reserve barracks in parts of the country?

Lt Gen. Gillespie—What I will say is that I am positive in providing options to the CDF and government to meet the directions that were placed on us through the white paper process. One of them is to rebalance the Army and the other is to fulfil Army's role in the strategic reform program, and I am absolutely convinced that I am going to do that.

What I can assure you, however, is that I have not been asked to do anything under either of those two things which would compromise the capability of the Army or the outputs that are in the white paper *Force 2030* outcomes. I am deadly serious about making the savings that are attributed to Army against the SRP and I am very concerned to revitalise the Army. You have already seen how I have done that to the Regular Army with the Adaptive Army campaign and the collapsing of two commands into a single command and some other reforms that we have there. And I am determined that I am going to do more of that so that, in the end, I can have the most robust Army capability to offer government that we can have for the price that we can afford.

Senator TROOD—In that context, you do not rule out amalgamations, you do not rule out the possibility of closing certain barracks and you do not rule out the possibility of reducing the size of some units, is that correct?

Lt Gen. Gillespie—I am not going to rule anything in or out at the present time.

Senator TROOD—But those things are possibly on your agenda? They could well be on the agenda?

Senator Faulkner—The point is that it is not appropriate to jump to those sorts of conclusions, Senator. Of course reserves are an absolutely essential element of defence capability—an absolutely essential element of defence capability. You have heard from Chief of Army the effort that he is putting in in terms of working through all these critical issues and critical criteria as he examines this matter. I think it would be silly of you to jump to any conclusions. I cannot stop you from doing that, Senator, but if I were you I would not waste too much energy doing that.

Senator TROOD—Thank you for the advice, Minister; I am always grateful for it.

Senator Faulkner—It is a pleasure, Senator.

Senator TROOD—I know you give it generously, and those of us who receive it are always appreciative. Can I ask you finally when you anticipate decisions being made about these general matters we have been discussing.

Senator Faulkner—It is something about which I would not want to speculate. As you have heard from Chief of Army, he is working through a range of issues and he will at some point in the future I think be briefing the Chief of the Defence Force and sometime after that, obviously, the minister will receive formal briefing from CDF. That is how the processes

work. But let's not rush this. The critical thing, as we were saying in relation to an earlier matter for discussion at this committee, is to make sure we get it right. A lot depends on getting it right. That is my priority, not worrying about doing it with undue haste. If there are to be changes, they should be changes for the better.

Senator TROOD—I hope that is the case. That is a common cause.

Senator Faulkner—Excellent, Senator.

Senator TROOD—You do not at this stage have a time line; is that what you are saying to the committee?

Senator Faulkner—I have not placed a time line demand on Chief of Army; that is the critical thing. That demand has not been placed on Defence by me.

Senator JOHNSTON—Can I talk about the promise of the Leopard tanks to the RSL. Where are we at with that?

Dr Watt—You can talk about it, Senator, if you can find someone who can answer your question.

Air Chief Marshal Houston—What particular aspect do you want to talk about, Senator?

Senator JOHNSTON—I have raised it a couple of times, and the issue was the transportation of the tanks. Several RSLs had wanted the tanks, to be memorials at the front of their premises. I believe that this was possible and accepted. The only issue was the cost of transport and the permission of the Germans. How are we going with that—or have we just stopped doing anything about it in the hope that it will go away? Probably the latter!

Air Chief Marshal Houston—You know that we always work the issues. There will be somebody beavering away on it. But I have a couple of people here who are well-equipped to answer your question.

Dr Watt—I think we have found a couple of beavers, to borrow the CDF's term.

Brigadier Phelps—I look after the disposal of Leopard tanks. I was on my way in, so I have just missed the gist of your question.

Senator JOHNSTON—I have a number of members of parliament and RSL members who are keen to participate in whatever there is to do, to receive one of these tanks for their RSLs. How are we going with the whole thing?

Brigadier Phelps—I will bring you up to speed as best I can. There are a couple of issues that are still under consideration, and we are making recommendations to government, so I will not go into the detail specifically on those.

Senator JOHNSTON—No, do not go into the detail on those.

Brigadier Phelps—We had to resolve the issue with respect to the asbestos that was in the Leopard tanks. The department now has a position on how it is able to dispose of asbestos. We have worked up some recommendations for consideration by the government with respect to that.

Senator JOHNSTON—We would have had to deal with the asbestos, in any event, regardless of whether they were going to the RSL or anybody else, wouldn't we?

Brigadier Phelps—That is correct.

Senator JOHNSTON—Good. So there is no inordinate or differential cost there?

Brigadier Phelps—That is correct.

Senator JOHNSTON—What else have you got? Are there other problems?

Brigadier Phelps—There are no other problems that I see with the disposal of the tanks.

Senator JOHNSTON—Have the Germans authorised us to use them as memorials?

Brigadier Phelps—Yes. In fact, the last time you asked me a question on that, it was on that day that we received approval from the German government to dispose of them.

Senator JOHNSTON—I didn't know they watched estimates!

Brigadier Phelps—So we have received German government approval. We have a plan. We have commenced decommissioning a number of the Leopard tanks, and we will continue to do so throughout this year. Once we have resolved a couple of issues and sought approval from Minister Combet, we will be in a position to actually engage directly with the RSLs to organise the delivery to them.

Senator JOHNSTON—As to organising delivery: if there are any issues surrounding the expense of organising delivery, I am told that some of them—not all of them, but some of them—are prepared to undertake that expense themselves.

Brigadier Phelps—We have considered that, and we have a proposal for consideration on that.

Senator JOHNSTON—Very good! I am sure they would be happy not to have to do that but, if there were a problem in that regard, in terms of the expense, I have heard from some of them that they would be keen to undertake fundraising on their own behalf. But if we do not need to do that, that is good. When do you think we will be in a position to review who is getting what?

Brigadier Phelps—The decision as to who is getting what has already been made—it was made by the previous government—and the current government has agreed to honour those commitments.

Senator JOHNSTON—So is the Bunbury RSL on that list? I hope and trust it is.

Brigadier Phelps—I will have to check my list. Yes, the Bunbury RSL is on that list.

Senator JOHNSTON—Hallelujah! I am very pleased to hear that. There is a member of parliament who will be very pleased to read this *Hansard*. Thank you, gentlemen. Sorry to be jumping around the place, but I will now ask about Bushmaster—the junior version: the light protected mobility vehicle—and LAND 121 phase 4. I am sorry to do this; it is a quarter past six and obviously we could talk about this for several hours. But I would just note that we have spent a lot of money in America on this project—haven't we?

Vice Admiral Tripovich—There has been some modest investment, yes, to participate in that.

Senator JOHNSTON—Forty million dollars?

Vice Admiral Tripovich—Around that, yes.

Senator JOHNSTON—We have now engaged Bendigo. We have deferred the decision, have we not, with respect to the prototype down there?

Vice Adm. Tripovich—No, there are two parallel activities. You are right about \$40 million contributing to the joint light tactical vehicle program in the United States, which is a development program. For our investment we get a number of Australian elements put into a number of vehicles which will be tested as part of the overall program. That US program will then down-select into the type of vehicle and go into production. At some stage along there the government will consider whether that vehicle is suitable for us.

Senator JOHNSTON—That is an American manufactured vehicle.

Vice Adm. Tripovich—Yes.

Senator JOHNSTON—Not that there is anything wrong with that.

Vice Adm. Tripovich—No, no. In parallel, in response to information about what might be possible through Australian industry we issued a request for proposal to Australian industry to explore what might be manufactured and supported in Australia. That is the context. We got a good number of responses and evaluations of those proposals have been conducted, and we will shortly be providing advice to the government on the outcome of that process. The question for government is whether they wish to continue further parallel development of an Australian manufactured and supported vehicle. Thales Bendigo was one of the respondents to the request.

Senator JOHNSTON—Was one and is still in the next mix.

Vice Adm. Tripovich—It was one of the respondents. It was evaluated and the results of that evaluation of all the respondents will be provided to government.

Senator JOHNSTON—So it is under evaluation.

Vice Adm. Tripovich—Correct.

Senator JOHNSTON—How many Australian indigenous vehicles are under evaluation?

Major Gen. Cavenagh—There were 13 responses to the request for proposal and there has been a down-select from those responses. Some of the criteria in the responses are that the manufacture and production of a vehicle system had to be over 50 per cent Australian content plus there is also through-life support.

Senator JOHNSTON—So all down-selected?

Vice Adm. Tripovich—There were 13 respondents, we have done an evaluation, and in the advice to government we will make some recommendations about whether any should be proceeded with further.

Senator JOHNSTON—When do you anticipate that recommendation will go to government?

Vice Adm. Tripovich—In the next few months.

Senator JOHNSTON—The \$40 million has already been used and was given to the Americans a long time ago.

Vice Adm. Tripovich—It is a parallel activity.

Senator JOHNSTON—They have had a head start.

Vice Adm. Tripovich—Yes.

Senator JOHNSTON—So what are we doing to level the playing field for our people?

Vice Adm. Tripovich—In the evaluation of the proposals from industry, we told them some various time lines of the existing requirements for LAND121 phase 4 and asked them what their proposals might be to develop and provide vehicles for evaluation in parallel with the US produced vehicles.

Senator JOHNSTON—All I am concerned about is that the US vehicles have been in concept and prototype manufacture for many, many months now and we have not made a decision about our Australian produced vehicles and we are not likely to for a couple of months.

Vice Adm. Tripovich—That is correct.

Senator JOHNSTON—And then we are going to offer them a period of time to develop a prototype and we are going to evaluate against a prototype that has been around and has many more hours of experience.

Vice Adm. Tripovich—Our advice to government will include how long has the American program been going, what are the various proposers said they could achieve and some advice to government to consider what might be a relevant timeline to allow manufacture and support in Australia, a parallel path to do should the government wish to do it.

Senator JOHNSTON—How many years to the right is that going to shift the whole project, given that it was never envisaged that there would be an Australian component?

Vice Adm. Tripovich—Undoubtedly, it would be very difficult for an Australian proposal to catch up, if you like. Clearly we have not finished our assessment of the proposals but, if the government was of a mind to continue a parallel competition, we would give advice to the government about what that means for IOC, the initial operating capability, and the eventual solution, and that would be part of their consideration.

Senator JOHNSTON—How many vehicles approximately are we looking to acquire?

Major Gen. Cavenagh—It is around 1,300 vehicles.

Senator JOHNSTON—That is a very large number of vehicles for an Australian producer.

Major Gen. Cavenagh—It certainly is.

Senator JOHNSTON—We have only produced 750 bushmasters, haven't we?

Major Gen. Cavenagh—Yes.

Senator JOHNSTON—Can I talk about Land 17 now?

CHAIR—Yes.

Senator JOHNSTON—Where are we with that? It is the track mounted mobile 155 howitzer.

Major Gen. Cavenagh—For Land 17 we are going through an offer definition refinement process at the moment. We have two live tenders.

Senator JOHNSTON—We have only ever had two live tenders, haven't we?

Major Gen. Cavenagh—We still have two live tenders. We are going through an offer definition refinement process. We are looking to have that concluded by around the end of March and then we will then be providing advice on the results of that process.

Senator JOHNSTON—Are we using the Dutch 155 track mounted artillery in Oruzgan?

Vice Adm. Tripovich—That is a thing for CDF. We are not using a Dutch gun.

Senator JOHNSTON—Do we have any interaction with the use of the Dutch facility?

Air Chief Marshal Houston—The Dutch artillery in Oruzgan supports coalition efforts there. If one of our special forces patrols or one of our MRTF elements needed offensive support, it is an option that is available.

Senator JOHNSTON—We are familiar with that particular system?

Air Chief Marshal Houston—We are familiar inasmuch as it is fielded in support of our troops in Oruzgan; that is the 155 howitzer.

Senator JOHNSTON—Yes, track mounted.

Major Gen. Cavenagh—Self-propelled.

Senator JOHNSTON—In the past have we used it? Have we called it forward?

Air Chief Marshal Houston—They tend to remain at Tarin Kowt, to the best of my knowledge. I cannot recall any instance in recent times where it has been used. Certainly, if you go back to when we first deployed there, the guns were used in support on some occasions.

Senator JOHNSTON—Of our troops?

Air Chief Marshal Houston—I can recall a couple of sets of circumstances where there was support, yes.

Senator JOHNSTON—We have had to undergo some degree of training and familiarisation with that system.

Air Chief Marshal Houston—Not necessarily so. The guns are in support, and it is really the coordination of the fire support that we might become involved in, but it is not actually the activation of their capability per se.

Senator JOHNSTON—No, but I am just talking about whether our infantry soldiers, be they special forces, OMLT or whatever, are aware that they have the support of that artillery piece should they require?

Air Chief Marshal Houston—Yes.

Senator JOHNSTON—And they have the capacity to call it up?

Air Chief Marshal Houston—Absolutely, yes.

Senator JOHNSTON—What has happened with the tender here? It seems to have taken a very long time. When did we call for tenders on this?

Major Gen. Cavenagh—A competitive RFT for the supply and support of up to 30 self-propelled howitzers was released in September of 2007.

Senator JOHNSTON—With a value of approximately; the bandwidth?

Major Gen. Cavenagh—I would have to check on that. That tender period closed in April 2008—

Senator JOHNSTON—April 2008?

Major Gen. Cavenagh—Yes—and the evaluation of the two responses concluded in October 2008. As a result of deficiencies in the tender responses, a solution could not be recommended on the basis of value for money.

Senator JOHNSTON—I cannot ask you about the deficiencies, can I, because the tenders are still live?

Major Gen. Cavenagh—That is correct. So, based upon that, we have gone into this offer definition refinement process so that we can address those deficiencies and derisk the options as much as we possibly can.

Senator JOHNSTON—We have an opportunity to acquire some units that were ordered but not required now—is that correct? That is with respect to the German—

Vice Adm. Tripovich—Some time ago, in fact under the previous government, the Dutch had some surplus guns—that was at an early part of the project—and the minister advised the Dutch that we would not take up the offer of buying the guns early, of just going straight to the Dutch guns. There were a number of reasons. For example, it was just the sale of the guns, and there was no clarity about the rest of the support that would be needed and what that might cost. Therefore, it was not possible to be able to demonstrate to the government that this was a value for money proposition because there was so much that was unknown. So the previous government advised them that we would not proceed and that we would go ahead with the request for tender that General Cavenagh has described.

It does not break any of the confidences of the tenders that were received but the tender from the German company had two parts. One was guns built for Australia, if you like, and another was: ‘As an alternative, you might take these guns but they have to have some things done to them.’

Senator JOHNSTON—That is the Dutch guns?

Vice Adm. Tripovich—The Dutch guns, through the German offer, if you see what I mean.

Senator JOHNSTON—There was a fairly significant price differential, was there not?

Major Gen. Cavenagh—There are a range of areas that because we are still in that tender process, the offer definition refinement, we just cannot go into in this forum.

Senator JOHNSTON—Okay. Just refresh my memory, if you had already told me this: when are we looking to finalise this particular project?

Brig. Horrocks—When we entered into the offer definition refinement process we notified the tenderers and the minister at the time that the process would take 12 months. That is how long the process is taking, and we will have completed the source evaluation by the end of March this year.

Senator JOHNSTON—Source evaluation within about six weeks from now.

Brig. Horrocks—Correct.

Senator JOHNSTON—That is for the selection of the self-propelled artillery piece, between the two tenderers. How long after that before the successful tenderer will be available for deployment?

Brig. Horrocks—There is no change to what has been broadcast in terms of the introduction to service date, so we are looking at the time frame 2013 for the initial deliveries.

Senator JOHNSTON—Regardless of how long it takes this year?

Vice Adm. Tripovich—I think that is the right number. It is important to say that what we are doing is part of the important first to second pass process to understand fully the cost risk and schedule implications of the two tenderers before we come back to government.

Senator JOHNSTON—We have gone through second pass, haven't we?

Vice Adm. Tripovich—No, we have not got second pass for the self-propelled guns. We have second pass only for the—

Senator JOHNSTON—We do not go through second pass until we actually approve of the acquisition—is that right?

Vice Adm. Tripovich—That is correct.

Senator JOHNSTON—Thank you.

CHAIR—Are there any further questions?

Air Chief Marshal Houston—Chair, could I read something into the *Hansard*. Senator Ludlam asked: did anyone in Defence make representations to the Indian hosts on the participation of Burma in the exercise? The answer is no. Neither Navy nor IP, or our DA—none of them—made representations to the Indians on this. I guess that is—

CHAIR—That is that.

Air Chief Marshal Houston—That is that.

CHAIR—Thank you, CDF.

Senator BARNETT—Chair, I just want to indicate that I will not be available tonight but I have passed on some questions regarding the medals for the fuzzy wuzzy angels in PNG which will be asked by one of my colleagues. I want to let you know in advance that that will come up for Veterans' Affairs.

Senator Faulkner—Thank you, Senator. We will make sure that they are aware, and appreciate you letting us know.

CHAIR—Thank you, Senator Barnett. That concludes our deliberations for the ADF and the DMO. I thank CDF, the secretary, Dr Gumley and their officers for their assistance today. We will resume after the break with the Department of Veterans' Affairs.

Proceedings suspended from 6.30 pm to 7.30 pm

VETERANS' AFFAIRS PORTFOLIO

In Attendance

Senator the Hon. John Faulkner, Minister for Defence

Senator the Hon. Ursula Stephens, Parliamentary Secretary for Social Inclusion

Department of Veterans' Affairs

Portfolio overview

Corporate and general matters

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Mr Barry Telford, General Manager, Support

Mr Ken Douglas, General Manager, Services

Mr Gary Collins, General Manager, Executive

Mr Sean Farrelly, National Manager, Organisational Change Group

Ms Carolyn Spiers, National Manager/Principal Legal Advisor, Business Integrity and Legal Services Group

Ms Jo Schumann, General Manager, Corporate

Mr Graeme Rochow, National Manager/Chief Finance Officer, Resources Group

Outcome 1—Compensation and support Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements

Program 1.1 Veterans' income support and allowances

Program 1.2 Veterans' disability support

Program 1.3 Assistance to Defence widow(er)s and dependants

Program 1.4 Assistance and other compensation for veterans and dependants

Program 1.5 Veterans' children education scheme

Program 1.6 Rehabilitation compensation acts payments—income support and compensation

Program 1.7 Adjustments to the rehabilitation compensation acts liability provisions— income support and compensation

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Mr Barry Telford, General Manager, Support

Ms Carolyn Spiers, National Manager/Principal Legal Advisor, Business Integrity and Legal Services Group

Outcome 2—Health Maintain and enhance the physical wellbeing and quality of the life of eligible persons and their dependents through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements

Program 2.1 General medical consultations and services

Program 2.2 Veterans' hospital services

Program 2.3 Veterans' pharmaceutical benefits

Program 2.4 Veterans' community care and support

Program 2.5 Veterans' counselling and other health services

Program 2.6 Rehabilitation compensation acts—health and counselling and other health services

Program 2.7 Adjustment to the rehabilitation compensation acts liability provisions—health and counselling and other health services

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Mr Ken Douglas, General Manager, Services

Mr Barry Telford, General Manager, Support

Dr Graeme Killer AO, Principal Medical Adviser

Mr David Morton, National Manager, Veterans and Veterans Families Counselling Service

Ms Judy Daniel, National Manager, Primary Care Policy Group

Outcome 3—Commemorations Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations

Program 3.1 War graves and commemorations

Program 3.2 Gallipoli related activities

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Mr Gary Collins, General Manager, Executive

Mr Tim Evans, National Manager Commemorations Group

Major General Paul Stevens AO (Rtd), Director, Office of Australian War Graves

Australian War Memorial

Outcome 1—Australians remembering, interpreting and understanding the Australian experience of war and its enduring impact through maintaining and developing the national memorial, its collection exhibition of historical material, commemorative ceremonies and research

Program 1.1 Commemorative ceremonies

Program 1.2 National memorial and grounds

Program 1.3 National collection

Program 1.4 Exhibitions

Program 1.5 Interpretive services

Program 1.6 Promotion and community services

Program 1.7 Research and information dissemination

Program 1.8 Visitor services

Major General Steve Gower AO, AO (Mil) (Rtd), Director

Ms Rhonda Adler, Assistant Director, Branch Head, Corporate Services

Ms Helen Withnell, Assistant Director, Branch Head, Public Programs

Ms Nola Anderson, Assistant Director, Branch Head National Collection

CHAIR—Welcome, Parliamentary Secretary Stephens. Welcome, Mr Campbell and his officers. We are dealing with portfolio overview and corporate and general matters.

Senator KROGER—I will go firstly to a matter that has been raised with me by a number of people—that is, the flag that was flown at Fromelles. I understand there was a problem with that. Could you explain what the problem was, Mr Campbell?

Mr Campbell—If you look at still pictures of the flag that was flown there on Saturday a week and a bit ago and you look at the flag direct-on with the Union Jack in the left corner and the Southern Cross on the right, the small star should be towards the right of the Southern Cross but in the flag it was towards the left. So the small star was in the wrong place.

Senator KROGER—Where was the flag made?

Mr Campbell—I was there; however the service and the ceremony were arranged by Army, so it is Army that you really should be putting these questions too.

Senator KROGER—But I understand that you do have responsibility for ceremonies.

Mr Campbell—This was an Army burial. Once the burial occurs, the responsibility then is with the Commonwealth War Graves Commission. As you know, we are a member of that. But the complete service was organised by Army. Therefore, the question of where the flag came from et cetera is one that should be put to Army.

Senator KROGER—Is the parliamentary secretary aware of the use of an improper flag in Fromelles?

Senator Stephens—No, I was not aware of it.

Senator KROGER—Was it brought to your attention at all, Mr Campbell, that this had happened?

Mr Campbell—During the day there was lots of snow and other things around. It was drawn to my attention on Tuesday of last week that the flag had a star in the wrong place.

Mr Campbell—During the day there was lots of snow and other things around. It was drawn to my attention on Tuesday of last week that the flag had a star in the wrong place.

Senator KROGER—So you are not aware of where the flag was made?

Mr Campbell—I have heard, but it is not my responsibility and it is only second-hand information. It is really a matter for Army.

Senator KROGER—It would be helpful if you were aware and people had had discussions with you about it and you could advise us of your knowledge.

Mr Campbell—I only have it second-hand and I think it is a bit unfair for me to say that it was produced by X or Y when I have not been told formally, in my position. I understand why you are asking the question, but the ceremony and the whole service was organised by Army.

Senator KROGER—So when we fly flags overseas, even though you are a member of the War Graves Commission you are not in any way involved in the organisation?

Mr Campbell—If you go to, say, Australia memorials at the Western Front, we do have responsibility for the flags that fly at, say, Bullecourt. But this was a very important and special service and it was a service that was completely the responsibility of Army. The organisation and everything associated with the service was Army, not my department or my part of the Commonwealth War Graves Commission.

Senator KROGER—Then I will take your advice and put it on notice for Army, considering that they were here today and we will not have that opportunity again.

I will now lead off on another matter, which is in relation to overseas trips that the minister has taken. Could you provide details for how many overseas trips have been taken by the minister since 3 December 2007?

Mr Campbell—Just give me a moment, Senator. I would also make the point that parliamentary travel is reported on on a regular basis to the parliament, so all the trips that the minister has undertaken are reported to the parliament. I am just asking one of my people to tell me what the number is. I know that it is here. I have here only the figures from 2008-09 and 2009-10. Therefore, in 2007—

Senator KROGER—Are you talking financial years there?

Mr Campbell—Yes. Would those figures be okay?

Senator KROGER—Yes, that is fine.

Mr Campbell—Between 5 November and 14 November 2008, the minister went to France and the United Kingdom. Do you want details as we go through?

Senator KROGER—Yes, that would be great. I do not know whether you have there the details of the staff and who accompanied him. If you have that associated on the same page—

Mr Campbell—I have the details of which of his advisers from his department accompanied him. I can give you that as well.

Senator KROGER—And departmental officials?

Mr Campbell—I can talk to that, too. I think that on most of these trips there were departmental officials but not as part of the minister's official party. Okay?

Senator KROGER—Right.

Mr Campbell—In November 2008 he went to France and the United Kingdom. He was in France for two reasons. He was representing Australia at the Armistice Day celebration in Ypres—that is actually in Belgium, when I think of it—and he was also representing the government at the rededication by the Governor-General of the Australian Corps Memorial at Le Hamel. During the course of that visit he met both his French and his British ministerial counterparts. He was accompanied by an adviser and by an ADC.

From 10 December to 16 December 2008, he attended the dedication of the Brunei-Australian memorial in Brunei. He attended the commemorative service in Labuan. He inspected the Australian Sandakan memorial in Sabah and he visited other memorials. He was again accompanied by an adviser and by his ADC.

From 17 April to 27 April 2009, he visited France, Belgium and the United Kingdom. He represented the Australian government there at the Anzac Day dawn service at Villers-Bretonneux on the Western Front. He attended meetings with local communities to further develop the work on the Australian Remembrance Trail, which was a budget initiative. That has been quite intensive work for both the minister and the department. He signed a commemorative agreement with Flemish authorities in Belgium and he inspected the Australian War Memorial in London and launched the memorial's interactive website. The reason for the inspection of the war memorial was that the war memorial, while not very old, has suffered some quite significant deterioration of paint in the names, and the minister was inspecting that so we could work through how we could improve that. And, as you are probably aware, after that visit we worked out what should be done and it has now been cleaned up and redone and looks very good. He was accompanied by two advisers from his office.

From 22 July to 24 July 2009, he attended Remembrance Day ceremonies in Papua New Guinea, participated in a commemorative service at the Bomana War Cemetery and presented the first Fuzzy Wuzzy commemorative medal. He met, of course, with his PNG counterparts and was accompanied by an adviser and by his ADC.

From 29 August to 4 September, he represented the Australian government in Poland at the 70th anniversary of the start of World War II. He travelled back through London and spent a few hours in London—and it was a few. I can tell you what time we got there in the morning and what time we left. It was a long day. He laid a wreath at the Australian War Memorial in London to commemorate Battle for Australia Day. At that point we inspected the repairs to the memorial and he visited the headquarters of the Commonwealth War Graves Commission. He was accompanied by his ADC.

From 27 January to 1 February this year, he represented the Australian government at the first reinterment at Fromelles, which we have just talked about. He met his French counterpart, who is a new minister, and his British counterpart at the same time. He was accompanied by an adviser and by his ADC. During that time, he also met with the regional authorities, again working through the details of the Australian Remembrance Trail.

Senator KROGER—What was that date in January?

Mr I Campbell—From 27 January to 1 February. He was representing the Australian government at that service. Then, from 3 February to 5 February—last Wednesday evening to last Friday—he attended an international ministerial veterans administration forum in New Zealand that was represented by New Zealand, the US, Canada and Australia. He was accompanied by his chief of staff.

You asked what departmental staff accompanied him. On a number of those visits I accompanied him for part or all of the trip, but not on every trip and not always for the whole trip. At times—for example, when the minister was in France for Anzac Day last year; of course, we run the Anzac Day service, so there were staff in the country—

Senator KROGER—And the flag raised was no doubt the correct one?

Mr I Campbell—We have to be careful but, yes, Senator, of course! I will give that assurance. But we do not form part of his official party, and on several of those trips I went through Turkey because we are providing services to Turkey as well.

Senator KROGER—I am happy to put these on notice, but it would be helpful if you could also undertake to provide a breakdown of costs for the minister, his staff, departmental staff including the ADC and any other members of the travelling party, including travel type, accommodation costs and travelling allowances paid for staff and departmental staff. If you could provide a copy of the minister's itinerary for each of those, that would be very helpful, and, if one exists, the itinerary for any other accompanying members on any of those trips.

Mr Campbell—By the way, the ADC is not a DVA departmental staffer; it is from the Department of Defence. As I said, for the trip that we are talking about here I have given you his party. Where there were departmental people in country they were not part of his party because they were not with him for the whole trip. I would also make the point I made right at the very beginning that much of the information you have asked for on travel is tabled every six months, I think, in the parliament, but I will go back to the minister and his office and seek details. I have taken it on notice.

Senator KROGER—That would be helpful, thanks, Mr Campbell. I will move to departmental staff. First of all, has there been a change in the numbers at the SES levels in the department since the last estimates?

Mr Campbell—I will ask Ms Schumann to come up. Certainly there has been no change except for one possible subtlety. At the time of the last estimates, which was in October, we had a staff member, an SES officer, who had been on exchange with the Canadian department of veterans affairs. In October he was on his way back, so I am not clear whether he would have been counted in the numbers we gave in an answer to Senator Johnston at the last estimates. I think the figure was 28. If Ms Schumann says we now have 29, the only reason is that an officer that we had on exchange to Canada has now come back and joined us. There has been no increase or decrease apart from his return from duty in Canada.

Senator KROGER—Thank you.

Ms Schumann—That is correct.

Senator KROGER—So there is no change?

Ms Schumann—No change; that is correct.

Senator KROGER—I have a question in relation to the so-called 54/11 rule. I noted an article I saw in the *Daily Telegraph* which was talking about the impact of the superannuation contributions. In fact, in one part it said:

A Government review of military superannuation tabled in December 2007 recommended the maximum benefit limit be abolished for all serving members to bring them into line with civilian bureaucrats.

Clearly there are a number that are not having the benefit of superannuation contributions if they have reached maximum levels. I was wondering how many of the DVA staff will reach the 54/11 cut-off before 30 June this year.

Mr Campbell—I think Ms Schumann can probably give you that figure, but I am not sure that your introduction is totally accurate. We are not experts on super, but I am not sure that bureaucrats—

Senator KROGER—It was when the retirement age was lifted to 60.

Mr Campbell—Okay. Well, 54/11 is not a maximum superannuation payout for public servants; it is just that at 54/11 the pension is calculated in a different way than if you go at 60. Ms Schumann can give you the numbers.

Ms Schumann—Are you looking for the numbers of staff that are over 54/11—that are already 55?

Mr Campbell—Yes, I am.

Ms Schumann—I do not have the exact numbers by level here at this stage, but I can tell you the proportion. In terms of our overall staff numbers at 30 June last year, we had 2,061, and 47 per cent of those were over 50.

Senator KROGER—Forty-seven per cent were over 50. Do you have anything to indicate what those figures would be as of 30 June this year?

Ms Schumann—Not with me, no.

Senator KROGER—If you could take that on notice, that would—

Mr Campbell—It would be, of course, an estimate, but we can give you an estimate.

Senator KROGER—Yes, I appreciate that. Likewise, if you could give me an estimate of those that the same would apply to on 30 June 2011—12 and a bit months on—that would be good. What steps is the department able to take to keep employees employed if they choose to remain beyond the 54/11 rule?

Mr Campbell—There are quite a few. Indeed, in terms of proportion we probably have more people over 55 than most other departments. They just stay and continue to work.

Senator KROGER—That is encouraging for those of us who might be over 50, Mr Campbell.

Mr Campbell—I think there are a number of people on this side of the room who are over 55 anyway—youthful looks notwithstanding.

Senator KROGER—Absolutely! What measures do you take to encourage people to stay on?

Mr Campbell—I think I was probably saying, given the number of people we have over 55, we do not have to encourage them to stay on. We have some staff who have gone out at 54-11 but we have got a lot of staff who have stayed on beyond 54-11. We have not had a problem, Senator.

Senator KROGER—So the superannuation implications that I highlighted for employees remaining beyond 54-11—you are not finding that a problem?

Mr Campbell—It is only under the CSS. There are a number of Commonwealth super schemes, and not all staff are members of the CSS. Only a proportion of our staff are CSS, and it only applies to those. Basically it is a way of calculating the pension before you get to 55. For some people the pension is greater if they retire at 54-11 rather than going on, but a number of people for whom that is the case do not retire. They stay on. It is an individual choice and, as I said, we have not had a problem in terms of staffing or corporate knowledge or corporate experience of those people who decide to retire at 54-11.

Senator KROGER—Could you take on notice a request to provide the proportion that you are referring to. I was wondering whether you could give me an indication of how much they would be financially disadvantaged.

Mr Campbell—Senator, that depends on the individual case. It will depend on the person's length of service, the level they are at, how long they are at the level—it is very complex. We can give you a hypothetical but that is all it would be because it varies from case to case.

Senator KROGER—I am interested in getting a breakdown of staffing levels by month and by the level.

Mr Campbell—We would have to take that on notice.

Senator KROGER—Yes, I am happy for you to do that. How many consultants has the department employed?

Mr Campbell—Over what period?

Senator KROGER—In the last 12 months.

Ms Schumann—We provide this information in the annual report. Essentially the number of consultancies that we have engaged in 09-10 is 10. The total contract value is \$1.5 million. The page reference is 343.

Senator KROGER—How many of those consultants would have been previous employees?

Ms Schumann—In terms of consultancies per se, it is difficult for me to tell you that, but in general we certainly comply with the guidelines provided by the Public Service Commission.

Senator KROGER—Would any of them have been former employees?

Ms Schumann—It depends on the arrangements those consultants have. If your former employees are engaged through consultancy companies it is a possibility that, in engaging that consultancy company, we have engaged former employees, yes.

Senator KROGER—You would have a reasonable idea if people had been employees in the past and were now working with consultants.

Ms Schumann—We would, yes.

Senator KROGER—Would you be able to provide that information?

Mr I Campbell—The reason Ms Schumann is being careful is that a number of the consultancies have company names and she does not want to mislead the committee. There are a couple of cases I can think of that I am pretty sure would be in the period you are talking about. We will take that on notice. There is no difficulty with that.

Senator KROGER—Are the staff who retire from the department offered short-term contracts?

Ms Schumann—Once again, it depends. Although the rules have changed recently, it is not possible for us to engage them for a particular period of time if they have received voluntary redundancy. If they have just retired in the normal fashion, yes, it is possible for us to re-engage some staff on contractual arrangements. Indeed, we have done that in the past.

Senator KROGER—Could you indicate—and I am happy to put it on notice—how many staff would have been re-engaged on a short-term contract basis?

Ms Schumann—This financial year?

Senator KROGER—Yes, that would be great. In fact, if you could do it for the last two financial years, so that I could compare it, that would be appreciated.

Ms Schumann—So 2008-09 and 2009-10 is what you are looking for?

Senator KROGER—Yes.

Ms Schumann—Yes, I could do that.

Senator KROGER—I now want to turn to the Kokoda Track. Where is the government at with the UNESCO listing for the Kokoda Track?

CHAIR—Before you do that, we might finish off the section prior to that. We are dealing with corporate and general matters at the moment. We will deal with the Kokoda Track under ‘commemorations’.

Senator KROGER—Does the Ministerial Advisory Council come under that? I was asking about that last time.

CHAIR—We could probably do it now under corporate and general matters. I think it is sufficiently general.

Senator KROGER—I am following up questions I asked in the last meeting on the Ministerial Advisory Council and the Prime Ministerial Advisory Council. Could you give me an indication of how many times they have both met since we last met?

Mr I Campbell—Both? There is the Prime Ministerial Advisory Council. What is the other one you are talking about?

Senator KROGER—On ex-service matters and the ministerial advisory council on veterans’ affairs.

Mr I Campbell—There is only one advisory council—PMAC, the Prime Ministerial Advisory Council.

Senator KROGER—We were discussing PMAC last time. There is not an advisory council on veterans' affairs?

Mr I Campbell—Yes, there is the Prime Ministerial Advisory Council.

Senator KROGER—But separate to that?

Mr I Campbell—No.

Senator KROGER—Okay, we will go to PMAC then. Last time, you went through the number of times that they had met and whether they had met in person or by teleconferencing.

Mr I Campbell—The last face-to-face meeting was held on 15 and 16 October 2009, and it then had a subsequent teleconference meeting on 15 December 2009.

Senator KROGER—Sorry, could you just run through that again?

Mr I Campbell—The last face-to-face meeting of the PMAC was on 15 and 16 October 2009.

Senator KROGER—And that was where?

Mr I Campbell—Here, Parliament House. Then there was a teleconference meeting on 15 December 2009.

Senator KROGER—What are the inquiries that they are currently conducting?

Mr I Campbell—They provide advice to the minister. They do not undertake inquiries. The business that they have provided advice to the minister on are—not exhaustively but mainly—the Clarke recommendations not adopted by the previous government, implications of the parliamentary report of the inquiry into the RAAF F111 deseal-reseal workers and their families, the department's future commemorative activities and delegations, mental health issues and the implementation of the recommendations of Professor Dunt's review on suicide in the ADF, a number of defence related issues such as media intrusions following the injury or death of a serving member deployed overseas, and the portfolio's consultation framework implemented in 2009. They are the main items that they have dealt with.

Senator KROGER—We will come to some of those shortly in another outcome, but have there been any outcomes from any of those considerations—the review of the Clarke review and so on?

Mr I Campbell—The government is still considering the Clarke review. The government is considering the parliamentary report on the F111 deseal-reseal. The department is preparing a report or review to the minister on commemorative activities. The Dunt review recommendations were accepted by the government some time ago. They have provided funding to another department in the budget and we have now employed 13 case coordinators and we are now working with the veteran community on those issues. The consultation framework is well set in place now and proceeding.

Senator KROGER—On the Dunt review that you were speaking of, you are working with 13 case coordinators?

Mr I Campbell—One of the recommendations was that the department recruit a small number of case coordinators to work on a one-to-one basis with veterans who are having great difficulties. We have recruited and trained—because training is a very important element of this—13 case coordinators that are spread around the country.

CHAIR—We will now turn to outcome 1, compensation and support. Senator Xenophon has some questions on Maralinga.

Senator XENOPHON—Mr Campbell, you referred to the Clarke review. That was carried out in 2003—is that right?

Mr I Campbell—It was 2002-03. The then government announced their decision on recommendations in early 2004.

Senator XENOPHON—Recommendation 16 was:

Participation by Australian Defence Force personnel in the British atomic tests should be declared non-warlike hazardous and the legislation should be amended to ensure that this declaration can have effect in extending VEA coverage.

What has happened to that recommendation?

Mr I Campbell—That recommendation was not accepted by the previous government. This government and this minister, in the lead-up to the 2007 election, said one of its commitments was that it would review all of those recommendations that had not been accepted by the previous government. In December 2008 the government called for submissions. Those submissions were received in 2009 and the government is now considering its position on those recommendations.

Senator XENOPHON—In fact the government, in opposition, went much further than that, didn't they? The current minister's speech as shadow minister back on 11 October 2006 was quite scathing of the previous government and in fact said—

Mr I Campbell—I do not know whether you can say they went much further, because in effect the government is considering its position on the outstanding recommendations. So until there is a decision I do not think it is fair—

Senator XENOPHON—Do you want me to read what the minister said back in 2006?

Mr I Campbell—No. If I can continue, Senator. The government has not made a decision. There are a number of recommendations; it is not only on British nuclear testing.

Senator XENOPHON—But the shadow minister was very clear that he was quite critical of the former government for not implementing the Clarke recommendations in relation to Maralinga veterans.

Mr I Campbell—In government they undertook to review, they are reviewing and I think until the outcome of that review is known you cannot make any comments about it being better or worse. Basically the government in opposition set up a process of review. That review process is well underway. All submissions have been received and the government are considering what they are going to do.

Senator XENOPHON—Do you really want me to read to you what the minister said back in opposition? He said:

At times governments have used independent reviews as a mechanism to divert criticism and to try to put a hold on things while they cool off politically. We have seen that occur with depressing regularity in veterans' affairs—Clarke is clearly the biggest example and the most relevant to personnel involved in the atomic tests.

The now minister went on to say that we needed to listen to an independent review.

Mr I Campbell—I think I probably need to put things into a bit of context. When the minister became minister in 2007, he made it quite clear that there were a number of things that he and the government were concerned about and that they were going to review in the Veterans' Affairs portfolio. He also made it quite clear that that was over a three-year term and that this was a three-year program. It was not going to be done in a very short period of time. There are a whole host of reasons for that. One is the capacity of we in the department, the capacity of government and the capacity of the ex-service community to undertake a large number of reviews at any one point in time. If you have a look at the commitments made you will find that a significant number of the reviews have been undertaken and implemented, whatever the outcomes are. The Dunt report that I have been talking about had two commitments. One was for a review of mental health in the ADF and one for a review of suicide in the veteran community. That has been completed, considered by government with recommendations accepted and funding provided.

Senator XENOPHON—Mr Campbell, I am not asking about the reviews; I am asking about the Clarke review.

Mr I Campbell—You read it out to me and one of the points you made was about the number of reviews and what happens when governments do not undertake them. In the last two years there have been a lot of reviews and outcomes. With regard to the Clarke review, it was always stated that it was not going to be one of the first ones. It was always clearly stated that submissions would be called for in late 2008. Submissions came in in 2009 and the government is now considering its position on all of those outstanding recommendations.

Senator XENOPHON—So it is not a priority for the government then?

Mr I Campbell—I do not know how else I can say it. The government said at the time, 'These are our priorities over the three-year term.' We are still in the three years.

Senator XENOPHON—When you prioritise something is it relevant that these nuclear tests occurred half a century ago—

Mr I Campbell—Yes.

Senator XENOPHON—and that there are only about 2,000 of the servicemen and women who were there at the time who are still alive?

Mr I Campbell—There are also priorities in terms of the mental health of serving members and former serving members. As I said, one of the Dunt report commitments was on suicide. That is a priority. It would be nice to do everything immediately but I think it has to be accepted that before the minister became minister he made it quite clear that those commitments for reviews were for the term of the parliament and not all to be done in year one.

Senator XENOPHON—With respect, that reminds me of that book written by Don Watson on the words used sometimes by governments. Let us go back a step. In 1993 the Keating government signed a treaty with the British government in relation to compensation over Maralinga and the British atomic tests. It was in 1992 or 1993; is that your understanding?

Mr I Campbell—Mr Bayles will answer.

Senator XENOPHON—Mr Bayles, is that your understanding?

Mr Bayles—Yes, there was a treaty signed in 1993 between the government of Australia and the government of the UK.

Senator XENOPHON—And we, the Australian government, accepted £20 million, which is A\$109 million in current terms—you do not have to accept that amount but it was worth a lot more then than it is now in today's dollar terms—and that was for compensation for harm done and for recovery. Is that your understanding of the terms of the treaty?

Ms Spiers—I might assist my colleague on this one. I have an extract of the 1993 agreement. Paragraph 1 of the agreement states:

The Government of the United Kingdom shall on an ex gratia basis pay to the Government of Australia the sum of £20 million (twenty million pounds sterling) in full and final settlement of all claims whatsoever of the kind referred to in paragraph below, the sum to be payable in accordance with the following timetable: ...

While I was not around at that time and the department was not a party to that treaty, we understand and we have been advised by our colleagues in the Department of Resources, Energy and Tourism that it was for the remediation of the Maralinga site and related areas.

Senator XENOPHON—Only for that?

Ms Spiers—As we understand from our colleagues at Resources, Energy and Tourism.

Senator XENOPHON—Have you looked at the treaty?

Ms Spiers—The treaty is silent in terms of what the Australian government can do with at money.

Senator XENOPHON—That is right, and doesn't the treaty itself say that in the event that compensation is paid for personal injury that that has to be repaid to the British government? Does that not make it clear that it was anticipated that personal injury, loss and damage, and death and injury would be covered within the £20 million payout?

CHAIR—Before you answer, Ms Spiers, you said earlier the treaty was negotiated and signed between the two governments and the department of resources was the lead agency, or words to that effect.

Ms Spiers—Currently, as the lead agency; at the time the treaty would have been side, clearly, the Department of Foreign Affairs and Trade, as it would have been known at that time, and the Attorney-General's Department would have been lead because of the national interest issues. I do not have the details of exactly who signed it.

CHAIR—I was going to give you some advice for consideration. If it is not within the portfolio responsibilities of this department and you or the other officers do not have

knowledge of the treaty and its application to this department, you might not be able to assist Senator Xenophon as to the detail of the treaty.

Mr Campbell—I know that before dinner there was some discussion on responsibility for this and Senator Faulkner pointed out that some of these matters rest with the Resources portfolio.

CHAIR—As a general rule, if it is within the department's portfolio responsibility, you should ask the relevant questions. If you have knowledge, you should answer the questions. But if it is not your portfolio responsibility and you do not have carriage of the issue, the question should be asked of the relevant department, subject to alternate direction from the minister at the table. That is the chair's ruling.

Senator XENOPHON—Thank you, Chair, for your guidance. It is the case that that money was also for compensation for loss and injury. In fact, if you look at the *Hansard* back in 2006 and what ministers said, reference was made to then foreign minister Gareth Evans back in 1992-93 that it would also include moneys for compensation. Does that accord with your understanding?

Mr Campbell—I was not involved in 1992-93. I do not have any historical background on it.

Senator XENOPHON—If the issue is one of adequate compensation for those who participated who were subjected to ionising radiation with the British atomic tests here in Australia, wouldn't the fact that money was allocated for their compensation be of relevance to your department?

Mr Campbell—At the moment the considerations that we are undertaking are the ones that are in the Clarke report as to whether they should have coverage under the VEA and what sort of coverage they should have under the VEA if they were granted it.

Senator XENOPHON—Have you considered whether some of the £20 million, now worth about \$109 million, should have been allocated for those veterans to receive compensation from that?

Mr Campbell—That is not our responsibility. We are not the organisation that has responsibility for that treaty. I do not know who signed it back then. I know that, at the moment, the responsibility at a whole-of-government level for the issues of that treaty are with the Resources portfolio not our portfolio.

Senator XENOPHON—Okay, but it is the responsibility of your department to look at adequate compensation for veterans.

Mr Campbell—No. It is under the statutory provisions that we administer and, in the case of these individuals, it is the Veterans' Entitlements Act.

Senator XENOPHON—You are not aware whether any of the £20 million back then was allocated to your department for any form of compensation, statutory or otherwise?

Mr Campbell—I am not aware of anything with regard to that £20 million.

Senator XENOPHON—The Hon. Mr Martin Ferguson in opposition back in 2006 said:

It is a disgrace further enunciated by the fact that the United Kingdom War Pensions Agency is now awarding war pensions to nuclear test veterans, and I note here the use of the word ‘veterans’, not ‘participants’.

He goes on to say that it was extended to the British service men and women who were here in Australia for those tests. What more do you need to review in the context of the Clarke review? If you happen to be a British service man or woman you would be entitled to compensation, it would be extended to you, but here we are still stuffing around seeing whether our veterans are eligible for it. There is a contrast between Britain and Australia, isn't there, in terms of benefits payable?

Mr Campbell—An observation one of my officers has made is that they are not sure they are getting compensation, but I will not go into that.

Senator XENOPHON—I am just quoting from *Hansard* what the minister said.

Mr Campbell—My responsibility is to advise the government on the Veterans' Entitlements Act. My responsibility as President of the Repatriation Commission is to administer parts of the Veterans' Entitlements Act. The question that is raised is whether the Australian participants in the British nuclear testing have eligibility under the Veterans' Entitlements Act for particular services. At the moment the way the act is constructive they do not have non-warlike coverage. For that to occur a decision has to be made and the legislation has to be changed. As I have said several times already, the government has called for submissions—they have submissions, including a number on British nuclear testing—and they will be making a decision. I do not think I can add anything more.

Senator XENOPHON—What is the time frame for that decision, because you and I know that these people are dying off, many from cancer?

Mr Campbell—As a bureaucrat, I do not think it is my place to try to foreshadow when the government is going to make a decision. That is a matter for the government.

Senator XENOPHON—Perhaps I can ask Senator Stephens.

Senator Stephens—I can tell you that the issues are currently very close to the minister's heart and that he is taking advice on the review and the considerations. He will make a considered judgment. I cannot give you a time frame, but I know that it is something—

Senator XENOPHON—You may need to take this on notice. How long has the minister had the recommendations from the department in relation to the Clarke review?

Mr Campbell—I did not say he had the recommendations. I said it was being worked through.

Senator XENOPHON—So he has not even got recommendations?

Mr Campbell—No. There have been ongoing discussions and meetings and briefings of the minister. In this case it is a government decision, not a ministerial decision, because if there is to be a change it will require a change to the legislation, and the timing of that is a matter for the government. I cannot second-guess when a decision—

Senator XENOPHON—But before the minister can make a decision you are telling me he needs to get a recommendation from the department and we are not even at that stage yet?

Mr Campbell—I did not say that. You are putting a thought forward that he had a report sitting on his table—

Senator XENOPHON—But that is not the case though, is it?

Mr Campbell—What I said was that we have submissions and provided briefings to the minister. There have been further questions—the minister has asked for further clarification—and we have gone back to him. What I was trying make sure that did not come out rather wrongly in the *Hansard* was—because I think somebody could have drawn an inference from it; I know you did not mean it—that the minister has a report there that is signed up and he is just doing nothing with it.

CHAIR—Indeed, it is not the role of the department on this issue to make a particular recommendation. It is the role of the department—and correct me if I am wrong, Mr Campbell—to provide a set of options for the government to consider as to where it wishes to go on resolution of this issue.

Mr Campbell—That is exactly right.

Senator XENOPHON—So if I ask you for the time frame it is a case of ‘How long is a piece of string?’ What can I tell the veterans that contact my office, the people who were exposed at Maralinga and elsewhere? What is the time frame for the government to make a decision in relation to the Clarke review of 2002-03?

Senator KROGER—It is a decision of the review of the Clarke review.

Senator XENOPHON—Yes, thank you, that is right.

Mr Campbell—I can only repeat that the undertaking was to be reviewed in the first term. That review is well underway, but I cannot give you a date or a week in which a government decision will be announced. I cannot do that.

Senator Stephens—You can tell your constituents that it is under active consideration. It has not been shelved. The issue is very much alive.

Senator XENOPHON—What does ‘active’ consideration mean?

Senator Stephens—I think it is pretty clear what it means, and I think the department has been trying to be helpful. No-one is trying to be obtuse in answering your questions, but the Clarke recommendations are very complex and highly contentious. The fact that the minister has determined to revisit the recommendations is an indication of how seriously he is taking it all. He will make his decision and accept the recommendations of the department when he has the information that he needs.

Senator XENOPHON—So when the Hon. Simon Crean said in October 2006, ‘However, we say go the next step and adopt the recommendations of the Clarke review,’ the Labor Party did not mean it? It was quite explicit—front bench after front bench was saying that the recommendations of the Clarke review should be adopted.

Senator Stephens—I will not dignify that with an answer. Seriously, this is a very important issue. Let us not trivialise it by—

Senator XENOPHON—I hope you are not suggesting that I am trivialising the issue. How am I trivialising it? I am raising issues of legitimate concern on the part of veterans who have

been stuffed around. They have been waiting for years for a response in relation to the Clarke review.

Senator Stephens—And the government has said it will consider this within its first term. We are two years into our first term and it is being actively pursued.

Mr Telford—I would like to make one point to follow up. I think it is important to realise that participants in the nuclear tests do have access via the department for full treatment for any cancers that they may currently be exhibiting through the registration and acceptance of a white card. So they are able to access health care for any of those cancers that they currently exhibit, irrespective of whether those relate to ionising radiation or not.

Senator XENOPHON—I appreciate that; that was part of the legislation of 2006.

Mr Telford—Mr Campbell, going back to this issue, this is a comment made by Mr Crean back in 2006. He made reference to the treaty entered into by then foreign minister Gareth Evans in 1993. Mr Crean said, ‘At the time we successfully got the British government to make a contribution of some £20 million, an outcome that was designed to—in its own words—’support future claims for compensation for participants.’‘ I understand your constraints, but are you able to say whether there was any consideration by your department or any requests for consideration by any other department to say, ‘We have this £20 million lump sum; how much of that will be allocated for compensation for veterans?’ That was clearly contemplated when Mr Crean was Minister for Primary Industries and Energy back in 1991, and by foreign minister Evans.

Mr Campbell—I cannot speak for what a parliamentarian says. I have said that the responsibility of my organisation is the administration of the Veterans’ Entitlements Act. So my responsibility is to provide advice and present options to government about what could be possible or what would be appropriate in terms of coverage under the Veterans’ Entitlements Act. That is where my portfolio’s responsibility is.

Senator XENOPHON—So you are not aware of any consideration of some of that £20 million lump sum being used for compensation.

Mr Campbell—No.

Senator XENOPHON—Are you able to take on notice whether that was ever considered by the department back in the early 1990s. I appreciate that might not be within your knowledge.

Mr Campbell—I would always accept a question on notice, but I suspect that the answer will be that we do not know. But I will take it on notice.

Senator XENOPHON—I would appreciate that. I have been told that Australian veterans that were at the British atomic tests currently only have one avenue of seeking compensation in terms of lump sum compensation, and that is to join a UK class action against the British Ministry of Defence. I think that their time limit for doing that is May and that there is currently an appeal before the High Court about an extension of time issue. Is your department aware of that particular case in the UK—the class action on behalf of British veterans that Australians may be able to join? Is there any proposal by the department or the government to give veterans support to assist with this? I note from some media reports

recently that Cherie Blair was going to visit some landholders who were looking at joining that particular action.

Mr Campbell—Yes, I am aware of the court action that is proceeding in the UK. I am not in any way across the fine grain of detail of it and, no, I am not aware of any proposal for consideration of giving financial assistance.

Senator XENOPHON—Perhaps I could ask Senator Stephens to put on notice whether the minister has considered any requests for assistance or is considering providing assistance to veterans to join that action.

Senator Stephens—I am happy to take the question on notice.

Senator XENOPHON—Finally, both to the government and to Mr Campbell: my understanding is that there are statutory compensation schemes in terms of lump sum compensation for veterans of atomic tests in France and in the United States. Whether you were upwind or downwind, the compensation, in addition to medical benefits, is between \$50,000 and \$75,000. In Russia and even in China there is compensation. Are you aware of the framework of any of those schemes, particularly in the United States and France? Was any consideration given to the operation of those schemes in an Australian context? Again, you may wish to take that on notice.

Mr Campbell—I will take it on notice, but I would make two observations. One is that, if compensation does flow, there has to be a link between the event and the outcome. Secondly, I think it is very difficult to pull out one example of how a country operates all its compensation systems. That said, we will take that on notice.

Senator XENOPHON—But the whole idea of a statutory scheme is to make it easier for those who were at ground zero or near ground zero to be able to access a system of compensation whereby—

Mr Campbell—I think I need to make a clarifying point there. Our compensation schemes in this country have a cause and effect. With some of the ones you are talking about there is no cause and effect. With compensation schemes in this country, you have a cause—you are involved in something that happens—and then something flows from that, including adverse medical arrangements et cetera, and then compensation flows. If it is just your presence somewhere or other, and there is no adverse effect, then compensation does not flow, under our compensation schemes.

Senator XENOPHON—I am not suggesting that, but a statutory scheme, so long as you can show cause and effect—a bit like a workers compensation scheme—does not involve the litigation involved in a common-law claim: issues in terms of time, of discovery, of interrogatories, all those interlocutory steps where a litigant could be tied up for many years. It would be a simpler system of accessing compensation. I do not want you to misunderstand what I am saying.

Mr Campbell—No, okay, and I do not want you to misunderstand me, because it is not clear that a lot of the people who were present at the Australian tests were exposed to sufficient radiation for there to be adverse medical effects, because there have been tests and studies done.

Senator XENOPHON—On notice, could you provide me with some more information in relation to that? It could be a precis from your department. I know there are some disputes from some of the veterans my office has spoken to.

Mr Campbell—There are, certainly. We will take on notice—

Senator XENOPHON—There are some disputes about the veracity of the testing done by the Australian government at the time. I should make it clear to Senator Stephens that I do not think anyone could suggest that in 1957 this government had anything to do with—

Mr Campbell—We certainly will provide you with briefing notes on the health studies that have been done and the effects, because the point I have been making about exposure and extent of exposure is quite important.

Senator XENOPHON—I hope this matter is resolved by the next estimates, because otherwise I will be back!

Senator JOHNSTON—Mr Campbell, can you possibly give me information tonight as to how many TPI veteran pensioners are currently resident in Tasmania and how many persons on DVA war widows pension are currently resident in Tasmania. You may not have that at your fingertips, but I am sure that there are people—

Mr Campbell—No, we certainly have that data but we do not have it with us. We can take that on notice and give it to you, Senator.

Senator JOHNSTON—So I have to wait a couple of months for that, have I?

Mr Campbell—It is a very easy piece of data for us to get. I just suspect that we do not have the document here that has it. So I will see if we can get it to you more quickly.

Senator JOHNSTON—I really would be obliged. I am interested in war widows and TPI veterans in Tasmania.

Mr Campbell—Okay. I have just been told that we do not have it here tonight, but we will get it very quickly.

Senator JOHNSTON—Thank you. If you do not give it to me, you can give it to Senator Parry.

Mr Campbell—No, I think what we would do—

Senator JOHNSTON—Is give it to me.

Mr Campbell—No, I think we would give it to the committee secretariat, who would give it to you.

Senator JOHNSTON—Very good. Thank you.

Mr Campbell—Do not get me into trouble, Senator!

Senator JOHNSTON—Sorry!

Senator KROGER—I want to go straight into disability pension. I am interested in how many veterans that were paid a disability pension did not receive indexation as received by other disability pensioners.

Mr Campbell—Sorry, Senator, I am not sure if I fully understand your question.

CHAIR—How many TPI's did not receive any indexation?

Senator KROGER—That is exactly right: how many have not received indexation as have other pensioners?

CHAIR—TPI's who were not indexed.

Mr Campbell—While we are getting these figures, I think I need to clarify something. Twice a year, all our pensions are indexed.

CHAIR—Not that.

Mr Campbell—I know, Senator, but I am actually setting out where it comes from to make sure that the position is clear. Twice a year, in September and March, all our pensions are indexed. I think what your question is referring to, prompted by the chair, is this: how many pensioners received an increase in their pension as a result of the Harmer report, which was for pensioners who are on low income?

Senator KROGER—Or, more to the point, how many did not?

Mr Campbell—I can do it either way. While the figures are being pulled out, the point I would make—and I have already said that all pensioners get an increase twice a year—is that through the Harmer report, which the government announced and put in place in last year's budget, it was directed to those who were on the lowest incomes. So they directed it, for example in our portfolio, to service pensioners both single and married, and, in terms of the aged care area, to those who are on age pension. Therefore, if a disability pensioner did not get any indexation flowing from the Harmer report, they were not in receipt of any service pension, because, as I said at the beginning of this part, the government's whole rationale there was to provide the assistance to those who were most in need—that is, those who were on the lowest incomes. So if we have a disability pensioner who did not get an increase through the service pension it was because they do not get service pension. Mr Telford has the figures.

Mr Telford—Yes, they are attributed to me, Secretary! There were approximately 5,500 people who received no increase as a result of being on a disability pension but not having a service pension, which attracted the indexation arrangements.

Senator KROGER—That is a concern, because surely there are cost-of-living pressures on all. You suggest that 5,500 people missed out. I am sure they would be concerned about that.

Mr I Campbell—Senator, they are not receiving a service pension, so they are in receipt of other income. The government's decision on the Harmer report was to direct it to those who were on low-income support payments from the government.

Senator KROGER—I hear you, Mr Campbell, but I am still concerned about those that missed out, because there is a significant inequity in this and it is one that I am sure we all get a lot of correspondence on.

CHAIR—What is the inequity?

Mr I Campbell—I am not sure. It depends on who you are comparing them with, because there will be other people in the community who are earning the same amount of income as

the people on disability pension that we are talking about who did not get any increase. The government's position on the Harmer report was to provide the most assistance to those who were on the lowest levels of income support, and that is what they did.

Senator KROGER—Thanks.

Mr Telford—Senator, people who are not able to receive any service pension or disability pension would have to be in receipt of other income in the order of \$40,000 a year.

Senator KROGER—I hear you, but I would suggest that those who receive an income of, say, \$40,000 a year would still be feeling the pinch in terms of increasing costs.

Mr I Campbell—That is not the question you are putting to us. You are talking about the inequity. The fact is the government saw, through the Harmer report, that they were most concerned about individuals, particularly single individuals, who are on the age pension or the service pension. They saw that that group—and that is what the Harmer report told them—is the group in the community who is doing it the hardest.

CHAIR—Because that was their sole source of income.

Mr I Campbell—Yes. So that was where they directed the money.

Senator KROGER—Of those people who are on a service pension and receive a special rate of the TPI and were told that they would receive an increase in their service pension under last year's indexation changes, how many special-rate pensioners do not receive a service pension?

Mr I Campbell—That is the 5,500 figure that Mr Telford gave you a minute ago.

Senator KROGER—So it is that? Okay. How many of those would receive a part pension? Are you saying none of them receive a part pension?

Mr Moore—A high proportion of TPIs are married and a proportion of the remainder get the maximum rate of service pension, and all of those people would have got the extra \$60. Then a lesser number of the remainder are single TPI veterans on less than the maximum rate and they would have got from \$60 down to \$20.30.

Senator KROGER—If I put it on notice, could you pull out the number that would receive only a part service pension—

Mr Moore—Yes, we have got those figures.

Senator KROGER—and also those who would receive the maximum rate of service pension?

Mr Moore—Yes.

Mr I Campbell—This is TPIs?

Senator KROGER—Yes.

Mr Moore—Some of them also receive the age pension or disability support pensions from Centrelink, but we know those numbers as well.

Senator KROGER—Okay. Well, I will put those on notice so that you can go through them and give us an accurate account.

Senator FORSHAW—Senator Kroger, are you putting those questions in relation to the current situation—

Senator KROGER—Current.

Senator FORSHAW—Not with some historical basis?

Senator KROGER—No, no. Current.

Senator FORSHAW—Oh. That will be interesting!

CHAIR—Further questions, Senator Kroger?

Senator KROGER—I was going to move to 1.4. I do not have anything until then.

CHAIR—When you say ‘1.4’, do you mean program 1.4?

Senator KROGER—Yes.

CHAIR—That is still under outcome 1, so that is fine.

Senator KROGER—We have already covered the Clarke review, I think, as much as we are going to be able to, and other reviews, but there is one I do not think we have touched on yet—the advocacy services review. I was wondering what arrangements will be in place for the BEST and TIP application funding rounds for this year.

Mr Telford—Are you talking about the round for 2010-11?

Senator KROGER—Yes.

Mr Telford—The review, as you may know, is not yet complete. There will be a need for the minister to consider the outcomes of that review as it becomes available to him following quite an extensive range of consultations and meetings around the country and a large number of submissions.

Senator KROGER—The minister is going to be very busy.

Mr Telford—He is always very busy. In consideration of that report, we have had discussions about the next round for consideration, and he is currently looking at a range of criteria around which the next round will be structured. In the context of those criteria, he wants to ensure that he does not inappropriately fetter what may be coming out of the review in order to be able to ensure that the process is not delayed in terms of any of the recommendations that may be coming out of that.

I should say that there has been very extensive consultation with the veteran community on this and a lot of support for the general directions and what has been put forward in the emerging themes paper which has been circulated around the ex-service community. So the general thrust of where this review is going is not something which is unknown to the veteran community. When we finalise those criteria, to ensure that we do not inadvertently end up putting in place a structural or a funding anticipation by some organisations that may not be supported by the review, we will then be writing to the ex-service communities very, very shortly to outline what those criteria are.

Senator KROGER—What is the time frame for that review?

Mr Telford—We will be getting that out within the next week or so.

Senator KROGER—So it will be determined next week in terms of—

Mr Telford—We will be writing to all the ex-service community, the organisations, and outlining for them the priorities, as we do each year, that the minister has indicated he wants to follow for the subsequent round and then inviting them to get their applications by a prescribed date in order to be able to—

Senator KROGER—When was the last round? When was the last round of capital funding provided? Was it for the last financial year?

Mr Telford—Yes, for this current financial year.

Mr I Campbell—The grants go on a financial year basis. The process that Mr Telford is talking about now is for grants for the 2010-11 financial year—money to be spent in that financial year.

Senator KROGER—I was of the understanding that there had not been any grants over the last 12 months. But that is not the case, you are telling me?

Mr I Campbell—That is not the case—certainly not. There has been over \$4 million this year.

Senator KROGER—Is funding for the program guaranteed at its current levels—at the \$4 million level—or budgeted for increases?

Mr I Campbell—It is \$5.052 million next financial year.

Senator KROGER—So that is up from \$4 million in the current financial year? It was \$4 million, so it is up from \$4 million.

Mr Telford—It is currently at that level. The current level is in that same magnitude. It is just that the announcements that were made were in the order of, as Mr Campbell said, the four point something million.

Senator KROGER—Fine. Thank you.

Senator FORSHAW—If you need a break to get a better brief from the shadow ministry, I am sure we could help you.

Senator KROGER—Thanks for your assistance. It is always greatly appreciated.

[8.45 pm]

CHAIR—We will now turn to outcome 2: Health.

Senator KROGER—I have some questions about health identifiers and the issue of e-health. Has the department been in consultation with the Department of Health and Ageing regarding this legislation?

Mr Douglas—Yes.

Senator KROGER—The issue here seems to be the number of identifier numbers. With regard to veterans, the health identifier numbers will not replace the existing DVA numbers.

Mr Douglas—That is correct.

Senator KROGER—Has that concern been raised with you on more than one occasion?

Mr Douglas—I am aware of one item of correspondence to the minister, which sought assurance that the file number would not be lost from the card. The minister was easily able to give that assurance.

Senator KROGER—What steps are DVA going to take to ensure that there is no confusion, given that veterans will have their DVA number, a health identifier number and Centrelink and Medicare numbers?

Mr Douglas—All of their dealings with the Department of Veterans' Affairs will continue to be via their file number, as it has been over many years. The department has undertaken consultations over an extended period with ex-service organisations. It has invited a number of ex-service organisations to send representatives to some of the public consultations, which they have done. The department continues to provide information to members of the ex-service community by way of articles in its newsletters and correspondence to ex-service organisations. That information primarily assures veterans that their file numbers remain in place and that the universal healthcare identifier is intended to support an improved flow of information across the entire health sector. Indeed, in the past, veterans have participated in some trials of similar arrangements and, by and large, have been quite welcoming of those arrangements. In essence that is because one of the things they find most annoying about accessing our healthcare system is the need to tell their story over and over again because of the lack of portability of information.

We will continue to provide information to veterans in the coming year. We have our periodic card replacement program where all our gold and white cards are replaced. In that process, we will provide advice with that mail-out as well.

Senator KROGER—Thanks. I want to briefly touch on travel. This morning, someone in my office was discussing an issue in relation to their father. I would like you to expand on the principles underpinning payment of travel for medical appointments. An example that immediately comes to mind is that of an elderly gentleman who lives in a rural area and has a gold card. For him to make an appointment with a specialist and get a taxi to take him there, he has to get to his doctor to get the piece of paper signed to say that that is what he is doing. Given that he lives in a rural area and the doctor is 20 kilometres or 30 kilometres away, it is an issue. Has consideration been given to those sorts of issues and ways in which we could facilitate better support for those veterans?

Mr Douglas—For the most part, the veteran concerned would ring their healthcare provider and then the healthcare provider makes a phone call to us. We have a special access number that they can call to make that taxi booking for them to be collected and brought to their appointment and then returned to their place of residence at the conclusion of their appointment.

Mr Campbell—Senator, if I could help here. After the hearing, if you could give Mr Douglas the name of this individual, we will contact him and his family to make sure there is no confusion and we will make sure it works.

Mr Douglas—Indeed.

Mr Campbell—You might want ask him first. It seems to me there might be a bit of confusion here and we could sort it out to quite quickly if we have more details.

Senator KROGER—It seems to me there is a piece of paper that needs to be signed and collected from the doctor to be able to make the appointment.

Mr Campbell—But we have fax machines and telephones these days. If you could arrange for Mr Douglas to have the person's name, we will sort it out.

Senator KROGER—Thank you. There is another instance and I want some clarification on it. To what extent is past medical involvement with a specialist taken into account? I have another example, but this person does not want their name to be used. He is a gentleman from Alexandra Headland in Queensland. He had been contacted, I believe, by the minister to say that full travelling allowance for travel from Queensland to Sydney would be covered. He had moved to Queensland from Sydney and was told that his travel would be covered back to his original specialist.

Mr Douglas—I cannot speak on behalf of the particular case, but I will make the general point that the legislation obliges us to meet travel requirements for what is called the closest practical provider. In the event that a veteran wishes to see a health provider who is not the closest practical provider, we are obliged to go to the veteran and ask for a reason why they may need to see that particular provider. The department has generally taken a very benevolent approach to this and says, for example, 'For reasons of continuity of treatment, we will continue to provide support for transport back to that particular provider.' But in the case of someone moving interstate where there may be a more practical, closer provider that minimises the inconvenience to the veteran, we might allow a period of, for example, in some cases, up to 12 months to help that veteran find another closer practical provider.

Senator KROGER—I was surprised. I did think it was benevolent.

Mr Douglas—In some cases there are very clear reasons of continuity of treatment for severe clinical conditions. In other cases, we would obviously try to work with the veteran to secure an alternative provider as quickly as possible, because it is an extraordinary inconvenience for them as well.

Senator KROGER—In answers to questions from the last estimates, DVA indicated that it negotiates annual indexation adjustments with each state and territory. We discussed this last time around. Will the next round of adjustments take into consideration potential costing increases of an ETS?

Mr Douglas—The basis for any funding provided by the Australian government to state governments for access to public hospitals is an agreement that the Commonwealth will meet the full cost of treating veterans in public hospitals as if they are private patients. The Australian government therefore will provide funding on the basis of evidence presented to it by the jurisdictions of the full cost of treating veterans in public hospitals. I cannot answer that question because it is a matter of what evidence I have from a jurisdiction about the full cost of treatment. Given there is not such a scheme in place at the moment, I would not expect a claim from a jurisdiction to cover that cost component.

Senator KROGER—It is very hard to plan forward. Has any modelling been done?

Mr Douglas—No, there has been no modelling done by us at this stage.

Senator KROGER—Can the department confirm that the gold card will be outside of any review conducted to consider departmental cuts?

Mr Campbell—Do you mean—

Senator KROGER—The provision of the gold card.

Mr Campbell—Provision of the gold card or the services the gold card covers? But the answer to your question is yes.

Senator KROGER—Provision and services provided by the gold card.

Mr Campbell—There is no proposition, proposal, consideration to be cutting any of the gold card provisions.

Senator KROGER—So would the introduction of an ETS have any impact on what can be offered by the gold card?

Mr Campbell—I would not have thought there would be any link to that, Senator.

Senator KROGER—Thanks you. That is all I have on health.

[8.55 pm]

CHAIR—We will now turn to outcome 3, Commemorations.

Senator TROOD—I want to follow up a question on behalf of my colleague Senator Barnett, who asked question on notice No. 43 with regard to fuzzy wuzzy angel commemorations. An answer was provided to him on the number of medallions that had been issued and the people to whom they had been issued. I wonder if you could provide the committee with the latest number and the people to whom they have been issued.

Mr Evans—At this stage there have been no further medallions awarded since the last answer, so the number awarded remains at four and the names that were provided. The process of awarding the medallions includes applications that have been through due diligence by the department then being provided to the awards committee of the Papua New Guinea government for their consideration. We have applications from a further 25 fuzzy wuzzy angels and a further five widows, so that is 30 more applications before the PNG awards committee at the moment.

Senator TROOD—Are they applications that have recently been forwarded to the PNG government? Do you know whether they are near to finalisation? Have they just recently been forwarded for consideration? What is the status of those applications in terms of their determination?

Mr Evans—My advice is that the awards committee will meet before the end of March.

Senator TROOD—The PNG committee?

Mr Evans—That is correct.

Senator TROOD—So you are expecting an advice shortly afterwards.

Mr Evans—That is correct. Through our post in Port Moresby we gave an indication that we would be exploring options for the next awards ceremony in the vicinity of Anzac Day—either on Anzac Day or at a date shortly thereafter. So the awards committee saw its next

meeting in March as being a logical and appropriate time, in our time frame, for consideration of those applications.

Senator TROOD—Good. Thank you, Mr Evans. I have a question about the *Centaur*.

Mr Campbell—I think Major General Stevens is best placed to handle questions on the *Centaur*.

Senator TROOD—My understanding is that the *Centaur* having been found, it has been declared a historic shipwreck. What process has taken place in relation to it being declared or listed as a war grave?

Major Gen. Stevens—There is no process that can be undertaken for it to be declared a war grave.

Senator TROOD—So how do we do that?

Major Gen. Stevens—As I said, there is no process.

Senator TROOD—It just becomes a war grave—is that what you are saying?

Major Gen. Stevens—It is protected under the Historic Shipwrecks Act. That act provides protection to the wreck itself, and one of the reasons for providing that protection under that act is that it is a military maritime grave, essentially.

Senator TROOD—So it is an automatic process.

Major Gen. Stevens—A decision has to be made by the government of the day to declare it, but obviously one of the factors that they take into account is that in this particular case it went down with those people on board and is, in fact, their grave.

Senator TROOD—Can you tell us whether any steps are being taken to declare it?

Major Gen. Stevens—No, no steps have been taken to declare it a war grave because, as I understand, there are no instruments, no legislation, under which you can declare it a war grave. It has been protected under the Historic Shipwrecks Act, or declared under that act, if you like.

Senator TROOD—So you are saying that, having been protected under the Historic Shipwrecks Act, it then attracts the status of a war grave under the act?

Major Gen. Stevens—I am being a bit semantic, because under that act there is no such thing as the status of a war grave, as I understand it. Because it is a military maritime grave, that is one of the reasons why it is afforded protection under the Historic Shipwrecks Act.

CHAIR—Which department administers that act?

Major Gen. Stevens—The Department of the Environment and Heritage.

Senator TROOD—I will not press the matter. Is it the Department of the Environment and Heritage that is responsible for the division of responsibilities between the Queensland state government and the Commonwealth government with regard to the costs of the search et cetera?

Major Gen. Stevens—I cannot answer that because I do not know personally who funded the search. I cannot answer the question, I am afraid.

Senator TROOD—There was a contribution from both federal and Queensland governments, I can report.

Mr Campbell—It is not something—

Senator TROOD—That is something that I was wanting to clarify and, if that is the case, then we will not detain the committee any longer on the matter. So I conclude on that, thank you.

[9.02 pm]

CHAIR—We will go to the final item on the agenda, the Australian War Memorial.

Senator TROOD—Major General Gower, it is good to see you again. There are a couple of issues that I would like to take up with you, if I could. The first is the vexed matter of the completion of the Vietnam history. Are you able to bring us any good news on that matter at this stage?

Major Gen. Gower—I really do not think it is fair to describe this matter of the final volume of the *Official History of Southeast Asian Conflicts* dealing with the concluding land operations as a ‘vexed issue’. We have a very highly qualified author for that volume. He has been meticulous and assiduous and he has even included the repatriation of the MIA people. I think an outstanding book will be produced. I am sorry, Senator, I do not accept that it is a vexed problem. I can tell you—and I would like to table a photograph—that it has gone to the publisher, so you would be very pleased and so am I. It has gone to the publisher and is currently being edited so I am advised by an email.

Senator TROOD—So the volume is complete?

Major Gen. Gower—I presume the publisher will seek elaboration from the editor and so forth, but for all intents and purposes the hard work has been completed.

Senator TROOD—So Mr Ekins has completed his work on the matter and it has now been sent to the publisher for copyediting and things of that kind?

Major Gen. Gower—Yes, and I would think there is indexing. Probably the editor will find some elaboration required in parts, but basically it has gone.

Senator TROOD—Could you tell us the date on which that happened.

Major Gen. Gower—It went last Friday.

Senator TROOD—Friday? Good. Have you had any conversations with the publisher about when they expect to publish the volume?

Major Gen. Gower—In an email which I saw a copy of, they said they expect to respond with the initial copyedit by April, so we will take it from there afterwards. That is the precursor to getting a schedule worked out, I believe.

Senator TROOD—What did they say was happening by April?

Major Gen. Gower—The copyedit, I believe, will be—

Senator TROOD—The completion of the copyediting?

Major Gen. Gower—Administratively, I understand, a person is getting on to the copyedit. The author will hear sometime in April from the person who is doing the editing.

Senator TROOD—I see. That news, which I welcome—

Major Gen. Gower—I certainly do.

Senator TROOD—I am sure we all welcome it.

CHAIR—Why don't you get the details? We can order in a copy for you now.

Senator TROOD—I might do that.

CHAIR—Good. We can arrange that.

Senator TROOD—I am grateful for that information, because I was anxious to draw your attention to the confusion about the status of this in the annual report. I am not sure whether or not you are familiar with this, but at one point in the annual report it says that the series is 'almost complete', which I assume means that the last volume in the series is complete, and at another section in the report it reassures the reader:

Following review and clearing by relevant agencies, the manuscript text ... was despatched to the publisher in September 2008.

Obviously that is not correct, but it is in fact correct that it has been despatched to the publisher now.

Major Gen. Gower—He did dispatch. I appreciate you going through with a fine toothcomb looking for discrepancies, but there was material sent to the publisher.

CHAIR—I think I even read the book.

Major Gen. Gower—There was. In fact, I was anticipating that the publisher would have started work on it. He decided not to until he got every document. I am not going to say what is finished, nearly finished or whatever. I do know that the last chapter took quite some time.

Senator TROOD—I feel like that.

Major Gen. Gower—I would not find that surprising for such a divisive war, of which people still carry the scars considerably today. He wanted to do justice to those men and women who served. He has worked on that concluding chapter for quite some time, at the same time going back reflecting to earlier chapters for consistency. So the draft has been virtually completed for quite some time apart from his finalising the last chapter.

Senator TROOD—In any event, the next annual report of the War Memorial will no doubt report accurately that the manuscript has been sent to the publisher, and presumably by the time the annual report materialises it will be possible to make some kind of estimate as to when it might be published. Would that be a fair statement?

Major Gen. Gower—I would not want to commit myself. I cannot speak for the publisher. I do not know what his plans are. I have quoted my contact with him as of the latest email. I would hope it will take a year or quicker.

Senator TROOD—Yes, I would hope it would.

Major Gen. Gower—But we will endeavour, as we always endeavour, to have accurate information in our annual report. I do not see any value in quibbling about 'almost finished' or

'virtually completed'. It is a fact, I do know, that all chapters bar one were sent off some time ago.

Senator TROOD—General Gower, I think you told us on the last occasion about Mr Ekins, who I think is head of history at the War Memorial. Is that correct?

Major Gen. Gower—His appointment is as head of the Military History Section at the Australian War Memorial.

Senator TROOD—And I think you told us that you had taken steps to withdraw from him all the other responsibilities he has as the head of military history so that he could concentrate on the final volume. I think that was the evidence you gave to the committee on the last occasion.

Major Gen. Gower—That is in the *Hansard*, yes.

Senator TROOD—Has Mr Ekins now returned to his full duties as the head of military history or are you still perhaps preserving him until such time as the copyediting returns and he can finally complete the whole volume?

Major Gen. Gower—Senator Trood, what would you think would be a rational thing to do? You seem to be particularly interested in what one man does.

Senator FORSHAW—I am not sure you can ask that!

Senator TROOD—General—

Major Gen. Gower—What I can say is that he will stay on it until there are any queries from the publisher as to the integrity of the volume. In collaboration or discussion with him, I will decide in April when we hear back from the publisher—of course, we had an email, as I mentioned to you. We want this to be an outstanding volume. The alternative arrangements for the section are my business and I think it is being handled very well in an acting capacity by Dr Peter Pedersen, a well-known, acclaimed military historian. So things are going very well in that area. Pedersen has stepped up to the job and is doing an excellent job.

Senator TROOD—I am delighted to hear that. I will hope that by the time we assemble again in May or June we will have had some further good news on this particular subject. I want to quickly ask you about a couple of other matters. I could not help but see in the newspaper—something caught my eye—regarding Trooper Donaldson's photograph in the War Memorial and the fact that the photograph of Trooper Donaldson has apparently not been hung in the Military Cross Hall of Valour at this juncture. Is that something that the War Memorial will be rectifying in the near future?

Major Gen. Gower—No, I do not believe we will be placing a photograph there. It is not a matter of rectifying; it is a deliberate decision based on the fact that the Hall of Valour has been scheduled for complete refurbishment for several years. Initially, we were hoping to raise that funding from sponsors and donations; instead we have found alternative means to do it. It has not commenced because we were doing architectural and engineering checks on the stability of the slab underneath the Hall of Valour and the beams. We have quite an outstanding design, which we have had for several years, by Richard Johnson of JPW, a leading Australian architect. That will use noble materials such as granite and sandstone and timber matching what we have already in the building. Johnson has had other, high-priority,

work and this problem requires a little bit of serious engineering analysis because, as it is an old building, we want to make sure that we do not cause some stability problem in that area. As soon as that is done we will be able to commence work.

This was raised about a year ago, I think. We gave an explanation; it was raised in another part of the media. There is no room among the existing photographs, which include photographs of the Imperial Victoria Cross awardees. Since we are completely pulling out and refurbishing that area, we saw no point in spending money on putting up one photograph, particularly as we announced at a media conference that Trooper Donaldson's VC, which he has very kindly and generously loaned to us, will be in the Afghanistan part of the post-45 conflict. It is there, along with other material, making a very good display in the Afghanistan war area. He knows that; it has been announced. It was widely known, I thought, but, nonetheless, it was raised by a newspaper which saw it on Twitter or some source of authority like that. I am not wasting money on redoing a photographic display—it is not a good photographic display; it would be 30 years old—which is going to be replaced.

Senator TROOD—That may well be a sound management decision. Can you tell us how long it is going to be before the work begins on the hall?

Major Gen. Gower—No, I cannot. I have asked in the scheduling to see whether it can be completed by the end of this year, but I still do not have a report on the engineering analysis of the slab and beam, and that is an area underneath the Hall of Valour. It is a difficult thing because there are no real drawings available. With the successive different government departments that have had responsibility for the War Memorial over the years, the original drawings have disappeared. So we have got some good engineers and a good architect on it and we are going to resolve that. Once we have resolved how much work is required, we can schedule it and conclude the refurbishment—the long-awaited refurbishment of the Hall of Valour. Senator Trood, as you have undoubtedly noticed when you come up the staircase, which is marble, granite and bronze, you go into an area which does not match the staircase area, nor does it match the aircraft hall. So we have been very keen for many years to do something about that area.

Senator TROOD—Is the refurbishment of that included in your capital works budget at this stage or not?

Major Gen. Gower—It is being funded out of existing reserves from capital.

Senator TROOD—So you are not seeking further funds at this stage from the government for that work?

Major Gen. Gower—At no stage are we seeking it. We are funding it out of our current reserves. It is part of a program of planning for the future. We did hope, as I said, to have it done by sponsorship but the global financial crisis put an end to that, sadly. Otherwise it would have been finished now.

Senator TROOD—Did you say you were seeking some sponsorship for that work?

Major Gen. Gower—No, I did not. We are doing it, as I said, from capital reserves, which are earmarked and allocated and approved by council. We will firm up the schedule when we

know this engineering problem has been resolved. It would be imprudent and silly to go ahead not having that determined beforehand.

Senator TROOD—That may well be the case.

Senator FORSHAW—Could I clarify—is that expenditure that was approved by the Public Works Committee? Is it part of the approval that they gave—

Major Gen. Gower—No, it is showcases; it is not works as such.

Senator FORSHAW—So it was not within the formal approval that was given recently?

Major Gen. Gower—No, that was for the post-45. That was works and separate—that was the exhibition part of it.

Senator FORSHAW—Sorry, I am on Public Works. I was trying to remember whether it was part of that approval.

Major Gen. Gower—It is a very good project; likewise we are doing the half-life refurbishments in relation to the Second World War—fixing up the showcases, taking into account comments by our visitors, making improvements in audiovisual, that type of thing. It is the normal things you do with half-life refurbishments.

Senator FORSHAW—I did not want to interrupt Senator Trood but I recall making a couple of visits to the memorial, as you would, as part of the Public Works Committee process to give approval to various construction works at the memorial. I just wanted to see if what Senator Trood was talking about was part of that, but it is not. Thank you.

Major Gen. Gower—It is not, Senator. There is very little Works involvement.

Senator TROOD—Major General Gower, on the previous occasion on which you appeared before the committee you spoke about sponsorship of some of the activities that have taken place at the War Memorial. Since you last spoke to us, have you received any approaches or have you concluded any further agreements for sponsorship of activities at the War Memorial?

Major Gen. Gower—I am not quite sure what the—

Senator TROOD—The sponsorship of the Last Post. I think you told us that you had secured sponsorship in relation to the daily closing ceremony.

Major Gen. Gower—Yes, that was discussed. Senator Boswell asked that question.

Senator TROOD—There are obviously opportunities for the War Memorial to provide for sponsorship for some of its activities. My question is: are there any other activities of the War Memorial that have now attracted corporate sponsorship since we last spoke?

Major Gen. Gower—There is nothing new to report. Sponsorship is something every director gives a lot of attention to, but it is a very difficult period at the present moment, with companies endeavouring to weather the economic crisis. Notwithstanding that, I have a couple of irons in the fire but I do not think it is worth mentioning those at this stage because they have not been concluded; it would be improper.

Senator TROOD—That is fine. I am not wishing for you to jeopardise any discussions you may be having on this subject. You can advise the committee in due course about that.

Finally, the 100th anniversary of Gallipoli is rapidly approaching. I am wondering whether the War Memorial has begun any kind of preparation or given any thought to how that particular significant event in Australian military history might be recognised.

Major Gen. Gower—Yes, we put a proposal to council some years ago and we would envisage the Australian War Memorial playing an important part as a focus since its origins were essentially in the First World War, particularly triggered by that particular campaign.

Senator TROOD—When do you propose to make any announcements about these activities? It is perhaps a little early in 2010, but do you have a time schedule?

Major Gen. Gower—I think you would be aware there is an interdepartmental committee being chaired by the Secretary of the Department of Veterans' Affairs, which I imagine—I am not on that committee—would propose options to government to decide how government wishes to recognise that very important centenary. It is not only that but all the other anniversaries in the First World War, starting with the naval expeditionary force, Fromelles Pozieres, Ypres and so on. I imagine that will be announced by the government in due course. It would not be proper for me to start speculating what we might or might not do. We have thought about it deeply. We have certainly been engaged with the department about what we might propose. But I think that is something best left to government. It is a very important national occasion involving not only us but states and everyone.

Senator TROOD—Thank you. I do not have any further questions on this subject.

CHAIR—That concludes our deliberations this evening. I thank General Gower and officers for attending this evening.

Committee adjourned at 9.22 pm