



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

ESTIMATES

(Consideration of Budget Estimates)

THURSDAY, 5 JUNE 2003

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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Thursday, 5 June 2003

Members: Senator Sandy Macdonald (*Chair*), Senator Hogg (*Deputy Chair*), Senators Chris Evans, Ferguson, Payne and Ridgeway

Senators in attendance: Senators Allsion, Bartlett, Mark Bishop, Brown, Jacinta Collins, Chris Evans, Ferguson, Ferris, Hogg, Sandy Macdonald and McGauran

Committee met at 9.03 a.m.

DEFENCE PORTFOLIO

Consideration resumed from 4 June 2003.

In Attendance

Senator Hill, Minister for Defence

Department of Defence

Portfolio overview and major corporate issues

Mr Ric Smith, AO, Secretary of Defence

General Peter Cosgrove, AC, MC, Chief of the Defence Force

Vice Admiral Russ Shalders, AO, CSC, RAN, Vice Chief of the Defence Force

Budget summary, financial statements and improvement initiatives

Mr Lloyd Bennett, Chief Finance Officer

Mr George Veitch, First Assistant Secretary, Business Strategy

Mr Greg Welsh, First Assistant Secretary, Financial Services

Capital budget: major capital equipment and major capital facilities projects

Mr Mick Roche, Under Secretary, Defence Materiel

Mr Peter Dunn, AO, Head, Management Information Systems

Dr Ian Williams, Head, Land Systems Division

Ms Kim Isaacs, Director General, Material People and Performance Branch

Air Vice Marshal John Monaghan, AM, Head, Aerospace Systems Division

Ms Shireane McKinnie, Head, Electronic Systems

Ms Ann Thorpe, Head, Materiel Finance Division

Mr David Learmonth, Head, Industry Division

Rear Admiral Kevin Scarce, AM, CSC, RAN, Head, Maritime Systems Division

Ms Janis Cocking, Research Leader, Undersea Platform Systems

Air Vice Marshal Norman Gray, AM, Head, Airborne Surveillance and Control Division

Major General Peter Haddad, AM, Commander Joint Logistics

Outcome 1: Command of operations in defence of Australia and its interests

Output 1.1—Command of operations

Output 1.2—Defence Force Military Operations and Exercises

Output 1.3—Contribution to National Support Tasks

Major General Ken Gillespie, AO, DSC, CSM, Head Strategic Operations Division

Rear Admiral Mark Bonser, CSC, RAN, Commander Australian Theatre

Air Vice Marshal Kerry Clarke, AM, Head Capability Systems Division

Mr Kevin Pippard, Director Business Management Australian Theatre

Outcome 2: Navy capability for the defence of Australia and its Interests

Output 2.1—Capability for major surface combatant operations

Output 2.2—Capability for naval aviation operations

Output 2.3—Capability for patrol boat operations

Output 2.4—Capability for submarine operations

Output 2.5—Capability for afloat support

Output 2.6—Capability for mine warfare

Output 2.7—Capability for amphibious lift

Output 2.8—Capability for hydrographic and oceanographic operations

Vice Admiral Chris Ritchie, AO, RAN, Chief of Navy

Rear Admiral Rowan Moffitt, RAN, Deputy Chief of Navy

Mr Stephen Wearn, Director, General Navy Business Management

Outcome 3: Army capability for the defence of Australia and its interests

Output 3.1—Capability for special forces operations

Output 3.2—Capability for mechanised operations

Output 3.3—Capability for light infantry operations

Output 3.4—Capability for army aviation operations

Output 3.5—Capability for ground based air defence

Output 3.6—Capability for combat support operations

Output 3.7—Capability for regional surveillance

Output 3.8—Capability for operational logistic support to land forces

Output 3.9—Capability for motorised infantry operations

Output 3.10—Capability for protective operations

Lieutenant General Peter Leahy, AO, Chief of Army

Mr Lance Williamson, Director General, Corporate Management Planning, Army

Major General Duncan Lewis, Commander, Special Operations Command

Outcome 4: Air Force capability for the defence of Australia and its interests

Output 4.1—Capability for air combat

Output 4.2—Capability for combat support of air operations

Output 4.3—Capability for strategic surveillance

Output 4.4—Capability for maritime patrol aircraft

Output 4.5—Capability for airlift

Air Marshal Angus Houston, AO AFC, Chief of the Air Force

Ms Grace Carlisle, Assistant Secretary, Resource Planning, Air Force

Outcome 5: Strategic policy for the defence of Australia and its interests

Output 5.1—Strategic and international policy, activities and engagement

Output 5.2—Military strategy and strategic operations

Mr Shane Carmody, Deputy Secretary, Strategic Policy

Ms Myra Rowling, First Assistant Secretary, Strategic and International Policy

Dr Ralph Neumann, First Assistant Secretary, Capability, Investment and Resources

Air Vice Marshal John Blackburn, AM, Head, Policy Guidance and Analysis

Outcome 6: Intelligence for the defence of Australia and its interests**Output 6.1—Intelligence**

Mr Ron Bonighton, Deputy Secretary, Intelligence and Security

Mr Steve Merchant, Director, Defence Signals Directorate

Ms Margot McCarthy, Head, Defence Security Authority

Mr Frank Lewincamp, Director, Defence Intelligence Organisation

Outcome 7: Superannuation and housing support services for current and retired defence personnel**Output 7.1—Superannuation and housing support services for current and retired defence personnel**

Mr Jon Collings, Assistant Secretary, Strategic Business Management

Defence Science

Dr Ian Chessell, Chief Defence Scientist

Inspector General

Mr Claude Neumann, Inspector General

Public Affairs

Ms Jenny McKenry, Head, Public Affairs and Corporate Communication

Mr Murray Domney, Assistant Secretary, Public Affairs and Corporate Communications

Corporate Services

Mr Alan Henderson, Deputy Secretary, Corporate Services

Commodore Michael Smith, AM, Director General, The Defence Legal Service

Mr Mike Scrafton, Head, Infrastructure

Mr Mike Pezzullo, Assistant Secretary, Strategic Planning and Estate Development

Brigadier Peter Hutchinson, Director, General Infrastructure Asset Development

Mr David Kenny, Head, Information Systems

Mr Ken Moore, Head, National Operations

Mr Patrick Hannan, Chief Information Officer

People**Defence Personnel**

Rear Admiral Brian Adams, AO, Head, Defence Personnel Executive

Mr Peter Sharp, First Assistant Secretary, Personnel

Mrs Sue Parr, Director General, Personnel Policy and Employment Conditions

Air Commodore Tony Austin, AM, Director General, Defence Health Service

Mr Mal Pearce, Director General, Military Compensation

DHA

Ms Alice Dobes, Assistant Secretary, Treasury and Tax Management

Mr Ken Moore, Head, National Operations

Mr Charles Oakenfull, Assistant Secretary, Personnel Services

Defence Housing Authority

Mr Richard Bear, General Manager, Development and Sales

Mr John Brocklehurst, Manager, Resources and Financial Policy

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

Outcome 1—Eligible veterans, their war widows and widowers and dependents have access to appropriate compensation and income support in recognition of the effects of war service.

1.1—Means tested income support, pension and allowances

1.2—Compensation pensions, allowances etc

1.3—Veterans' Review Board

1.4—Defence Home Loans Scheme

Mr Bill Maxwell, Division Head, Compensation and Support

Mr Geoff Stonehouse, Division Head, Health

Ms Peta Stevenson, Acting Branch Head, Defence Links, Compensation and Support

Dr Keith Horsley, Senior Medical Adviser

Mr Mark Johnson, Branch Head, Disability Compensation, Compensation and Support

Mr Roger Winzenberg, Branch Head, Income Support, Compensation and Support

Ms Olivia Witkowski, Acting Branch Head, Housing and Aged Care, Health

Mr Paul Pirani, Branch Head, Legal Service, Compensation and Support

Mr Arthur Edgar, A New Military Compensation Scheme, Compensation and Support

Mr Bruce Topperwien, Executive Officer, Veterans' Review Board

Outcome 2—Eligible veterans, their war widows and widowers and dependents have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life.

2.1—Arrangement for delivery of services

2.2—Counselling and referral services

Mr Geoff Stonehouse, Division Head, Health

Mr Barry Telford, Branch Head, Health Services, Health

Mr Wes Kilham, Branch Head, Younger Veterans and VVCS, Health

Mr Chris Harding, Specialist Business Adviser, Business Analysis and Development Unit, Health

Dr Graeme Killer, AO, Principal Medical Adviser

Mr John Fely, Acting Branch Head, Health e-business, Health

Ms Olivia Witkowski, Acting Branch Head, Housing and Aged Care, Health

Outcome 3—The service and sacrifice of the men and women who served Australia and its allies in wars conflicts and peace operations are acknowledged and commemorated.

3.1—Commemorative activities

3.2—War cemeteries, memorials and post-war commemorations

Mrs Felicity Barr, Division Head, Corporate Development

Ms Kerry Blackburn, Branch Head, Commemorations, Corporate Development

Air Vice Marshal Gary Beck, AO (Retired), Director, Office of Australian War Graves

Outcome 4—The needs of the veteran community are identified, they are well informed of community and specific services and they are able to access such services.

4.1—Communication and community support To the provider and veteran community

Mrs Felicity Barr, Division Head, Corporate Development

Mr Geoff Stonehouse, Division Head, Health

Ms Carol Bates, Branch Head Strategic Support Branch, Corporate Development

Ms Olivia Witkowski, Acting Branch Head, Housing & Aged Care, Health

Outcome 5—Current and former members of the Australian Defence Force who suffer an injury or disease which is causally related to employment in the ADF are provided with compensation and rehabilitation benefits and services.

5.1—Incapacity payments, non-economic lump sums

5.2—Medical, rehabilitation and other related services

5.3—Individual Merits Review

5.4—Advisory and information services

Mr Bill Maxwell, Division Head, Compensation and Support

Mr Mark Johnson, Branch Head, Disability Compensation, Compensation and Support

Mr Arthur Edgar, Military Compensation, Compensation and Support

Ms Peta Stevenson, Acting Branch Head, Defence Links, Compensation and Support

Output group 6—Provision of services to the Parliament, Ministerial services and the development of policy and internal operating regulations—attributed to outcomes 1 to 5.

Dr Neil Johnston, Secretary

Mrs Felicity Barr, Division Head, Corporate Development

Ms Carolyn Spiers, Branch Head, People Services, Corporate Development

Mr Sean Farrelly, Branch Head, Resources Branch, Corporate Development

Ms Gail Urbanski, Branch Head, Parliamentary and Corporate Affairs

Mr Paul Pirani, Branch Head, Legal Service, Compensation and Support

Mr Bob Hay, Chief Information Officer, Compensation and Support

Ms Karin Malmberg, Director, Budgets, Resources Branch, Corporate Development

Mr Dermot Walsh, Director, Output Pricing and Ownership, Corporate Development

Australia War Memorial

Outcome: Australians remember, interpret and understand the Australian experience of war and its enduring impact on Australian society.

Mr Mark Dawes, Assistant Director, Branch Head, Corporate Services

Mr Mark Whitmore, Assistant Director, Branch Head, National Collection

Ms Helen Withnell, Assistant Director, Branch Head, Public Programs

Ms Rhonda Adler, Head, Finance Section

Ms Leanne Patterson, Assistant Manager, Finance Section

Ms Liz Holcombe, Executive Officer, Corporate Services

Department of Defence

CHAIR—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome back Senator Hill, the Minister for Defence, and officers of the Defence organisation. Last night when the committee adjourned we were considering the capital budget. We will continue with questions on the capital budget. At approximately

5.30 p.m. the committee will conclude its scrutiny of the Department of Defence and move to examination of the DHA until the dinner break. After dinner the committee will examine the Department of Veterans' Affairs. When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions and the questions will be forwarded to the department for an answer. We are dealing with questions on the capital budget.

Mr Roche—Could I provide a couple of confirmations or answers from last night? In relation to the joint strike fighter project, I was asked how many staff we had on that project. I think I said 20 to 30. The answer is actually 25.

Senator HOGG—Good guess!

Mr Roche—I was asked how many engineers were involved in the contract between Hawker de Havilland and Lockheed Martin. There are six engineers and the contract value is \$2.5 million. The cost to date of the full cycle docking of Collins has been \$120 million.

Senator CHRIS EVANS—That is \$120 million for Collins. What is the estimated full cost going to be?

Mr Roche—I think it is very close to the full cost.

Senator CHRIS EVANS—Even though it is going to be up for another year?

Mr Roche—Yes. It factors in all that we know at this stage.

Senator CHRIS EVANS—But you are still in dispute, aren't you, with Kockums about some of the welding issues?

Mr Roche—Yes. That does not make allowance for any recoveries that are made. That just assumes at this stage that that is the total cost. We are in discussion with Kockums about how that might be shared.

Senator CHRIS EVANS—I see. So the costs will not get any greater. It is just a question of whether you get any of that back out of Kockums.

Mr Roche—That is our expectation at this stage.

Senator CHRIS EVANS—Is there any agreement at all with Kockums about that or are you still discussing it?

Mr Roche—We are still in discussion.

Senator CHRIS EVANS—We delayed a conversation about various operations, such as Catalyst, Falconer et cetera, on the basis that we were going to get a schedule that would prevent us from having an unstructured discussion. Are we going to be in a position to get that this morning?

Senator Hill—I have a schedule. Can I have a few minutes to have a look at it?

Senator CHRIS EVANS—Sure.

Senator Hill—I meant to last night but—

Senator CHRIS EVANS—I do not know what you were doing between 12.30 and 7 this morning, Minister. I had all that time on my hands too. While the minister reads that, can I ask

a couple of questions about facility projects? The first one is Mulwala, which we have discussed before. Is anyone able to tell me where that is at?

Senator Hill—There is a submission to cabinet on the way forward that should be considered soon. That has been based on a great deal of discussion with ADI and a certain amount of consultation with parties in the global munitions business who would be interested in bidding on the redevelopment.

Senator CHRIS EVANS—So what has happened with the remediation project?

Senator Hill—That is separate and distinct. There is one remediation program being implemented. I thought that you were interested in the redevelopment.

Senator HILL—I am. The remediation project seems to have dropped out of the budget papers. I am trying to get a handle on what has happened to the whole thing.

Major Gen. Haddad—As the minister said, there are two distinct aspects of this activity. One is the remediation of the site. We are getting advice from New South Wales EPA about our requirements in respect of that. That work is nearly finalised. A plan of a strategy of how to do that remediation will then be developed, agreed and implemented. Funding is being provided for that.

Senator CHRIS EVANS—What has happened to the funding? You said \$63 million. I cannot track it.

Major Gen. Haddad—That is in the facilities vote.

Senator CHRIS EVANS—Is it just sitting there? That was allocated a couple of years ago—is that right?

Major Gen. Haddad—It was.

Senator CHRIS EVANS—So that has just been carried over.

Major Gen. Haddad—I will have to get someone from that program to tell you how they are managing that in a financial sense.

Senator CHRIS EVANS—Perhaps you could take that on notice for me.

Major Gen. Haddad—It is a separate appropriation.

Senator CHRIS EVANS—Anyway, that \$63 million for remediation is still in the budget.

Major Gen. Haddad—Yes.

Senator CHRIS EVANS—But you still do not have an agreed plan on that yet.

Major Gen. Haddad—We do not have an agreed plan on what work will need to be done. That was an estimate of the likely cost, but the agreed strategy will depend on exactly what work will need to be done.

Senator CHRIS EVANS—When will we have an agreed strategy?

Major Gen. Haddad—Once again, this is in another program and I am not managing that particular aspect, but I understand that that work is progressing and we should be there some time this year.

Senator CHRIS EVANS—I will ask you again about that towards the end of the year, because it seems to have been dragging on and on. What has happened with the other aspect of the project?

Major Gen. Haddad—The other aspect of the project is the replacement of the plant at Mulwala. The submission is with the minister. When all that has been cleared through government we will be going out with an RFT for the new work, in conjunction with Australian Defence Industries.

Senator CHRIS EVANS—Where is the budget for that?

Major Gen. Haddad—At the moment the budget is not identified, because it depends on the strategy that we use to do that. It could be a private finance initiative. That will depend on our results from our RFT. If we satisfy the test for it to be a PFI then that will be paid for through ADI. If that test fails, another funding strategy will have to be worked on.

Senator CHRIS EVANS—So it is fair to say that there is no allocation for that work in the current budget.

Major Gen. Haddad—Not at this point.

Senator CHRIS EVANS—And there is no carryover?

Major Gen. Haddad—No.

Senator CHRIS EVANS—So you have not worked out how to fund it yet, while other options are being considered.

Major Gen. Haddad—The preferred strategy is for that to be a private finance initiative, so it will be funded by ADI.

Senator CHRIS EVANS—It is always the preferred strategy to get someone else to fund it, but we have not had too much luck on those PFIs yet, have we?

Mr Smith—We will keep at it.

Senator CHRIS EVANS—Effectively, it is with the minister for decision.

Major Gen. Haddad—Yes.

Senator Hill—Which one is that?

Major Gen. Haddad—He is talking about Mulwala.

Senator Hill—It is with the government.

Senator CHRIS EVANS—Does someone want to clarify that?

Senator Hill—It will be a cabinet decision. It is a lot of money.

Senator CHRIS EVANS—What are we talking about for that project?

Major Gen. Haddad—The estimated cost that we previously published was \$230 million.

Senator CHRIS EVANS—Is that still a reasonable ballpark figure?

Major Gen. Haddad—It depends on the scope of the work. Some other things have been identified that need to be done to make the site fully operational. It will not be a significant variation from that—so in the ballpark of \$230 million.

Senator Hill—The government committed itself to the project. The detail of the project is the next step to be approved. We hope that will be in the near future.

Senator CHRIS EVANS—Where are we at with the RAAF training college in East Sale?

Senator Hill—At the time of the last election, the government indicated that, with the closing of Point Cook, it intended to transfer the School of Air to East Sale and the headquarters. As understand that, that is basically the officer training bit. The balance was to be transferred to Wagga. The officer training side of it has not yet occurred while the government continues to look at the basing issue nationwide. That is the so-called force disposition project—where the forces for the future should be best based, both in terms of the economic consequences and cost efficiencies and military effectiveness.

Senator CHRIS EVANS—So is it fair to say that the proposal for the RAAF training college at East Sale is now under reconsideration? Is it an approved project, for instance?

Senator Hill—I have said to the people at East Sale that we cannot progress the announcement the government made at the last election until we have completed a look at future basing Australia wide. We are looking to complete that as quickly as possible because we know that there are local interests at East Sale that would like us to get on with the capital investment in their region.

Senator CHRIS EVANS—So we have confirmed that the non-officer training is going to Wagga Wagga?

Senator Hill—It has already gone, hasn't it?

Air Marshal Houston—Yes, that is going to go to Wagga Wagga, but the residual officer training elements of the RAAF college will remain at Point Cook until such time as this study is completed.

Senator CHRIS EVANS—So Point Cook will continue to operate as is for the time being?

Air Marshal Houston—Correct.

Senator CHRIS EVANS—Is there a budget allocation for the development of the training college?

Air Marshal Houston—I do not believe any of it has been formally approved yet. At this stage they are proposals and we still have to go through the cabinet approval process.

Senator CHRIS EVANS—Is one of the options to move the officer training to Wagga as well?

Air Marshal Houston—That is one of the possibilities, but it is all wrapped up in a much broader study. Simply put, we have got too many bases and they are costing us an arm and a leg to maintain. We need to review the estate with a view to rationalising it.

Senator CHRIS EVANS—What about the training that you currently do at Edinburgh?

Air Marshal Houston—The training at Edinburgh is our initial recruit training—our recruit training school. The proposal is that that will be moved to Wagga. The reason for that is most of the people who go through that school end up at Wagga anyway for the remainder of their training, and there are efficiencies to be gained by moving that to Wagga Wagga.

Senator Hill—That was in fact announced several years ago, wasn't it? As I understand it, that was not part of the same announcement.

Air Marshal Houston—Certainly. It has been announced, but as yet we have not funded it, I believe.

Senator CHRIS EVANS—I have found over the years not to follow the announcements but to follow the money. So I am just trying to ascertain whether we have allocated money for any of these projects. It seems that certainly for East Sale no money has been allocated at this stage, and that is now wrapped up in the bases review. Is that a fair summary?

Senator Hill—My parliamentary secretary actually looks after bases, so I am not in a position to say whether there is money attached to it or not. I have never quite worked out how this mysterious blue book works. Is this the blue book or the green book?

Mr Smith—The green book.

Air Marshal Houston—We can check the status of it. I do not actually directly manage that side of it; the infrastructure people do, but I believe they are headed this way at high speed.

Senator CHRIS EVANS—I am not sure whether I am reassured or not by that. Scrafton and Pezzullo headed at high speed! Maybe you could take on notice any further information you can give us about whether that is actually funded. I cannot find it in the budget, so I presume the answer is no. I will leave facilities at that for the time being.

[9.20 a.m.]

CHAIR—We will move on to outcome 1, Command of operations in defence of Australia and its interests and output 1.1, Command of operations.

Senator CHRIS EVANS—I want to ask some questions about East Timor. I want to start with an explanation: I remember that in the 2001-02 additional estimates round \$195 million of additional money was promised for 2002-03 but, looking at the budget figures, it appears only half of that was spent and that \$95.4 million was returned to the government. I am trying to get a handle on that. I have read a number of interesting press releases by the Treasurer about how much East Timor is costing us, which do not seem to coincide with the Defence estimates figures, so I want to get a sense of the costing of the Timor operation. Then, General Cosgrove, I want to ask some general questions about what is happening. I know the UN has put in the request for a security force to be maintained because of concerns about stability et cetera. So I have some policy and some finance questions and I do not know which are easier to start with first.

Gen. Cosgrove—I think we could do either. We have our financial moguls here.

Senator CHRIS EVANS—I suspect they thought they were going to get a day off today.

Mr Smith—They don't have days off.

Senator CHRIS EVANS—Can someone explain to me what is happening to the funding globally with East Timor?

Senator Hill—It is a big question.

Senator CHRIS EVANS—I am sure Mr Veitch is up to it.

Mr Veitch—We will try. The government's commitment to East Timor is roughly \$600 million per annum. It is made up of two components: one is a figure of \$260 million per annum which is to maintain the deployment in East Timor and the other figure, which is roughly running at the moment at \$340 million, is to maintain the government's commitment to higher preparedness levels, the extra battalion and a combat support group for Air Force to be able to respond to operations, such as East Timor. So the government's commitment is about \$600 million at the moment.

Senator CHRIS EVANS—So we are still costing the extra battalion against East Timor?

Mr Veitch—No. It is costed against what we call 'force generation'. If you look in the budget papers—I think it is in the overview; I will just find the reference—

Senator CHRIS EVANS—Page 14?

Mr Veitch—It is on page 21. I just have to locate the part in the table. While someone is finding that for me, you will notice two figures, Senator, on page 21 of our portfolio budget statements. One is in the third line of figures—the force generation funding of \$448.9 million. If you go about a third of the way down the column you will find another figure in the year 2005-06 of \$457.8 million. Those two figures represent the government's commitment at the time the white paper was announced, which in those prices was \$415 million, to the extra battalion for Army and the combat support group for Air Force. As part of the white paper, Defence will be funded to maintain that capability on a permanent basis to respond to situations such as East Timor from 2004-05.

In the run-up to 2004-05, the funding is composed of two elements. One is the force generation component, which is building up to the \$400 million that I have just described, and the other is the commitment to maintain the forces in East Timor, which is running down as our level of commitment reduces. That is currently running at about \$260 million, or that is what is included in this year's budget for it. There are, however, some adjustments that need to be made to that at the additional estimates to reflect the reduced drawdown that has been announced by the government. We did not have time to do that and factor it into the budget papers. A decision was made to put that off until additional estimates.

Senator CHRIS EVANS—By reduced drawdown, do you mean maintenance of current strength?

Mr Veitch—Reduced number of people compared to our original planning estimates. So the \$260 million we think will reduce by somewhere between \$50 million and \$100 million at additional estimates, which would be broadly in line with the adjustment we made in the estimates this year, where we returned \$95 million to the department of finance because of the accelerated drawdown.

Senator HOGG—Can I just get this straight: it is out of that \$457 million?

Mr Veitch—That is right. The \$457.8 million, and the figure for the year before is \$448.9 million.

Senator HOGG—You are saying that out of that, roughly \$340 million is the—

Mr Veitch—No, that is the—

Senator HOGG—That is the full cost?

Mr Veitch—The number that compares with that which is in this year's budget paper is \$340 million.

Senator CHRIS EVANS—Where do we find that?

Mr Veitch—You will not find it as a variation in the budget because it has been embedded there for a number of years. The East Timor commitment has been ongoing since 1999. So what we do from year to year is adjust that on a no-win, no-loss basis, which is the arrangement for which we have the funding for the deployment component, and we adjust at each budget or additional estimates for what the actual costs are. You will notice in the budget papers—I will get someone to find the reference for me—that we handed back to government \$95 million this year.

Senator CHRIS EVANS—I have raised that with you, and that is why I want to understand why we did that.

Senator HOGG—If you go to the next page, page 22, you see where you have handed back the money. That is quite obvious, but it is not all that obvious where the recurrent expenditure for East Timor is.

Mr Veitch—As I said, because it has been locked in successive budgets since 1999, it is not visible in terms of a new budget measure because all we do is show variations on it from year to year.

Senator CHRIS EVANS—Why do you show the force generation? That is also locked in.

Mr Veitch—The force generation represents a new measure by the government. We are trying to show in that table a construction of how we have moved forward from the white paper funding commitment back in the year 2000 to today's budget. So we are trying to show the progressive build-up of the budget. If we did not include that, obviously there would be a hole there.

Senator CHRIS EVANS—Explain to me why you returned \$95 million.

Mr Veitch—Compared to the original force level commitments that were based on a higher average number of staff being in East Timor for the year, what we did was to adjust our estimates to reflect the actual costs for the year.

Senator CHRIS EVANS—You are saying we withdrew more troops more quickly than had been planned?

Mr Veitch—Compared to the original planning basis of some years ago, yes.

Senator CHRIS EVANS—Compared with when? I have not seen any announcement about that; I understood they were being withdrawn according to the program that had been public for some time.

Mr Veitch—I do not know whether the minister wants to comment, but I think we have made some successive announcements on the numbers that have progressively—

Senator CHRIS EVANS—Maybe we had better come back to that. Maybe General Cosgrove or someone would like to take me through what is happening in terms of troop numbers in Timor. That might help the figures make more sense to me.

Gen. Cosgrove—As you know, the government has committed, over the long haul of Timor, to a proportion of around 25 per cent of the total peacekeeping force and, although we have not changed our position, we have adjusted our force levels to meet the UN's requirements. The UN planned originally to gradually reduced PKF numbers—and we were in the middle of that—but that plan was revised by the UN in March 2003. A slower rate of the PKF drawdown was then proposed as a result of a deterioration in the internal security situation in East Timor in late 2002 and early 2003. I ought to remark, though, that that has not continued and things have been rather quieter in East Timor since that time.

Australia responded to the UN's request for a slower rate of the PKF drawdown by amending the rate of reduction in our contribution. As a result, the 1st Battalion of the Royal Australian Regiment was due to deploy with two rifle companies, a headquarters and support staff but has instead gone with three, with an overall ADF commitment of around 990 people. In November this year—

Senator CHRIS EVANS—When did they go, General?

Gen. Cosgrove—They have gone to the western regions—

Senator CHRIS EVANS—When?

Gen. Cosgrove—They were deployed in early May.

Senator CHRIS EVANS—They have just gone?

Gen. Cosgrove—Yes.

Senator HOGG—Where did they go?

Gen. Cosgrove—They went essentially to the same area where Australian battalions have been operating under the UN, and that is in the western part of East Timor, on the border. In November 2003, the level of commitment will reduce to around 440 people until the planned end of the UNMISSET mission in July 2004. We remain strongly committed to the peacekeeping mission and responsive to the UN, although it is our desire not to pass beyond about the 25 per cent level of the force.

Senator HOGG—Have the UN revised their view, which they obviously formed earlier, about the instability that has been there or has it just been a matter of, as time has passed, people have accepted that things have changed?

Gen. Cosgrove—There was a degree of nervousness, if I could put it that way, which was obvious in East Timor and with the UN, concerning a few incidents which cumulatively suggested that they did need to slow down. All I will observe is that, since that time, since March when this negotiation was in train, the security situation has been better.

Senator CHRIS EVANS—When was that change in policy—the March decision—announced?

Senator Hill—What change in policy?

Senator CHRIS EVANS—I think it was described as a slowdown in the rate of reduction.

Senator Hill—I am not sure how fixed the UN reduction schedule was. What was fixed is the time of this mission, which expires in the middle of next year. The force breakdowns are done about on a six-monthly basis. There was debate a few months ago in the United Nations as to whether the UN force term should be extended, and the decision was that it would not, but arising from that debate there was consideration of and a decision to slow the rate of reduction in the meantime.

Senator CHRIS EVANS—I know, but I am also conscious that the Australian government does not just do what the UN says. There would have been a government decision about—

Senator Hill—The UN decides the size of the force, and it is a UN force, but it asks for contributions.

Senator CHRIS EVANS—General Cosgrove just made it clear that we had increased our planned contribution of two rifle companies to three.

Senator Hill—No, we have not increased our contribution.

Senator CHRIS EVANS—Not our total contribution, but it was originally planned, as I understood the government's schedule—

Senator Hill—Our rate of drawdown has slightly reduced. We are not drawing down quite as quickly as we intended to six months ago, and that is as a result of a request from the UN.

Senator CHRIS EVANS—I accept that. What I asked is when we made that decision.

Senator Hill—That was a couple of months ago now.

Senator CHRIS EVANS—I want to know when we made that decision and when it was announced.

Mr Smith—It was March.

Senator CHRIS EVANS—Can someone give me the detail of that and whether there was any public announcement of that?

Mr Smith—We will check that.

Senator CHRIS EVANS—I do not seem to be able to find any record of that. That was the first I had heard that—

Senator Hill—I am told the UN approved the revised plan on 4 April. It is around that period—about a month or so before the last rotation.

Senator CHRIS EVANS—Perhaps you could take on notice the date that we approved that and whether there was any public announcement of that. I understand now we have three rifle companies, with a total of 990 people, up there on this rotation. General Cosgrove, do you have the planned rate of reduction from here on in?

Senator Hill—The next rotation is towards the end of the year. We have not yet finalised the composition of our force. There is still some discussion on that.

Senator CHRIS EVANS—Is that relating to a discussion in the UN about the total size or just about our contribution to it?

Senator Hill—We have got the rate of reduction that the UN would like to see. We have to make a decision on our contribution towards what the UN like to see. We are discussing the detail of that at the moment.

Senator CHRIS EVANS—Can someone tell me what the UN would like to see in terms of the rate of reduction between now and July?

Senator Hill—We can tell you what the projected UN force is at the end of the year. We may be able to do that now.

Mr Smith—I can tell you that. My understanding is that the UN figure for the end of the year is 1,750.

Senator CHRIS EVANS—And there will be total withdrawal in July 2004?

Gen. Cosgrove—The mandate finishes in July 2004.

Senator CHRIS EVANS—And has been no advice that that is likely to be extended beyond then?

Senator Hill—There are some who are arguing that it should be, and I said there was some debate in the UN as to whether it should be, but the nation states decided no at the time.

Senator CHRIS EVANS—I am just following your advice. I am not asking about the discussion; I am asking about the decision. We have no advice from the UN that any decision has been made to extend beyond July?

Senator Hill—The UN has made no decision to extend.

Senator CHRIS EVANS—So we are operating on the basis that our commitment will end in July?

Senator Hill—That is correct.

Senator CHRIS EVANS—Is it fair to assume that, if the government were to determine to maintain its contribution at the current level, we would be contributing in the order of 452 troops at the end of the year?

Gen. Cosgrove—That is the target but, as you would see from the last few months, the UN revisits its plans. But our target is to have 440 late this year. It is around 440; it is not precisely 440.

Senator CHRIS EVANS—Barring advice, requests or decisions by the UN to the contrary, you are planning to reduce our commitment in East Timor to around 440 in the next rotation at the end of the year?

Gen. Cosgrove—Yes.

Senator CHRIS EVANS—I draw back to what seems to be counterintuitive, Mr Veitch—as I understand it, at the same time we are under pressure to maintain our commitment at a higher level than we had planned, we are handing money back on the basis that we have a lower commitment? I find that a bit confusing.

Mr Veitch—It is lower compared to how we structured the budget a couple of years ago in terms of the run-down. While it is running down at a lesser rate than what we had originally

planned, it is again less than the original planning base, so we will have surplus money to hand back to the department of finance at the additional estimates.

Senator CHRIS EVANS—So you did not adjust it at last budget in accordance with this timetable?

Mr Veitch—No, we haven't. As I explained, we adjusted it retrospectively with the department of finance in constructing this year's budget for 2002-03, which was the \$95 million I described. Time prevented us from coming to an agreement with the department of finance on what the number would be for 2003-04. We mutually agreed with Treasury that we would delay the adjustment in the budget 2003-04 until the additional estimates. When we come back for additional estimates, you will be able to see exactly what we have done with the money. I am expecting the hand back to be of a similar magnitude.

Senator CHRIS EVANS—That is what I cannot understand. What General Cosgrove has just told me is that we will be actually maintaining more troops there in the next financial year than in the plan that has been on the board for a couple of years. But you are telling me that it is going to cost us less?

Mr Veitch—The budget that was struck some time before the plan General Cosgrove talked about was higher than that.

Senator CHRIS EVANS—But in the plan we have been talking about this drawdown has been around for two or three years, and that is why I cannot understand it.

Mr Veitch—I work with Finance and Treasury to adjust it at the appropriate time. We adjust it retrospectively because the thing does move around and under our no-win, no-loss arrangements that seems to be a healthy way of doing it. At the appropriate point in time—when we have enough information, because the finance generally follows the commitment level of forces—it is easy to calculate, and that process works reasonably well. If I can clarify an answer I gave earlier, it might put this in context for you. When you asked, 'Where is this visible in the budget papers?', the last time we made it as visible as we are talking about now was in the 2001-02 portfolio budget statements. Someone might have a copy that they could show you.

Senator CHRIS EVANS—I have a copy.

Mr Veitch—If you go to page 18, you will find a breakdown of the two components of the East Timor commitment that I talked about. For example, in 2001-02, the government allocated \$275 million towards the deployment and \$375 million towards force generation commitments, which is \$650 million overall. For 2002-03, the corresponding figures were \$291 million for deployment and \$310 million for force generation—an all-up total of about \$600 million. For 2003-04, in the budget that has just been brought down—and this would have been adjusted for price—the figure was \$261 million for deployment and \$302 million for force generation, which totals approximately \$562 million. As the commitment winds back completely and if it winds back to no commitment at all from 2004-05, obviously the deployment money diminishes to nothing and the force generation rises to the \$440 million to \$450 million we talked about earlier. That represents the extra battalions for the Army and the combat support capability that will endure as part of the white paper funding commitment.

Senator CHRIS EVANS—Is that still rising because that full capability has not been raised yet?

Mr Veitch—It is progressively being raised. It is a balancing act, balancing the draw-down and embedding of the new capability, but that is substantially complete. So by next financial year that capability, including all the support services and equipment, should be well and truly in place.

Senator CHRIS EVANS—And that will return to a normal budget item, will it?

Mr Veitch—Yes, it will.

Senator CHRIS EVANS—It will be absorbed into the normal budget?

Mr Veitch—It will be but, as I said before at additional estimates, I am happy to update that table to show the actuals that have occurred in those years and the adjustment that we will make with Finance in terms of the \$95 million hand-back last year and what we will hand back this year.

Senator CHRIS EVANS—It is the only bit of white paper money I can find, Mr Veitch. Don't take that from me.

Senator HOGG—How will it appear in the annual report?

Mr Veitch—I can undertake to give a similar presentation to table 1.3 that we showed in 2002, if you would like.

Senator HOGG—That would be helpful.

Senator CHRIS EVANS—General Cosgrove, can you tell me at this stage whom it is planned to go on the next rotation to Timor?

Gen. Cosgrove—The 6th Battalion, Royal Australian Regiment.

Senator CHRIS EVANS—What would that consist of, in rough terms—one rifle company?

Gen. Cosgrove—Let me caveat this by saying that, given the UN's propensity to review things along the way—

Senator CHRIS EVANS—A bit like governments.

Gen. Cosgrove—the plan would be for a headquarters, one rifle company and supporting troops. That would be the basis of a multinational battalion which would cover the whole of the tactical control line, which is the border.

Senator CHRIS EVANS—And who else would be there as part of that tactical group?

Gen. Cosgrove—They are irreverently described as bits and bobs—the logistic troops and other small specialist teams that we would routinely keep to support the force, but they would be largely based in the west, probably with a further presence, including a national headquarters, in Dili.

Senator CHRIS EVANS—Can someone take me through what resources are currently allocated to Operation Relex II?

Mr Veitch—In dollar terms?

Senator CHRIS EVANS—In dollar and in platforms et cetera.

Mr Veitch—I can certainly give you the dollar figures. It might be best if I leave the other two to our operations people. The government's commitment to Relex and Relex II has been \$58.8 million over the last three years: \$18.7 million in 2001-02, \$22.3 million in 2002-03 and \$17.8 million in this new budget year.

Senator CHRIS EVANS—So we expect to spend \$17 million this year?

Mr Veitch—It is \$17.8 million.

Senator CHRIS EVANS—What does that largely go on?

Mr Bennett—It includes frigates, naval support ships, helicopters, P3C aircraft and a number of transit security elements.

Senator CHRIS EVANS—I will come to that with the operations people. What are you paying for when you pay them or when you allocate \$17 million? Is it for fuel or depreciation on their assets? What are you accounting for in that budget?

Mr Veitch—I have some details on that. There is an amount of \$200,000 for planning, travel and communications support to the operation. There are costs of about \$1.8 million to Navy for port services and maintenance costs. There is an element of about \$100,000 for Army for hard lying allowance for their TSE elements. For Air Force there are travel and accommodation costs for the air crew and maintenance staff that are forward deployed. And for Corporate Services and Infrastructure Group, there are additional garrison support, freight and other support costs for the operation of about \$800,000. In the Defence Materiel Organisation, there is \$2.5 million for the purchase of repairable items, spares and inventory for assets used in the operation.

Senator CHRIS EVANS—Aren't these spares that they would have sought anyway?

Mr Veitch—These are additional items that have been identified as specific to this operation. There are also some repair and maintenance costs and contractor support for the platforms involved. I think I alluded to that in one of my answers yesterday, that there was some remediation for costs for using the platforms in these operations. And there is \$1 million for the Defence Personnel Executive associated with health costs and other overheads. That brings an all-up total of the \$17.8 million I described.

Senator CHRIS EVANS—That is to deploy the health professionals to support the operation?

Mr Veitch—I do not have the detail on that; we could probably get that for you later today.

Senator CHRIS EVANS—Perhaps you could take on notice for me a breakdown of those costs—that would be helpful. Can I get a sense of what we have now got deployed on Relex II in the way of assets.

Gen. Cosgrove—I will ask Admiral Bonser, who is the operational commander, to talk to that.

Rear Adm. Bonser—The current forces that are assigned include one frigate as a sea transport ship at notice if required for long-range transportation, P3C Orion aircraft with others at notice if required, a number of RAN patrol boats and an Army Transit Security

Element. I should also add that the Australian Customs Service also provides Coastwatch aerial surveillance effort and Australian Customs vessels in support.

Senator CHRIS EVANS—So we have got one frigate, the P3Cs and the patrol boats effectively as ADF resources on the job?

Rear Adm. Bonser—That is correct, and the Army transit security element.

Senator CHRIS EVANS—Apologies to Army: I know how much they look forward to going to sea. Which frigate is deployed there currently?

Rear Adm. Bonser—HMAS *Arunta*. It has just taken over the duty there.

Senator CHRIS EVANS—Is it sailing out of Darwin? Is it based out of Darwin?

Rear Adm. Bonser—Based in Western Australia.

Senator CHRIS EVANS—You do not change its basing?

Rear Adm. Bonser—They visit various ports in northern Australia for logistic purposes while they are on duty.

Senator CHRIS EVANS—What sort of tour of duty are they doing, time wise?

Rear Adm. Bonser—It is about month about at the moment.

Senator CHRIS EVANS—On Relex?

Rear Adm. Bonser—Yes.

Senator CHRIS EVANS—So you send another ship up there in a month's time?

Rear Adm. Bonser—Yes. In fact, the *Newcastle*, which has just been involved in the rescue of the rowers, was just coming off station and was relieved by *Arunta* as she went down to do that particular rescue.

Senator CHRIS EVANS—Why are you turning them around so quickly?

Rear Adm. Bonser—It is just to give people a break and rotate them through that particular task in a reasonable fashion.

Senator CHRIS EVANS—Is that partly driven by the crew's boredom at the tour of duty?

Rear Adm. Bonser—It is related to a whole range of things, including maintenance requirements for the ship's logistics support and everything else.

Senator CHRIS EVANS—I would have thought it was quite costly to rotate them that quickly.

Rear Adm. Bonser—It is the cost of one ship over the same period of time.

Senator CHRIS EVANS—What is their normal sailing pattern on these month-long deployments—are they at sea largely for that month?

Rear Adm. Bonser—A lot of the time they are at sea, and then they do regular visits, every couple of weeks, to a port in the middle of deployments for replenishment of fresh food or the like and a short break.

Senator CHRIS EVANS—Is that likely to be Darwin and Christmas Island?

Rear Adm. Bonser—It might be any of the ports in north-western Australia from Broome through Port Hedland—one of those ports.

Senator CHRIS EVANS—But in terms of off the Australian mainland, is Christmas Island the only other port of call? Is that a regular port of call for them?

Rear Adm. Bonser—They can't actually pull in there because there is no wharf but they do send boats and helicopters ashore to pick up mail, newspapers and provisions.

Senator CHRIS EVANS—How many Orions are currently assigned to the operation?

Rear Adm. Bonser—Currently one with another on standby if required.

Senator CHRIS EVANS—Where is that one operating out of?

Rear Adm. Bonser—Out of Darwin.

Senator CHRIS EVANS—Is the standby one in Darwin as well?

Rear Adm. Bonser—No, back at home base.

Senator CHRIS EVANS—So the standby means it is available if the other one is out of action for some reason.

Rear Adm. Bonser—Or required for searching or anything like that.

Senator CHRIS EVANS—And the patrol boats are doing their normal patrols. Is that fair to say?

Rear Adm. Bonser—Yes, that is fair to say and just concentrating on relative areas as necessary.

Senator CHRIS EVANS—When did we move down to one frigate?

Rear Adm. Bonser—In the last two months. I will just have to go back and confirm the date. We have done that in the last few months.

Senator CHRIS EVANS—So in the last few months you have reduced the commitment to Relex II from two frigates to one?

Rear Adm. Bonser—That is correct.

Senator CHRIS EVANS—I would appreciate it if you could get that date for me. What about the Orions? Were their numbers downgraded as well?

Rear Adm. Bonser—We originally had two working out of Darwin and one of those has been reverted to a notice to move, a lead time to react if necessary.

Senator CHRIS EVANS—And was that part of the same decision?

Rear Adm. Bonser—That is correct.

Senator CHRIS EVANS—What about the survey ships? When did they stop?

Rear Adm. Bonser—That was at the same time. There were not two frigates there; it was one frigate and a survey ship and it was the survey ship that came out.

Senator CHRIS EVANS—So we went from two ships to one and from two Orions to one. Is the helicopter detachment still there? Wasn't there a Sea King?

Rear Adm. Bonser—Not operating out of Christmas Island, no. If the frigates are carrying a helicopter—they may be, they may not—

Senator CHRIS EVANS—I am trying to refresh my memory because was one was based at Christmas Island for a while, wasn't it?

Rear Adm. Bonser—Yes it was. That is no longer there.

Senator CHRIS EVANS—When did that come out?

Rear Adm. Bonser—That was at the same time.

Senator CHRIS EVANS—So the Sea King has gone back to base?

Rear Adm. Bonser—Yes, in Nowra.

Senator CHRIS EVANS—Were there any other changes in commitment? I am just trying to go through the frigates.

Rear Adm. Bonser—The number of transit security elements reduced.

Senator CHRIS EVANS—How many are on that now?

Rear Adm. Bonser—One transit security element.

Senator CHRIS EVANS—How many originally?

Rear Adm. Bonser—Three.

Senator CHRIS EVANS—How many in each unit?

Rear Adm. Bonser—Fifty-odd people.

Senator CHRIS EVANS—Are they stationed on the frigate or are they just on call?

Rear Adm. Bonser—When the frigate is on station, they are there. Sometimes they may be ashore at one of the relevant locations like Christmas Island, but in the main—

Senator CHRIS EVANS—Basically they are on the ship while they are on that tour of duty?

Rear Adm. Bonser—Yes.

Senator CHRIS EVANS—Thank you for that. Minister, are we going to get that schedule?

Senator Hill—Yes, we are just doing some finetuning.

Senator CHRIS EVANS—The whiteout is out, is it?

Gen. Cosgrove—Please!

Senator CHRIS EVANS—Seriously, there are a couple of things that relate to that that I will come to later if the schedule is coming; if it is not coming I will press on.

Senator Hill—No, it is definitely coming. It is not far away.

Senator CHRIS EVANS—I will wait expectantly then.

ACTING CHAIR (Senator Ferguson)—Anything further on outcome 1?

Senator CHRIS EVANS—No. I think we could move on to Navy.

[9.59 a.m.]

ACTING CHAIR—We will now move to outcome 2, Navy capability for the defence of Australia and its interests.

Gen. Cosgrove—Does Senator Evans intend to return to output 1 later?

Senator CHRIS EVANS—No, not really. Basically I want to press on.

Gen. Cosgrove—I propose that we might excuse Rear Admiral Bonser, whose job is in Sydney.

Senator CHRIS EVANS—Yes, sure. I am sure Admiral Ritchie will be able to handle anything that comes up. I will start with the ASC. This question is probably to the minister. I would not mind an update on whether it is still the government's intention to sell the ASC and, if so, when that is likely to occur.

Senator Hill—That is still the government's intention. We do not have a fixed timetable for that. When we took it off the market in about January of last year, we said that we wanted to progress certain matters before returning the corporation to the market. Some of those matters, such as putting in place a capability agreement with Electric Boat, have been achieved but some others, such as settling outstanding disputes with Kockums, have not.

Senator CHRIS EVANS—Is there any likelihood of the dispute with Kockums being settled in the immediate future?

Senator Hill—We live in hope.

Senator CHRIS EVANS—Is there any basis for that hope?

Senator Hill—We also obviously make contingency plans on the basis that it is not going to be settled in the near future. Basically, we cannot allow the disputes to hinder or delay the capability enhancement for the boats that we are getting through our relationship with the US Navy and Electric Boat.

Senator CHRIS EVANS—Is the Kockums dispute now going to be pursued legally?

Senator Hill—We have a preference that matters not be resolved in the courts because that takes a great deal of time and very often just leads to another set of issues.

Senator CHRIS EVANS—That is right but we seem to be using up a lot of time anyway, without resolving anything. I am not being highly critical but we are not making much progress on this, are we?

Senator Hill—A great deal of effort has been made on our side to resolve these issues, short of litigation. Both the DMO and AFC have worked hard to that objective and we are disappointed that, so far, we have been unsuccessful. We believed we had made considerable progress last year in agreements in principle with Kockums, but unfortunately we have been unable to turn those agreements and principles into a final package.

Senator CHRIS EVANS—So what is the next step? Do we just continue to hope?

Senator Hill—We are doing a lot more than hoping. We have a whole range of actions at the moment to further progress the matter but I am not all that keen on putting detail of that on the public record.

Senator CHRIS EVANS—I understand that but equally it seems to me that it is an important public policy issue where we just keep getting told: ‘We are in negotiations with Kockums. It is all about to be resolved. It is going to be sold.’ When did you take over the ASC—back in November 2000? It will be three years by the end of the year. I assume there is no likelihood that ASC can be sold in the next year.

Senator Hill—I would not assume that.

Senator CHRIS EVANS—Is it right to say that you will not sell ASC until the intellectual property issues are resolved?

Senator Hill—No. It is our preference to resolve the intellectual property issues.

Senator CHRIS EVANS—So it is not true to say that you have taken a decision not to sell the ASC until those issues are resolved?

Senator Hill—We took a decision, as I said, to take ASC off the market while we sought to resolve a number of outstanding issues. One of the reasons for doing that was to give greater certainty to potential purchasers. If we are going to be unable to resolve those issues, we will reconsider our options.

Senator CHRIS EVANS—You still maintain you may sell it without having resolved those intellectual property issues?

Senator Hill—That is an option that is open to us.

Senator CHRIS EVANS—When Senator Minchin says it is the government’s intention to keep it in government hands for some time yet, is he not singing from the same song sheet?

Senator Hill—Senator Minchin, as the finance minister, and myself, as the defence minister, are working hand in glove on this matter.

Senator CHRIS EVANS—I look at what you said on 7 May and at what he said on 8 May—and there are a few holes in the glove.

Senator Hill—It depends how you read it.

Senator CHRIS EVANS—Literally.

Senator HOGG—Is this a new unity team?

Senator Hill—That is right.

Senator CHRIS EVANS—It seems to me that he is far less optimistic about the sale going ahead than yourself.

Senator Hill—I do not think so; I think he is anxious to sell the Submarine Corporation as quickly as possible. But we also, obviously, do not want to downgrade the government’s asset in doing so.

Senator CHRIS EVANS—Are you still in negotiations with Kockums over the IP?

Senator Hill—Put it this way: as a result of the last round of negotiations, we formed the view that it was now less likely to be settled amicably. That was a matter of great regret to us because, as I said, we had reached understandings with Kockums last year. Nevertheless, we

have not abandoned the cause. We would still prefer a settlement that did not involve litigation.

Senator CHRIS EVANS—Are you seeking legal advice or legal options?

Senator Hill—We have had a mountain of legal advice.

Senator CHRIS EVANS—But you have not yet decided to initiate proceedings against Kockums?

Senator Hill—All of these matters are very current and, as I said, I am a bit reluctant to go further than I have. We would prefer the matter to be settled out of the courts rather than by the courts.

Senator CHRIS EVANS—Have you take a decision to initiate legal proceedings against Kockums?

Senator Hill—Before such a decision was formally taken, there would need to be further consideration by cabinet and that has not yet occurred.

Senator CHRIS EVANS—When is that likely to go to cabinet?

Senator Hill—The matter is very current.

Senator CHRIS EVANS—You mentioned that the capability agreement has been signed with Electric Boat—is that right?

Senator Hill—That is right.

Rear Adm. Scarce—We have signed a seven-year agreement with Electric Boat to provide services to ASC and the Commonwealth.

Senator CHRIS EVANS—And the Commonwealth?

Rear Adm. Scarce—Correct.

Senator CHRIS EVANS—So you as well as ASC are a party to this contract?

Rear Adm. Scarce—We are.

Senator CHRIS EVANS—The intellectual property is in limbo. What services can they provide us, given that they cannot access intellectual property?

Rear Adm. Scarce—They are providing us with a current range of financial and engineering type services that do not require access to Kockums intellectual property.

Senator CHRIS EVANS—What are they giving us if it is things like financial and management advice? Surely we could have sourced that internally?

Rear Adm. Scarce—They are providing us with a view of how a submarine maintainer operates and the policies and procedures that a submarine maintainer operates in a commercial environment. ASC had a focus on build and EB are providing us with very useful information about how to transition the company into a service company.

Senator CHRIS EVANS—But there is effectively a barrier still between them and access to the IP—is that right?

Rear Adm. Scarce—That is correct.

Senator CHRIS EVANS—Is that in relation to all the IP on the subs?

Rear Adm. Scarce—Only that IP which is Kockums specific. The undersecretary has mentioned to me that, whilst we are negotiating with Kockums, we have imposed this barrier ourselves. We would not wish to inflame the situation—

Senator CHRIS EVANS—Or expose the Commonwealth.

Rear Adm. Scarce—Or expose the Commonwealth to litigation.

Senator CHRIS EVANS—I am not worried about inflaming them; I am worried about them suing us.

Mr Roche—I would not want what we have said though to be taken to infer that we would accept any claims that we are not able to transmit any of that intellectual property to third parties.

Senator CHRIS EVANS—I see. That is part of the argument—you dispute that. We are paying \$US20 million. The original was that it be over three years. It is over seven now, is it?

Rear Adm. Scarce—The initial contract is over three years. We have not paid them the full amount because we have not drawn down on all the technical services that were in the original agreement.

Senator CHRIS EVANS—Perhaps you could describe to me, Rear Admiral Scarce, the difference between the three-year \$US20 million contract I was briefed about before and what you have actually signed.

Rear Adm. Scarce—We have signed a three-year contract, but we have indicated to the company that we foresee a period of about seven years to utilise their services. But the contract is signed for three years.

Senator CHRIS EVANS—You have indicated, though, that you will not be paying quite as much as originally planned.

Rear Adm. Scarce—No, it is not a fixed-price contract. We draw down on the services as we require them.

Senator CHRIS EVANS—And that draw-down is occurring at a slower rate than first anticipated?

Rear Adm. Scarce—It is.

Senator CHRIS EVANS—How much have we paid Kockums—I mean—

Rear Adm. Scarce—We have paid Kockums—

Senator CHRIS EVANS—That was a slip, but if you want to answer that one, I would be interested in that question too. How much have we paid Electric Boat?

Rear Adm. Scarce—I will have to take that on notice. It is around \$A7 million per year at the current rate.

Senator CHRIS EVANS—Clearly the \$US20 million would not be paid in the first three years?

Rear Adm. Scarce—That is correct.

Senator CHRIS EVANS—That is a draw-down based on fee-for-service for an agreed set of services, is it?

Rear Adm. Scarce—That is correct.

Senator CHRIS EVANS—What exactly are they doing for us at the moment?

Rear Adm. Scarce—They are working on looking at our planning and scheduling for the first two full cycle dockings. They are looking at the processes that we put in place, making recommendations on how to improve the planning scheduling and the financial accounting for our in-service activities, and bringing with that 100 years of experience in maintaining submarines.

Senator CHRIS EVANS—You said Defence was also party to this contract. Who is paying the \$US20 million? Is it ASC or the government?

Rear Adm. Scarce—The government.

Senator CHRIS EVANS—So it is not coming out of the ASC's books?

Rear Adm. Scarce—No, it is being paid directly by the Commonwealth at this stage.

Senator CHRIS EVANS—Looking at the ASC's books, they could not afford it. Mr Roche, are you able to tell me what the current financial status of the ASC is?

Mr Roche—Not as we speak today. It is really a matter for the Minister for Finance and Administration. The Department of Finance and Administration are the shareholders for the company. It is solvent; it is operating; it is ongoing.

Senator CHRIS EVANS—The last profit I saw in 2001-02 was down to \$0.1 million, so things were getting pretty close to the line. Was the original arrangement that the government would pay the \$US20 million or that it would come out of the ASC?

Rear Adm. Scarce—The original arrangement was that we would pay the first three years.

Senator CHRIS EVANS—I did not understand that. I know it is one and the same thing because the government is the 100 per cent shareholder of this nationalised industry. It is actually going to come out of the Defence budget?

Rear Adm. Scarce—We are paying the bills currently.

Mr Roche—We see the benefit even for the work that has been provided to ASC. To the extent that ASC's procedures are improved and the end result has improved for us, there is a spin-off for us.

Senator CHRIS EVANS—You are also a client of ASC, aren't you? It is a bit of an unusual relationship. You draw up a contract with them for Defence for the full cycle docking.

Rear Adm. Scarce—We are, but at this stage we are joined at the hip in that we are both seeking to improve the performance of the relationship and we are both seeking to improve the performance of the company. EB is vital in bringing that commercial submarine maintenance knowledge into the organisation. I would not want to point to ASC as not having submarine maintenance skills. They certainly do have. This is about raising that level of performance to the next bar.

Senator CHRIS EVANS—I am not suggesting either that there is not a national interest in maintaining our submarine capability, and that it is not perfectly appropriate for Defence to have a passing interest in it. I am trying to understand the relationship. So the Department of Defence are paying the bills for the arrangement with Electric Boat. Is there any contribution from ASC's books to that or is that solely paid by the government?

Rear Adm. Scarce—No, it is solely paid by Defence.

Senator CHRIS EVANS—What bucket is that coming out of inside Defence?

Rear Adm. Scarce—It is coming out of the submarine maintenance allocation.

Senator CHRIS EVANS—How many people do Electric Boat have in Adelaide? What is the size of their physical presence?

Rear Adm. Scarce—Four in Adelaide, and we are introducing an additional member in Western Australia.

Senator CHRIS EVANS—Someone from Electric Boat is coming over to the base?

Rear Adm. Scarce—That is correct.

Senator CHRIS EVANS—So effectively there is still a Chinese wall erected between them on the IP issues and at the moment they are concentrating on the commercial support aspects of the operation—is that correct?

Rear Adm. Scarce—That is correct.

Senator CHRIS EVANS—This question is probably for the minister. Can I have an update on where we are at with the shipbuilding industry rationalisation plan.

Senator Hill—Again, it is linked with ASC. As you know, we have put the plan developed by my department and the industry out in the public arena. There has been considerable debate on that. I have developed a way forward for cabinet consideration. The issue is still basically before cabinet.

Senator CHRIS EVANS—Is there a likelihood of any resolution on the issue soon? Is it effectively delayed by the ASC problems or not?

Senator Hill—It is not easy to progress the issue whilst there remains this uncertainty in terms of ASC. It is hard for us to see a rationalisation of the industry which does not include ASC. If we are unable to sell ASC at the moment, that is a restraining factor.

Senator CHRIS EVANS—I can see that. It seems to me that that is a major issue to prevent it easily going ahead but, given that the ASC thing does not look like getting resolved quickly, is it the case that the rationalisation is dead?

Senator Hill—No, not all because rationalisation will occur in any event simply through commercial pressures. What we are interested in is trying to identify a way in which we could facilitate that rationalisation which would result in the least pain for industry and, at the same time, give us confidence that the Australian shipbuilding industry will be stronger in the future not only in terms of new projects but particularly in terms of maintaining and upgrading our current fleet.

Senator HOGG—Will this impact on any existing or new projects, as you just indicated? If so, in what way?

Senator Hill—We have not allowed it to impact. As we said yesterday, whilst we have been having difficulties in resolving the ASC issues, and therefore the shipbuilding rationalisation issues, we have nevertheless found other ways to progress planned projects. For example, we have been progressing critical prerequisite studies for the proposed air warfare destroyers.

Senator HOGG—What about the patrol boats?

Senator Hill—It has no effect at all on the patrol boats. We are in the final stages of an assessment of the three bids that were short-listed some months ago.

Senator CHRIS EVANS—An announcement on that is due pretty soon, is it not?

Senator Hill—Yes. But, as is the way, it seems to be taking a little longer than what we had hoped.

Senator CHRIS EVANS—So it is the case that the June announcement is now not likely to be June?

Senator Hill—I think the June announcement is now likely to be a July announcement.

Senator CHRIS EVANS—So the May-June announcement—

Senator Hill—It was a May announcement.

Senator HOGG—Another accrual problem.

Senator CHRIS EVANS—Some people came to see me the other day from one of the state governments and they were still working on June. From what you are saying, it is now not likely to be June.

Senator Hill—I think it is more likely in July.

Senator CHRIS EVANS—So the question of the way forward with the shipbuilding rationalisation plan is now to go back to cabinet. Is that a fair—

Senator Hill—That is correct.

Senator CHRIS EVANS—And is that likely to go back to cabinet soon?

Senator Hill—The answer is yes, but we have to make a decision in the very near future on whether there is any point in continuing to seek a negotiated settlement with Kockums. If we reach the conclusion that we are at the end of the line in that process, that will lead to a significant variation to the processes as we have planned them. But, as I think Senator Evans acknowledged, this negotiating process cannot simply go on forever. We would prefer to have reached a negotiated settlement with Kockums and then got on with the other matters that are of interest to us in terms of the sale of the Submarine Corporation and the naval rationalisation plan. If we are unable to reach that negotiated settlement within the very near future we will need to move to plan B.

Senator CHRIS EVANS—Yet it is not just ASC—although the future of ASC and the submarines are important enough—we also have the air warfare destroyer. While you assure

me that work has started et cetera, clearly it is impacting on the next huge naval project. Everything is banking up.

Senator Hill—We have been able to avoid it banking it up, as you say, so far by the steps that we outlined yesterday. But we will reach the point soon where it will start to bank up, and we do not want to reach that point.

Senator CHRIS EVANS—What is the impact of the divorce of the Thales and Tenix joint partnership proposition? I understand that they have announced that it is off in terms of the shipbuilding rationalisation plan. What impact does that have on the planning?

Senator Hill—It does not affect the processes that we are going through. We have said to industry that, in the same way as we are looking to facilitate rationalisation in a sensible way, we think it is in their interests to adopt the same attitude in their commercial decisions. I think that is what Thales and Tenix were seeking to do, but obviously, at least at this point, it has not worked out.

Senator CHRIS EVANS—Someone told me that the aerospace industry sector plan had been released. Is that right?

Senator Hill—If it has, it has bypassed me. Anyway, it is pending.

Senator CHRIS EVANS—I know we are on Navy. It just says, ‘We are discussing industry sector plans.’ I thought we would see how the others were going.

Senator Hill—There are another three. To a great extent the aerospace one has been taken over by the decisions the government made last year in relation to the Joint Strike Fighter. So that is the dominating influence of the aerospace plan. But the formal plan has not yet been released. The electronics one is also, I am told, close to delivery to me.

Senator CHRIS EVANS—There is another one as well, isn’t there?

Mr Roche—Land systems is the fourth one.

Senator Hill—I understand that that one is further behind.

Mr Roche—It is much more difficult.

Senator CHRIS EVANS—More difficult than the—

Mr Roche—It is a more varied and complex sector than the others.

Senator CHRIS EVANS—I am glad we are dealing with the easy ones.

Senator Hill—It does not fit a plan as easily as the others. They are all complex. It is thought that it was delivered to me in the last day or so.

Senator CHRIS EVANS—Someone suggested that you had it.

Proceedings suspended from 10.30 a.m. to 10.45 a.m.

Senator HOGG—Is there any proposal to move the home bases of the frigates?

Vice Adm. Ritchie—There is no current proposal. I think what you are talking about is class basing. At the moment we base Anzac ships and frigates in both Sydney and Fremantle. Until we can provide enough shore infrastructure in the west to make sure that those people who are posted ashore in the west get a fair go of it, it is my intention that we remain that way.

Senator HOGG—How long will that remain the case, in your view?

Vice Adm. Ritchie—I think for the next three or four years at least—which is not to say that we will not move, for other reasons of economy, certain Anzac facilities to the west or maintain certain FFG facilities in the east.

Senator HOGG—What would be the reason for transferring the facility?

Vice Adm. Ritchie—Just for economy—to have everything in one place and to say, ‘That’s where you do Anzac training,’ or, ‘That’s where you do Anzac maintenance.’

Senator HOGG—Unless anything untoward happens, you are saying it will be at least a three- to four-year period.

Vice Adm. Ritchie—Yes. The reason I am saying that is that, because of the two-ocean basing policy, the Navy has an issue with the fact that most of its shore infrastructure is in the east but half of its seagoing people are in the west. Naturally, there is an imbalance in jobs for them when they come ashore. When you think about retention, the biggest issue is geographical stability. The strategic plan is to over time provide that geographical stability by moving things to the west. Once we have achieved something that equates to parity then we can class base, if that seems to be a good idea at that time.

Senator HOGG—Are you pursuing a program which will see that happen in the west?

Vice Adm. Ritchie—Yes, we are. In fact, the naval parts of the force disposition policy, which was discussed earlier, have as an underlying theme that geographical stability.

Senator CHRIS EVANS—Senator Hogg had to ask those questions on the basis that my bias might show through.

Senator HOGG—He is from Western Australia.

Vice Adm. Ritchie—I gathered that.

Senator CHRIS EVANS—I met with the Western Australian government the other day. They are very keen to develop that maritime base down near Stirling. They are very keen to put a big effort into it, so that is quite encouraging.

Vice Adm. Ritchie—There is a fair degree of development there now.

Senator CHRIS EVANS—Yes, it is really going ahead.

Senator HOGG—What about the shore jobs there? That is the real issue, isn’t it?

Vice Adm. Ritchie—Yes, that is the issue for us. You would understand that that is difficult in an ADF where you are outsourcing all the time and putting things to commercial contract.

Senator HOGG—One of the complaints on a visit that I happened to make there 12 to 18 months ago was that the outsourcers were taking the jobs that were traditionally the province of people coming on shore leave.

Vice Adm. Ritchie—The economic imperatives drive us in that way. We are not going to turn around and go in the other direction; therefore, we have to find other solutions, and we are looking for them.

Senator CHRIS EVANS—I have a couple of questions to ask of Navy related to the *Westralia*. I want to make it clear I am not intending to ask questions about the coronial inquiry. I understand the sensitivities and that that is still ongoing, but a couple of things have arisen out of it that I thought I ought to raise. One is the suggestion about pressure being applied to sailors, regarding their evidence. That obviously received a great deal of publicity and was of great concern. I understand from my reading of the press that the counsel for Navy indicated that some sort of Navy inquiry would be undertaken in response to those allegations. I am wondering, Admiral Ritchie, whether you are able to tell me what steps Navy has taken to deal with the concerns raised.

Vice Adm. Ritchie—When it first became obvious that people were saying that they had been pressured, Navy put out a message for anybody who thought that they had been pressured to come forward. You then saw some pressure in Western Australia from families saying that there should be an amnesty granted for people to come forward. That is not within my power nor, indeed, within the minister's power, as was suggested. What is possible, and what in fact has happened, is that people can go to the coroner and they can seek immunity. In fact, I believe that has been done with some of the people who have come forward. That also has been advertised and is being advertised to everybody we can find who was in that particular ship at the time. As to investigating any specific instances, we will investigate them post the coronial inquiry if indeed the coronial inquiry finds that people were pressured. But so far that has not happened—the people who have come forward have not, under cross-examination, said that they were pressured. It has been reported in the press, but it has not come out in a courtroom.

Senator CHRIS EVANS—I have looked at the transcripts and I do not really want to go there, because I do not think that that is appropriate. I am not sure that I would agree with the analysis. It seems to me that what you are telling me is that there is no Navy investigation.

Vice Adm. Ritchie—There is no Navy investigation.

Senator CHRIS EVANS—So the reports of the counsel for Navy saying that there would be are not right?

Vice Adm. Ritchie—No, it is not incorrect. What he was saying was that, if it is shown that there has been pressure, we will investigate how that pressure came to be applied. But we have nothing to investigate at the moment.

Senator CHRIS EVANS—But the bottom line is that there was no Navy investigation as to whether pressure was applied to sailors with regard to their evidence?

Vice Adm. Ritchie—No, but if it becomes clear in the inquiry that that has happened then there will be an investigation.

Senator CHRIS EVANS—Now that the commodore has joined us, one of the other questions that I want to ask is about the criticism from the coroner about the Commonwealth, particularly the issue about the inquest not being held publicly. I understand that the Commonwealth argued that the inquest should not be held publicly. I want to understand why that was argued.

Vice Adm. Ritchie—I defer to the commodore and, if I have made any incorrect statement on the previous question, he might correct that as well.

Cdre Smith—I was not under the impression that it was closed. I thought it was open to the public, and there has been a DLS meeting.

Senator CHRIS EVANS—You misunderstand. I understand the Commonwealth—

Cdre Smith—The board of inquiry?

Senator CHRIS EVANS—No. I understand the Commonwealth argued that the coronial inquiry ought not to be public.

Cdre Smith—I could not comment on that from my knowledge. I can get further information.

Senator CHRIS EVANS—Perhaps you could take it on notice. I have not perused the transcript. But the coroner said that he rejected the Commonwealth's submission that 'I should not hold a public inquest into the circumstances of the deaths in question'.

Vice Adm. Ritchie—That is a different question.

Cdre Smith—That is a different question, as the admiral has observed. That was before the coroner became seized of the matter—as against running the actual inquiry that he is conducting in public. I think the Commonwealth did make submissions, as you have observed, in that light, urging that the board of inquiry conducted by the Navy was to be a full, a thorough and a complete review of the situation and that that should be accepted. I think it was made public at the time by the Chief of Navy at the time. As it turned out, the coroner did not accept those submissions. We have proceeded to the inquiry, which is ongoing, and it will resume later in June. And that is a public inquiry, of course.

Senator CHRIS EVANS—Does the Navy still maintain that there is no need for the coronial inquiry?

Vice Adm. Ritchie—The coroner has decided to have an inquiry and the Commonwealth and the Navy will cooperate, and are cooperating, fully with him.

Senator CHRIS EVANS—There have been a few criticisms made of the Commonwealth during the inquiry that that cooperation has not been as forthcoming as he might have liked. He has been quite critical on a number of occasions about that. I am trying to test whether or not we are being as cooperative as we say.

Vice Adm. Ritchie—It is my understanding that we are cooperating fully. Commodore Smith, do you care to comment?

Cdre Smith—A very extensive legal team that is in place to assist the coroner is very active and there is full cooperation with the coroner's proceedings.

Senator CHRIS EVANS—What about the criticisms from the counsel assisting the coroner about the failure to provide information about addresses and contact details of witnesses?

Cdre Smith—I am not personally aware of that, but I could take that on notice.

Senator CHRIS EVANS—Perhaps if you would. As I said, I do not intend to go to the subject matter of the inquiry but I have been a bit concerned about some of the conduct of the Commonwealth's position and the criticism made of it and also this question of the inquiry, which the admiral has cleared up for us: there is no inquiry. Admiral Ritchie, let us be clear: when you said you made it clear to Navy personnel about how they could cooperate for the coroner's inquiry, how did that occur?

Vice Adm. Ritchie—That was done by signal throughout the Navy. Before that, there had been letters written—not particularly detailing that issue—to everybody we could find who had been in the ship. We are in the process again of writing to everybody that we can find who was in the ship at the time of the fire, telling them that they have a right to go to the coroner and ask for immunity.

Senator CHRIS EVANS—In terms of the instructions about things, such as the issue of this high injector fuel pipe, who provides the instructions to the counsel representing the Commonwealth? There is an issue about whether the Navy wanted this area of evidence examined, et cetera. Who provides the advice?

Cdre Smith—The way the case is managed is that Defence has a director of litigation, Mr Richard Miller, who is the manager of Defence business in this case. His client is the Chief of Navy, Admiral Ritchie, and the Australian Government Solicitor has been briefed to do the solicitor side of things. We have briefed Mr Martin of counsel through the AGS for the Commonwealth. I should point out that a deal of other representation has been afforded to a range of naval members as well. There has also been financial assistance given to the families involved to enable them to attend. The directions given to the counsel would be always settled with the client which, in this case, is the Chief of Navy.

Senator CHRIS EVANS—Is there currently legal action initiated by Navy against ADI in relation to this matter?

Cdre Smith—There is ongoing litigation, which perhaps it is best not to go into. There is a commercial mediation afoot, I understand, which is ongoing and is at a somewhat delicate stage.

Senator CHRIS EVANS—I am not seeking the detail; I want to understand what formerly happened. Was there a suit filed by Navy against ADI?

Cdre Smith—I believe so but that has evolved into a form of commercial mediation. I can get details of that if you like.

Senator CHRIS EVANS—Perhaps you can take some details of that on notice for me. I am happy for you to use your own words because I am sure my terminology is not right. The Commonwealth lodged a legal action against ADI relating to issues relating to the *Westralia* fire.

Cdre Smith—Yes. If I remember right, it was about April 2002. There was a time limit involved. But I will have to get you details of that, which I am not fully across.

Senator CHRIS EVANS—That is a civil proceeding?

Cdre Smith—Yes.

Senator CHRIS EVANS—That goes to the question of what with their maintenance contract?

Cdre Smith—It would go to claims the Commonwealth might seek. I should say it occurred around the time of the HIH collapse, and that certainly complicated everyone's position. Perhaps we had better not go to too much more—I will get as much as I can from the head of litigation.

Senator CHRIS EVANS—I am just trying to understand the formal aspects at this stage.

Cdre Smith—The Commonwealth had to protect its position in a certain way and that was certainly done. I will get you what details we can.

Senator CHRIS EVANS—And that has evolved into a commercial mediation?

Cdre Smith—In some aspects, yes.

Senator CHRIS EVANS—There are other parts of the action that are outstanding?

Cdre Smith—I will have to check that for you.

Senator CHRIS EVANS—Does the commercial mediation have to be done by agreement?

Cdre Smith—Yes.

Senator CHRIS EVANS—So both parties have agreed for those aspects of it to be mediated.

Cdre Smith—They work with the court. They would have obtained a directions hearing, I believe, and put a proposition to the court to seek to work in this way to address the matter.

Senator CHRIS EVANS—Please take on notice what other matters are outstanding. When do you expect the mediation to be resolved?

Cdre Smith—It has not been visible for some time—I am not sure so, again, I will get you an estimate of that. There was a lot of work done on it in the middle of last year but it seems to have gone quiet, at least what has been drawn to my attention.

Senator CHRIS EVANS—Is there any suggestion that the mediation would not be concluded until the coroner has reported?

Cdre Smith—That may be an element but I would have to check that for you.

Senator CHRIS EVANS—Effectively, the action seeks damages from ADI to the Commonwealth?

Cdre Smith—I would prefer to check that rather than give you the wrong state of it. If it is publicly filed we will get you what the action is about.

Senator CHRIS EVANS—Thanks. I will leave it at that.

CHAIR—Senator Brown has some capital budget questions on Brighton.

Senator Hill—I thought we did that yesterday.

CHAIR—We did.

Senator Hill—So why are we doing it today?

Senator BROWN—Because I have got some extra questions.

Senator Hill—Pity—I think the Brighton people have gone. We will get them back. This is not a very good practice, Mr Chairman.

CHAIR—I understand that, Minister. These questions are not very long.

Senator Hill—I hope they will not be the same questions we got asked yesterday.

CHAIR—When shall you take those questions. Minister?

Senator Hill—What are the questions?

CHAIR—Do you wish to ask your questions, Senator Brown?

Senator BROWN—Who set the reserve price on the Army barracks at Brighton?

Senator Hill—That question was asked yesterday and I think the answer was that there was not a reserve price.

Senator BROWN—So the process of selling the barracks went without a reserve price being set first?

Senator Hill—I think that is what was said yesterday.

Senator BROWN—In the process, was it considered to sell the barracks by auction?

Senator Hill—What was said yesterday was that it was first put up for tender. There was one bid, one tenderer. The price was regarded as unsatisfactory, and the decision was then made to list it with the agent to seek a sale through private treaty.

Senator BROWN—I asked about auctioning.

Senator Hill—Was an auction option considered. Is that the question?

Senator BROWN—Yes. I have read in the press that it was.

Senator Hill—I do not know the answer. That was not asked yesterday. Mr Pezzullo is here. He was not the delegate but he may be able to help. Was consideration given to an auction post the tender process?

Mr Pezzullo—The question of an auction tends to arise with smaller sites—small houses in isolated communities. If it was raised, it would have been raised at much more junior levels than mine. By the time the tender evaluation and tendering plan came to me, it was a straight, open market tender in the terms that the minister has described. As was stated in evidence yesterday, there was one tender offer received.

Senator BROWN—So at your level the option of auction was never considered?

Mr Pezzullo—No.

Senator BROWN—Why not?

Mr Pezzullo—Auctions tend to be used in either smaller communities or in suburban settings, such as a recent example in Sydney, where an auction process was used for 16 to 17 houses. That tends to be a more efficient way of disposing of properties which have more of a character of a residential house.

Senator BROWN—Surely in any sale there is the option of an auction, particularly in real estate. The value of the barracks in Hobart was about equivalent to a Sydney house, so surely this should have been looked at.

Senator Hill—What? The barracks in—

Senator BROWN—At Brighton.

Senator Hill—What was sold was sold on the open market, so that is what the value was, which was \$150,000. You can't buy much of a Sydney house these days for \$150,000.

Senator BROWN—No, the valuation was not \$150,000; it was more in the order of \$2 million to \$3 million.

Senator Hill—I am sorry, if you did not listen to the expert yesterday, it is very difficult. A valuation was obtained, and the valuation which was the basis for the sale was \$200,000. That is what we were told yesterday.

CHAIR—We will now go back to the program.

Vice Adm. Ritchie—Chair, could I read out an answer. A question was asked as to when the force reduction in Operation Relex was approved. It was approved by government on 10 March 2003. The drawdown occurred over the following month.

[11.09 a.m.]

Senator HOGG—As we are now considering outcome 3, Army capability for the defence of Australia and its interests, I have a few questions on the response reserve force that we have an indication is now being put in place. What is the target for the number of recruits for the response reserve force?

Lt Gen. Leahy—The target is in the order of 1,300. That will be spread across the states.

Senator HOGG—As I understand it, it is six sites, isn't it?

Lt Gen. Leahy—Six sites but there are seven different organisations.

Senator HOGG—So six sites, seven organisations. Are they currently being recruited?

Lt Gen. Leahy—We are working through a recruiting program now. We have had expressions of interest which have been quite positive. We are quite confident that we will be able to achieve the numbers that we are after.

Senator HOGG—Are they being drawn from existing reserve forces?

Lt Gen. Leahy—Yes, Senator.

Senator HOGG—Are any people who are not in the existing reserve forces applying to join?

Lt Gen. Leahy—Not that I am aware of.

Senator HOGG—So the issue of basic common induction training for people going into that force is not an issue at this stage?

Lt Gen. Leahy—No.

Senator HOGG—So they are existing people. What additional training will they be given to bring them up to speed?

Lt Gen. Leahy—We have developed a training package that can be delivered either in a full nine-day period or in a modular form. We are expecting that, in the first instance, the training package will be the full nine-day period and, in addition to the skills that the reserves already have within their training, that will give them an ability to handle the types of situations that we expect we will task them with.

Senator HOGG—Will they remain in their existing units or will they be formed into new units?

Lt Gen. Leahy—The companies—and you should expect us to call them companies of about 156—will be based on existing reserve units within reserve brigades in geographic locations. We expect that some reservists will come to that reserve battalion from other organisations, so some will move and others will stay in the same unit.

Senator HOGG—How much will the additional training cost? Will it be funded from the normal training pool or will there be additional supplementary funding for it?

Lt Gen. Leahy—I do not have an exact cost for the training but Army will absorb the costs within its existing budget.

Senator HOGG—What is the basis on which these reservists can be used and who will they assist?

Lt Gen. Leahy—We expect that they will be used to augment and complement the existing regular Army forces that may be deployed on a variety of activities. If I could go back a little and talk about the high readiness reserves, we see that the reserve response force will be one element of the high readiness reserve. We expect over time to develop other elements and we have in mind force protection companies, but the reserve response force will be predominantly for domestic security tasks. They might be used to assist regular forces to provide security around particular sites, perhaps to provide an outer cordon for activities and to provide low-risk searches. The best way I can explain it is to ask you to think of what happened during the Olympics and Operation Gold where we had the reserves form companies and organisations and they came out and did those sorts of tasks for us. That is what we expect of the reserve response forces.

Senator HOGG—On what authority will they be called out?

Lt Gen. Leahy—It will be a formal call-out as required under the legislation.

Senator HOGG—Which legislation?

Lt Gen. Leahy—The Defence Act and the call-out under advice from the government to the Governor-General.

Senator HOGG—Is that the defence aid to civil authorities?

Gen. Cosgrove—It is the Defence Act 1903, part III and/or executive power section 61 of the Australian Constitution.

Lt Gen. Leahy—It will be the normal processes for which we would call Reserve out for now. There is no abbreviated process and there are no changes.

Senator HOGG—Returning to the training for a moment, will the training be compulsory?

Lt Gen. Leahy—If soldiers wish to be in these reserve companies, yes. It is for additional skills that they will need.

Senator HOGG—Are they going to be paid any more for the additional skills?

Lt Gen. Leahy—We are working on a conditions of service package at the moment. We expect that there will be a completion bonus and there may be some other conditions of service relevant to the work that they will be doing.

Senator HOGG—Will they be required to work with local police forces?

Lt Gen. Leahy—We expect in many situations that they will. If they are providing security to a site—

Senator HOGG—But that will be at the direction of the Army?

Lt Gen. Leahy—Yes.

Senator HOGG—They are not being used to plug gaps in existing state police forces and the like, are they?

Lt Gen. Leahy—That is not our understanding of how they will be used. They will be used to augment and complement existing Army forces or defence forces that would be deployed to a site.

Senator HOGG—When will they be up and running?

Lt Gen. Leahy—I am expecting that, on 1 July, we should be able to see some of the forces and there may be the ability to task them, but it will take some time before they are fully mature.

Senator HOGG—What about the equipment that they will need?

Lt Gen. Leahy—The equipment exists already within the reserves. Some of it may be in the regular forces—some of the more specialist search equipment. Again, Army anticipates it will be able to meet the training, resourcing and equipment requirements from within our resources now.

Senator HOGG—It is maybe a couple of years since I have spent a bit of time with the reserve forces, but I found that they were lacking, quite severely, in equipment sometimes because it was taken by others to fill gaps further up the food chain in Army. Is that not the case now?

Lt Gen. Leahy—We risk manage resources and capability, essentially on the requirement for readiness. These Reserve response forces will be at increased readiness and we will allocate capability, equipment and training based on their readiness.

Senator HOGG—What additional and new equipment will need to be purchased to bring these up to the appropriate level of readiness?

Lt Gen. Leahy—I am not anticipating, at the moment, the purchase of additional equipment.

Senator HOGG—I look forward, along with my colleagues, to seeing these groups operate. How often do you think they will operate in the broader community? Is there an expectation of their usage?

Lt Gen. Leahy—Frankly, I hope never. I hope never, but I think we do need to make sure that we can provide capabilities of this nature should the circumstances eventuate.

Senator CHRIS EVANS—Can I ask some questions about this military investigation into the allegations of mistreatment of prisoners in East Timor? General Leahy, my first reaction was that I thought it was still lacking in terms of the detail. I want to be clear in my own mind about what has happened, so perhaps you could give me a summary of where we are at with the investigation. I saw your press release but that is about all.

Lt Gen. Leahy—The investigation concluded and I announced the results on 16 April. I believe that the investigation was particularly thorough and involved extensive investigation in Australia, New Zealand, the United Kingdom and East Timor. We used resources available within the Defence Force plus resources from outside. I particularly appreciate the assistance of the Australian Federal Police for their specialist support and advice to us throughout the investigation. As a result of the investigation, one serviceman has been charged with kicking a dead body. The matter was referred to a convening authority who decided that a Defence Force magistrate should try it. That trial is ongoing now. With your permission, I will be very restrained in my comments about the trial.

Senator CHRIS EVANS—I do not want to take you into anything to do with the actual conduct of the trial. I just want to be clear that that trial has commenced?

Lt Gen. Leahy—Yes, it has.

Senator CHRIS EVANS—And that is before a Defence Force magistrate?

Lt Gen. Leahy—That is correct.

Senator CHRIS EVANS—Is that a public process?

Lt Gen. Leahy—It is public, yes.

Senator CHRIS EVANS—Who determined that that ought to go to trial?

Lt Gen. Leahy—The process was the convening authority. The normal course of action was followed here. A charge was proffered and it was heard by a commanding officer—a lieutenant colonel. The commanding officer decided that, because of the nature of the charge—and this is an option open to him at all times—he would refer it to a higher authority, in this case the convening authority, who is a brigadier. He decided that it should be heard by a Defence Force magistrate.

Senator CHRIS EVANS—Was that the only charge this soldier was facing?

Lt Gen. Leahy—Yes, it is.

Senator CHRIS EVANS—Weren't there other charges originally laid?

Lt Gen. Leahy—There was an alternate charge but there is only one charge that has been proffered.

Senator CHRIS EVANS—What was the alternate charge?

Lt Gen. Leahy—Prejudicial behaviour.

Senator CHRIS EVANS—Is an alternate charge a charge that is of a lesser severity in the alternative? Is that a fair way of describing it?

Lt Gen. Leahy—It relates to the same incident. It is another way of expressing it.

Senator CHRIS EVANS—What I am saying, though, is that it is almost like a higher level or lower level charge relating to the same incident—is that fair?

Lt Gen. Leahy—The charge that has been preferred is a charge under the Crimes Act, whereas the prejudicial behaviour charge is under the Defence Act and the DFDA.

Senator CHRIS EVANS—Who took the decision to prefer the higher charge?

Lt Gen. Leahy—That was a result of the military police investigation after review by senior legal counsel, who advised us that there was the potential for the charge, so the result was determined by the process of the investigation.

Senator CHRIS EVANS—I am just trying to be clear in my own mind. You had the military police investigation which had been going on for some years. When did you get that final investigation report?

Lt Gen. Leahy—I cannot recall the exact date, but I think it would have been earlier this year. Commodore Smith might be able to help me with the dates.

Cdre Smith—That is correct.

Senator CHRIS EVANS—I think he was looking for a little more precision, Commodore Smith. We all know it must have been earlier this year.

Cdre Smith—I will take it on notice if you like.

Senator CHRIS EVANS—I was not being rude, but even the month would have been good. Could you take that on notice. So I am clear on the process: was the long-running investigation purely by military police?

Lt Gen. Leahy—No, there were naval police and Air Force police and, as I said, assistance from the Australian Federal Police.

Senator CHRIS EVANS—But didn't you have a bit of a task force inside your legal section as well?

Lt Gen. Leahy—Yes. It was a joint task force. It involved all those people.

Senator CHRIS EVANS—So the investigation was conducted by a joint task force. Who was it headed by?

Lt Gen. Leahy—The military police criminal records unit.

Senator CHRIS EVANS—And they reported at a date to be determined earlier this year. Did they report to you?

Lt Gen. Leahy—Yes.

Senator CHRIS EVANS—Can you take me through the process of how we get to the soldier being charged? I understand what happened in terms of referring it to the magistrate, but I do not know how we got from the report coming to you to—

Lt Gen. Leahy—The report that came to me included all the observations of the military police and the evidence that they had collected, and, before any decision to prefer a charge was taken, that was referred to senior counsel. I am not exactly sure who it was in this case, but senior counsel were typically QCs or SCs, reservists operating professionally in the states. They looked at the elements of the evidence and the elements of the charge and gave a recommendation that the charge should be preferred.

Senator CHRIS EVANS—Which charge?

Lt Gen. Leahy—In this case, I think it would have been the charge of interfering with the body, under the Crimes Act.

Senator CHRIS EVANS—I would not mind if you took on notice who provided that advice to you.

Lt Gen. Leahy—We can do that.

Senator CHRIS EVANS—You then had a recommendation that the Crimes Act charge be laid. How then did you end up with an alternative charge?

Lt Gen. Leahy—Again it is within the mechanisms of the advice from the lawyers. Again I would turn to Commodore Smith.

Cdre Smith—The prosecutor has dealt with it. In this case it was a reservist Queen's Counsel from Queensland. The convening authority is advised by the prosecutor as to what charges may be laid. It is not unusual to have charges made in the alternative, as long as they are not the same charge. In relation to your observation earlier, Senator, as the general indicated, there is a charge under the Crimes Act and there is another one under the Defence Force Discipline Act. To some extent, they are quite separate and discrete in terms of what proof is needed, although they must be sustainable on the facts presented to the court. We should perhaps not go into this too much, but you need to make out all the elements of each charge—

Senator CHRIS EVANS—I would have thought the standard of proof for the Crimes Act charge that you are laying is much higher.

Cdre Smith—No, the standard of proof would be the same; it is just the fact situation presented to the court. Whatever charges should be laid on the facts are suggested by the prosecutor to the convening authority. That is the mechanism. I digress by saying that in future the director of military prosecutions will be the institutionalised form of this. That is due to start on 1 July, as we move to a new scheme. It will then be far more obvious how these things are brought to trial, because the director of military prosecutions would be involved in taking the police reports and determining himself what charges should be recommended.

Senator CHRIS EVANS—He will act much more like a DPP?

Cdre Smith—Exactly. That is a significant change in our justice system which has been sought.

Senator CHRIS EVANS—Long overdue.

Cdre Smith—As the general very accurately described, this is the mechanism. The convening authority then, acting on the advice of the prosecutor, convenes a trial. A defence force magistrate who is a colonel reservist sits alone. It is like a sub court martial, and that is under way.

Senator CHRIS EVANS—I will come back to the magistrate question in a minute. General Leahy, was the recommendation from the legal authority—I do not know how we describe the person you referred it to; the person from whom you sought the legal advice—only to charge this one soldier?

Lt Gen. Leahy—Yes.

Senator CHRIS EVANS—They did not recommend that any other charges be laid?

Lt Gen. Leahy—No.

Senator CHRIS EVANS—Obviously the report you received included references to other soldiers. I am not saying that in a negative sense; I am not trying to judge the matter. There were other soldiers in the area; there were other people involved?

Lt Gen. Leahy—That is correct.

Senator CHRIS EVANS—I am not suggesting others should have been charged; I am just trying to ascertain whether the report recommended action against anybody else.

Lt Gen. Leahy—No, the recommendation was only for this action.

Senator CHRIS EVANS—So the report that came to you recommended only one action; you then referred it to the legal adviser. I presume his role was to provide advice as to whether or not the charge could be sustained—is that right?

Lt Gen. Leahy—That is correct.

Senator CHRIS EVANS—And his advice was that a prosecution ought to be lodged on the basis that there was a reasonable prospect of success?

Lt Gen. Leahy—Exactly.

Senator CHRIS EVANS—So that was his role in it—to give you an assessment of it.

Lt Gen. Leahy—Yes.

Senator CHRIS EVANS—General Leahy, you got that advice. I am not quite sure how the colonel and the brigadier came back into play as well, in the sense that it has gone to the top of the tree and now it seems to go back down the process.

Lt Gen. Leahy—Perhaps I should describe it in a bit more detail. I have not actually read the evidence, the witness statements or anything like that. All I have seen is that there was advice given, that there was the potential for a charge to be laid and that it might be successful. I then put it back through into the prosecutorial system, and that is where the lawyers take over again.

Senator CHRIS EVANS—Was the colonel involved someone in the legal branch or someone in the soldier's regiment?

Lt Gen. Leahy—The lieutenant colonel involved, where the charge first went, was not in the soldier's regiment. It was a commanding officer in Sydney who was tasked to deal with the charge.

Cdre Smith—You can be seen by anyone duly authorised in reference to a charge. It can be anyone described lawfully as a commanding officer.

Senator CHRIS EVANS—I am just trying to understand why, once you have been to the chief, you go back down the chain.

Lt Gen. Leahy—It is not my task to find guilt or innocence in the first instance.

Senator CHRIS EVANS—So the colonel could have dealt with the charge himself?

Lt Gen. Leahy—Yes, but he decided that on the basis of the evidence before him he would refer it to a higher authority. In this case the convening authority was the brigadier. The brigadier, on the basis of that, determined that it should go to a Defence Force magistrate. He had open to him other choices but he determined that he would take it to the Defence Force magistrate—

Senator CHRIS EVANS—This is a hypothetical, but the logic of that is that following a recommendation after two or three military police investigations that someone be charged, and there is legal advice that they be charged, it then goes back to a commanding officer who might have decided otherwise. Is that right?

Lt Gen. Leahy—He had open to him a charge of guilty or not guilty, or referring it higher.

Senator CHRIS EVANS—What legal process—

Lt Gen. Leahy—The commanding officer convenes a court—if I could describe it is that—a bit like a magistrate. He takes evidence from both the defence and from the prosecution. He takes a plea from the person who is being charged and it is open to him to make a decision. He has powers of punishment available to him and that happens on a reasonably regular basis for commanding officers.

Senator CHRIS EVANS—I understand that for more minor charges as part of military discipline. I am just a bit taken aback that, given the seriousness of the charge eventually laid, that process comes into play. I suppose it is an argument for the changes that are about to occur, in a sense—

Cdre Smith—All charges start off in this way even if they are the most severe charges that you could imagine. The port inwards in the justice process is exactly as the general has described. The role of the Chief of Army in this has been insulated from the justice process. His responsibilities as Chief of Army, given such a significant series of issues and allegations, was to ensure that his resources of investigation were appropriately deployed and managed and, given the high public interest in the matter, by keeping himself insulated he was able to ensure that the system was going to work and that in the command system, which is where the convening authority and that lieutenant colonel come in, the appropriate information was—if I can use the analogy—fed the ball but nothing else. He remains insulated from the process. Now the convening authority—that happens to be a brigadier in this case—has convened the trial and the system is under way with all the justice processes at work and the subsequent reviews et cetera that—

Senator CHRIS EVANS—The lieutenant colonel, for instance, did not have a hearing; he just passed it on up the line. Is that so?

Cdre Smith—When the charges were read and presented to him he assessed that this was a matter of such significance—

Senator CHRIS EVANS—I am not at all critical of that. I am just trying to understand his process.

Cdre Smith—He had to make a judgment about whether this was a matter that should—

Senator CHRIS EVANS—But he did not have a preliminary hearing; it was just a paper judgment?

Cdre Smith—It would have been a preliminary hearing, if it is what I have been through, and he then would have said that this was beyond his pay grade and referred it up because he saw that a more substantial process was required given of the complexity of the matter and the possible consequences.

Senator CHRIS EVANS—And did the brigadier then have to do the same process or on receiving the information was he able to make a decision? I am just trying to establish whether there was a preliminary hearing or—

Cdre Smith—The brigadier would have taken the report from the commanding officer and he clearly accepted the recommendation that this go to the Defence Force Magistrate trial which is a sub court martial. That is where it currently is.

Senator CHRIS EVANS—For those of us ignorant of such matters, what does sub court martial mean?

Cdre Smith—A court martial would involve three officers sitting as, if you like, the jury assisted by a council. Here you have a Defence Force magistrate under the Defence Force Discipline Act. It is very like a civilian magistrate. He sits alone and is empowered with a range of authorities and penalties.

Senator CHRIS EVANS—Why would that route have been chosen rather than the court martial?

Cdre Smith—Because it was deemed to be about the right weight and significance in terms of the charges. I would not necessarily say it is not right answer; I think it is about the right answer.

Senator CHRIS EVANS—Is there a guide to judgment about that, or was that just the brigadier's call?

Cdre Smith—Yes. There are a range of levels set out in the Defence Force Discipline Act. We could write up the various charges which are appropriate for court martial for the Defence Force magistrate for what is called a summary authority and what is called a discipline officer, which is a very summary procedure. We will get that for you.

Senator CHRIS EVANS—Thank you; I would appreciate that. That trial is now occurring before the Defence Force magistrate. You say that this is a reservist sitting alone.

Cdre Smith—Yes, he is a reservist colonel. We have a range of duly qualified officers who happen to be very experienced counsel in the civilian world and we have experienced officers of the three services in the legal reserve. They are authenticated competent by the Judge Advocate General of the Defence Force, who is a Supreme Court judge, who happens to hold the rank of major general and also happens to be from Western Australia. He gives them a warrant to be a Defence Force magistrate and they conduct trials. Their outcomes are subject to normal review.

Senator CHRIS EVANS—What procedures apply?

Cdre Smith—Normal court procedure applies. There is a prosecutor and a defending officer, and the rules of evidence apply, as in a civilian court.

Senator CHRIS EVANS—Is the defending officer allocated to them by Defence?

Cdre Smith—Yes. That would be free of charge as well. Usually we would find another extremely experienced reservist to be the defending officer. In this case that has been done.

Senator CHRIS EVANS—You cannot hire outside counsel who are not reservists?

Cdre Smith—Yes, indeed. Anyone who was reasonably available, and we would certainly look at funding outside counsel if that were the person's preference.

Senator CHRIS EVANS—So that case is proceeding currently. What are the potential penalties for someone found guilty of this charge?

Cdre Smith—I would have to look at the range. I am not sure whether we would want to speculate on that.

Senator CHRIS EVANS—I am not asking you to speculate.

Cdre Smith—Generally there are penalties such as fines. There are penalties available under the Defence Force Discipline—

Senator CHRIS EVANS—Is there a scale of penalties that apply to certain charges?

Cdre Smith—Indeed. We can get those for you.

Senator CHRIS EVANS—I am not asking about the particular case. I am trying to understand what seriousness is attached to the charge and, therefore, what the potential penalties are.

Cdre Smith—It is a charge under the Crimes Act. The penalties in the act generally relate to the seniority of people. Demotion is a possible penalty. Dismissal from the Defence Force is a possible penalty.

Senator CHRIS EVANS—What appeals against the magistrate's decision are open to someone who is convicted?

Cdre Smith—In the first instance the Defence Force magistrate's findings are reviewed and a legal opinion is taken on them by a duly qualified other officer prescribed by the Judge Advocate General. If the charge is upheld, it is upheld. If the person is convicted, they can seek appeal to the Courts Martial Appeal Tribunal, which is established under the Defence Force Discipline Act. That tribunal is composed of a range of coopted judges from various jurisdictions and they will hear an appeal as sought by the convicted person.

Senator CHRIS EVANS—There is no legislation supporting the director of military prosecutions. Is this an interim measure?

Cdre Smith—Presently, there is no legislation for the director of military prosecutions. The step has been taken to establish what we have called an interim model. The CDF and the chiefs were fairly keen to get this under way as quickly as we could. So, administratively, we have decided to trial this system starting 1 July. A prosecutor has been appointed, Colonel Gary Hevey, who is a very experienced counsel at the Melbourne bar and previously of the South Australian bar. For the first year or so, until we get the legislation up and amend the Defence Force Discipline Act, we are going to have an administrative system which CDF will mandate under a Defence Instruction General, which will provide for the prosecutor's office to be available to the service chiefs to give advisory legal assessments of material referred to the prosecutor.

The prosecutor's advice, pending the changing of the discipline act, will not be binding on convening authorities who work to the service chiefs. Thereafter, once the legislation is amended, the prosecutor becomes like a full version of the DPP and matters will be passed up. I should say that these are only serious matters. Summary matters, which are the normal military discipline issues which most commanding officers deal with and do not require any referral upwards, will be dealt with by the prosecutor in due course. It will be a one-way transmission: he will get a matter and he will then decide whether to take it to trial himself. His prerogatives and discretions will be, as with a DPP, set out in legislation. He will be supported by a team of prosecutors. That is being set up now and the preliminary version will start on 1 July. I would say it would probably take us a year to get the legislation ready. I know that Minister Vale is very keen to progress this as quickly as we can.

Senator CHRIS EVANS—I want to flag that I am going to take a very close interest in it as well. General Cosgrove, I would appreciate the committee receiving any information on those interim arrangements. I think it is currently a very cumbersome and difficult system to follow that I am sure puts a lot of officers in very difficult positions. I am very keen to see if we can get a better process as well, and I would be very interested to follow what occurs. I understand you will be operating without legislation and that will obviously have its drawbacks. I just want to flag my interest in how that is going to go.

Senator HOGG—On the same matter, can you indicate to us how many matters would go before this new director of military prosecutions each year based on previous experience?

Cdre Smith—Our average over the last three years of Defence Force magistrates' matters and court martial matters—serious matters involving essentially criminal offences—is about 50. The caseload in the trials would be about 50. A whole range of other advice will be sought—ones that do not actually go to those formal proceedings. The prosecutor will be available with his staff to give advice on matters which may well be being dealt with at commanding officer level.

Senator HOGG—If this is a new initiative and it is requiring a prosecutor and a number of support staff, is there a budget allocation for that?

Cdre Smith—Yes, indeed. The budget is mainly going to be the fees of the prosecutor himself and the running of his office. From memory, it is a new net additional cost of about

\$600,000. The prosecutor will remain at the Melbourne bar. There is some advantage in this. Being a practising barrister as well, we will configure his role in terms of reserve payment days and other payments under the reserve reimbursement scheme for his practice costs. When you add some other staff support, our estimate of the net additional cost is about \$600,000.

Senator HOGG—That is in the 2003-04 budget?

Cdre Smith—It is currently lined into CDF's budget, from memory, but I need to check where it actually—

Senator HOGG—Can you find out for us where that is in the actual budget and whether there will be an ongoing allocation in years to come?

Gen. Cosgrove—Yes, Senator.

Senator HOGG—In respect of the proposed change to the legislation, did I understand that this is a 12-month trial and then you are looking to put the legislation in place, or will you see the legislation in place earlier?

Cdre Smith—We are currently seeking to draft instructions to get the legislation under way as quickly as we can. We have been directed to expedite that. There was keenness to move under CDF's administrative authority; we are more than happy that he can do this in terms of this advisory scheme to the convening authorities for a year. Legislation is going to be set to drafting in the latter half of this year.

Senator CHRIS EVANS—I preface my remarks by saying that I still have a little unease about this whole issue, in part because of what was not said in your press release, effectively. I understand the difficulties about full public disclosure of these issues of serious allegations made against serving soldiers—and no-one would argue more strongly than me that they are entitled to the presumption of innocence, a proper trial and that the issue should be resolved in that way. But there is an admission in your press release that some of the alleged conduct did actually occur. It begs the question: what was that conduct? There is talk about changes to Army procedure but, again, they are not detailed. As I say, I am highly conscious that one soldier is on trial, so I do not want to go there but, equally, these are very serious allegations that have caused a great deal of disquiet, as you know, inside the ADF and publicly.

I have had a number of SAS soldiers express their concern to me about being besmirched by the allegations. In a sense, whatever happens with the outcome of the trial, it seem to me that the stain will remain because of the lack of any public reporting on what the allegations were, what the outcomes were found to be et cetera. I understand you would be constrained in press release by some of those requirements for natural justice et cetera, but I am not sure there is enough resolution to satisfy people. This has been driven in part by continued press stories—I think the first one goes back to 1999—about these allegations. There was a sense that Defence was a bit slow to act on them, which may or may not be fair. I know the investigation has been ongoing for some time.

This is a very long-winded way of getting to a question but, as a member of this committee, I am concerned that we have not got the resolution in the public arena to satisfy people about the whole incident and the outcome. I might be interested in your view about whether

following the trial resolution either way is possible. In a sense, I suspect that any publicity about the trial will just reignite the whole thing without having any sort of public resolution or understanding of what actually happened. I am sure that that is a very difficult and rambling question. Would you like to respond to that?

Lt Gen. Leahy—I do not believe this was driven by the press. The allegations were made internally within the Army. Once the allegations were made, we very quickly formed the joint task force. Defence, Army, the Federal Police, the United Nations and others have been involved in this investigation. I think it has been a vigorous, very thorough and, I admit, long-running investigation. But from the moment those allegations were made, we were very clear in our resolve to find out what had happened. I agree with you that it may appear that the investigation has been slow, but I think that is because of the thoroughness of the investigation. We have interviewed over 350 people involved in this. Many of them were not readily available. Many of them were overseas, and some were on operational deployments. I think we have shown throughout our determination to get to the bottom of this.

Senator CHRIS EVANS—When was the task force formed?

Lt Gen. Leahy—I am going from memory here. I was Deputy Chief of Army at the time. I believe I first heard of the allegations on or about 6 September 1999, and the task force would have been formed within 10 days. I will get back to you if those figures are wildly wrong.

Senator CHRIS EVANS—September 1999, and the ambush was in October 1999.

Lt Gen. Leahy—I have got my year wrong—September 2000, sorry.

Senator CHRIS EVANS—You are saying that the allegations were not made to ADF until September 2000, even though the incident was about a year earlier.

Lt Gen. Leahy—The first I heard, as Deputy Chief of Army, of the allegations was on about 6 September 2000.

Senator CHRIS EVANS—I will ask you a broader question: when did ADF first hear of it? You may well have been the relevant officer at the time in terms of those things. In essence, are you saying to me that is when the ADF first got official—

Lt Gen. Leahy—There was a single allegation some time prior to that, and General Cosgrove, as the commander in the field, dealt with that with an investigation. Perhaps I should turn to General Cosgrove.

Senator CHRIS EVANS—I understand there was an initial matter and then there was another.

Gen. Cosgrove—There was an allegation made which was not of the nature of the allegation presently being tested in court. So it was of a different nature. It was investigated during the INTERFET operation. It was found not to have substance leading to any disciplinary action. After a quick investigation during the operation by a trained investigator, it was then set aside. When it resurfaced amongst a raft of other allegations in late 2000, it was again included for further investigation by the task force.

Senator CHRIS EVANS—What was that original allegation?

Gen. Cosgrove—I am not going to go into that, Senator. It was of the nature of the allegations that were found and set aside as lacking foundation in the subsequent investigation. It was not of the nature of the one that is being tested by a charge.

Senator CHRIS EVANS—This is part of the problem. I understand your response, General Leahy, and as far as it goes, that is fine. You announce on behalf of ADF that unspecified allegations are found not to be proven, and that is it. It does not seem to me necessarily to satisfy public concern. Then you announce that there was some accuracy to some of the allegations, but we do not know which ones or how serious they were. You then admit that there need to be some changes to Army procedures. Again, they are not detailed. That leaves the whole thing basically up in the air and there is no resolution regarding how serious those things were, which allegations have been tested and found to be accurate, how serious those ones were or whether they were of a very minor nature. It is that lack of detail that makes me think this is not going to go away. Is there any way for us to deal with that?

Gen. Cosgrove—I would like to bring it back to what I understand to be the practice in the wider community whereby, when allegations made against individuals and then investigated by the police are found not to have substance, they are rarely exposed for wide public comment because to do so is simply salacious towards the individual who has apparently found no case to answer. I am reluctant, for example, to detail to you the extent of the allegation made against a particular individual—and this was my response to you earlier—during INTERFET because to do so would no doubt start speculation as to the identity of an individual who has been found by two investigations to have no case to answer.

Senator CHRIS EVANS—I would agree with you on that judgment. I am not arguing that. I am trying to deal with a broader public policy issue about that. For instance, is there any intention for some report to be made following the trial or will it just be a question of whatever publicity arises from the trial is the last word on the matter?

Lt Gen. Leahy—No. We will certainly be making a statement after the trial.

Senator CHRIS EVANS—A statement going to what sort of matters?

Lt Gen. Leahy—In the first instance it would deal with the trial and the results of the trial. As General Cosgrove has explained, it is rather difficult in that the results of this thorough investigation have shown that the allegations are unsubstantiated. It is then quite difficult to talk about something that has been unsubstantiated because it just gives it a life of its own.

Senator CHRIS EVANS—I want to make it clear that my weakness in this is that I don't know what the answer is either, but it just seems to me that what has happened has not necessarily resolved it and I am trying to find a way of dealing with that without inviting the sorts of concerns General Cosgrove quite rightly raised about then implicating or putting someone else unfairly through the treadmill of a publicity circus. For instance, you talked about changes to procedures but you did not detail those. Are you able to detail them?

Lt Gen. Leahy—Perhaps I could treat them in general terms. Certainly on the public record from some of the earlier press reports there are comments about the excessive use of force. That particular allegation has been found to be unsubstantiated. That is an allegation of striking of detainees. That is certainly unsubstantiated. There was also some press reporting that zip ties had been used to restrain people—that is, that they had been tied up with zip ties.

That certainly happened. That is well within our training and our doctrine and the procedures that are allowed under the various rules of conflict, such as the Geneva Convention, and procedures of the Red Cross and others who monitor these types of things. We have a minor concern that our training and the doctrine in there need to be enhanced and I stress that it is a minor concern. That is the type of administrative action that we are talking about to make sure that our training is consistent before we get ourselves into a situation like that. As I say, in general terms, that is the sort of thing we will be doing. Another one relates to reporting of incidents and we will be enhancing our doctrine to ensure that incident reporting procedures are thorough and correct.

Senator CHRIS EVANS—I have difficulty myself working through this but the things that most concerned me and I think most concerned members of the ADF were the allegations of torture et cetera.

Lt Gen. Leahy—They were the ones that were found to be thoroughly unsubstantiated.

Senator CHRIS EVANS—I am trying to give you the opportunity to get that on the record, to rule out conclusively, if you like—

Lt Gen. Leahy—I can rule that out quite conclusively as a result of this thorough and vigorous investigation—there is absolutely nothing to do with torture in this.

Senator CHRIS EVANS—What about in terms of deprivation or prevention of feeding and water and those sorts of things?

Lt Gen. Leahy—Absolutely nothing improper occurred.

Senator CHRIS EVANS—Okay.

Gen. Cosgrove—Senator, could I underscore something that Chief of Army has said and I know that you have acknowledged, but perhaps just to once again put it on the record. The team that investigated these allegations could hardly have been more diverse and objective in its structure. UN police were involved as well as those who were part of the task force. The task force included Federal Police as well as Australian Defence Force police, and the police investigating were triservice not from just one service. In that regard, it is hard to see how we could have actually got a more objective view of what occurred. I really think that should be of great reassurance to the public.

Senator CHRIS EVANS—Yes. General Leahy, just for the record: there is no other element of the report, other than the charge that arose out of it, that caused you any serious concern?

Lt Gen. Leahy—There were certainly no other charges preferred against servicemen. However, I did state at the time of my press release that some administrative action had been taken against an individual as a result of workplace and gender harassment. That action has been taken and that matter is concluded.

Senator CHRIS EVANS—Yes, that was another one that begged the question a bit. Is this relating to the incident in East Timor?

Lt Gen. Leahy—No. It was a workplace incident and it was quite separate from any other of the allegations.

Senator CHRIS EVANS—That is what I could not understand—how did it get wrapped up into this?

Lt Gen. Leahy—We looked at everything that happened in East Timor over that period. Where someone had a beef we had a look at it, because we wanted to sweep it all together. I am very confident that we have thoroughly investigated all of the matters there, that we have spoken to everybody that has been available that has wished to come forward and that we have concluded this matter comprehensively.

Senator CHRIS EVANS—Just for the record, on the workplace and gender harassment: I could not understand how that fitted into any of this at the time so what was—

Lt Gen. Leahy—During the interviews that were going on over those couple of years, someone made a comment and we went for it.

Senator CHRIS EVANS—It was related to an incident or allegation relating to service in East Timor, but nothing to do with the Suai allegations?

Lt Gen. Leahy—Absolutely nothing to do with the other allegations.

Senator CHRIS EVANS—That was another one of those things that just seemed to hang out there a bit. So thanks for that.

Proceedings suspended from 12.03 p.m. to 1.06 p.m.

CHAIR—We are now dealing with outcome 4, Air Force capability for the defence of Australia and its interests.

Mr Carmody—Chair, before we continue, could I respond to something on the East Timor drawdown—some clarification for Senator Evans of the points made during the discussion earlier today?

CHAIR—Certainly, Mr Carmody.

Mr Carmody—The government has not formally announced a slowing in the rate of the drawdown but the government has maintained that it would continue to support the UN contribution in East Timor and the ADF drawdown would be in proportion to and in accordance with the total UN force numbers. The government has maintained in its public position that Australia will provide around 25 per cent of the PKF but has not made separate announcements of the UN Security Council's drawdown plans. At the end of April 2003, Australia advised the United Nations that it would maintain three rifle companies until November 2003 but the exact nature of the ADF commitment to UN operations in East Timor until June 2004 is still being determined, and the government will be asked to approve these details in the near future.

I also have two points of clarification or correction. Firstly, the UN mandate expires on 20 May 2004, not in July. Secondly, formed units of the United Nations peacekeeping forces in East Timor are planned to be withdrawn by the end of June 2004, not in July.

Senator CHRIS EVANS—I take it that confirms there was no public announcement about the increase from two rifle companies to three—is that right?

Mr Carmody—That is correct.

Senator CHRIS EVANS—There was no formal announcement of the government's response to the UN request?

Mr Carmody—That is also correct.

Senator CHRIS EVANS—What about the suggestion that the commitment to June 2004 is under review or before government now? What do I understand that to mean?

Mr Carmody—It follows on from the point CDF made about the precise numbers of the force composition. So the fact that there are three rifle companies until November 2003 is clear, but the ones and twos of the precise numbers that are around that are the things that we are still sorting through.

Major Gen. Haddad—I, too, would like to read in an answer to a question from yesterday. This is in relation to questions I was asked by Senator Evans about the value of the ammunition that we had drawn directly off the United States in the Middle East. As per my comment yesterday, the only items that we have drawn off the US under that arrangement were MK82 2,000 pound bombs, MK84 500 pound bombs and five-inch gun ammunition plus some minor amounts of small arms ammunition. Based on our prices—and we are yet to get the US bill for this—the likely expenditure is about \$A2 million. I also mentioned that we had another arrangement with the US for drawing accommodation services—working accommodation, living accommodation and food. The price we have been charged for that arrangement is \$US27 a day.

Senator CHRIS EVANS—So \$US27 a day to feed and house our troops.

Major Gen. Haddad—It is living accommodation, working accommodation and subsistence food et cetera.

Senator CHRIS EVANS—I presume that did not apply to the SAS out in the western desert somewhere.

Major Gen. Haddad—This was only when they were in one of those fixed installations.

Senator CHRIS EVANS—Yes, thanks for that. I think Air Marshal Houston—or somebody indicated on his behalf yesterday—wanted to have a talk about FA18s and if not clarify the record then rebalance the evidence in some way. I was going to go to some of those issues, so perhaps Air Marshal Houston can tell us what he wants to tell us about that and then I will go to my questions.

Air Marshal Houston—The F18 aircraft started to be introduced back in 1985. So it is now an ageing aircraft and as aircraft age, as we have said many times, the requirement for logistics support increases, the expense of maintaining the aircraft increases, and what you would expect is an increasing requirement for injections to top-up logistics funding. To some extent, that is exactly what is happening here. Our F18s are now using more spares than they did in the past. We need more spares to maintain the aircraft at the required rate of effort. Some of our repairable items are in a situation where we simply have no availability for them.

Senator CHRIS EVANS—Is that because they are not being manufactured anymore?

Air Marshal Houston—Perhaps I will explain what a repairable item is first. A repairable item is a spare that you can repair. What we plan to do when we purchase a weapons system is

that we intend to maintain the engines, the radios—those sorts of parts that can be repaired—through the life of the aircraft. So we have a maintenance plan against each of those items and each of those items goes into the logistics pipeline and goes through a process of repair and then comes back and is serviceable and is available for fitment to the aircraft.

What has been happening is that, because we have had a shortage of some of these repairable items and indeed some of the other spares because the aircraft are getting older, we have been on occasions removing serviceable parts from other aircraft. As I said yesterday, our preference would be to remove those parts from the aircraft that are going through servicing or are in a modification program. In fact, that is what we do. There are costs associated with that because, in removing a part—particularly a big part, such as an engine—it does cost to remove the part and then fit it to another aircraft. So it is really not the best way to do business. Simply put, we have got to the stage with the aircraft where we need more spare parts to maintain this ageing fleet of aircraft. The logistics input is a very welcome input at this time.

I mentioned to you that I would give you some idea of the number of aircraft that we have in, if you like, the operational pool. I think I said around 50; I confirm it as being 48 at the moment. With those 48 aircraft we obviously keep statistics and the indicators are that we do need more logistics at this time in the life of the aircraft. It is as simple as that.

Senator HOGG—What about the cannibalised aircraft that we heard about yesterday? I think a figure of 21 was given to us. Is that reasonably accurate? If it is 20 or 22 I am not worried about that.

Air Marshal Houston—It is in that order. Essentially, we have at any particular time a number of aircraft within the fleet that are awaiting spare parts. They cannot be utilised because they are awaiting spare parts.

Senator HOGG—The logistics shortfall that you have had, which is now meant to be covered by the injection that we saw yesterday, will enable you to restore those 21 to being fully operational. Is that the plan?

Air Marshal Houston—The fleet of 48 aircraft is the pool that we use for operations. Essentially those 48 would be the ones that we would want to have the spare parts available for in the first instance.

Senator HOGG—I accept that.

Senator CHRIS EVANS—Does that mean you are giving up on the others?

Air Marshal Houston—No, not at all.

Senator CHRIS EVANS—Realistically, though, how many of those others will get back in the air?

Air Marshal Houston—The fact of the matter is that if you have an aircraft in major servicing and you remove all the parts from it, it takes a lot longer to put it through the servicing. It is an inefficient way of doing business.

Senator CHRIS EVANS—I accept that. Are any of those aircraft not going to make it back?

Air Marshal Houston—No, they are all going to make it back.

Senator HOGG—In the upgraded form?

Air Marshal Houston—At the moment we have nine aircraft in the Hornet upgrade and that is a rolling program. Those aircraft will go through each stage of the Hornet upgrade. As you saw with our recent deployment, HUG 2.1—Hornet upgrade 2.1—performed absolutely superbly. In fact, in many respects it was probably the best of the old Hornet aircraft in theatre because of the upgrade we had given it. That comes from a couple of sources.

Senator CHRIS EVANS—Who else had Hornets in theatre?

Air Marshal Houston—The US Marine Corps and the US Navy. Our aircraft is quite unique because our upgrade is different from what they have done with the aircraft. The APG 73 radar gives much better situational awareness. We had a software upgrade. We also had a combined interrogator transponder, which made the aircraft a preferred option for the defensive counter air task. That aircraft performed very, very well. Of course, our pilots are very well trained, highly skilled and used it to maximum effect.

Senator HOGG—In terms of servicing, does that limit your servicing options—for example, if you are with the Americans and you are starting to creep ahead of them in this area? I presume they do not have the same capacity that you would have to service the aircraft.

Air Marshal Houston—We have a different aircraft. There are many common systems, but particularly on the avionics software side of the aircraft we are in a different configuration from them. I imagine there would be differences between the US Marine Corps and the US Navy as well.

Senator HOGG—Where are the aircraft that are currently being cannibalised? Are they all at the one site or are they spread over a number of sites?

Air Marshal Houston—I guess the terminology ‘cannibalisation’ conjures up a particular picture—

Senator CHRIS EVANS—Air Marshal Houston cringes every time he hears that.

Senator HOGG—We are not trying to make you cringe. I did not use the term first, I might add.

Air Marshal Houston—What we are talking about is the removal of a particular part that is not available in the store systems.

Senator HOGG—Which makes them unable to operate.

Air Marshal Houston—It makes them unable to operate. They are not fully mission capable.

Senator HOGG—Where are these planes?

Air Marshal Houston—They are spread right through the whole fleet. Having said that, we manage the fleet in a particular way to ensure that we can meet our preparedness requirements.

Senator CHRIS EVANS—That leads us to the question: what are the implications for the management of the fleet of the deployment to Iraq and the high number of flying hours that you detailed for us yesterday? What are the major ramifications for the management of the fleet arising from that? It seems to me that you will have a larger number of aircraft now that have done an awful lot of flying in a short period of time. You generally try to share the flying hours around, don't you?

Air Marshal Houston—Yes, I should make the point about the way we accrue fatigue on this aircraft. The life of this type of aircraft is determined by the rate of fatigue accrual and the rate of effort that the aircraft flies. On this particular occasion, we will have flown about 14,000 hours, we expect, by the end of the year. That is 1,500 hours more than we had anticipated at the start of the year. Of course, that is a direct consequence of flying in Iraq. That probably means we have additional servicings to perform in the next two to three years. It probably also means that we have had to transfer a lot of the spare support from operations in Australia to the support of the operation in the Middle East. That is now finished, and we are now getting back to normal.

There will be a requirement to look at all the aircraft. They operated in a very harsh environment—lots of sand and lots of dust. We do not fully understand what the effect of that environment will be on the platform. But I would imagine that we will need to look at things such as the erosion on the compressor blades and the effect on the airframe. Suffice it to say that all of that is very manageable. We were only deployed for three months and we only flew an extra 1,500 hours. So I am confident that that will not have any substantial impact on the long-term health of the fleet. As I said to you yesterday, a lot of the flying was fairly undemanding from a fatigue point of view. There was not a lot of air combat manoeuvring; it was a lot of combat air patrol and a lot of being available for interdiction and close air support, which meant holding at 1G type flight a lot of the time. So the rate of fatigue accrual was probably a little bit less—this is my feel for it—than would normally be the case.

Senator CHRIS EVANS—We had the discussion earlier, during capability, about what seemed to be the placement on the backburner of the structural or barrel replacement type project. What is the most likely management of the F111 and FA18 fleets until the introduction of the JSF? Has a decision been made about that or are you still exploring options?

Air Marshal Houston—The first point that I would make is that we need all 71 aircraft to get through to 2012 to 2015. We cannot make the planned life of type without all 71 aircraft, so we have to manage the fleet so that we can get them through—or the majority of them through—to 2012 to 2015. In terms of the considerations about centre barrel replacement, we would prefer to avoid that. Our position has not changed since the last time I briefed you on that. However, we are studying all aspects of managing the fleet, including the likely rate of fatigue accrual, the rate of effort and the way we run the fleet, to determine whether we need to proceed with doing a centre barrel replacement on a small number of the aircraft.

No decisions have been made at this stage. As the capability manager I am briefed on a regular basis by my experts, the Commander of the Air Combat Group and the Director General, Technical Airworthiness. Of course we also have a very close relationship with

DSTO. Particularly on the technical side, DSTO and DGTA are working very closely together to study how this might go and the best way to—

Senator CHRIS EVANS—Is it fair though to say therefore that we are much more likely to try to get them through?

Air Marshal Houston—We are trying to manage the fleet to get them through to their life of type. We obviously have to study not only the FA18, but we also need to study the F111 and we need to be fully cognisant of what is happening with the joint strike fighter. There are three variables there and we are endeavouring to find out as much information as possible in terms of the effects on all three variables so that we can come up with the best plan for the future to manage the two legacy systems in terms of the way we introduce the JSF to service.

Senator CHRIS EVANS—I accept all that but I am just trying to understand the time frame. Clearly, we cannot make that decision in 2007 or 2008 when it is too late. I am sure the minister is not interested in buying you interim aircraft as well as making the decision to go ahead with the JSF. When is crunch time for determining whether or not that will get you through or whether you will have to do a barrel replacement or whether you have to do something else in terms of the F111s? When does this come to a head?

Air Marshal Houston—I spend a lot of time and my senior people spend a lot of time reviewing this on a very regular basis. We review it annually. As a consequence of the deliberations last time there are a number of studies that are ongoing. Those studies will report back in due course and I think we will probably have more information later this year on what we need to do in terms of structural refurbishment. One of the things we are trying to determine at the moment is what we need to do as part of HUG 3.1, which is the initial part of the structural refurbishment. That will also inform the scope of HUG 3.2, which is the potential centre barrel replacement. It is a very complex business and I would imagine that by the time I come back here next time I will be able to give you an update and let you know a little bit more about where we are going with structural refurbishment.

Senator CHRIS EVANS—What is the critical point in all of this? The centre barrel replacement, 3.2, seems to be put on the backburner. What is the critical decision in relation to the Hornet?

Senator Hill—It is related to the assessments that are currently being made and being made over the next 12 months because the dates will change according—

Senator CHRIS EVANS—I accept the general thing. I am just trying to understand, in terms of government decision, whether or not that will get you through, and what triggers that decision.

Air Marshal Houston—I keep the minister fully informed about how we are going. At the moment I am confident that I can keep the FA18 going to meet the life of type requirement, 2012-2015. We are clearly gaining as much information as possible from DSTO and DGTA. The fatigue test on the FA18 airframe was only recently completed and there is an awful lot of analysis of the data that comes out of that to determine whether our assumptions are correct.

It is a very dynamic process. If there is a crunch time, it will come when we have to make the decision on the joint strike fighter, when we come to government and say, 'It's time for

phase one of the joint strike fighter.’ At the moment we see no reason why we cannot keep the FA18 going through to 2015. If there is a crunch, it is the decision whether we need to proceed with the centred barrel replacement. That is the important thing, and that is likely to come either later this year or next year—a decision on whether we need to do a limited number of airframes in that regard.

Senator CHRIS EVANS—You think you would only have to do a limited number?

Air Marshal Houston—Yes.

Senator CHRIS EVANS—Is that because you would only try to carry a limited number—

Senator Hill—With respect, Mr Chairman, Senator Evans is asking too much. You can keep pushing to get these answers but, if the answers are only as good as the future research is going to show, there is not much point. The air marshal has explained the process. He has said that he is confident that the full life can be achieved but he has major studies going on to confirm that and the results will be known in due course.

Senator CHRIS EVANS—With respect, Minister, we get a lot of expressions of confidence at estimates, and part of the process is to test the bases of that confidence.

Senator Hill—But you are not testing it; you are trying to get him to nominate dates that are impossible to be nominated when you do not have the full information base.

Senator CHRIS EVANS—I am not trying to get him to nominate dates; I am just trying to understand—you have reviews all the time—by what stage you, the government, will have to make a decision about whether you are going to go ahead with the barrel replacement. When is the critical time? We were talking about it. It has clearly been put on the backburner a bit in terms of approval.

Senator Hill—We will know more about that when this two-year process of assessment has been completed. The air marshal said that even within those two years he may know more, because the process of research is ongoing.

Senator CHRIS EVANS—I still think it is perfectly appropriate for me to try and tease out an understanding of those issues. I do not see why you are so sensitive.

Senator Hill—Because you are pressing him beyond reasonable limits.

Senator CHRIS EVANS—He doesn’t look unduly strained.

Senator Hill—He is a very generous person and he wants to help you.

CHAIR—With respect, Minister, he can choose not to answer. I cannot control which questions are asked. You can decide which questions are answered.

Air Marshal Houston—Perhaps I can finish it off by saying that we manage the fleet tail number by tail number, so we know exactly where each airframe is in terms of fatigue accrual.

Senator CHRIS EVANS—I understand that.

Air Marshal Houston—In other words, it is a dynamic process and we are managing it very closely. We need all 71 aircraft to get there, and I am confident we can get there.

Senator CHRIS EVANS—Do you have the same confidence about getting the F111s through?

Air Marshal Houston—I was at Amberley at the weekend for the 30th anniversary of the F111 and I was very pleased with what I saw. We currently have 17 aircraft with the refurbished wings. There is a pool of 13 aircraft available for meeting our operational and preparedness requirements.

Senator CHRIS EVANS—There are 13 that you can get into the air at the moment?

Air Marshal Houston—There is a pool of 13 aircraft that we have available for operations. I do not know what the day-to-day serviceability is; we usually manage it to what our requirements are. I suppose that the long and the short of it is that we can meet all our preparedness requirements at the moment with a credible capability.

Senator CHRIS EVANS—Do you have confidence that you can continue to get the F111 to meet that level of requirements through to 2012 or 2015, the possible date of the introduction of the JSF?

Air Marshal Houston—I am confident that we can, given sufficient funding.

Senator Hill—It depends on how much money you are going to spend.

Air Marshal Houston—Again, it is an ageing aircraft.

Senator CHRIS EVANS—It is not just the money. It is an operational issue—whether we actually have those aircraft available.

Air Marshal Houston—The aircraft is very expensive to operate. Given sufficient resourcing, I am confident that we can get the aircraft through to the end of the decade.

Senator Hill—You can keep rebuilding them if you so wish.

Air Marshal Houston—We are doing a sole operator support project where we are specifically looking at whether we can get the aircraft through to 2015 or even 2020. Until we complete those studies, I am only prepared to say that I am confident we can get it through to 2010. The reality is that if we are going to take this through to 2020, as indicated in the white paper, it will be very expensive. I think one of the things that we need to study is how much is it going to cost and whether it is better to perhaps say, 'Enough's enough and we will retire it at this point.' I am happy in terms of getting it through to 2010. We need to do a lot more work to determine what is involved with going to 2020 and how much it will cost.

Senator CHRIS EVANS—What are the major costs that will start to impact on the F111? Are they straight logistics costs? I know ageing aircraft cost more and more in servicing. I am trying to get an understanding of the cost drivers for the F111 that are looming large.

Air Marshal Houston—You have to keep it airworthy. That probably means more and more maintenance as we go further downstream. We have a fairly good stock of spare parts because we are the sole operator, but that in itself presents significant challenges. I would anticipate that as the aircraft gets older we could have more surprises. By way of illustration, if you look at our Boeing 707s, we have got to the stage with them now where we have calendar servicings and quite often when we do those servicings we find something that we were not expecting. That is normal with an old aeroplane, so it tends to spend a lot longer in

the hangar than it does out on the flight line. Obviously, the availability is not as good as it was when it was a young aircraft. The F111 was an extremely serviceable aircraft when it was young. The older it gets, the more maintenance we will have to put into it to maintain the capability.

Senator CHRIS EVANS—Give me a sense of the sole operator problem. Is it that you are not dining out on other people's experience, so you are not seeing things coming down the track? Is that the disadvantage of being the sole operator?

Air Marshal Houston—If there is a problem, we are going to be the first to know about it—the only ones to know about it—and we are going to have to come up with a solution to the problem.

Senator CHRIS EVANS—You have the cost of the solution as well. You are not able to piggyback off the costs others have had.

Air Marshal Houston—Can I just say that the way my people, DSTO, the DMO people, the strike reconnaissance systems, the program office and the principal contractor, Boeing Australia, have responded to do some of our recent problems has been truly outstanding. We have got on top of all of the significant ageing aircraft issues that have arisen recently. We are over them. At this stage everything is looking good for the future.

CHAIR—Can I ask a few questions on the F111 and the FA18? Air Marshal, you said that there were 48 out of 71 mission capable aircraft. How does that compare in broad terms with this time last year and this time two years ago?

Air Marshal Houston—We are in much the same situation. We have that pool of 48 to 50 aircraft. The Hornet upgrade program was going two years ago and it has been ongoing. Essentially, the 48 relates to having one aircraft over at ARDU, the Aircraft Research and Development Unit; we have nine aircraft in upgrade; and we have 13 aircraft in depot level maintenance, so what is left is the rest of the fleet. We are in the same situation. Essentially, we are still doing the same number of servicings as we did two years ago.

CHAIR—This applies both to the F111 and the FA18: does the operational envelope change in terms of how you extend life of type?

Air Marshal Houston—In terms of the FA18, we have a finite fatigue life, which is related to the rate of fatigue accrual and the rate of effort. In order to go beyond that, we have to do a major rebuild of the aircraft, and that is what the centre barrel replacement is all about. We could then, perhaps, take the FA18 much further. In terms of the F111, we do not have those sorts of considerations. The F111 is a very robust airframe. The fuselage should be able to go on for as long as we want it to go on. We have had a close look at a number of fuselages and they are in good shape. The advice from DSTO is that the fuselage should be able to go for a long time—

CHAIR—The operational envelope does not change?

Air Marshal Houston—It depends. If you want to extend the life of an FA18, you could put some fairly stringent restrictions on the aircraft and that would cut down the rate of fatigue accrual, and you could probably lengthen the life of the aircraft. In doing that, you would probably make the aircraft ineffective in its primary role.

Senator HOGG—I want to go to the air traffic controllers issue. I note in the PBS that it is still an area of grave concern; it was an area of grave concern when we did the inquiry on retention and recruitment. Can you give me some idea of the shortages? Firstly, how many air traffic controllers are there currently?

Air Marshal Houston—There are 315.

Senator HOGG—Are you able to break that down by base?

Air Marshal Houston—I cannot do that here and now, but I can give you an overview.

Senator HOGG—Could you take that on notice—

Air Marshal Houston—I can.

Senator HOGG—and also give me an idea of the shortages at each base.

Air Marshal Houston—The overall shortage at the moment is 51. We have an establishment of 315; we have 51 short. We are recruiting 35 Australian public servants. So, when that program is complete, there will be fewer shortages. In fact, we should be down to only 16. The other thing we have done is to have a competency based retention scheme, and that has been very well received by our air traffic controllers.

Senator HOGG—Could you outline the competency based retention scheme for us?

Air Marshal Houston—A controller has a number of skill sets that he requires. We have related that to gaining proficiency to perhaps be a tower operator, in the first instance, and then later gaining proficiency to be a radar controller and so on. The increments in the retention benefit relate to the achievement of those skill sets.

Senator HOGG—Are the shortages still leading to a number of sites operating at a reduced capacity, a reduced number of hours?

Air Marshal Houston—At the moment we do have some restrictions in terms of operating hours as a consequence of the shortage of air traffic controllers, but we are able to manage it. As we bring the public servants on line, that is going to help enormously.

Senator HOGG—What role will they fulfil that will ease the situation?

Air Marshal Houston—In studying the problem, there are a number of people out there who would be very willing to join us and essentially man some of the less popular posts in the Air Force. They would be very happy to remain at that location for a long period of time. A lot of these people will probably be former air traffic controllers. We just want to source that potential part of the air traffic controller market.

Senator HOGG—Are the shortages spread evenly over the system or are they in one or two particular bases?

Air Marshal Houston—I have some information in regard to how we are looking. These numbers are a little out of date, but I can give you some idea—

Senator HOGG—If they are indicative, that is what I am looking for at this stage.

Air Marshal Houston—At Amberley we have an establishment of 22 and a strength of 15. We have done some work at Darwin and I would prefer to give you the absolutely accurate figures for that location. At Edinburgh we have an establishment of 11 and a strength of 10. At

East Sale we have an establishment of 19 and a strength of 11. One of the problems with East Sale is that not everybody wants to go there.

Senator HOGG—So that is one of the more undesirable ports of call?

Air Marshal Houston—It is a remote sort of area and it is harder to get people to go there.

Senator HOGG—The people going from Point Cook to East Sale will be very happy to hear that!

Air Marshal Houston—If we look at Nowra, we have an establishment of 20 and a strength of 13. At Oakey we have an establishment of 19 and a strength of 17. At Pearce we have an establishment of 28 and a strength of 26. At Richmond we have an establishment of 13 and a strength of 13. At Tindal we have an establishment of 18 and a strength of 13. At Townsville we have an establishment of 31 and it is pretty well manned. Again, I would like to give you the actual figures there. I will take that on notice because that is important. At Williamtown we have an establishment of 26 and a strength of 19. And at the School of Air Traffic Control we have an establishment of 24 and a strength of 24.

Senator HOGG—You are going to supply me with figures for Darwin later as well?

Air Marshal Houston—I will come back on Darwin. Twenty of the military positions at Darwin, Edinburgh and Richmond and the naval air station at Nowra have been identified as the Australian Public Service positions. That will give us a little more stability.

Senator HOGG—How is retention?

Air Marshal Houston—Retention is not too bad. We are not getting worse. The competency based allowance seems to have been well received, and we are in a slightly better position than we were, say, two years ago.

Senator HOGG—In terms of the operation in Iraq, I understand from evidence earlier that 13 air traffic controllers went to Iraq. Did they come from any specific base or was it spread over the whole—

Air Marshal Houston—The thirteen air traffic controllers came from 12 different bases.

Senator HOGG—Basically, one a base.

Air Marshal Houston—One from each base and one base provided two. Before they departed, I had the evening with those individuals and they left me in absolutely no doubt that that deployment and the potential for that employment would keep them in the Air Force. So we have sent 13 away and those people were very happy to be sent away because that is why they joined the Air Force. I think if we can give that sort of opportunity from time to time that will aid retention in the Air Force.

Senator HOGG—But that is not an opportunity that has been available in the past, is it?

Air Marshal Houston—The last time that sort of opportunity was available was in Somalia back in the early nineties. Again, our air traffic control people did a magnificent job there. In fact, we were requested to provide air traffic controllers this time because of the magnificent job our air traffic controllers did when they were in Somalia.

Senator HOGG—Are the 13 who went to Iraq due to be rotated at any stage?

Air Marshal Houston—As General Cosgrove said yesterday, it just depends how the deployment pans out. Initial indications were that this would be a fairly short-term deployment and that the air traffic control capability would be outsourced. But the further we go into it, it seems that it might be extended. If it is extended, we will review the situation and, yes, it is possible that we may have to send another rotation.

Senator HOGG—Do you have a contingency plan in place for the replacement of these people and have you called for volunteers at this stage?

Air Marshal Houston—I have got about 200 people who want to go.

Senator HOGG—That is interesting.

Air Marshal Houston—The point I am making is that the best thing I can do for retention in the air traffic control category is to have the opportunity to pursue this sort of prospect.

Senator CHRIS EVANS—My lasting impression from the farewell ceremonies—I think Senator Hill would have had a similar experience—is that all the personnel were very keen to go and all the families were nervous. You felt like you had to have two different conversations with the one family about it. Mum and dad were very nervous and not at all enthusiastic but their son or daughter was bursting at the seams to get into it. It was a very unusual experience, so I understand what you are saying. We were talking about the F111s. I was going to raise this under ‘personnel’, but no doubt that section will be truncated because we are pressured for time. How are we going for F111 pilots and crews in terms of their profile?

Air Marshal Houston—I was up there at the weekend. Are you talking in terms of numbers?

Senator CHRIS EVANS—I was interested in the F111 retention rate.

Air Marshal Houston—We are doing fine. In fact, at the moment, just relating to the broader question of pilot retention, I now have more pilots than I need. If you look at it strictly on paper, we probably have about 65 more pilots than we need in terms of a direct comparison between strength and establishment. When you eliminate the people in the training pool awaiting courses and so on, we probably have an excess of about 15.

Senator CHRIS EVANS—Are they trained up for F111s?

Air Marshal Houston—Some of them are. I will have to take that on notice. I think we still might need a couple of people in there to meet the full complement of the squadron, but it is healthier than it has been for a long time. I will take the question on notice to give you the precise detail.

Senator HOGG—Eighteen months ago, I think the attrition rate was in the order of one a week and the recruitment rate was in the order of 40, so Air Force was facing a net loss. Are you saying that has turned around?

Air Marshal Houston—The situation with recruitment and retention has turned around totally.

Senator HOGG—How much is that due to the crisis in the international airlines?

Air Marshal Houston—I think the crisis in the world airlines helps. At the moment, all the airlines that fly into Asia are really doing it tough. Qantas is obviously one of those; Cathay

Pacific is another. Of course, over the years Cathay and Qantas have taken a lot of our pilots. Right now I do not think they need to recruit any pilots, because they simply have enough pilots to meet the current level of airline demand. That obviously helps. The other thing that worked in our favour was 11 September. Not only did we have the terrorist attacks which had this effect on the world aviation market; we also had the demise of Ansett. We were able to recruit some of those ex Air Force people back into the Air Force. That was very helpful at the time. But right now our retention is the best it has been for probably 10 years. We are running at a six per cent separation rate for officers and eight per cent for other people. That compares to the 10-year average of something like nine per cent for officers and 11 per cent for other ranks.

General Cosgrove—Could I interject for a moment. Air Force's retention rate is the superior of the three services.

Senator HOGG—Can I ask about the other two areas identified in the PBS where there are deficiencies: aerospace engineers and logistics officers. Are they being addressed? How serious is the problem?

Air Marshal Houston—They are being addressed, absolutely. We have run an aerospace engineer sustainability project. We have also run a logistics officer sustainability project. The direct outcome of those two studies is that we are taking a raft of measures for both aeronautical engineers and logisticians, which includes opportunities for further education. It also includes remuneration, retention benefit and a whole raft of smaller measures. As a consequence of that, we are having a very positive effect on the retention of both logisticians and aerospace engineers. I would hasten to add that we have very healthy recruitment in all areas. We are meeting almost all our recruiting targets—we are close to 90 per cent for recruitment. To give you an example, we get a lot of our engineers and logisticians through the defence academy and we had well over 100 per cent achievement in terms of recruitment for the defence academy last time around. All our engineer and logistician slots were filled.

Senator HOGG—This is not a comment that is directed specifically at Air Force. I think it was common to all the services. When we did the inquiry into retention and recruitment, we found that career management was being poorly handled, if I can put it in those terms. What steps have you taken to manage careers better, and has that assisted in the retention of these key personnel?

Air Marshal Houston—I think, if you have a look at the feedback from the field, we still have a way to go in terms of the way we manage our people. But one of the things that we have done—one of the first things that I did when I came to the job—is to come up with a new way of managing our people. We put in place a personnel management strategy which better aligns the requirements and the expectations of our people with the requirements of the service. So the whole idea is to get better alignment and to get a more individual approach to the way we manage our people. That has been very well received, but we still have a little way to go. I think the YourSay survey points to the fact that we are on the right track.

Senator CHRIS EVANS—Given the minister's concern about Air Marshal Houston and the badgering he is getting from us, we will cease asking questions of the Air Force.

Senator HOGG—He looks completely badgered.

[2.00 p.m.]

CHAIR—We now come to outcome 5, Strategic policy for the defence of Australia and its interests. I understand we have about half an hour of questions on this matter.

Senator CHRIS EVANS—It depends on whether Mr Carmody coughs up straightaway or not.

Mr Carmody—I will be brief, then.

Senator CHRIS EVANS—I have a few questions on strategy issues. First, I wondered whether Mr Carmody could outline for us what discussions have been occurring with the United States defence about this realignment they are having in terms of their position in Asia and what the implications are for Australia. I am trying to get a sense of what issues are on the table, what the implications might be for Australia and whether they are consulting us about those issues or whether that is a decision for them.

Mr Carmody—I have not had any discussions on these matters yet with the United States. I note that there has been a great deal of speculation in the press running on for the last three to four weeks about future US posture in the region, including some speculation on basing. But to my knowledge there have been no approaches by either side.

Senator CHRIS EVANS—On the question of bases, yes. There is this review of their posture and resourcing in the Asian region. That is a matter of public record and there is a lot of debate about that. As a starting point, I figured you would want to say something about bases and I presume the minister would want to say something too. I was really starting from the level of what is the department's relationship in this, how we are involved, what sort of discussions occurred and at what level and how that process works for us as an ally.

Mr Smith—This is an issue that our embassy in Washington and our defence staff there have been working closely on and our staff in Honolulu have been talking to US military people there about those intentions with regard to Korea, Japan and so on. That has been a fairly close dialog for some time.

Senator CHRIS EVANS—What is the nature of our input? Obviously we are interested in their posture as an ally but, given that we do not have forces generally stationed in those areas, what is the nature of our involvement? It is just keeping us informed or are we putting a view?

Mr Smith—Naturally we are keeping ourselves informed and, as you know, we believe that it is in our interests to see the United States presence in the region remain. That is the context in which we have to keep ourselves informed about their intentions and what those implications would be.

Senator CHRIS EVANS—What are the main drivers behind the US reconsideration of these issues?

Mr Smith—How would we summarise that, Shane? I think there is a recognition that the nature of warfare and so on is different and the configurations that they therefore have in response to that will be different—different sizes and nature of forces. The United States has different capabilities. It can move more quickly than it used to be able to move and those factors lead to the economic consideration of the cost of them keeping themselves offshore.

Mr Carmody—In terms of other factors, aside from the nature of warfare and others, there is the US basing in both Japan and Korea. Certainly it is a question for the United States to decide whether it is going to continue having large forces forward deployed and where it might deploy them. That is the nature of their discussions with the host nations that they are dealing with. But there are those sorts of considerations, and they are political considerations in those countries, and of course taking into account the nature of warfare, their forward deployment, what has changed and what the strategic circumstance might be. They are considering those things all of the time. The nature of our discussions with the United States is pretty free and constant, so those sorts of things have been going on for a long time in one form or another. There has been speculation for many years about whether the United States will stay in Korea, what the size of its force structure will be and whether it will stay in Japan. This is not new. Maybe they are refining their view at this time, but it has been a long while in development.

Senator CHRIS EVANS—Yes, I am sure of that. I am just trying to understand what is happening at the moment and what might be impacting on us. Has the department formed a view about what any realignment might mean for Australia? Maybe you could advise me what you think some of the key considerations might be that might impact on us.

Mr Carmody—I will be in a position at least to form my view and provide some advice if and when the United States makes up its mind and starts dealing with concrete proposals, if it decides to bring forward a concrete proposal. Until then it is purely speculative.

Senator Hill—I think whilst the review is taking place it is probably unwise to be drawing conclusions.

Senator CHRIS EVANS—No, I was not. I was looking for some information from the department as to what issues were at stake for Australia, what the department's assessment is of how it impacted on our interests. I am talking about the debate.

Senator Hill—We have an obvious interest in the US maintaining its capabilities within the region. We think it has a critically important role in terms of preserving stability and security within the region. But there are a number of different ways of doing that, and the model that was basically developed 50 years ago may not be the most appropriate—both from a cost-effective point of view and also from a military capability point of view—means of achieving that. That is why I think we should wait and see what the review shows.

Senator CHRIS EVANS—As you indicated, that is a decision obviously for the United States. What I am just trying to tease out, I suppose, is what issues are important to us, particularly from a defence perspective.

Senator Hill—I beg your pardon?

Senator CHRIS EVANS—The decision about what they do is clearly one for the United States and I am not attempting to ask you what they are going to do. I am just trying to understand what the department might be advising are the critical issues.

Senator Hill—But it is the department's job in the first instance to advise government, and we would not even ask the department to be providing that advice in a speculative situation.

Senator CHRIS EVANS—I am not asking you for that, though.

Senator Hill—I think you were.

Senator CHRIS EVANS—You are mistaken. I am just trying to get an understanding of what you, or the government, might think might be some of the issues involved that impinge on our defence interests in this debate. I am not asking what the decision is. I am not even asking whether you have formed a view about some of these things. You made it clear, I thought, that the major one you saw was a continuing role for the USA in the region and a continuing military presence in the region. That is a first thing.

Senator Hill—That is right. But we do not see it as our job to tell them how to do that.

Senator CHRIS EVANS—I am trying to understand from our perspective.

Senator Hill—We would urge them to maintain that capability and that role, but there has been no suggestion that they will not. In fact, it can be argued that they are enhancing capability within the region.

Senator CHRIS EVANS—I did not say that they were not. I am just trying to understand what issues might impact on us and what the implications are for us.

Senator Hill—It would only impact significantly on us if they were reducing that capability.

Senator CHRIS EVANS—Unless, in the alternative, there was a proposition that they wanted to base some of that capability here.

Senator Hill—That is a different issue. And there is no suggestion that they do in any event.

Senator CHRIS EVANS—We have not been put in a position other than the broad one described by the minister? We are not involved in the detail of these things—as an ally that has worked very closely with the United States in recent times?

Senator Hill—No. They have certainly kept us informed of the process, and because we have a close relationship with them it may well be that our military people have chatted with their military people about some of these things, but it is their review.

Senator CHRIS EVANS—That is what you said before the Iraq war, Minister. I am just trying to ascertain whether there is—

Senator Hill—What did I say before the Iraq war?

Senator CHRIS EVANS—That we were just chatting, exchanging information.

Senator Hill—No, I did not say we were just chatting. You are verballing me.

Senator CHRIS EVANS—Are there any other issues apart from the question of potential basing of US or other troops in Australia that are impacted by this US process? Do we have any other issues at stake that will impact on our defence arrangements by any changes in their posture? That is what I am trying to understand.

Senator Hill—There could be incidental matters that affect us, such as their request for us to support sea swaps. That is just an example of using their equipment more effectively and asking if we could facilitate that—not only us but Singapore and maybe other allies around the world. But not of a fundamental nature.

Senator CHRIS EVANS—I would have thought if there is an assessment made about security, for instance, in some other regions, that might impact on us in terms of what they might want to do, say, through Australian ports. Sea swaps are one example. I was going to come to where we were at with the sea swaps, but if they are feeling that the security situation in some other ports, be it air or sea, has worsened, they might be looking to transit through Australia more. I am trying to understand whether those issues are at stake or on the table.

Senator Hill—You can ask that specific question. I do not know that there is any sign they are wanting to transit through Australia more than they have been doing in recent times. We welcome their visits. We don't mind earning a dollar from it as well, I might say. Ship visits are a good money flow for local communities as well as being good for morale. If we are helping our ally in such a way, it is a good thing.

Senator CHRIS EVANS—Is there an answer to the question as to whether or not there has been any proposition to increase those things? That is what I am trying to get a sense of.

Mr Carmody—Senator, I can answer that. To my knowledge there has not been any proposition to increase the tempo of those sorts of things. Sea swap, as the minister mentioned, is alive and well, and was agreed in 2001. That is about the only initiative that fits in with that framework. But there have been no other proposals to my knowledge that would indicate a change in posture, tempo or interest.

Senator CHRIS EVANS—The sea swap is actually a trial, isn't it? Aren't they going to trial it on a couple of occasions and then make an assessment about a more permanent arrangement?

Mr Carmody—It was certainly trialled and it was very successful. I was under the impression that we had agreed to the proposal and that therefore, if it was found to be successful and we did not have any difficulty with it, it would continue. My understanding is we have certainly done one. I had a view that another one was foreshadowed but I do not actually have the detail of that.

Senator CHRIS EVANS—Can anyone help us? My understanding is that we were going to do two trials, then the Americans were going to assess whether they were interested in continuing it and then we would make a decision. I cannot speak for the government but it was put to me as a sea swap trial.

Mr Carmody—If someone from Navy cannot help me, I can take it on notice and get back to you as soon as I can. I should be able to get a response today for you without too much trouble.

Senator CHRIS EVANS—I am happy for you to take it on notice. I was trying to understand whether there had been an assessment. Do you understand whether we were doing an assessment from our perspective on it?

Mr Carmody—I do not understand how formal that assessment process was going to be. My view was that it would happen, and if it worked and if no-one had any problems we would do it again. In terms of the nature of a formal assessment, I would have to go back and review the proposal and see on what basis it was agreed. But I understand that it went well,

that both parties were happy and that the Western Australian government, for example, supports it.

Senator CHRIS EVANS—That is my understanding. So there has been no suggestion or request for an increase in transiting through Australia or joint exercises—nothing of that nature?

Mr Carmody—As I said in answer to your previous question, not to my knowledge.

Senator CHRIS EVANS—As far as you are concerned, that is not an active part of the debate about how the US might reposition itself inside Asia?

Mr Carmody—To my knowledge, no. According to the press, there is a lot more debate on the other side—a lot more going on in US thinking than anything that is happening here, aside from the speculation. Our engagement in this has been very limited. As Minister Hill said, my only statements have been that a US presence in the region is a good idea. When they make up their minds and decide to do something or come forward with a proposal, it will no doubt have elements in it and then we will have to consider it. But there has been nothing, for example, that looks like a stalking horse for a proposal or an increase in anything.

Senator CHRIS EVANS—I thought I had better let you respond on the record, Mr Carmody, to your famous quote that seems to have featured so much in the *Australian*.

Mr Carmody—It was very selectively quoted, Senator.

Senator CHRIS EVANS—I will put it to you formally. Mr Carmody, in terms of the prospect of an increased US military presence in Australia, you were quoted as saying:

... down at a working level, it has certainly been suggested.

What did you mean by that remark?

Mr Carmody—What I meant by that remark, Senator, was that people have been discussing informally at various levels and speculating about a US presence in Asia for the entire time I have been at Defence. Therefore, I could not answer the question that Mr Beazley put to me in the committee and say that absolutely to my knowledge it has never been discussed, because I don't think that is true. I am certain that it has been discussed and canvassed. I do not know at what levels. But I have absolutely no doubt that it has come up somewhere at some time at some level of conversation. During that session I made the point that there had been no formal proposal, to my knowledge, and I stand by that.

Senator CHRIS EVANS—Thanks for that.

Mr Carmody—It is a pleasure, Senator.

Senator CHRIS EVANS—The Defence Update referred to the dialogue we were to have with the United States on a US national missile defence scheme. Can I have an update on what the nature or extent of that dialogue has been or is proposed to be?

Mr Carmody—Regrettably, the dialogue has not moved ahead as quickly as I would have liked. I was hoping earlier this year—in fact, by now—for a senior US official who is involved in the missile defence program to come to Australia so that we could talk in some detail about what missile defence is and is not. That is yet to occur. I am hoping that he will come out in the latter half of the year and that we will then be able to explore what it is. Then

we can get away from the speculation and rhetoric about what it might or might not be and get down to some facts. So it has not happened.

Senator CHRIS EVANS—So what is the level of work done inside the department about what missile defence means for Australia?

Mr Carmody—At this stage, not a great deal. At a policy level, in the broader sense, looking at US relations and looking at our global position, we have thought about it; but it is first and foremost a US proposal. They are involving their allies. They have offered, probably in similar ways to the JSF technical partnerships, opportunities to participate in the missile defence program to various nations around the world. Until that gets some form, we really have no way of dealing with the issues, because again it is only speculation. What they offer to one partner might be different from what they offer to another. Until we know that—

Senator CHRIS EVANS—Have they made an offer to us in terms of the technical partnership?

Mr Carmody—What they have said is that there will be opportunities for people to participate at various levels in the program. In waiting for formal briefings or some formal discussion, we are waiting to see what those opportunities really are. Until then, it is pretty difficult to deal with what might or might not be opportunities for Australian industry participation or any one of a range of other areas. Until there is some more definition, it is very difficult. So it is in its early days, but I would hope to have advanced it later this year.

Senator CHRIS EVANS—What is your understanding of what is to go ahead? Someone was putting to me the other day that a trial missile is to be erected in Alaska. Is that your understanding?

Mr Carmody—I am not completely across all the detail—I might have something in my briefing notes—but there has been some agreement between the United States and some nations about potential missile defence activities and positioning on the use of radars or use of facilities. But there are missile defence trials going on in the United States all the time. It is a very big-budget program—as usual.

Senator CHRIS EVANS—A lot bigger than the Australian defence budget.

Mr Carmody—It probably is.

Senator CHRIS EVANS—Many times over.

Mr Carmody—There is such a range of activities going on under the program that it is pretty hard to tie down the specifics. Again, once we tie them down this year, we will be in a much better position to know.

Senator CHRIS EVANS—So there is no formal proposition before the government, no request to participate in a formal sense?

Mr Carmody—There has been nothing formal come forward. My understanding is that the level of involvement would be that we are welcome to participate if we want to. But, until we get some definition on that, it is quite open ended.

Senator CHRIS EVANS—General Cosgrove, I want to tune you in here. I wanted to know what our understanding or thinking was on in-theatre missile defence, what

involvement we had with developments in that area and how one saw that maybe linking into national missile defence.

General Cosgrove—As a bit of background, it is my understanding that the United States is seeking to remove the ‘national’ connotation from its missile defence posture in that that implied a certain isolation of United States territory, and it has tended to speak just of a concept of ‘missile defence’. If one takes that construct and then sees that there should be a complementarity and seamlessness then theatre missile defence is that which might be applied over, classically, a theatre of operation—something less than the size of a nation-state, certainly something less than the size of continental United States.

In the Australian context, that would mean that theatre missile defence as a concept would apply more to, say, an area like East Timor or the area of operations of our forces recently in the Middle East or a part of Australia. That would be available in a modern military force through a variety of means which were essentially less technical or high-end technology than perhaps has been envisaged in the overall previous concept of a national missile defence. That tended to protect against intercontinental ballistic missiles—something which went into space and returned at very high speeds obviously with WMD warheads. Theatre ballistic missile or theatre missile defence may actually be in a lower layer of defence, more of the sort of missile defence afforded by patriot batteries or Aegis class ships. For example, Japan relies quite heavily on several Aegis class warships that, by sitting in the seas near Japan, actually provide an air defence envelope over Japan.

In the sense that Australia has a small but reasonably highly technologically developed force, it is quite reasonable that we could, at some future time, contemplate incorporating our air warfare destroyers into some notion of theatre missile defence. It is a moot point as to whether we will go for a high-end land based missile, such as patriot. That is not something we have thought about or ever sought to fund, but I give it to you in the context that it is probably reasonable for smaller but highly developed military forces to have some aspects of theatre missile defence available to them.

Senator CHRIS EVANS—Where are we at with the development of those options for the Australian Defence Force? Where does the responsibility lie for that?

Gen. Cosgrove—If I could put it to you this way: the theory, the conceptualising, the philosophy and the discussion cost nothing. Accordingly, we are well developed in that area, but we would need to be very careful to make sure that that investment would not be chasing clouds, so to speak, in offering a reasonably impermeable air defence envelope in a strategically important area. I think our approach, as articulated by Mr Carmody, is spot on—that is, we are supremely interested in talking to the experts, in this case the Americans, and studying very carefully what emerges; but we should make sure that we digest that before heading off with a potential participation.

Senator CHRIS EVANS—I just want to note for your information that the members of the committee from Queensland and WA might have a different view of what is strategically important than what sometimes the military has taken.

Gen. Cosgrove—There is no part of Australia that is less important than another, Senator, as you well know.

Senator CHRIS EVANS—No rabbit-proof fence or Brisbane lines.

Gen. Cosgrove—Not even a crow fence.

Senator CHRIS EVANS—That is all I have on strategy.

Air Marshal Houston—With regard to the air traffic controllers, at Darwin, the establishment is 38 and the strength is 38; at Townsville, the establishment is 31 and the strength is 30; and retention is currently running at about eight to 10 per cent. In other words, the retention benefit is having the desired effect.

Senator HOGG—Thank you very much, Air Marshal.

CHAIR—Senator Bartlett, do you have a question on outcome 5 or are you hoping to put some questions on outcome 6?

Senator BARTLETT—Both.

CHAIR—We were looking to finish outcome 5 now, because our time is very short. If you have some short questions on outcome 5 we will take them, otherwise we are shortly moving on to outcome 6.

Senator BARTLETT—I know that part of this was covered under a previous outcome or output in terms of national support tasks. Concerning the long-term implications for defence in terms of ongoing Operation Relex and the logistical impact that has, is there any thought being given as to how long that is likely to stay in place and whether it can be serviced through other mechanisms?

Gen. Cosgrove—We are continually reviewing the operation to see how it matches with the threat which, as you would imagine, ebbs and flows somewhat, so that we have an appropriate level of surveillance and reaction in Australian waters. We adjust from time to time our presence and our operational tempo to meet the threat. For obvious reasons we would not want to absolutely specify the tempo of operations or, indeed, say from moment to moment the precise nature of our contribution because that could to some degree negate its effectiveness; but we do adjust.

The other aspect of my reply is to say that we are set for the long haul. While government in its turn reviews the overall need and the operational response is essentially not led by Defence but by DIMIA, in the sense that that occurs across the board and we know that a review of the need is ongoing. Given that, we are set for the long haul.

Senator BARTLETT—So you are not anticipating, even if the operation continues, that Defence's contribution to it is likely to diminish significantly?

Gen. Cosgrove—We are set to be a part of the operation as long as the government sees a need for it.

Senator BARTLETT—One example of the impact that I noted under the hydrographic section under Navy was that only 28 per cent of the hydrographic ship days were devoted to hydrographic work and the rest were spent in support of border protection operations. That is one example of distortions—though distortions is probably a negative word—or the impact that it is having on your core business. You obviously factored that in. You are not trying to look for ways to reduce the impact?

Gen. Cosgrove—In relation to that specific example, it is a point well taken that we were looking to adjust the types of fleet units that were used in the operation so that no one sort of vessel—and crew of course—had such a presence as to impact adversely in its ability to do a core job. We did that in relation to the hydrographic survey ships in an adjustment to their representation on the operation which took place a few months ago. Part of the challenge being met—and met pretty well by the Maritime Command fleet planner—is to ensure that there is a rotation sufficient to be both effective in the operational area and to allow certain sorts of ships do those other things for which they are primarily suited.

[2.34 p.m.]

CHAIR—We now move to output 6, Intelligence for the defence of Australia and its interests.

Senator CHRIS EVANS—It will come as no surprise to Mr Bonighton or the minister that I am interested in exploring the intelligence basis for our assessments on Iraq prior to the war there, and an understanding of the process or what the starting point was. Could someone outline for me the nature of the arrangements that allowed us to generate the intelligence? Who was it generated by? Was it Australian sourced? Which agencies were involved? I just want a general outline of the processes involved in the intelligence material provided to government.

Mr Bonighton—The answer is in the same way as any other intelligence is generated. We have some collection of our own. We have some collection that is provided to us by other countries, and we have an independent assessment capability which looks at that raw data and makes judgments about it. Those judgments are put out as intelligence reports.

Senator CHRIS EVANS—I understand the sensitivities about this but I am trying to get a feel for this. In terms of the collection, we would have had access to information collected obviously by our own agencies. Which Australian agencies would have been involved in the collection?

Mr Bonighton—Certainly all the Australian agencies would have been involved in that. I would not like to leave the impression that we had lots of assets directly looking at what was happening in Iraq.

Senator CHRIS EVANS—That was going to be my next question. I would have thought Iraq was not, prior to more recent times, a huge area of interest of ours.

Mr Bonighton—You would be absolutely right, Senator.

Senator CHRIS EVANS—Therefore the amount of assets and resources devoted to intelligence work in relation to Iraq would have been fairly limited?

Mr Bonighton—I think that is a fair assumption.

Senator CHRIS EVANS—Is it fair to say we would not have had very much at all in the way of direct source of our own material?

Mr Bonighton—I think that is probably a fair statement.

Senator CHRIS EVANS—Whose material would we mainly have relied on? Who would have been seen as the lead ally in terms of source material?

Mr Bonighton—Certainly—and this would again come as no surprise—we have very close exchange arrangements with the US and of course with the UK as well. So we certainly had access to some of that data.

Senator CHRIS EVANS—It struck me that probably the UK would have reasonably good intelligence sources in the Middle East, given their history, or maybe I have been reading too many spy novels over the years. They would have been a fairly important source, wouldn't they?

Mr Bonighton—I would not want to go into exactly who is doing what, but certainly they do have considerable resources there. There is a fair bit of information available as well from open sources and from the UN work that has been done, both by UNSCOM in the past and more recently by UNMOVIC.

Senator CHRIS EVANS—I accept that. I took as a given the stuff that was on the public record. I was talking about the stuff that you normally don't share with us. We will work on the basis that even I can get into the Internet and find the UN reports.

Mr Bonighton—And very illuminating they can be as well, Senator.

Senator CHRIS EVANS—Therefore the major collection obviously was done by other agencies. What is the method in broad terms about how that is shared? How does that come to us? Do we have to request it or do we get it as a matter of normal distribution?

Mr Bonighton—I think it is fair to say that, if Australia has an interest in a particular subject, we would make arrangements for that material to come to us. Once that arrangement was made, it would come to us in a routine fashion.

Senator CHRIS EVANS—Would that be an unfettered access to source material or would the other countries, such as the US and the UK, determine what it is that they would want us to see?

Mr Bonighton—I guess 'unfettered' is a limitless concept. I do not think any exchange anywhere in the world would ever be unfettered, but it would be significant and substantial.

Senator CHRIS EVANS—Maybe it was a poor choice of words. Clearly, from their points of view, I am sure all agencies like to protect their sources. Therefore, there would be protections put in place about source material, and they would not want to identify their sources even maybe to an ally. I am not trying to put words in your mouth; you may express it how you want to express it. Would we have got raw source data or would it have been assessments made on the basis of the information?

Mr Bonighton—I think we get down fairly near the raw. I guess what I should say is that the days when we accepted intelligence as uninformed consumers are pretty much gone. Collectors anywhere these days need to establish some validity for the sort of material they are putting forward. Assessors need to be able to have some idea of whether it is credible or not. I think that the collectors over the last four or five years at least have gone a long way down the path of enabling an understanding to be had as to how valid the source would be.

Senator CHRIS EVANS—Does that mean that when an ally supplies you with some source material they provide some support for its validity, or do you then try to do that?

Mr Bonighton—Again I do not think we are looking at a bunch of dumb consumers here. We have arrangements for discussions and for analytic exchanges. There are open source conferences, which we send our people along to. So there is whole range of data that we have access to. I refer again to the work on the ground by UNMOVIC, for instance.

Senator CHRIS EVANS—This may be a bad example, but I am trying to put it in layman's terms. If an agency reported it had information from a defector about, say, something that occurred inside Iraq, would you get an assessment made on the reliability of the defector or would you make your own assessment about that person's validity? For instance, would an ally identify to you who the source is or would you not get that? If you did get the source, would the assessment of the validity, authenticity or reliability of it be made by you or by the originating agency?

Mr Bonighton—We would seek a judgment as to how valid and credible that source might be. Of course, over time we, ourselves, would build up a picture as to what is valid, what is reliable and what is not.

Senator CHRIS EVANS—So we have the capacity to start linking into our allies' source material in terms of Iraq. I assume it is fair to say we started doing that some time ago?

Mr Bonighton—I think it is fair to say that since the Gulf War we have maintained a watching brief in this area. We also have experts on weapons of mass destruction—what they are, how they work and how they might be employed. That is something we have built up over time.

Senator CHRIS EVANS—Inside the various agencies?

Mr Bonighton—Especially DIO, but ONA as well. Of course, some of those staff have experience in country as weapons inspectors from UNSCOM days. We can also draw on DSTO for some of the more technical and scientific judgments to do with these matters.

Senator CHRIS EVANS—So would it be fair to say that DIO was the lead agency in terms of the Iraq intelligence effort on Australia's part?

Mr Bonighton—Certainly from the defence side of things and certainly during the war in terms of support to our own troops and support to government in understanding what was going on.

Senator CHRIS EVANS—Was a joint working party set up, in terms of the intelligence agencies, to focus on Iraq or was there a special administrative structure put in place in terms of dealing with Iraqi intelligence?

Mr Bonighton—I would say that there was a constant interchange between agencies.

Senator CHRIS EVANS—I am not suggesting that this was the model, but there wasn't a separate Iraqi task force intelligence structure of some sort?

Mr Bonighton—No.

Senator CHRIS EVANS—Could you describe for us briefly the nature of your normal interchange?

Mr Bonighton—It would be between analysts and of course we receive each other's product as well.

Senator CHRIS EVANS—So you share each other's—

Mr Bonighton—Judgments and assessments.

Senator CHRIS EVANS—We have established that the source material is likely to be largely from our allies. When that source material comes into the various agencies, what do they do with it?

Mr Bonighton—Assess it, put it in context, put it together with the other information they have, both classified and unclassified, and make judgments on it.

Senator CHRIS EVANS—Did they each do that individually? Did DIO do it? Did ASIO do it?

Mr Bonighton—ONA and DIO come to their own judgments and assessments.

Senator HOGG—Do they test it in any way?

Mr Bonighton—In what sense?

Senator HOGG—As opposed to making a judgment.

Mr Bonighton—I am using judgment and assessment interchangeably. I will just use assessment, how's that?

Senator HOGG—I am not worried about that, but sometimes you get a person's judgment or someone's assessment and then you go out and test it against either facts that you know or you test it with other sources. That is what I am trying to find out.

Mr Bonighton—I guess I should say that we rely on people's judgment in making the assessments. What they are doing is judging the various items that relate to a particular topic and they make an assessment as to what that means.

Senator CHRIS EVANS—In terms of source material coming in from our allies about Iraq, DIO and ONA would both have received the source material?

Mr Bonighton—Yes, I think that is fair.

Senator CHRIS EVANS—And they both would have made independent assessments of the validity and importance of that stuff?

Mr Bonighton—Yes.

Senator CHRIS EVANS—They then exchange those assessments—I think you call it product—

Mr Bonighton—Yes, product.

Senator CHRIS EVANS—By product you mean some sort of written assessment of the intelligence?

Mr Bonighton—Yes.

Senator CHRIS EVANS—Consumer product stuff has even flowed into the dark arts; it is interesting.

Mr Bonighton—It is how we live.

Senator CHRIS EVANS—So both DIO and ONA would provide some assessments. What happens then in terms of those assessments if there is a contradictory assessment, a significant divergence of view or even a minor but important divergence of assessment?

Mr Bonighton—Generally what would happen is that the analysts themselves would be looking to each other to work out why this had happened, what was the difference, did someone have some information that the other didn't and was someone putting more weight on one aspect rather than another. That is the way that would be resolved. It might take a little time or it might be done quickly. It might be that the customers of that product had asked, 'Why have we got a diverging view?'

Senator CHRIS EVANS—But there is no-one like yourself sitting there saying 'hang on' and trying to resolve those issues?

Mr Bonighton—It would certainly be of interest to me.

Senator CHRIS EVANS—You describe the customers of the product. Who are the customers of the product?

Mr Bonighton—The customers would be those areas of government that had put their hands up to say that they had an interest in the particular topic under discussion.

Senator CHRIS EVANS—I assume that is a limited availability.

Mr Bonighton—Yes, people have to be properly cleared to the right levels to receive that information.

Senator CHRIS EVANS—In terms of the Iraqi intelligence, who were the lead customers for that information?

Mr Bonighton—Quite clearly, the department of foreign affairs and Defence would be two who had a great deal of interest in that.

Senator CHRIS EVANS—PM&C as well?

Mr Bonighton—PM&C, certainly.

Senator CHRIS EVANS—Could other departments and ministers have access to that on request?

Mr Bonighton—Yes, providing they had the proper security clearances. I cannot give you a list of who got what.

Senator CHRIS EVANS—I am not necessarily seeking it at this stage. If the junior minister for employment wants it, does he get it?

Mr Bonighton—I think we would want to explore why he had a particular interest in it.

Senator CHRIS EVANS—One thing I know for sure is that the Senate estimates committee would not get it.

Mr Bonighton—There are briefings given to the opposition from time to time.

Senator CHRIS EVANS—I understand that. Those departments and presumably their ministers would get a regular supply of intelligence on Iraq during the relevant periods?

Mr Bonighton—Yes.

Senator CHRIS EVANS—ONA reports to foreign affairs—

Mr Bonighton—Yes, I think the ONA's distribution will be much more limited than Defence's because Defence is trying to support operational areas of Defence. ONA is much more directed to servicing the needs of ministers.

Senator CHRIS EVANS—Would the Minister for Defence and the Department of Defence receive the ONA product?

Mr Bonighton—Yes.

Senator CHRIS EVANS—And would the Minister for Foreign Affairs receive the DIO product?

Mr Bonighton—Yes.

Senator CHRIS EVANS—You are suggesting that, outside of that tight circle, the ONA would be more tightly held? Is that the import of your comments?

Mr Bonighton—I am not saying tightly held. The fact is that is their customer set. You would have to talk to them about the detail of it.

Senator CHRIS EVANS—I am not sure I quite understand what you are saying. Is it that inside Defence you have a broader distribution of material?

Mr Bonighton—Yes, and, I think, a broader area of interests as well. We would be looking at what are the implications of weapons of mass destruction on the operations of our special forces, so we would be looking very much at a lot of technical detail to do with operations.

Senator CHRIS EVANS—Rather than the macro political issues you would be worrying about whether the SAS had the right gear to deal with a germ warfare attack or something?

Mr Bonighton—That is correct and, from a general point of view, what are the advances that are being made in weapons of mass destruction and what are the threats—those sorts of things—which are going to be of interest to our scientists and technical people to enable us to counter threats into the future.

Senator CHRIS EVANS—When you exchange information with our allies, in addition to their source material, do we get their assessments?

Mr Bonighton—That can certainly happen and in something like Iraq, where we have a shared interest, that would be something we would expect.

Senator CHRIS EVANS—So we had been regularly getting from our allies their interpretation of intelligence?

Mr Bonighton—Yes.

Senator CHRIS EVANS—As well as a lot of the source material?

Mr Bonighton—Yes, I think that is fair to say.

Senator CHRIS EVANS—Was there source material that we were not getting?

Mr Bonighton—It is difficult to know what you are not getting, as I am sure you understand.

Senator CHRIS EVANS—I thought that was what we paid you for! If you do not know, none of us have got a chance.

Senator HOGG—We are in trouble.

Mr Bonighton—Again, I think it is fair to say that we are looking at significant and substantial success.

Senator CHRIS EVANS—So you do not suspect that we were denied any great source material?

Mr Bonighton—No, and I think it is fair to say that, if we became aware that there might be something we were missing, we would well ask for it. These things tend to be omissions or oversight rather than being deliberate.

Senator CHRIS EVANS—So you share the source material and you share the product. In terms of the product, were there ever substantial disagreements between our assessment and our allies' assessments?

Mr Bonighton—I think the word 'substantial' is probably too strong. I think there was a fair thought that Iraq had weapons of mass destruction. The question was the degree of that rather than kind. There were questions, obviously, as to whether they would use them. There were those sorts of questions. There was a forward looking aspect to this, as well.

Senator CHRIS EVANS—There was of course the question of whether they had been weaponised, I suppose.

Mr Bonighton—Indeed. We knew from the past that they had weaponised some areas. We had fair evidence that programs were continuing. We certainly knew from UNMOVIC that there were discrepancies in the records that the Iraqis were able to produce, and quite significant amounts of material were missing.

Senator CHRIS EVANS—Did we ever actually make independent assessments of the UNMOVIC or the International Atomic Energy Agency's assessments? Did we make independent judgments of those or were they accepted largely as being reliable?

Mr Bonighton—I think we felt that because they were on the ground, they obviously had a view of things that was very important. We could certainly make judgments as to how effective they might have been and we are certainly very interested in the extent to which the Iraqis were attempting to deceive them. Mr Blix himself has been less than happy about the degree of cooperation he achieved. Certainly, our assessment was that the Iraqis were deliberately going out of their way to make life difficult.

Senator CHRIS EVANS—In terms of their assessment about what that meant for nuclear programs or for biological programs, did you assess their work or did you just feed that in as part of your overall—

Mr Bonighton—I think a fair assessment would be that they were working under great difficulties and without substantial cooperation.

Senator CHRIS EVANS—How did our assessment compare with, say, that of the US or the UK in terms of material or raw data? Were there any major disagreements or significant differences of view?

Mr Bonighton—Certainly over time there would be changes in emphasis. I think that is bound to happen in any long-term assessment project. We all had the same view that Iraq had weapons of mass destruction and it had programs that were ongoing and a likelihood that they could well use those weapons simply because this was a pretty dangerous and desperate regime—indeed a murderous regime that had already used these weapons on their own people and others.

Senator CHRIS EVANS—For instance, was there a disagreement about the level or likelihood of the threat posed? There were very few people in the world who would not have said that, on the basis of the UNMOVIC reports et cetera—

Senator Hill—Disagreement between whom?

Senator CHRIS EVANS—The allies in their assessments of the raw data.

Senator HILL—I do not know the extent to which the official can answer. I am not sure how far he can really take that. Logically, it leads to the question: what were each of their assessments?

Senator CHRIS EVANS—I am happy to concentrate on our assessment. What was the process for informing government in terms of the assessment of the risk of the use of WMD by Iraq? Was it just these constant assessments of intelligence as it came in or did you provide keystone pieces of advice? Back to a process question: how did you pull this together, as it were?

Mr Bonighton—I guess I would say that it is not our job to pull this together in a policy sense; it is our job to provide the best intelligence we possibly can so that the policy process can move forward.

Senator CHRIS EVANS—The way you have described it to me so far—and maybe I have got it wrong—it sounds like almost a daily assessment of whatever has come in. Did you provide a report or summary of the intelligence, a benchmark report, if you like, that brought together the intelligence information at various times?

Mr Bonighton—From time to time there would be particular reports on Iraq and WMD and where we thought it was, but I would not say that we had material coming in daily that was red hot and being reported. This is a very intensive and detailed process. We reported on it when there was sufficient information to make some judgment.

Senator CHRIS EVANS—Do you report by virtue of a request from government?

Mr Bonighton—It comes through the national foreign intelligence assessment process, where government sets priorities in the broad sense. That process is then managed through the Office of National Assessments, who run a collection requirements committee, and collectors then respond to that. A number of priorities are set.

Senator CHRIS EVANS—Yes, I understand that. Were you asked, say, prior to the decision to predeploy or the decision to go to war to provide an intelligence summary on latest and best analysis?

Mr Bonighton—Once Defence looked at predeploying I think that very much focused our minds on what we should be doing, but very much in support of the ADF—what sort of environment it might have to operate in. That was certainly the focus of our effort.

Senator CHRIS EVANS—In terms of the broader macro issues, was there a report that pulled it all together in a way that in Britain the Blair document was the public version of that? Did you respond to a government request to pull together the best analysis of Iraq or was there just this continuing—

Mr Bonighton—I do not recall a single, what you might call, capstone product. We are looking at a series of activities ongoing.

Mr Lewincamp—Yes, we did do that. There is a push and pull mechanism operating in relation to intelligence.

Senator Hill—When you say ‘yes, we did do that,’ you had better say what that is.

Mr Lewincamp—We provided a capstone document which pulled together the picture, and we did that on several occasions. Going back to the process itself, it is both a push and a pull. The two assessment agencies—Office of National Assessments and Defence Intelligence Organisation—publish on a regular basis, and certainly in the lead-up to the Iraqi conflict we were publishing daily on Iraq, on various aspects of the impending conflict there. A large part of that reporting would have related to Iraqi military capability, including weapons of mass destruction. There were several occasions during the early part of this year where we pulled together a compendium of information related to weapons of mass destruction. There was one joint product done by ONA and DIO together which was presented to senior customers, including the Prime Minister and senior ministers. There were a couple of other occasions where DIO pulled together an integrated product which we briefed to senior ministers or to other senior customers.

Senator CHRIS EVANS—What did you call it—capstone?

Mr Lewincamp—I did not use the word.

Mr Bonighton—That was my word, Senator. And what in fact Mr Lewincamp has described is what I would say is a process of ongoing reporting.

Senator CHRIS EVANS—The more major document advice you pulled together: you can choose the word, Mr Lewincamp—what would you call it?

Mr Lewincamp—Just a major report—a snapshot, if you like.

Senator CHRIS EVANS—With respect to this major intelligence report—for the sake of the debate today, we will call it that—did you do more than one in that sort of format?

Mr Lewincamp—We did it at various stages for different people who requested it. So clearly, at each stage that we did it, we updated it and included the newest information.

Senator CHRIS EVANS—That was done on each occasion in response to a request from one of your customers?

Mr Lewincamp—Yes.

Senator CHRIS EVANS—For instance, did you provide one to cabinet on request prior to them considering major issues concerning Iraq?

Mr Lewincamp—We briefed the senior ministers in the national security committee of cabinet individually.

Senator CHRIS EVANS—Was the national security committee one of the customers to whom you would supply the major intelligence report?

Mr Lewincamp—All the members of the national security committee were regular recipients of our product on Iraq.

Senator CHRIS EVANS—I am trying to get an idea of when you pulled it all together. Was that to facilitate a report to the national security committee or to bring it all together for them?

Mr Lewincamp—It was a briefing to those ministers before a national security committee meeting at which they were going to discuss issues related to Iraq.

Senator CHRIS EVANS—And that happened on more than one occasion?

Mr Lewincamp—It happened on one specific occasion during February, but then later, when we went closer to Iraqi operations, we briefed the national security committee regularly on the progress of operations.

Senator CHRIS EVANS—You would have briefed the national security committee a few times in 2002 as well?

Mr Lewincamp—The responsibility for briefing the national security committee rests mainly with the Office of National Assessments. Kim Jones, the head of the Office of National Assessments, attends those meetings and is the principal intelligence adviser. There would be some occasions where the issues under discussion relate more to the responsibilities of the Defence Intelligence Organisation—that is, they are more specifically military or defence matters. On those occasions we would provide briefings, but in written form. It would be very rare for me or one of my officers to attend a national security committee meeting.

Senator Hill—When we refer to specific reports, it can lead maybe to an inadvertent consequence. My recollection was that, from DIO, for example, there was an ongoing flow of information, not surprisingly, on Iraq for many months. Often it made reference to assessments of weapons of mass destruction issues. It might have arisen out of a report from UNMOVIC or whatever was happening at the time, but there was a constant flow of information on weapons of mass destruction in Iraq. So it was not just out of the blue that a report was prepared. This did not come from nowhere. In fact it has been going for years.

Senator HOGG—So the report could be made on quite publicly available information but giving an assessment of that information?

Senator Hill—The report takes into account publicly available information but the value added is what the experts can provide, in further material that confirms or whatever, plus in the professional assessment of the experts.

Senator HOGG—How often would you provide a brief to the national security committee?

Senator Hill—With respect, it would be better to ask how often they provide a brief to ministers.

Senator HOGG—Or to ministers.

Mr Lewincamp—DIO produces a daily product which goes to all the senior ministers. In addition to that we produce special reports on special interest subjects. We could do half a dozen of those a week. We also do major reports on issues related more specifically to defence matters. So it is a wide range of product that is flowing constantly and the senior ministers are on our distribution list.

Senator Hill—If they knew there was an NSC meeting coming up, for example, which was going to discuss Iraq, more likely than not DIO would prepare a brief for me on matters relating to Iraq whether or not I had asked for it. It is not only when requested. Their responsibility is to keep government informed of these matters, in accordance with their specialist knowledge.

Senator CHRIS EVANS—I think that is right. That is consistent with what Mr Bonington and Mr Lewincamp have said.

Senator Hill—I do not think that there is any inconsistency in what has been said. It is just that if you hear a bit of the story you might think that is the whole story.

Senator CHRIS EVANS—I am sure that people will read the *Hansard* very closely, Minister, and get the balanced view—

Senator Hill—I am pleased to hear that people read the *Hansard*.

Senator CHRIS EVANS—It is obvious that the defence minister would have been getting the daily product and would have been taking a clear interest in it directly but there are other members of the NSC who, while having a strong interest, would not have had as much of a hands-on, day-to-day interest. I was trying to get a sense of when they got the collected product—the equivalent of a cabinet submission.

Senator Hill—They would all have access to the daily brief, wouldn't they?

Mr Lewincamp—Senator, I think the difficulty lies with your concept of 'collected'. You asked me whether we pulled together the whole picture into a major update on weapons of mass destruction, and I said yes, we did that on several occasions. But, as the minister rightly says, we are publishing constantly every day on this subject and there would be references to these sorts of issues several times a week in our published product, and that published product is widely available to senior ministers and to senior officials around government.

Senator CHRIS EVANS—Yes, but equally I think it is fair to say that busy ministers who may not be directly involved—brilliant as every word is—may not read every word that you publish. I am sure that when they know they are going to make a decision like predeploying a couple of thousand Australian troops, they would certainly focus their minds on a collected collated assessment of those issues. Just as we have cabinet submissions that seek to do that and to focus the mind, I was trying to get a sense of whether, in terms of an intelligence brief, the NSC members got the equivalent of a cabinet submission that pulled all that together.

Mr Lewincamp—Yes, they did on several occasions.

Senator CHRIS EVANS—I think we had better leave that there; I think we have exhausted it. I do not mean the discussion, I mean the cabinet submission question. What work has been done by our intelligence services since the military action in Iraq in terms of assessing what weapons of mass destruction exist or making assessments about what has been found? What is your involvement in terms of the post Iraq assessment?

Mr Lewincamp—I think your question is: what is our role in the ongoing assessment of Iraqi WMD? Clearly, it is a subject in which we continue to have a very strong interest. We have been monitoring it continuously and continue to do so. Going back to some of your questions to Mr Bonighton, we have a highly interactive approach in the rest of the intelligence community, both within Australia, with the Office of National Assessments, and with our allied agencies overseas. Our analysts are in constant discussion with each other and they continue to refine their judgments and assessments. That process is continuing and it has continued throughout the Iraqi operation. We are continuing to monitor discoveries that are made within Iraq and we continue to reassess our judgments during that process.

I could also say that we do have some of my staff working in Iraq now with the survey group. You have heard previously that there are 13 Australians there—12 from the Department of Defence and one from the Department of Foreign Affairs. Ten of the 12 from Defence are from the Defence Intelligence Organisation, and eight military personnel and two civilians are now working in that region. They are some of our experts on weapons of mass destruction. They are there because of their specific skill sets and they are involved in the investigations.

Senator CHRIS EVANS—You have them embedded in Iraq right now, which is interesting. When you said you had been reviewing material and refining your judgment, what is your refined judgment?

Mr Lewincamp—As Mr Bonighton said before, we believed that before the war Iraq did have a weapons of mass destruction program, and we still believe that. The exact nature and extent of the program will be a matter that we will uncover very slowly through the detailed investigation in Iraq. This will take some time. The type of capability that Iraq had was one that was tied up in various parts of the country in available technology, in industrial processes and facilities, in a range of trained scientific and technical personnel, and also with stocks of some precursor agents and chemicals and things of that sort. It is going to take a great deal of time for us to investigate the true extent of all of that and reconstruct a picture of the full range of the chemical, biological warfare capability that Iraq had at the start of the war.

That is going to be a lengthy process involving the interviewing and interrogation of a range of people inside Iraq, not just scientists and technical personnel but also people involved in transport and logistics and a range of other functions. It is also going to involve the very detailed investigation of documentation and records to try to understand the Iraqi acquisition programs and their research and development programs. This is a regime that was well practised in concealment and deception.

Senator CHRIS EVANS—I accept that and I am not rushing to any judgment. But equally, when we are talking about the threat from weaponised Scud missiles containing WMD et cetera, isn't it the case that if they had been deployed we would have found them? I

think this is where the public and people like myself find this a bit difficult. We understand that there may well be well hidden elements of the program but, equally, part of what were talking about, and what concerned a lot of us, was the threat to ADF personnel from weaponised WMD. Surely we must make some judgments now about whether that existed or about the extent to which it existed. I do not understand how we cannot at least make some preliminary judgments about all this.

Senator Hill—The trouble with making tentative judgments or preliminary judgments is that you might find you were wrong. We were much relieved that weapons of mass destruction were not used against Australian forces. Obviously we thought it was a real possibility and that is why we took exhaustive precautions to protect our forces from that possibility including the purchase of a lot of new protective equipment and the like. Whilst being much relieved that WMDs were not used, we are not yet in a position to draw a conclusion as to why they were not used. Some are arguing that it was because they were no longer available. That will ultimately be tested. Some were arguing that there was a decision made not to use them for military reasons. Time will tell. That is why we are part of this exhaustive process to get the full story.

Senator CHRIS EVANS—I accept that, Minister, but I do not—

Senator Hill—But you are asking us to draw tentative conclusions.

Senator CHRIS EVANS—We drew conclusions based on very sketchy intelligence.

Senator Hill—I do not know whether the experts want to draw tentative conclusions, but I would be reluctant to draw too many tentative conclusions.

Senator BARTLETT—In terms of the assessments that were being made prior to the war starting—and we have talked about those a fair bit already—as well as assessments about the extent and nature of weapons of mass destruction, did you also make assessments about the likelihood of the UN inspection process succeeding?

Mr Lewincamp—Yes, we did.

Senator BARTLETT—What was your assessment?

Mr Lewincamp—I think it is not appropriate for me to share in this forum the exact nature of those assessments.

Senator Hill—From a government point of view, we saw the difficulties that the inspection teams had had in the past. We saw the way in which they had been perceived in the past. We particularly took into account that, in terms of the UN resolution, it was not the role of the inspectors to actually find the materials; it was the responsibility of the Iraqis to convince them that they had met the obligations set by that particular resolution and the previous resolutions. I think the fact that the obligation was fashioned in that way is a demonstration in itself of the difficulty of their task. Also, it reinforces the conclusions that were reached, including, in the last of the carried resolutions, that Iraq did have weapons of mass destruction.

Senator BARTLETT—Did the assessments also include the potential for success or otherwise of other means of finding the weapons of mass destruction, such as we are

attempting to do now, and the risks of any weapons that existed being smuggled out to neighbouring countries?

Senator Hill—We obviously think there is a much better chance of getting the story now that the regime has been removed, but that is going to be a time-consuming task. There are interviews to be had with hundreds if not thousands of individuals—

Mr Smith—Some 3,000.

Senator Hill—and there are literally hundreds of sites that have not yet been exploited, and so it goes on. I think the important thing is that the process is thorough in order to give the best picture and we can all learn from that in terms of future security.

Senator BARTLETT—I want to get on the record—although I am fairly sure what the answer will be—that you actually did make assessments about the risks of the WMDs being smuggled and of the potential prospects for finding them if the regime was disposed of.

Mr Lewincamp—Yes, we did.

Senator BARTLETT—There have been reports from the US and the UK about the credibility of the information and the intelligence that was provided, particularly from the US. As I understand it, already a parliamentary inquiry is going to occur in the UK. Certainly some senior Republicans from the Congress have been talking amongst them about a congressional inquiry into the US intelligence. As well, people are talking about a Senate inquiry here of course. We already established earlier on that the vast bulk of the intelligence that we relied on in relation to Iraq came from the US and the UK. Do you have any concerns or does the government have any concerns about the accuracy of what you have actually been provided with, given some of the allegations that are now being made? Will you be paying particular attention to any findings of UK or US inquiries by Congress or parliament?

Senator Hill—Will we be taking particular notice of their inquiries?

Senator BARTLETT—Yes, given their inquiries into the accuracy of intelligence that we are a consumer of.

Senator Hill—They will contribute to the debate. How useful they will be will be seen in due course.

Senator BARTLETT—Are there any extra concerns about the accuracy or veracity of the intelligence that we relied on, given subsequent events or information that has arisen?

Senator Hill—We have confidence in the intelligence agencies of our allies. What they provide to us is critically important to our own national security. We work closely with them.

Senator BARTLETT—So you are as confident now as you were six months ago in the accuracy and adequacy of the intelligence we are being provided with?

Senator Hill—Yes. I have confidence in the capabilities of our allies and the contribution that they are making primarily to the security of their own nation but also incidentally to the security of the Australian people. Every day we are provided with vital information from the agencies of our allies that helps us with national security.

Senator BARTLETT—You would be aware of some of the public reports about concerns amongst the US intelligence community about not just the adequacy of intelligence but the completeness of intelligence that was provided in relation to Iraq.

Senator Hill—I am aware of what is being said publicly. As you say, I am aware that a political process is evolving in both the United States and Britain.

Senator BARTLETT—Are those public comments from various parts of the US intelligence community of concern to the government or the intelligence sector?

Senator Hill—There is always someone within the intelligence agencies who is unhappy. If you go back over the years, every time there is a major issue there is somebody who takes a different point of view. But we pay specialists to analyse that information and they give us advice. We think they do it both professionally and capably.

Senator BARTLETT—Is any actual cost involved in receiving information? Obviously, there are costs in having the division in the department, but do we get charged at all for being provided with information?

Gen. Cosgrove—No, there is no actual cost involved in that sense. It is a sunk cost.

Senator Hill—The cost is enormous and we pay a very small proportion of it. The value that we get far exceeds the cost that we can contribute. In fact, we could never pay for the breadth and depth of the information that we get through our allies.

Senator BARTLETT—What is the current extent of our access to intelligence from the Pine Gap facility? What is the completeness of our access to intelligence that is going through there?

Mr Smith—We still enjoy full knowledge and concurrence.

Senator Hill—There has been no change from what has been said before.

Mr Bonighton—It is a joint facility in the best sense of the word.

Senator BARTLETT—Is any examination being given to further expanding intelligence links between us and the US?

Senator Hill—I do not quite know what that means.

Senator BARTLETT—Are we putting more resources into it?

Senator Hill—We are putting resources into it. We have put in significant new resources since the attacks on Washington and New York, particularly related to intelligence in this region. That becomes a contribution to a picture that we share with friends and allies.

Senator BARTLETT—Will the effect of those extra resources mean access to a broader range of intelligence or is it in terms of extra sources of intelligence from a range of countries?

Mr Lewincamp—Our access into US intelligence is excellent and vice versa. We have very close arrangements for sharing collected intelligence and assessed intelligence. Those arrangements have increased in depth and strength since September 11 and there is a very wide ranging sharing of information. It is hard for me to envisage how we could strengthen that further.

Proceedings suspended from 3.31 p.m. to 3.50 p.m.

ACTING CHAIR (Senator Ferguson)—We are considering outcome 6.

Senator CHRIS EVANS—Before Senator Bartlett asked a few questions I was asking Mr Lewincamp what sort of assessment had occurred about our assessments made prior to military action in Iraq and what refinement of judgments had been made. Mr Lewincamp gave me a fairly general response to that. I am making the point that while I accept that—and I do not have a firm view either about what one might ultimately find—it seems to me that we should be able to draw some conclusions about what we have discovered so far. We were able to offer advice and judgments while in the dark and not in occupation of the country. We must be able, a month or so after occupation of the country, to form some better informed, more recent and updated judgments. While I accept that final judgments will need to await the forensic examination of every file and the cross-examination of every scientist known inside Iraq, I think it is a bit unreasonable to expect that we cannot conclude anything before then or that we cannot reassess judgments which we were happy to make on the basis of quite limited intelligence previously. I am trying to get a sense of what we think now about our judgments made prior to the war.

Mr Bonighton—Perhaps I could start by saying that I think our judgment has to be that it is too early yet to say. I think the minister has already outlined where we are at.

Senator CHRIS EVANS—Mr Bonighton, with respect, you are prepared to make judgments from thousands of miles away based on limited source material, which is what we pay you for and I am sure you are very good at it—

Mr Bonighton—Very kind, Senator.

Senator CHRIS EVANS—but when we actually get into the place and have military control of the place, we cannot make any preliminary assessment based on being physically in possession of the country.

Mr Bonighton—I think we are now in a unique position to exploit what is there. So I think it would be premature for us to make all sorts of speculation about what might be there. We can now actually say with some deliberateness exactly what is there.

Senator CHRIS EVANS—But we pay you to make these fine judgments based on available material. I am asking you, given the available material, what refinements to judgments we made with very little material.

Mr Bonighton—That is why we have 12 people over there from DIO who are exploiting that in great detail, or will be. I think it would be very foolish of me to sit here and say that, just because we now have some people there, we can now refine all our judgments and say exactly what was what.

Senator CHRIS EVANS—We might not come to a final position but it seems to me we can refine our judgments. We invaded a country based on your judgments. We are now in a much better position to assess some of those issues—not a perfect knowledge situation but a much better position than we were three or four months ago. Quite frankly, the defence that we have to wait until everything is known, from intelligence agencies that make their living out of making assessments based on very little, seems to me quite unbelievable.

Mr Smith—Senator, to assert that the country went to war on the basis of Mr Lewincamp's or Mr Bonighton's judgment is surely just a touch hyperbolic.

Senator CHRIS EVANS—I concede that.

Mr Smith—The reason for the war is related to Saddam Hussein's non-compliance with 17 Security Council resolutions, including those relating to weapons of mass destruction. That is the basis for going to war, not anything that Mr Bonighton or Mr Lewincamp sent to us.

Senator CHRIS EVANS—I was referring to the general intelligence.

Gen. Cosgrove—If I could pick up on that too, I would say that you are asking Mr Bonighton to be judgmental, where before he was predictive of a set of circumstances which might prevail. He is simply asking for what any reasonable person would want, which is time for the investigation to conclude so that he can rather better inform you and the government. It seems to me that the request to allow some of the 1,000—or whatever the number is—sites to be properly exploited is pretty reasonable.

Senator CHRIS EVANS—To reach a final judgment, General, I do not disagree with you. But I was referring to the fact that we—the coalition—made a decision to go to war, in part based on the joint intelligence effort about the risk posed by Saddam Hussein and the regime in Iraq. It seems to me that we ought to be able to say something some three months on about what we found about that. But now it seems that the corporate line is to say, 'We will say nothing at all about those judgments.' For instance, one of your officers, General Cosgrove, provided the media—

Senator Hill—We have said a lot about what we have found. For example, we have said that we found vehicles which we believe to be mobile laboratories for biological agents.

Senator CHRIS EVANS—So we have made some assessment of that?

Senator Hill—The vehicles have been exploited in depth. That exploitation is continuing.

Senator CHRIS EVANS—Are we are convinced now that they contain biological weapons?

Senator Hill—No. We are not convinced that they contain biological weapons.

Senator CHRIS EVANS—That is one of the things—

Senator Hill—We can find no other logical purpose for the vehicles than for the production of biological weapons.

Senator CHRIS EVANS—When you say 'we', which 'we' are you referring to? 'We' as in the coalition or 'we' as in the government?

Senator Hill—The 'we' is those who have carried out that assessment. Mr Lewincamp says it is the US and the UK. They have also been frank about what they have not as yet found.

Senator CHRIS EVANS—I am trying to understand though what refinement we have made on our assessment. For instance, much was reported, and Brigadier Hannan has commented, on the SAS's discovery of—I am trying to find the correct words here—a potential missile site. This is something we have direct knowledge of because it was our

troops who went in and were involved in this successful action. What assessment have we made on what this site was?

Gen. Cosgrove—It was a potential missile site.

Senator CHRIS EVANS—A potential missile site?

Gen. Cosgrove—Yes, as Brigadier Hannan said.

Senator CHRIS EVANS—So was it a missile site or a potential missile site?

Gen. Cosgrove—It was a potential missile site.

Senator CHRIS EVANS—What is a potential missile site?

Senator Hill—We said at the time that Scuds are launched from hard pads. Is that what they call them? Perhaps I should have the expert answer the question. Basically, they are on mobile equipment and delivered in that way to the sites. Therefore, to ensure you are defeating the Scud you seek to find those sites and destroy them because then Scuds could not be launched from the area in which our troops are located.

Senator CHRIS EVANS—I understand that but—

Senator Hill—We said that at the time.

Senator CHRIS EVANS—That is right, and you did that on the basis of intelligence and a picture of what threat they might pose. I have no problem with that; that was the judgment at the time. Three months on, we have been there, we have invaded, we have taken over the country, and the SAS have captured this site and, I understand, destroyed sections of it. What do we know now about that site? Was it a missile site? Did it contain any evidence of WMD? Surely we must have made a judgment about that now, even if we have not made a broader judgment.

Mr Lewincamp—We are constantly refining the judgments we make. I explained that to you earlier in my answer to your question. My difficulty is the extent to which it is appropriate for me to talk about the fine nuances of those changed judgments in a forum such as this. But in answer to your direct question, there were a large number of sites in western Iraq that we knew to be presurveyed and preprepared potential launch sites for missiles.

Senator Hill—Hardened stands.

Mr Lewincamp—As the minister has said, they have hardened stands on them to withstand the blast of the missile on launch. They had been surveyed which reduces dramatically the amount of time it takes to launch a missile from the site. If you have to survey the site once you arrive there, it is a couple of hours extra activity and you increase the risk of interception before launch. We were aware of a large number of those sites in western Iraq and a number of them were destroyed by our forces amongst others. They were, and they remain, potential missile launch sites.

Senator CHRIS EVANS—But there is a difference here, isn't there? You knew beforehand that they were there—

Mr Lewincamp—A number of them.

Senator CHRIS EVANS—I put it to you that you thought or your intelligence advice was that they were there—

Senator Hill—That is right. Sounds like it was good intelligence.

Senator CHRIS EVANS—Sounds like this might have been good intelligence. This should go down as a tick. I am prepared to concede this as a tick.

Senator Hill—Thank you.

Senator CHRIS EVANS—But what I am trying to analyse here is what occurred. The difference between what you thought you knew beforehand and what you know now is that you have had General Cosgrove's SAS troops stamping all over it, knowing exactly what is there. You have much better intelligence about it, I would suggest, because you have physically had ADF personnel on the site. I would therefore have thought that you would have upgraded your assessment of the possible missile site in the sense that you now have much better first-hand intelligence about those particular sites. Is that not fair?

Gen. Cosgrove—If I could put it this way: if there had been a missile there, it would have been a missile site. Without a missile it can only really be a potential missile site. That is the way our SAS reported it and when they left that was still the state of affairs.

Senator HOGG—Do you know if it was used as a missile site at any stage? Is there anything to indicate that?

Gen. Cosgrove—No, we don't know that and there was never an attempt to assess that. Was it used in the 1991 war? Probably not, but we don't know and it was not used after our SAS exploited it and captured it.

Senator HOGG—I understand that.

Senator CHRIS EVANS—But the point is that the quality of our intelligence on the potential missile site is now much better—is that not fair?

Mr Lewincamp—In a sense it is, but it is also true that we are no longer scouring Iraq looking for potential missile launch sites because there is no longer a threat from the launch of missiles.

Senator CHRIS EVANS—But in terms of your intelligence work, you went from—and you can characterise it how you wish—having intelligence which said that these were potential missile sites to now having had ADF personnel verify for you the nature of the site and its exact location. Having had them physically in possession of the site and destroy certain equipment, no doubt they have fed back to you, the intelligence services, some of that information. Is that fair?

Mr Lewincamp—That is fair.

Senator CHRIS EVANS—As a result of that I would have thought you would have upgraded the certainty with which you asserted that there was a potential missile site at point X.

Mr Smith—I think we are now certain there was a potential missile site because we have actually been there.

Senator CHRIS EVANS—So we have refined our judgment and our assessment.

Mr Smith—In relation to that site.

Senator CHRIS EVANS—That is right. So what I am asking is: can we do that on anything else or is it just this one site where the SAS were about which we have better knowledge than we had prior to the action?

Mr Lewincamp—We have done that across many issues.

Senator CHRIS EVANS—And what did we conclude?

Mr Lewincamp—As I said to you earlier, Senator, my difficulty is how much of that I can share in this forum. I can talk to you in general terms, as I did earlier, about our understanding of Iraqi capabilities and our understanding on that has not changed much. But you did not appear satisfied with the generality of my answer then.

Senator CHRIS EVANS—I thought it was a bit of a *Yes, Minister* response about the process, to be frank, Mr Lewincamp.

Mr Lewincamp—No, it wasn't.

Senator CHRIS EVANS—I do not mean to be rude, but I am trying to get a sense of what judgments you have made now in terms of your assessment about Iraq and what changes you have made to your assessment.

Mr Lewincamp—Which particular aspect of Iraq?

Senator CHRIS EVANS—I am happy for you to be general or we can go as particular as you are prepared to go.

Mr Lewincamp—We have moderated some of our assessments about the commitment of Iraqi troops to fight, about the likelihood of them exercising certain strategies that we thought they might have used in the defence of Iraq—some they did and some they did not. We have made revised assessments about the capacity of some of their systems and about the number and capability of some of the bits of equipment.

Senator CHRIS EVANS—What do you assess about their weaponisation of WMD?

Mr Lewincamp—It remains a largely unknown factor. Our assessment prior to the conflict was that Iraq had weaponised some chemical and biological weapons, that they had a latent capability—that is, the skill set, as I said earlier, associated with technology, production facilities, personnel and agents—to reactivate that capability very quickly and to be able to produce large stocks of chemical and biological weapons within a short period of time. What was unknown was the extent to which they might already have done that. So one of the factors that we measured before the conflict started was the extent of actual weaponisation of chemical and biological weapons. That was a consistent part of our intelligence assessment and it remains the case because of the great difficulty now in actually finding the types of agents, materials and trained personnel. That is going to be a long process.

Senator CHRIS EVANS—That is where you lose me and where I have some difficulty. In terms of tactics, commitment to fight and some of those things, you say that you are now able to make a much better judgment because you have had the experience of it.

Mr Lewincamp—Yes.

Senator CHRIS EVANS—The coalition now occupies the country. It seems to me that you are in a position to make some assessment about how much of the WMD had been weaponised.

Mr Lewincamp—No, because a lot of it is fairly easy to hide. You can break it very quickly into component parts, you can bury it in different parts of the country and there is a lot of intelligence to indicate that that is precisely what the Iraqis did. If you are talking about chemical and biological agents, they exist in very small containers—for example, small vials of material—that are readily hidden in a suburban household.

Senator CHRIS EVANS—I accept all that but, in terms of an assessment about their capability to launch weapons against an army—WMD armed weaponry—it seems me you are able to make some sort of judgment now about their capability for that.

Mr Lewincamp—In March, we assessed their capability to do that as very high, and that would still be our assessment now. In terms of using things like artillery shells, bombs and a range of other munitions and delivery devices, they did have the capability to deliver chemical and biological weapons.

Senator CHRIS EVANS—What do we now know about whether or not they had equipped the Iraqi army with weaponry to deliver that sort of armament?

Mr Lewincamp—That is the point about which we would not want to make a premature judgment. That is what we are now investigating to determine precisely that point, and it would be wrong of me to try and make a judgment on that now.

Senator CHRIS EVANS—I can understand why you cannot make a judgment about capability, but you can make a judgment about whether they were armed. Is it fair to say that the Iraqi army were not armed with WMDs?

Mr Lewincamp—It is not appropriate for me to make a judgment on the extent of that at this point.

Senator CHRIS EVANS—So they had it, but they just they hid it somewhere?

Mr Lewincamp—I am not prepared to make that judgment now.

Senator CHRIS EVANS—Aren't we even prepared to make the judgment that, as part of their defence measures, they had not broadly distributed WMD?

Mr Lewincamp—It is too early to make that judgment.

Senator CHRIS EVANS—Wouldn't we have run into it?

Senator Hill—He said that nearly an hour ago.

Senator CHRIS EVANS—Minister, if you are bored just tune out. That is fine, it doesn't worry me.

Senator Hill—I am back in now.

Senator CHRIS EVANS—Either stay with us for the duration or stay tuned out.

Senator Hill—I have done some other business and I am now involved again.

Senator CHRIS EVANS—We are pleased to see you are engaged again. What I am saying is that we now have direct physical experience of the Iraqi army and the Iraqi defence systems. I can see how you can maintain—and I do not dispute it for a minute—that the argument about capability remains an unproven case in the sense that we thought they had the capability but we are not yet convinced that they did not maintain the capability. I am perfectly comfortable with that. It seems to me that that is something that requires a bit more forensic investigation.

Senator Hill—We know they have the weapons.

Senator CHRIS EVANS—Why didn't we find any, then?

Senator Hill—The whole world knows they had the weapons. It was the finding of the United Nations. It was the finding of the inspectors.

Senator CHRIS EVANS—You for one, Minister, were very critical of the UN. I keep an open mind on it following your advice. Now I am relying on our real intelligence as to whether or not the UN was right. Why didn't we find any of those weapons?

Senator Hill—It is the same as with the biological weapons. We only found out when that informer came forward, and then the regime acknowledged it. What year was that?

Mr Lewincamp—1995.

Senator Hill—What I have said before is that I think you have to take into account this record of deception. You have analysts seeking to assess the current capability to a history, and it is a history of somebody who has clearly had these weapons, who has successfully deceived the inspectors in the past in relation to these weapons and who has used these weapons against his own people and his neighbours.

Senator HOGG—Did our forces participate with another partner in the coalition in capturing?

Senator CHRIS EVANS—American communications officers!

Senator HOGG—With other partners in the coalition where they found any evidence of weapons of mass destruction—biological, chemical or whatever they might be.

Senator Hill—They found protective equipment designed to protect the Iraqi forces.

Senator HOGG—You found equipment.

Senator CHRIS EVANS—I think he means chemical suits.

Senator HOGG—That is right.

Senator Hill—Chemical masks and the like.

Senator HOGG—But in none of the forces with which our forces were engaged in an action did we find chemical, biological or other weapons?

Senator Hill—No.

Senator HOGG—So we can come to that conclusion at least.

Senator Hill—I did not know there was any dispute about that.

Senator CHRIS EVANS—We seem a bit reluctant to even admit that. That is why we are trying to work out what we do know now.

Senator Hill—I have taken a big step forward then.

Senator HOGG—A very big step forward. I do not think it is a matter of trying to get a detailed analysis.

Senator CHRIS EVANS—I think our earlier position was that it was too early to know what we know, but I think now we have agreed that we know what we know.

Mr Smith—It depends what question you ask. Senator Hogg asked the question: did we encounter any of these weapons in our encounters with the Iraqi soldiers. It is a simple question with a simple answer: no.

Senator Hill—I am very pleased we didn't.

Senator HOGG—That still leaves open the question of where the capability might be hidden and whether it, in effect, does exist. That is correct.

Mr Lewincamp—The extent to which it exists would be the way I would phrase the question.

Senator CHRIS EVANS—When you are refining your intelligence assessments, does the failure to find any major evidence so far of weapons of mass destruction influence your assessment?

Mr Lewincamp—I would come back to the point that I think it is too early to make a definitive judgment. I have outlined for you the key elements of the Iraqi weapons of mass destruction program as we assessed beforehand. Those elements do exist. The pointed issue is the extent to which actual chemical and biological warfare weapons were produced. It is too early to make the judgment about the extent to which that was done.

Mr Bonighton—What we have now is the opportunity to actually do that task in a way that we have never had the opportunity before.

Senator CHRIS EVANS—I accept that; I have never argued with that. It is a question about when we go from very scant knowledge to full knowledge. I would have thought your advice might change somewhere along the continuum. But it seems the position that has been adopted—and it seems a very defensive position—is to say that we have no new knowledge until we have final knowledge. I think that is where people are a bit frustrated.

Senator Hill—We have new knowledge all the time.

Mr Lewincamp—We have not got to full knowledge. We are a long way from full knowledge.

Senator CHRIS EVANS—That is my point.

Mr Lewincamp—What we have at the moment is occupation of the country and we have the capacity now to conduct a far more thorough and forensic investigation than previously we had the chance to do. We are now starting that process in cooperation with the US and the United Kingdom through the survey group. It will be the detailed interrogation of individuals, the interviewing of individuals, and the inspection of documents and records and the

continued exploitation of suspects sites. We expect that process to throw up an extensive amount of information which will allow us to reconstruct the exact extent to which Iraq had an operating and developed weapons of mass destruction capability and the extent to which they had actually weaponised.

Senator CHRIS EVANS—I do not want to labour the point, but it seems to me your reluctance to make any interim judgments is contrary to the whole way you operate. You operate on the basis of what information you have at the time.

Mr Lewincamp—We make interim judgments. My reluctance is sharing them here. We provide a constant stream of advice to government on such judgments.

Senator CHRIS EVANS—In terms of the assessment of the judgments you have made, what internal mechanisms are in place for reviewing the judgments made in relation to Iraq?

Mr Smith—As General Cosgrove and others said yesterday, we have a range of reviews going on across the organisation of performance in relation to the war and lessons learnt. And lessons learnt in terms of the intelligence community, its support for the operations, its advice to government back here are all part of that.

Senator CHRIS EVANS—I appreciate that, Mr Smith. Part of the description by Mr Carmody about that process talked about workshopping at seminars in the defence department on such information. I suspect, given how we have gone today with sharing that information, that that is not likely to be a big focus of that process. I am particularly asking the question in relation to the intelligence data provided to the government prior to the military action in Iraq. What processes are in place for assessing the accuracy and the efficacy of that intelligence data?

Senator Hill—I do not quite understand. Do you mean our people assessing the assessments of other agencies?

Senator CHRIS EVANS—I am open to suggestions. You were quoted as supporting the need to be sure about how we performed in such matters.

Senator Hill—That is correct.

Senator CHRIS EVANS—So, in endorsing your remarks, I am trying to understand what the intelligence community and the Department of Defence will do, as a matter of either normal process or special initiative, to assess their performance in providing intelligence data and the accuracy and efficacy of that intelligence data. I was starting with the internal processes and I was going to ask whether the minister had requested anything special or out of the ordinary as well. I assume there was a normal process that the intelligence agencies and particularly DIO would have anyway, so I am trying to get a sense of that, and then I was going to ask you, Minister, whether you had requested in addition.

Senator Hill—After any operation there is a process of review, not surprisingly, particularly to learn from the experience and hopefully to improve capability for the future. That is taking place in my department, and it is across the whole of the military operation and the contributions of all parts of the department. And that will include intelligence, obviously. But it is not a special inquiry or a one-off arising out of any particular concerns about any

aspect of the operation. Overall, we think the operation was very successful. Have I asked for more than that? No, I have not asked for more than that.

Senator CHRIS EVANS—Mr Smith made much the same point. I was really trying to concentrate on the intelligence processes. Because of the nature of their work it seemed to me, in the broader defence review, it would not be necessarily as public or as caught up in that process.

Senator Hill—They are professional people, and professional people always review their work. I have not seen any need to ask them to take any special action in this matter.

Senator CHRIS EVANS—I accept that. I was just wondering whether Mr Bonighton could explain to me what their normal professional systems are.

Mr Bonighton—As part of the lessons learned, we are not going to workshop that down in the main street but we have an interest in how well we went during this operation, so we are not going to be doing a once over lightly. We will be looking at the performance of our collectors and at what information we got and how we used it. We will be going to our customers—the users of our product—to see how effective it was. Then it will become part of the lessons learned.

Mr Lewincamp—There are three points to that. First, as the minister has said, we take some pride in being a professional organisation. We will go through an internal process of sitting around and reviewing the judgments that we made in a very open way. I will sit down with my analysts and do that. That will be an internal process. Secondly, we have a process of providing an annual report in which we make an assessment of our performance over the year, and we provide that report to government—the National Security Committee of cabinet. Thirdly, a report on the performance of the Australian intelligence community is prepared by the Office of National Assessments, which goes to the National Security Committee of cabinet. That report makes judgments about our performance in particular instances and in particular operations, and for the last year or two it has used case studies of particular incidents and talked about the performance of both the collection and assessment agencies. ONA will make a judgment of our performance as well. There are those sets of normal procedures in addition to the special ones that Mr Bonighton and the secretary have mentioned.

Senator CHRIS EVANS—In terms of those processes, which of those reports goes to the joint intelligence committee of the parliament? I know that is not the right title; I have been in the estimates committee too long.

Mr Lewincamp—The Defence Intelligence Organisation does not come under the auspices of that committee.

Senator CHRIS EVANS—What about the ONA report? None of those is actually presented to the joint committee. What is its proper title?

Mr Bonighton—The Parliamentary Joint Committee on ASIO, ASIS and DSD I think is the one you are referring to.

Senator CHRIS EVANS—Yes.

Mr Bonighton—That committee does not look at operational matters, so it would be unlikely that a report would go to that committee.

Senator Hill—It is interested in process, of course. It may well have questions to ask about process.

Senator CHRIS EVANS—There is a question about the assessment of our intelligence performance. It is a live issue. I am trying to explore what processes are in place and what occur automatically. As you know, Minister, some of our Senate colleagues have called for a wider inquiry. I am just trying to get on the public record what the reporting assessment procedures that are automatically in place will be. You have made it clear that you are not calling for anything in addition or out of the ordinary. Mr Lewincamp and Mr Bonighton have gone through what the internal processes are. I am trying to get a sense of what the reporting to parliament on that might be.

Senator Hill—It is fair to say that officials can be a little more open with that joint committee, if I might say with great respect, because they have taken on a particular responsibility in relation to the intelligence services. That builds some confidence. You will not believe this, but we believe that it is important that there be public confidence in agencies and institutions, particularly in this area. In any area where the information is secret, extra effort should be made to ensure the maintenance of public confidence. Where we can do that, whilst at the same time protecting what we obviously have to protect, we want to do so. That is why I have said that, at the end of this process of analysis, I hope the full story does become apparent—and I think the full story should be told—and we should all learn from it. It may tell us that the weapons were further developed than we had thought; it may tell us the weapons were less developed. I do not think that really matters, because intelligence is not an exact science. It is important, however, to be as open and frank as you can be, because that keeps public confidence.

Senator CHRIS EVANS—I appreciate that, Minister; I share those views. I am just trying to find out how we are going to give you the opportunity to tell the full story.

Senator Hill—I think you are a little premature.

Senator CHRIS EVANS—I have never been accused of that in the past, but I do want to work out—

Senator Hill—There will always be another Senate estimates meeting.

Senator CHRIS EVANS—how we ensure the full story is told. I am not arguing that we are in full knowledge currently and that there will not be information revealed that will be vitally important to a final assessment. I must admit I am very frustrated and unconvinced by what seems to be a very defensive position taken about adding to our knowledge base what we have learnt in the last three months as we militarily invaded Iraq. I do not accept that, but we will have to agree to disagree on that. I do want to know how we make sure that the full story is told, and that is why I am exploring what the reporting mechanisms are—because, as you know, the Senate will be under pressure to launch some other sort of inquiry. I have an open mind on those things at the moment, and part of my judgment about that will be on how much information I gather here and how much confidence I gather here—

Senator Hill—It looks like we are going to have another inquiry then, doesn't it?

Senator CHRIS EVANS—I think it is fair to say the odds have shortened—but part of that involves what will occur in coming months to allow that story to come out. That is why I am keen to explore that issue. I would have thought you would have been a bit interested in this as well in the sense of how you get that full story told and what the options for having that story told are.

Mr Smith—In relation to your point about defensiveness, let me make the counterpoint that the coalition countries, including Australia, put 1,400 people into the field in the last couple of weeks to seek and inquire about weapons of mass destruction and so on and about the programs that were running them. We have talked about the number of sites they will have to visit; we have talked about the number of people they will have to interview. It seems to me that it would be not just premature but quite unfair for us to try to reach any judgments before that very large group has had a chance to report on the work that it is doing.

The second point I want to make is to reiterate what I said before. The issue in relation to the war was Saddam Hussein's noncompliance with Security Council resolutions requiring him to demonstrate that the weapons of mass destruction—which he had had—had been destroyed. He did not demonstrate that. It was on those Security Council resolutions that the case was based.

Senator CHRIS EVANS—We might leave it as an open question about how the full story is told, and the department and the minister might like to have a think about that as well because it is something we are going to need to turn our minds to. In terms of the personnel now inside Iraq as part of the inspection team—

Mr Lewincamp—The survey group.

Senator CHRIS EVANS—what is their reporting mechanism? Are they reporting back to Defence here, or are they reporting through the coalition? I have seen figures of 1,400 to 1,700 as being the total of the group. I just want to understand the lines of authority and the reporting for the Australian contingent.

Mr Lewincamp—There are two lines. One is that, as Australians in theatre, they fall under the command of the Australian commander—that is, Air Commodore Graham Bentley—and they report back through him as Australians in theatre. The other is that they are part of a tripartite US, United Kingdom and Australian team and we have full access to all the reporting and material originating from that team. It is shared amongst those three intelligence communities.

Senator CHRIS EVANS—Mr Bonighton, you described for me the internal processes for assessing performance and intelligence that you provide for an operation like Iraq. Given that much of the source material was from our allies, particularly the US and the UK, is there a joint mechanism for reviewing those intelligence assessments or does each agency just do its own?

Mr Bonighton—Basically it is up to each country to make its own assessments. As I said before, there is a lot of interchange, obviously, between individual analysts, but not some sort of standing committee.

Senator CHRIS EVANS—Not as a regular arrangement whereby you assess your joint performance on an issue?

Mr Bonighton—That sort of conference could well be arranged on certain topics from time to time, and part of that would be to assess where we are at, how we are doing, what other avenues we might explore.

Senator CHRIS EVANS—Could I ask about the *Bulletin* articles which made some allegations regarding the issues surrounding Mr Brereton's office and potential bugging. Mr Bonighton, could you give me an overview of Defence Intelligence's involvement or contact in relation to that issue. I noticed that one of the officers was quoted in the *Bulletin* article more recently, Minister. I wanted to get on the record Defence Intelligence's response to that more recent *Bulletin* article.

Senator Hill—With great respect to the *Bulletin*, we do not normally respond to *Bulletin* magazine articles. I would prefer it to be a specific question.

Senator CHRIS EVANS—I will paraphrase it, Minister, by asking a question about it. Have Australian Federal Police staff ever occupied any office space within the DSD's Canberra HQ or any DSD office?

Mr Bonighton—There was a task force established to look into a security matter within Defence. That task force was accommodated in DSD. The reason it was accommodated in DSD was to enable it to handle the high security classification of the material that it was dealing with.

Senator CHRIS EVANS—When was that task force located in DSD's offices?

Mr Bonighton—It was back in 1999—about the middle of 1999, perhaps towards the latter part.

Senator CHRIS EVANS—Was that the task force established to inquire into the alleged leak of information from DSD?

Mr Bonighton—Yes. It was looking at leaks of classified information at that time.

Senator CHRIS EVANS—But looking at leaks of classified information originating from DSD?

Mr Bonighton—I think there was a variety of information but it was classified information of Defence origin.

Senator CHRIS EVANS—And how long did that task force operate for?

Mr Bonighton—The task force operated for several months. I would have to get you the exact detail.

Senator CHRIS EVANS—Perhaps you could get me the dates it operated from on notice. Can you indicate who participated on the task force? I mean the agencies, not the persons.

Mr Bonighton—It was a Defence Security Authority investigation or under their auspices. They were working for Defence.

Senator CHRIS EVANS—Were AFP officers involved?

Senator Hill—That leads me to wonder whether you are the right person to be answering the question if it was run through the Defence Security Authority.

Mr Bonighton—Yes.

Senator Hill—You are a sort of incidental actor.

Mr Bonighton—Yes. It is within my portfolio but I do not have the detail on exactly who was where and who did what. But we can get that.

Senator CHRIS EVANS—This is the intelligence section of the estimates. Is there someone here who can help us?

Mr Bonighton—We can ask Ms McCarthy. She may have the dates and detail.

Senator Hill—I think the period of the investigation is fine. Do you know roughly when the investigation was taking place?

Ms McCarthy—I do not have exact dates. Sorry, Senator, I am just referring to my notes. A joint Australian Federal Police Defence investigation into the unauthorised disclosure of classified information about East Timor was carried out between December 1999 and May 2001. The investigation commenced in April 1999. At that point it was a Defence investigation into those unauthorised disclosures. In December 1999, the investigation became a joint Australian Federal Police Defence investigation.

Senator CHRIS EVANS—And it concluded when?

Senator Hill—I have been reminded that the Inspector-General of Intelligence and Security is conducting an inquiry into this matter so I don't think we want to trample on his ground either. He announced that on 30 April of this year. We welcome the inquiry.

Senator CHRIS EVANS—You always do, Minister. You like the full story to be told.

Senator Hill—Yes. Well, as much as is appropriate.

Senator HOGG—That's the quote of the week!

Senator Hill—If he is carrying out an inquiry with all his statutory authority, I think that is probably—

Senator HOGG—Are you saying that this inquiry is proceeding now?

Senator Hill—According to this note.

Senator HOGG—To conclude by when?

Senator Hill—This note doesn't tell me that.

Senator HOGG—Sorry, who is conducting it?

Mr Smith—Mr Bill Blick, the Inspector-General of Intelligence and Security.

Mr Bonighton—This is in relation to the allegations—

Senator CHRIS EVANS—If officers of the DIO are able to comment to the *Bulletin* it seems to me that it is not unreasonable for me to ask the same question here.

Mr Lewincamp—No officers from DIO have commented to the *Bulletin*.

Senator CHRIS EVANS—Who was the officer quoted then?

Gen. Cosgrove—Probably mentions his name.

Senator CHRIS EVANS—Sorry, DSD.

Mr Bonighton—I am sorry, I am not aware of any—

Senator CHRIS EVANS—Director Steve Merchant?

Mr Bonighton—Yes, he denied the allegations, I think.

Senator Hill—And he welcomed the inquiry. It is all coming back to me now.

Senator CHRIS EVANS—There you go: we can do it in the *Bulletin* and we can do it at estimates.

Senator Hill—We've just done it.

Mr Bonighton—When we get the right cue, Senator.

Senator CHRIS EVANS—Now that we've stopped denying that anyone said anything, we can move on.

Mr Smith—Senator, your bottom line is clear enough, but to go into the detail of it in the way in which we were leading is what we are concerned about in relation to Mr Blick's inquiry.

Senator CHRIS EVANS—I think that is right, Mr Smith. All I have asked you about so far is a historical about whether there was an inquiry and who participated on the task force.

Senator Hill—I thought we had acknowledged that some years ago.

Mr Bonighton—Yes, we had.

Senator CHRIS EVANS—When did that conclude?

Ms McCarthy—My notes tell me that the investigation was carried out between December 1999 and May 2001.

Senator CHRIS EVANS—Was anyone charged as a result of that inquiry?

Ms McCarthy—No.

Senator CHRIS EVANS—Was any action taken against any officer?

Ms McCarthy—No.

Senator CHRIS EVANS—In relation to this matter did DSD or DIO have any involvement in gathering information on any Australian citizen?

Senator Hill—DSD is obviously restrained by its legislation. DIO is not in the business of gathering information. We have had long debates in the Senate about the constraints that are upon DSD.

Senator CHRIS EVANS—Therefore there would be no trouble in answering my question.

Senator Hill—In relation to an Australian citizen, it is only very limited circumstances in which they can do that, with various approvals. I do not think we would normally say whether or not that has happened. Mr Blick can clearly inquire into that to ensure that DSD has operated within its legislative restraints. That is part of his job.

Mr Bonighton—Indeed, and Director DSD has denied those allegations. I was director at the time and I have made a sworn statement to that effect to Mr Blick, from my time there. Certainly there has never been any thought that DIO would be involved in anything like that whatsoever.

Senator CHRIS EVANS—DSD has formally denied any involvement in gathering intelligence on any Australian citizen in relation to this matter?

Mr Bonighton—Yes, we have advised the minister to that effect. It is now part of Mr Blick's inquiry and, as we have said, we welcome the inquiry. We hope that it is finished soon and we can lay this one to rest.

Senator CHRIS EVANS—I will leave it there and come back to it when Mr Blick reports.

Mr Veitch—Before we start on outcome 7 there is one outstanding question. I would like to read the answer into the record, if I could, please. It was in relation to the question asked this morning about the cost of Relex and the million for the health costs. I have some information back from the department. The million dollars represents an amount of \$2,500 per person for the 400 people involved in the operation. It is worked up on a costing model that we have used fairly successfully in recent operations to assess the health costs. It is basically composed of four components: the predeployment health checks, including medical, dental and ancillary services; during deployment costs, including emergency treatment, accident and injury; postdeployment treatment of deployment related illness and injury, and mental health support. The fourth component is to do with the backfilling of medical positions with contract health professionals and in the case of operational Relex it is estimated that there will be a requirement to backfill about three positions during the course of the operation.

Senator CHRIS EVANS—That is because those other people are forward deployed.

Mr Veitch—We have arrived at a model where \$2,500 per person has proved to be a fairly reliable estimate of the health services for each operation. Each time we assess these operations, the costs are examined by Finance and agreed by them.

[4.46 p.m.]

ACTING CHAIR (Senator Ferguson)—We will move on to outcome 7, Superannuation and housing support services for current and retired defence personnel.

Senator HOGG—There are a number of specialist groups who have raised concerns about the fact that, over and above their base salary, they are paid significant ongoing allowances, including things such as retention payments, but these are not included for the purpose of the calculation of their superannuation. What can you tell us about that? We might then be able to get into a couple of the groups that are significantly affected, in their eyes.

Rear Adm. Adams—This is not a new issue and I should say it is one that Defence believes has merit: the issue of what is allowed for superannuation and what is not. You are right in saying that to answer the question properly we would need to go back to the issue of what is the base military salary.

Senator HOGG—Is that significantly different from what would apply out in the commercial world? Will you include that in your comments?

Rear Adm. Adams—Certainly, to the best of my ability. What we have in the Defence Force is a military salary, which is a base salary—in other words what is fixed by the Defence Force Remuneration Tribunal—and people of lieutenant colonel equivalent and below receive a service allowance, which is unusual in that it is an allowance which is allowed for superannuation purposes. In other words, it is incorporated in their military salary. The base salary is standard for most, although people like doctors and dentists get a different rate from the common scale, which the rest of us get.

However, in addition to this military salary, a significant number of ADF members get a range of other allowances. The big ones—and there are a number of them—we are talking about here are: submarine allowance, seagoing allowance, special action forces allowance and flying allowance. The original intent of these allowances was really to recompense people for disability. However, in the case of flying allowance, for example, there has always been an element of skill. But, as the years have gone by and these allowances have become more complex, the skill element has—it is probably fair to say—increased. What Defence has been keen to do under a program called the remuneration reform program—I could be corrected here but I think it has been going for about a year—is to come up with a different approach to remuneration. It is three-phase approach—

Senator HOGG—Can I ask about that program. Does it have a finite ending?

Rear Adm. Adams—We have not set a finite ending in time. We would like to get it done as soon as we possibly can but it is a current activity. We plan to go back to the Chiefs of Service Committee this month and brief them on where we are up to and where we should take it.

Senator HOGG—So have you a list of recommendations? I do not want to go into the detail of the recommendations—

Rear Adm. Adams—I can give you the thrust. The core of this program is to look at the allowances I have listed and to identify their constituent parts—that is, identify which are the disability elements and then put a numerical figure to it, and which are the qualification and skill elements. We would then propose that we incorporate qualification and skill elements as part of superannuable pay. To do that requires us to go to the Defence Force Remuneration Tribunal, which sets the quanta of these allowances, and get them to identify which part is in fact qualification and skill.

Senator HOGG—This is in effect a work value case, isn't it?

Rear Adm. Adams—Essentially, yes. We have been back to the DFRT once this year. The DFRT, which as you know is a statutory body with independent decision making power, is unwilling to retrospectively or historically try to place a figure on the qualification and skill component of that allowance. That set us back a little bit in that we now need to go back to the DFRT in future for each of the major allowances and identify that quality and skill element. That is essentially where we are now. If I could summarise: it is not a new issue, it has been around for a while. I would be foolish to sit here and pretend that it is not a source of concern for some members, and they have expressed that concern to us and certainly through the minister assisting the Minister for Defence. We believe there is merit in exploring it. It is

the DFRT in the end, using that mechanism, to go back and identify the sub-element to see if we can incorporate it in superannuable pay.

Senator HOGG—For a number of people it would impact on their view of their retention within the force, wouldn't it?

Rear Adm. Adams—In the case of pilots it is impacting on them right now. Army pilots in particular are the ones who seem to have become more concerned than others most recently.

Senator HOGG—Other than just having them as superannuable items, there are other consequences of the decision you take. There is an impact. Did the Nunn review address this issue?

Rear Adm. Adams—The Nunn review is complete—

Senator HOGG—Did it address this issue though?

Rear Adm. Adams—Part of the reason we have a remuneration reform project is to try to further some of the things that are part of the Nunn proposals. The so-called Nunn review is being developed and it is with government for decision. You are right, it is part of—

Senator HOGG—Did it make any recommendations?

Senator Hill—There may be consequences. They may be superannuable.

Senator HOGG—The Nunn review has made a recommendation, Minister?

Senator Hill—The Nunn review also saw the other side of the coin. This proliferation of allowances has a downside attached to it as well in terms of efficient labour relations. Sometimes there are unnecessary rivalries and comparisons between different specialist groups and their specialist allowances and so forth. In some ways it is a clash between the military culture and what is seen as contemporary industrial relations practice.

Senator HOGG—You are saying that equity has some boundaries to overcome, in a sense, that are more culturally based than based on straight-out equity?

Senator Hill—These allowances are not just about money; they also seem to be about status. It is a particular badge within the military community. One of our difficulties with Nunn is that when you start meddling with that there may well be inadvertent consequences. It might seem to be a sensible thing to do for sound economic or IR policy but you then might find that you have suffered a loss of morale or whatever.

Senator HOGG—But on the flip side there are those who are not receiving it, and who claim that they are reasonably entitled to it, losing morale as a result of the fact that they are not receiving it. So it seems that no matter which way you move you are damned if you do and damned if you don't.

Senator Hill—They want to keep their separate classification but make that superannuable as well, whereas Nunn tried to engage in some trade-off.

Senator HOGG—But at some stage you have to bite the bullet on the issue.

Senator CHRIS EVANS—I think it is also much more important to realise that when we talk about allowances people tend to have an assessment that it is a small thing, but we are talking about 30 to 40 per cent of their income.

Rear Adm. Adams—It is very significant.

Senator HILL—That is the other thing that has happened over time. That was part of Nunn's argument—that in many ways it has become in practice part of the base salary.

Senator CHRIS EVANS—You would not retain those people if you took the allowance off them; I can tell you that.

Senator HOGG—If I can just get this correctly, you have the situation where Nunn has recommended the rolling in of some of the allowances for the purpose of superannuation. You have now tried to further that through the remuneration reform program, to see how you can implement the recommendation in Nunn. But then, at the end of the day, you have to go to the Defence Force Remuneration Tribunal to actually have it implemented at all. Is that correct?

Rear Adm. Adams—That is correct, but the remuneration tribunal are not against this. We need to look back and recognise that the so-called Nunn review is not about getting a pay rise; it is about restructuring the way we approach paying people in the Defence Force.

Senator HOGG—Yes, I understand.

Rear Adm. Adams—I do not want to put words in their mouths, but I understand that the remuneration tribunal agree entirely that we need to go down this path of restructure, certainly to a point where people do not get such a significant quantitative element of their take-home pay as an allowance. The qualification is skill. If they are worthy of earning that money because of the additional skills they have to acquire, whether it be flying a plane or being a special action force trooper, it should be in their salary and should be part of their superannuation. So it is a structural issue in the end.

Senator HOGG—When is that most likely to be resolved? Will it be before the end of the year?

Rear Adm. Adams—I cannot tell you. I think Nunn is subject to cabinet decision, so I cannot forecast that, but I can say the remuneration reform program is proceeding now. This month we will be looking to see how we approach the issue of identifying those Q&S elements of the allowance. So we will move on it as quickly as we can. It is a priority.

Senator CHRIS EVANS—You are only looking to roll in elements of the allowances, aren't you? It is very much a halfway house between what is being sought and where we are now.

Rear Adm. Adams—Allowances involve a number of elements. I have mentioned qualification, skill and disability. Some allowances have attraction and retention elements.

Senator HOGG—Where does retention fit into that group? You listed three before—disability, qualification and skill—of which you said qualification and skill were superannuable. Where does retention fit in there?

Rear Adm. Adams—Retention is particularly evident in allowances. For example, you spoke earlier with Air Marshal Houston about the air traffic control allowance.

Senator HOGG—But do you see retention as being superannuable?

Rear Adm. Adams—No, we do not.

Senator HOGG—You would see disability and retention as being outside the superannuable elements, whereas I think you conceded that qualification and skill are superannuable.

Rear Adm. Adams—That is the focus of our work, yes.

Senator HOGG—If I understand your process in going before the DFRT, it is to find what elements of those allowances are skill and qualification and what elements are disability and retention.

Rear Adm. Adams—Precisely.

Senator CHRIS EVANS—I do not want to delay this too much, but I want to understand. I can understand the argument about a disability allowance being treated as not for super purposes. I remember similar arguments from my deep, dark past. What argument would you use to say that retention allowances should not be superannuable?

Rear Adm. Adams—In a purer sense, the wage you pay people should be sufficient to attract them to the job. As I said, that might be purist, but in restructuring that is the point we should get to. The money we pay a person for the value of his or her input and their skill and qualifications should be sufficient to attract them. When it does not, we have recourse then to particular retention allowances, such as the air traffic control allowance. This is the very problem we have got to: we have got to a point where the wage we pay people is not a sufficient attraction in itself. We have then gone down the path of having larger and larger allowances, particularly in the case of flying, seagoing submarines and special action forces. That is an attraction rather than the wage itself. We are saying, ‘Surely the wage should stand by itself.’ It should be adequate to attract people to employment in the force.

Senator CHRIS EVANS—But isn’t that an argument for rolling the retention into the basic wage?

Rear Adm. Adams—It could well be, yes, but—

Senator HOGG—That the retention allowance has been around as long as I have been in this place, particularly in respect of pilots, and that is nearly seven years now. In terms of air traffic controllers, it has been there almost as long if not as long. So you are talking about allowances that are not something that come in on an occasional sort of basis but that have been persistent over the years as part of the income that these people generate. It seems to me to be a fair case for that to be included with qualifications and skills for superannuation purposes. That is all I would say.

[5.02 p.m.]

ACTING CHAIR—There being no further questions on outcome 1.7, we then move on to Corporate Services.

Senator ALLISON—Yesterday, we got up to questions about subdivision around existing buildings. First of all, I think the minister has indicated that there is no opportunity for lease through this process; it is a question of selling the land.

Mr Pezzullo—That is right, Senator.

Senator ALLISON—Are the matters of how access would be provided to each allotment and who might manage the common property canvassed in the expressions of interest, or would you expect them to be in the tender documents? Or is that more detail than the Commonwealth would be expecting?

Mr Pezzullo—The Commonwealth would have no jurisdiction in that matter so the EO documents, going off my recollection, would treat those issues very lightly, if they treated them at all. As I said to you yesterday evening, the moment the title transfers, the planning instruments that are applicable are all state and local government instruments.

Senator ALLISON—Are there details of a restrictive covenant on the transfer of the land? Would the Commonwealth be expecting some aspects of it to have a covenant?

Mr Pezzullo—As I indicated to you or Senator Hogg last night, the final documentation for the RFT has not yet been finalised and approved, but at this stage I am not anticipating that any restrictions would go on title.

Senator ALLISON—Why is that?

Mr Pezzullo—The Commonwealth has attempted to capture the maximum level of restriction that we think we can exercise through the contract of sale process. In other words, we will attempt to bind obligations through the contract.

Senator ALLISON—I thought one of the points you made yesterday was that a third party cannot be bound by the contract of sale with the Commonwealth.

Mr Pezzullo—I did make that observation. I would not express a legal opinion about it; it is not the appropriate forum in which to do so. But I am certainly advised that it would be a pretty vexed question to, if you like, chase down through the ages those legal obligations on third, fourth, fifth, sixth parties et cetera.

Senator ALLISON—Which is the reason covenants are applied, is it not?

Mr Pezzullo—They can be used for that purpose. As I was at pains to stress to you, Senator Hogg and others last night, the responsibility for the appropriateness of development after the title transfers is really a matter that the Commonwealth believes is properly in the hands of the state of Victoria and the applicable local council.

Senator ALLISON—I understand that. But one of the few conditions that is actually written into the expressions of interest document is the requirement that there be no objection put up against a heritage listing process on an adjoining site or a site nearby.

Mr Pezzullo—That is right.

Senator ALLISON—Let us take that as an example of how you see this working.

Mr Pezzullo—You are correct in your characterisation there. My own recollection—I do not have the detailed documents before me—is that we will attempt to capture that obligation in a common law contract, as distinct from trying to put it across by way of covenant on the title.

Senator ALLISON—That is what I understand you to have said. We discussed yesterday the 70 or so buildings that are there, and I must correct the record: it is my understanding that

there are actually 150 buildings and about 70 of those do not have any historic value. It would be possible, would it not, for the purchaser of the site to sell those sites subsequently?

Mr Pezzullo—Yes, indeed—they would have a property right.

Senator ALLISON—Yes. So what legal obligation do you see there being on that subsequent purchaser of a site or sites for not objecting to heritage listing?

Mr Pezzullo—As a statement of fact at common law the Commonwealth would consider that the contractual obligation is carried with ownership.

Senator ALLISON—So you consider that the obligation keeps going further than the first purchaser?

Senator Hill—I think what is being asked of the official is the legal consequences of various matters, which I do not think is really appropriate. I do note the point that Senator Allison makes. We would be as interested as she in ensuring that the commitments that we have made are honoured by any subsequent purchaser, and we will therefore be endeavouring to ensure that that is the case. There are a number of legal mechanisms that occur to me, but I do not really feel like speculating on those on the run. It may well be that I end up with some decision making role in this matter anyway, so that is another reason why I would not get too engaged. But I do hear what she has said. The official should not have to answer legal questions; he is not here to give his legal opinions.

Senator ALLISON—I was not asking for legal opinions, Minister. I was just asking about the effectiveness of the condition applied to a contract of sale.

Senator Hill—He said what the policy position of the government is, and that is currently in the tender documents.

Senator ALLISON—Let me ask you, Minister—am I hearing that you would not rule out a covenant being applied to this effect or to any of the other conditions?

Senator Hill—I have said the position that the government is seeking to achieve, and there would be a number of different mechanisms to help achieve that.

Senator ALLISON—And you would expect to resolve that by the time of the next part of the process—the invitation for tenderers?

Senator Hill—I am not sure whether that would be resolved then or whether it would be part of the final negotiation.

Mr Pezzullo—It could be done at both points.

Senator Hill—It could be done either way.

Senator ALLISON—I have some questions about the Australian Heritage Commission requirements and the Australian Heritage Commission Act. Has any—and, if so, what—landscape assessment been carried out at Point Nepean, pursuant to the act?

Mr Pezzullo—There have been a number of site characterisations including, from memory, topography and soil. If by ‘landscape’ you mean the general natural state of heritage, certainly there are reports that go to that issue. Whether you would classify one as a landscape report, I would have to check.

Senator Hill—I do not recall any provision in the heritage act that requires a landscape assessment as such. What section are you referring to?

Senator ALLISON—I do not have it before me. Section 30 of the act talks about assessment of adverse effect. I wonder whether that has been carried out.

Senator Hill—That would be part of the whole process because we have obligations under section 30 of the act.

Senator ALLISON—As I understand it, there is a requirement for an archaeological assessment.

Senator Hill—There is no requirement in the act for an archaeological assessment.

Senator ALLISON—So neither of those will be conducted?

Senator Hill—We may well do those as part of meeting our obligations under section 30 of the act, but the act does not specify the form of assessment that is necessary.

Senator ALLISON—So will you do those assessments?

Senator Hill—I do not know whether we have done any.

Mr Pezzullo—I am no expert on the heritage act to which you refer, but we certainly have done studies that go to matters of topography, soil, archaeology, natural heritage and, indeed, built heritage.

Senator Hill—Hasn't the Heritage Commission been brought into this process?

Mr Pezzullo—The Heritage Commission, as has been announced by the parliamentary secretary, will be engaged in additional vetting prior to the final reports going to the decision maker.

Senator Hill—They will clearly be concerned with the values for which the property is being listed.

Senator ALLISON—Has a review of the National Estate registration of Point Nepean been carried out or is it proposed to be carried out?

Senator Hill—That is what I was just saying. The Heritage Commission is interested in National Estate values.

Mr Pezzullo—And the Heritage Commission has been engaged in the evaluation process. They will be formally part of the vetting process—that has been announced by the parliamentary secretary by way of media release.

Senator ALLISON—What procedures have taken place so far in terms of the act?

Mr Pezzullo—I cannot answer the question with reference to the act. With reference to the normal range of due diligence reports that we prepare for these properties—not only to inform ourselves as to the disposal approach but also to advise the market through that confidentiality process that we talked about last night—a whole series of reports have been produced, which I think would touch on or have bearing in relation to the heritage legislation at a Commonwealth level. But you might remember the other condition of sale that I specified is that a future owner would agree to be bound by and not object to any determinations made by Heritage Victoria as well. In addition to that, the vetting by the Australian Heritage

Commission that I have reminded you of would occur pre the final preparation of advice to the decision making delegate. So there is a series of intersecting protections there.

Senator ALLISON—The 2003-04 budget has \$115 million from the sale of Defence and Commonwealth land around Australia, which has been allocated to the restoration of heritage in areas around Sydney. What is the number of Commonwealth properties in that \$115 million?

Mr Pezzullo—I would have to ask you to direct me to the relevant reference. It is not a number or a concept that I am familiar with.

Senator ALLISON—I have rushed in without my reports, so maybe you can take that on notice.

Mr Pezzullo—As you please.

Senator ALLISON—How will that \$115 million be used in the restoration works in Sydney? Is there a program and breakdown of that figure?

Mr Pezzullo—Is the amount that you are referring to possibly in relation to the Sydney Harbour Federation Trust?

Senator ALLISON—Yes, it is.

Mr Pezzullo—I have no visibility of what is inside that number, what makes it up or how it was arrived at. The trust is not an agency within the portfolio.

Senator ALLISON—To whom should I address those questions?

Mr Pezzullo—The trust is an agency within the environment portfolio.

Senator ALLISON—Thanks. We talked yesterday about possible subdivisions into separate allotments of sites which had buildings on them. Can you indicate whether there are any other sites apart from those which currently have buildings on them which could be demolished? I think there is a parade ground. There is also a playing field. What conditions would be applied by the Commonwealth to those sites?

Mr Pezzullo—As I have already stated in evidence, the condition about residential subdivisions is applicable not to buildings as you just described them but to buildings which already have an existing residential use attached to them. In other words, to take an example, the building that houses the former immigration quarantine centre, where there is an old cast-iron thing where they used to burn clothes or sanitise them or whatever, would have no residential use rights attached to it.

Senator ALLISON—That is understood. That has a heritage protection.

Mr Pezzullo—That is right. So there would be no capacity, given the condition in the contract of sale that I described to you last night, to create a residential allotment in relation to a building that did not already have—

Senator ALLISON—I understand that. That was not my question. It is about other sites.

Mr Pezzullo—Sites other than Point Nepean?

Senator ALLISON—No, such as the parade ground or the playing field.

Mr Pezzullo—Perhaps I have not expressed myself clearly enough, Senator, and I apologise. Parade grounds clearly would not have a residential use attached to them because, while animals scurry across them, no-one lives on them. Buildings that did not have residences in them beforehand could not be created as new residential allotments. I think that is the answer to the question that you have asked me.

Senator ALLISON—I just wanted to clarify that because I did not raise the question of those other sites yesterday. And this would be the case as well for any of the areas of the site which have vegetation on them?

Mr Pezzullo—That is right. The only residential development that is permissible under the restrictive conditions that the Commonwealth is seeking to bind into the contract relates to development on existing residential use. A grassland, a tree, a cave or a beach would not have those uses attached to it.

Senator ALLISON—Could the state government apply a planning regime which would allow subdivision of those sites?

Mr Pezzullo—As I have already indicated, at the moment the ownership is transferred through title. It completely becomes at the state government's discretion and it is really up to them.

Senator ALLISON—I do not mean the land which is provided to the state government; I mean the land which is being sold—the 90 hectares.

Mr Pezzullo—That is the land to which I refer—the 90-odd hectares that is being sold on the open market. By definition, it goes into the great stock of Australian privately held land and state planning jurisdictions kick in the millisecond the title is transferred.

Senator ALLISON—I understand that but, at this stage, we have no precise details of what the local government or the state government planning would mean for this site. As far as I know, we have some statements in the press—correct me if I am wrong.

Mr Pezzullo—That is true. We have no formal advice from either layer of government as to what their intentions are.

Senator ALLISON—Right. I am sorry to ask another hypothetical question but I think it is important to understand what might and might not be done under the current conditions that are applied. Yesterday, I asked you if the council or the state government declared the entire site a park, you offered the view that there would be an entitlement or at least a case for claiming compensation—they weren't your words.

Mr Pezzullo—A possible case.

Senator ALLISON—Understood. But in the case that the state government said, 'We could subdivide the playing oval,' is there anything in the government's potential agreement with a purchaser which would preclude that by way of condition?

Mr Pezzullo—It takes us back to that contract of sale and it is ongoing enforcement subsequent to the sale. As the minister indicated a few moments ago, I think the Commonwealth would take a pretty direct interest in such a development. As to what action

the government would decide to take in, that is a completely hypothetical matter and I could not even possibly begin to answer it.

Senator ALLISON—I did not ask you to answer it; all I am asking is what condition would apply which would preclude that and the answer is that there isn't one.

Mr Pezzullo—There is an applicable provision that has indirect relevance, remembering that the purchaser is binding themselves to not seek such a subdivision. I guess you get into the moot point: if the state government whacks a subdivision planning regime over the top of it, are they in breach of their common-law contract with the Commonwealth? That is all hypothetical and that is why I do not want to chance my arm in response to your direct question.

Senator ALLISON—Again, it is only by raising hypothetical situations that we can understand the conditions and the restrictions that are able to be applied to these sites. I realise that it is hypothetical, but we are trying to understand what can and cannot be done on this site, and I think it is a reasonable question.

Senator Hill—We will stick by the tender conditions whatever the state government does. If they adopt a more liberal view than us—goodness only knows what view they will adopt—that is their business, but we will stand by the restraints that we are requiring in the tender documentation.

Senator ALLISON—What opportunities would you have to remedy the situation if that were the case? Would you resume ownership of the land and hand back the money?

Senator Hill—As I said to you a while ago, there are a number of potential mechanisms to protect the commitment we are seeking from tenderers, and I do not think it is appropriate that I speculate on them at this time.

Senator ALLISON—Don't you think this suggests that the whole matter has been done in too much haste and that we should firstly understand what sort of planning regime the council and the state government would apply before going to expressions of interest?

Senator Hill—No. We would like the Victorian government to cooperate with us in this endeavour. We are providing them with a large area of land—an extension of the national park—and I think we are paying for the remediation of that land, so they get that for free. We have offered this other piece of land to the state government at market price and they have refused it. The best outcome would be if all three tiers of government worked together. But if the Victorian government won't, then we will use other mechanisms to protect the commitments that we have made.

Senator ALLISON—But you did not even have any discussions with the council. What efforts were made to work with the other two levels of government?

Senator Hill—I have not had any discussions with anybody on this.

Mr Pezzullo—It is true to say, without forensically detailing every single occurrence, that the parliamentary secretary herself has had discussions if not with the elected officers of the council then certainly with the staff members of the council. She has had correspondence with them. My staff have been in discussions with the Mornington Peninsula shire council—my

apologies if I have got the name wrong—and we have been in extensive negotiations and discussions with them about that surveyed portion that is going to be transferred in perpetuity.

Senator ALLISON—Yes, but no discussions about the planning regime they might impose.

Mr Pezzullo—I stand to be corrected but I am 98 per cent sure that they were directly involved in the planning reference group and I think they had indirect involvement in the community reference group. There were certainly bilateral discussions at staff level and with the planning consultant with officers of the council.

Senator ALLISON—Is the Commonwealth aware of the planning restrictions that are generally applied by the council in this area in terms of height restrictions, density and so forth?

Mr Pezzullo—Yes. That is why we engaged the planning consultants and disposal managers that I referred to yesterday.

Senator ALLISON—And the assumption was made that the same planning regime would apply to this land as for the rest of Portsea or for Rosebud?

Mr Pezzullo—No, we did not act on assumptions. We attempted to gain as the good understanding as we could. I think it is fair to say that council staff are not in a position necessarily to bind the elected members of the council. But the Victorian land planning system is quite well known to be Defence property disposal officers—we sell a lot of property in Victoria. The restrictions processes are pretty well known to us across a number of sites. Point Nepean is somewhat atypical because of its nature but it is not atypical in terms of land planning law.

Senator ALLISON—The master plan to which you referred yesterday talks about the importance of environmentally sensitive provision of public access through the site and along the Port Phillip Bay foreshore whilst maintaining the isolation of scientifically significant Bass Strait coastline. Minister, in answer to a question of mine recently you indicated that there was no condition and you intended to apply no condition to protect the beach and the foreshore in terms of public access. Can you explain this departure from what ostensibly you claim the government supports?

Senator Hill—Where is the inconsistency in what I have said?

Mr Pezzullo—I am not sure there is a reference to inconsistencies. There is a draft master plan, which is a summary of all those community consultations. The question is the enforceability of that master plan, given the Commonwealth's lack of jurisdictional capacity in this area. The draft master plan has been issued as, if you like, representative of the attitude of the community, culminating in that process over summer last year.

Senator Hill—I am sorry, Senator, I am puzzled as to where you are arguing that I have been inconsistent.

Senator ALLISON—My question was whether the government would agree to excising the beach and the foreshore from the site to provide sufficient area for pedestrian access along the foreshore and into the national park from Portsea. Your answer was no.

Senator Hill—Did the master plan deal with this issue?

Mr Pezzullo—It dealt with it in general schematic terms. It laid out some general desirable land uses. The government on 12 March announced its decision about how it would address those community concerns, and the government decided to set aside reasonably extensive public open space in relation to the Police Point park that I have described, which has now been surveyed and agreed with the Mornington Shire Council. That is, if you like, the contribution of the Commonwealth to public open space for family picnics et cetera.

Senator ALLISON—But this site has a very extensive section of beach, some very beautiful bays—

Senator Hill—It seems that I answered the question on the basis of that position.

Senator ALLISON—I would have thought it was an important principle that we do not alienate foreshore land. In Sydney a lot of money and effort is going into retrieving some land which was sold off privately. This would be, to my knowledge, the first time in a long time that foreshore beach land has been sold for private purposes.

Mr Pezzullo—Without contesting the veracity of any of the premises in your question, the government announced a three-part package for this property which, in the government's view, balanced all those competing interests: the public open space to which I have referred, a national park to be managed by the state, south of the defence road feature, and then a priority sale initially offered to the state government—they declined to pursue that course—now on the open market. But, what I keep coming back to is that, the moment the title switches over, issues to do with alienation of foreshore planning controls over beach access et cetera are completely within the gift of the state government and the applicable local council regulations, rules and ordinances.

Senator ALLISON—You would be surprised, would you, if this land was sold and that beach area was not available for public access?

Mr Pezzullo—I would not presume to speak for the intentions of the state government of Victoria. I have no definitive information on what they intend to do.

Senator ALLISON—What if Mr Fox, for instance, buys the site and decides he does not wish people to walk along in front of—

Mr Pezzullo—I have a formal role in the decision making process. In fact everyone at this table, bar the CDF, has a formal role—unless you want a role, CDF!—

Gen. Cosgrove—No, I do not want a role.

Mr Pezzullo—and it would be highly improper for us to go to such a specific hypothetical as that.

Senator ALLISON—It would seem to me to a very simple condition to apply to the site, Minister, and show good intent on the part of the government if we could at least excise a bit of the beach and foreshore.

Senator Hill—I hear what you are saying.

Senator ALLISON—But you do not agree.

Senator Hill—That is not the position that the government adopted.

Senator ALLISON—Could you explain why?

Senator Hill—I cannot really, to be frank, other than repeating what the official said, which is that there was an attempt to balance various interests. Public access was provided to other parts.

Senator ALLISON—How is this a balance? You seem to be suggesting that it is in some way tit for tat, which would suggest that you would be quite willing to see that beach and foreshore alienated.

Senator Hill—As I said, we have an economic resource that we are seeking to protect; we have a heritage resource that we are seeking to protect; we have a public interest resource that we are seeking to protect.

Senator ALLISON—You do not think the beach and the foreshore is a public interest?

Senator Hill—I can understand that, but I can also understand that, in a master plan, you can address that public interest in a number of different ways. I do not think it would be too helpful for me to try to rewrite the master plan in here today.

Senator ALLISON—Minister, do you expect to have any talks with the Victorian state government once the expressions of interest are in and there is some sense of knowing what is being proposed for the site? Will you then engage in discussions about the planning regimes?

Senator Hill—I do not think they want to talk to us, other than that they want us to give them the land.

Senator ALLISON—So the answer is now?

Senator Hill—I am not personally engaged in the process at this time. It is being looked after by my very able parliamentary secretary.

Senator ALLISON—Is she going to engage in discussions about planning?

Senator Hill—She will make a judgment on that.

Senator ALLISON—You are not concerned that, without that discussion and without that agreement on the planning regime with both the state government and the council, you would be setting up a legal minefield?

Senator Hill—I said it would be better if the state government were prepared to cooperate with us, but apparently it is not.

Senator ALLISON—You seem uninterested in persuading them to.

Senator Hill—If I thought I could persuade them to I would, but I think that they see a political opportunity in this so they are not interested in sound policy.

Senator ALLISON—How many sites currently have residential use? Have they been identified on a site plan?

Mr Pezzullo—I have seen so many charts and maps on this site that my memory does blur a little bit. My recollection is that there is a very specifically surveyed chart which does show residential land use. In any event, as part of the finalisation process, either in the RFT or in the

contract negotiations, those surveyed allotments would have to be agreed because they are critical to the contract of sale on the day of sale.

Senator ALLISON—What do you mean by their having to be agreed?

Mr Pezzullo—They will have to be known precisely. They are not agreed as such, but the vendor, namely us, will say to the purchaser, ‘Here is what you are buying.’

Senator ALLISON—So can a map which shows those sites be provided now?

Mr Pezzullo—I will take that on notice. There is quite a number of charts and site maps on the planning consultant’s web site and I will see if one of those broadly conforms with that.

Senator ALLISON—Was that part of the package that went out for expressions of interest?

Mr Pezzullo—If it is on the web site, it almost certainly would have been, but I will check that for you.

Senator ALLISON—Yes, and identified as residential.

Mr Pezzullo—I understand your question.

Senator ALLISON—And including the whole site, not just the residence itself or the building itself.

Mr Pezzullo—Sorry, I do not understand that qualification.

Senator ALLISON—We discussed yesterday the likelihood that some of these buildings which are not protected by heritage values might have gardens and boundaries and so on. Out of the 70 which are not protected by heritage values, roughly how many do you think would be residential and how many would be for other purposes?

Mr Pezzullo—I would have to take that on notice. It was a training establishment which was reasonably remote from Melbourne, therefore it would have had a number of residences on site to cut down on commuting backwards and forwards.

Senator ALLISON—So by ‘residential’ we are talking about dormitory buildings, for instance?

Mr Pezzullo—No. Most of the residential land use rights would attach to what you and I would understand to be private residences, but I will have to take the question of dormitories on notice. There certainly are some buildings that fit within that classification.

Senator ALLISON—What else would be in that category—a canteen?

Mr Pezzullo—You are going to have all manner of buildings: canteens and instructional buildings—and there is a hospital, as I recall.

Senator ALLISON—No, ones that would fit within ‘residential’. Would the hospital fit within residential?

Mr Pezzullo—No. A residential use right normally only applies to land on which people have been living in a residence; people do not live in a hospital.

Senator ALLISON—Including a dormitory building, if one exists? I do not even know if one does.

Gen. Cosgrove—If it was not a heritage building.

Senator ALLISON—Yes, that is assumed.

Mr Pezzullo—I would prefer to take on notice the totality of the quantum question as to numbers of sites and which ones are residential and which ones are not.

Senator ALLISON—Okay. So there is no flexibility about that, in that that residential use right is already identified in some way on this plan?

Mr Pezzullo—It would already have been identified in our documentation.

Senator ALLISON—Can you indicate what existing uses might be suitable for other uses such as tourism projects and hotel accommodation?

Mr Pezzullo—As I stated last night in evidence, the contract of sale will not preclude a purchaser from creating subdivided allotments for those kinds of purposes out of any other portions of the land.

Senator ALLISON—So the playing field, for instance, could be subdivided for tourist purposes.

Mr Pezzullo—Unless, as I was just about to say, there was some heritage protection. The parade ground might have heritage protection over it, or Heritage Victoria may place one on it. In that case, it would be impossible to subdivide that for another purpose without breaching the heritage conditions. Sometimes heritage conditions, of course, can be observed by preserving the fabric of a building and adaptively reusing it.

Senator ALLISON—I understand. Would some of the area which is within this site but not cleared be able to be cleared for tourist purposes or a motel, for instance?

Mr Pezzullo—Sorry—I do not understand.

Senator ALLISON—There is some bush on the site, is there not?

Mr Pezzullo—Most of the bushland falls within 205 hectares south of the Defence—

Senator ALLISON—I know most of it does but some is on this site.

Mr Pezzullo—Yes, indeed—in between buildings and whatnot. They would presumably form part of the commons, but that would be a subdivision decision for the council.

Senator ALLISON—So, if the council agreed to a subdivision in an area which is currently bush and there are no heritage provisions, one would expect, on bush, then it could be subdivided for tourist purposes.

Mr Pezzullo—So long as it cleared all the conditions that we have set down in the contract for sale, so long as no applicable—

Senator ALLISON—I do not have the advantage of seeing the contract of sale, so I am asking you whether it does or not.

Mr Pezzullo—The conditions of the contract of sale are those that I read into evidence last night. There is a heritage condition, which is broken into two parts: you have to abide by the conservation management plan and you have to commit yourself to not objecting to Heritage Victoria rulings. The other condition of sale that is in the draft contract of sale pertains to the

residential development question. So long as you tick those boxes—that there is no state government override applied through their mechanisms and the council subdivision powers do not prevent you from doing it—you can make such an application.

Senator ALLISON—So, when the submissions come in and if—and I am sorry; it is another hypothetical but I do need to understand how you would regard this in terms of planning—there is a proposal to clear four or five acres of bush in order to put a tourist complex including a hotel there, that would not necessarily be outside the conditions set.

Mr Pezzullo—As I have stated in evidence, I need to be very careful about how I describe the evaluation process that is now going to be undertaken. There is a board that is being convened pursuant to the closure of the tender box. They will be—in fact, I know they are—listening to this evidence, so I need to be careful about how I couch this. As I also stated in evidence, the Commonwealth has not requested a specific land use vision that it will evaluate. Some tenderers—and I would not have a clue whether this has been the case—may put in such a vision; some may not. I literally do not know.

Senator ALLISON—And they literally do not know what is going to be allowed.

Mr Pezzullo—No, I do not think that is entirely fair, Senator. They have to make their own risk judgments based on the market information that has been provided through that confidentiality process that we described yesterday—that bilateral relationship they have with the Commonwealth. It is up to them to make their best judgments about the prevailing conditions in Victoria, their knowledge of state and local government politics, their knowledge of land planning laws et cetera.

Senator ALLISON—Getting back to those sites that are not covered—not protected—by heritage provisions, you are going to indicate how many of the 70 or so are residential and how many are not. Presumably those which are not are able to be demolished. All of them would be able to be reused or developed as a hotel or conference facilities.

Mr Pezzullo—The Commonwealth is not specifying other than their non-usability for residential purposes. The Commonwealth certainly would not be specifying a theme park, a heritage precinct or a restaurant complex.

Senator ALLISON—So anything at all goes, provided it is a state planning regime.

Mr Pezzullo—I would not want to be understood to be using those words. Reasonable land use is that which will ultimately pass the hurdles set by the state government and local council, as I keep stressing.

Senator ALLISON—Which we do not know about, because there are not any yet.

Mr Pezzullo—I am making a presumption, for instance, that, from what I have read in media reports, the state government would not want a Coolangatta style Gold Coast development, for instance. That is my understanding, informed by reading press clips. But that knowledge would also be available to people who put in a bid, people who did not want to put in a bid and people who half thought they were going to put in a bid but decided not to.

Senator ALLISON—The bids will not be made publicly available?

Mr Pezzullo—It is a tender process. The answer is no.

Senator ALLISON—The expressions of interest will not be made publicly available?

Mr Pezzullo—An expression of interest is the first phase of the tender process.

Senator ALLISON—Yes. They are the ones that closed last Monday.

Mr Pezzullo—They are all submitted to the Commonwealth expressly under confidentiality provisions.

Senator ALLISON—So none of those will be available?

Mr Pezzullo—If bidders themselves wish to disclose to the world what they have put in, that is up to them, but the Commonwealth has given an undertaking not to disclose such matters.

Senator ALLISON—And the same will be the case with the tender documents?

Mr Pezzullo—That is normally the process followed.

Senator ALLISON—Does the Commonwealth intend to prepare some kind of summary of them or a discussion about them?

Mr Pezzullo—There will certainly be internal evaluation documentation prepared through the—

Senator ALLISON—But that will not be publicly available either.

Mr Pezzullo—I cannot think of a case where the documents were made available as part of a public consultation process. There is a whole range of techniques, which the senator would be better aware of than I am, in terms of the forms of the Senate or FOI or whatever. But the Commonwealth is not going to engage in a public consultation process on a tender evaluation.

Senator ALLISON—There is quite a lot of community interest in this one. Would the government consider in the next stage, the tender stage, inviting submitters to indicate what documents—say, plans or whatever—might be put on public exhibition to invite comments on those?

Mr Pezzullo—That would be a matter for the government to give direction and guidance on.

Senator ALLISON—The minister is not listening. I wonder if I can ask that again. Minister, for this site, because of its great interest to local community, would you consider in the next tendering process inviting tenderers to prepare a document which is able to be put on exhibition for comment by those who would wish to do so?

Senator Hill—I will ensure that that idea is passed on to the parliamentary secretary. I suspect it has already happened.

Senator ALLISON—Is it possible for you to let us know the response?

Senator Hill—She is managing the governance responsibilities. You have put an idea to her and she can take that into account.

Senator ALLISON—Can I put it to you and can you put it to her on my behalf?

Senator Hill—I think it has already got to her, but we will make sure it does if she is not watching.

Mr Pezzullo—Perhaps I could add by way of supplementation of a previous answer—as the minister has inferred, the TV system works very well here—public access to the beach is going to be permitted through the approximately 20 hectares of public open space to be granted to local council.

Senator ALLISON—I am talking about along the beach rather than to the beach.

Mr Pezzullo—I understand that but, for the purposes of clarity and complete disclosure, I can tell you there will be access down to the beach through the Police Point area.

Senator ALLISON—That I understand. By the way, is the red dotted line on the aerial photograph indicative of a carefully surveyed and precise boundary?

Mr Pezzullo—I do not have that image in front of me. From recollection it is not survey quality boundary definition, but it is starting to get pretty close. As I have already indicated, one of the three parcels has already been precisely surveyed because a public open space needs to be delineated. By definition, boundaries have started to be drawn. But I would have to take on notice whether that particular image is survey quality or merely computer assisted graphical quality. But I doubt it; I do not think it is a surveyed line.

Senator ALLISON—The map on the other fold looks even less precise.

Mr Pezzullo—I think it is pretty close, but it is for graphic purposes rather than land planning purposes. Survey documents are extremely precise documents.

CHAIR—Senator Evans, you have some questions to take us up to six o'clock.

Senator CHRIS EVANS—Senator Hogg has questions first.

Senator HOGG—I have a couple of quick questions on the Military Compensation Scheme. I note in the PBS that there is a commitment to proceed with legislation for the Military Compensation Scheme six years after it was announced. Is that right?

Mr Henderson—Have we finished with the property issues?

CHAIR—I am sorry, that is my mistake. Anybody to do with Defence science, the inspector general and public affairs can leave because we are going to go on with corporate services until six o'clock and then we are having DHA.

Senator ALLISON—I am sorry, Chair, I have just discovered some papers with a couple more questions.

CHAIR—Unless Senator Hogg allows you to ask some questions—

Senator Hill—Put them on notice.

CHAIR—this is Senator Hogg's game now.

Senator HOGG—I have just asked a question of Mr Sharp. I am very interested in where the Military Compensation Scheme is. I am sorry, Senator Allison, I did not realise. I had the call.

Senator ALLISON—Yes, you did. I was not wishing to interrupt you either.

Senator HOGG—Could I have your answer please, Mr Sharp? After six years it seems as if legislation is about to arrive.

Mr Sharp—I do not have the detail on when it was first thought of, Senator.

Senator HOGG—I can tell you: 1997.

Mr Sharp—I can advise you that the exposure draft bill has been finalised and it is with the government, and launch is expected shortly of that exposure draft.

Senator HOGG—Who will see that exposure draft?

Mr Sharp—That will be a public document, available for consultation by, in particular, the veterans community and the Australian Defence Force, but any member of the public can have access to the document and comment on it.

Senator HOGG—When will it be launched?

Mr Sharp—Shortly—within a couple of weeks, I would expect.

Senator HOGG—What will be a period of consultation?

Mr Sharp—Current planning is for eight to 10 weeks.

Senator HOGG—And then the introduction of the legislation?

Mr Sharp—Current planning is for the introduction in the December session of parliament, consideration by a committee and then finalisation in the autumn session.

Senator HOGG—You are anticipating that there will be a Senate committee review of the proposed legislation?

Mr Sharp—Yes.

Senator HOGG—It would be finalised in the autumn session?

Mr Sharp—That is right.

Senator HOGG—And then implemented? Will it be implemented straight away or will there be a transition period before the implementation takes place?

Mr Sharp—Current planning is for 1 July 2004. The new scheme does not replace existing schemes insofar as members that have entitlements under the Military Rehabilitation and Compensation Scheme and under the Veterans Entitlements Act are grandfathered. So initially there will not be too many people eligible under the new scheme, so 1 July 2004 is the planning at this stage.

Senator HOGG—Whilst it will operate from 1 July 2004, I presume that in the 2004-05 budget we will see a separate line item for the funding of this particular scheme?

Mr Sharp—Assuming we do go for the 1 July start date, yes.

Senator HOGG—What has caused the massive delay for this legislation coming before the parliament? The original announcement, for your benefit, was a press release from the then minister Ms Bronwyn Bishop on 11 June 1997. It seems a terrible long delay.

Mr Sharp—I am a new to this. What I can say—and I have been around the bureaucracy a little while—

Senator HOGG—If you were waiting for this bill, you could be in real trouble!

Mr Sharp—Some of my colleagues might laugh. Just because you haven't got hair doesn't mean you are not with it.

Senator HOGG—That did not come from this side of the table, Mr Sharp.

Gen. Cosgrove—That's my boy.

Senator HOGG—Fellow feeling makes wondrous kind, I know, General Cosgrove.

Mr Sharp—What I can say is that this is an exceptionally complex matter. There are a large number of issues that have had to be worked out, and worked out in ways that ensure that existing members of the veteran community, if I can call them that, are comfortable with the way we are going and that future members can be confident that the new arrangements are going to look after them well. So I put it down principally to complexity, and that is the way I see it in the time I've had a bit to do with it.

Senator HOGG—Will there be an option under the new scheme for people who might have been covered by the old scheme to opt for the new scheme?

Mr Sharp—That is perhaps an issue that has not yet been resolved, although we do recognise that that issue may arise. I do not think it is a matter that we have given any particular attention to yet, or that we have advised the government on.

Senator HOGG—It is not covered therefore in the exposure draft?

Mr Sharp—Not at present, no.

Senator HOGG—I will leave my questions there.

Senator CHRIS EVANS—I have two issues I intended to deal with. I want to ask in relation to DIDS where that negotiation was at. Major General Haddad has been—

Senator HOGG—He has been sitting in the back, but he has gone AWOL.

Senator CHRIS EVANS—I assumed he was waiting for this.

Gen. Cosgrove—You called the odds and I think he left.

Mr Smith—We will get him to get in touch with you.

Senator CHRIS EVANS—Perhaps you could take it on notice then. I know last time we talked about how you were negotiating with both bidders. Has the DIDS contract been finalised?

Mr Smith—It has not been finalised, but that negotiation is nearing conclusion, as I understand it.

Senator CHRIS EVANS—Is that still with both bidders or with one bidder?

Mr Smith—With both. I believe I am right in saying it is with both, but we will have to confirm that.

Senator CHRIS EVANS—I want to ask a couple of questions about health outsourcing. I want to get an update on the health outsourcing. I made it clear before that I am fairly concerned by this process. From the public information I have got so far that there seems to be further delays and renegotiations occurring. I want to get a sketch of where we are at in

each of the various manifestations of this. In Victoria, has the contract with Mayne been signed?

Mr Sharp—Negotiations of that contract are nearing completion.

Senator CHRIS EVANS—When will that be finalised?

Mr Sharp—I would say within a month.

Senator CHRIS EVANS—Is there a deadline for these negotiations to be finalised?

Mr Sharp—The deadline really is when the satisfaction of both parties has been achieved.

Senator CHRIS EVANS—Didn't they win the tender?

Mr Sharp—They are the preferred tenderer. Until a satisfactory contract is negotiated with the preferred tenderer, they are not the winner.

Senator CHRIS EVANS—Is it fair to say that they have been seeking to get Defence to take more of the responsibility than was originally envisaged?

Mr Sharp—Not that I am aware of.

Air Cdre Austin—No. There has been extensive negotiation on each of the military facilities to ensure that the customers' needs are met, but to the best of my knowledge there has been no intent on the part of the prime contractor to in any way walk away from our original requirements.

Senator CHRIS EVANS—So why has it taken so long?

Air Cdre Austin—The delay has been predominantly in negotiating with the military occupants on the sites to ensure that all facets of service delivery are going to be met to their satisfaction. As you are aware, this is the first time within Defence—and perhaps within the Western world—that a similar contract has been negotiated. It is absolutely imperative for us that the customers, the Defence sites, receive best possible health care delivery. It is an extremely complex task. It has required a lot of negotiation, particularly as we still have embedded service providers in some of these facilities to make sure that they have appropriate access to the facilities. We believe we have now reached a point where all those customer sites are happy with the services that will be offered.

Senator CHRIS EVANS—Has there been any alteration to the contract price?

Air Cdre Austin—Not that I am aware of.

Senator CHRIS EVANS—So it is going to be signed soon, there is no change to the contract price and there is no alteration to the share of responsibilities between what ADF will continue to do and what Mayne will take on?

Air Cdre Austin—There have been some very minor modifications at several sites, but they do not change the nature of the contract to any significant degree.

Senator CHRIS EVANS—So you still express confidence that this is all going to be resolved happily and signed shortly?

Air Cdre Austin—I have an enormous investment in the success of this process, as does my directorate, and we are optimistic that it will in fact continue to deliver high-quality health care to those ADF sites, yes.

Senator CHRIS EVANS—I am certainly hopeful, but I guess the question is: are you confident the contract will be signed?

Air Cdre Austin—Absolutely.

Senator CHRIS EVANS—What about in terms of ACT and southern New South Wales? Where are we at with that one?

Air Cdre Austin—The tender evaluation was conducted. There were two tenders submitted. Neither was successful. In one case the tender that was put forward was approximately 10 per cent over our baseline costs and we require a saving of at least 10 per cent against our baseline cost. We did not believe that tender was capable of meeting the financial requirements. With the second tender, whilst it was eight per cent under baseline costs, we had serious concerns about the ability of the tenderer to provide the quality of service. The manning levels they were proposing were significantly under existing manning levels, and, as such, the tender evaluation board considered that tender to be unsuccessful.

Senator CHRIS EVANS—Where does that leave us?

Air Cdre Austin—The tender evaluation board is exploring alternative methods of service delivery for ACT and southern New South Wales.

Senator CHRIS EVANS—The tender evaluation board is making that assessment?

Air Cdre Austin—Let me check my notes on that, but I believe the board is reviewing that.

Mr Sharp—The officers involved in the tender board are part of the rationalisation of health services and so they would be involved in developing other options—they are the same people, by and large.

Senator CHRIS EVANS—I would have thought that would be a central ADF responsibility. You have had a tender process that has failed. I would have thought that would go back for decision by government.

Mr Sharp—I do not think there is any decision for government. We do not have a preferred way forward, and until we do we have got nothing to put forward.

Senator CHRIS EVANS—Yes, that is why I could not understand what a tender board would be doing.

Air Cdre Austin—I apologise, Senator; that was an incorrect statement on my part.

Senator CHRIS EVANS—So the tender process has not been successful. Does that mean that the outsourcing in southern New South Wales and the ACT will go ahead or not?

Air Cdre Austin—We are exploring alternative methods of outsourcing, but we are now back to reviewing the original proposal to conduct that. That is CSP. So we would need to review the full range of options and those include repopulation with military health providers;

continuing the status quo, which is a composite military and individually contracted health provision under the auspices of Defence; or retendering for the process.

Senator CHRIS EVANS—Who will make that decision?

Air Cdre Austin—That will follow a review of the viability of each of the options. That review has not been completed.

Senator CHRIS EVANS—But that will go back to the minister?

Mr Sharp—I think that decision there will lie with Head, DPE, which is the group responsible for this activity. In the event that we do not proceed with outsourcing we will need to go back to the minister.

Senator CHRIS EVANS—But it is your intention to continue to pursue other outsourcing options?

Mr Sharp—As the Air Commodore Austin said, one of those options is retendering, and we need to evaluate all three.

Senator CHRIS EVANS—Was Mayne one of the bidders for the ACT-New South Wales tender?

Mr Smith—Yes, they were.

Senator CHRIS EVANS—What is happening in terms of Sydney?

Air Cdre Austin—The proposal for Sydney was to conduct a rationalisation study. The ADF requires that the majority of its health care providers be in uniform and be available for deployment; they form part of our operational capability. In Sydney there are three large military deployable health facilities—one Army, one Air Force, one Navy. The rationalisation study was firstly to scope the service delivery that is taking place there and to explore ways in which we could provide a more efficient health care system to the people in Sydney. However, that was predicated on the understanding that we would need to maintain the same number of uniform providers to meet our operational needs. So it is not a CSP process; it is simply a means of looking at rationalising and increasing the efficiency of service care delivery, given the same number of people that we have.

Senator CHRIS EVANS—Yes, but where is that leading us?

Air Cdre Austin—That study is in progress. It has completed the first phase, which is a definition of scope.

Senator CHRIS EVANS—Who is doing the study?

Air Cdre Austin—It is being done through a contractor.

Senator CHRIS EVANS—Who is the contractor? You can take that on notice.

Air Cdre Austin—Certainly.

Senator CHRIS EVANS—Has Major General Haddad brought the silver bullet?

Mr Smith—Yes, he has; thank you for your patience. Both bids are still under active consideration and a decision will be put to government within a few weeks.

Senator CHRIS EVANS—The decision will be taken by the minister as to how to proceed from there?

Major Gen. Haddad—As the secretary said, it will be going to government for decision in about two weeks time.

Senator CHRIS EVANS—Yes. That decision will be exercised by the Minister for Defence?

Major Gen. Haddad—On previous occasions the minister has chosen to take it forward to his cabinet colleagues.

Senator CHRIS EVANS—But is clearly not a departmental—

Mr Smith—Certainly not.

Senator CHRIS EVANS—It is going to the minister. Just so I am clear: you have been negotiating with both parties on their bids. Is that a fair way of describing it?

Major Gen. Haddad—We have been in parallel negotiations with TenixToll and ADI-Fox, so both their bids are alive at this point.

Senator CHRIS EVANS—There is no preferred tenderer then?

Major Gen. Haddad—That is the process we are about to conclude. Our recommendation that we will reach in a couple of weeks time is on our new preferred tenderer.

Senator CHRIS EVANS—So it will still be a question of then going away and negotiating a final agreement with the preferred tenderer?

Major Gen. Haddad—Having selected our new preferred tenderer, we will still have to do contract negotiations. They were scheduled, under the other arrangement that we had, to go for three months so I imagine it will take—

Senator CHRIS EVANS—You would be hopeful on this occasion as you have got them to the starting gate.

Major Gen. Haddad—We are certainly more advanced than we were last time with all the additional work we have been doing in our parallel negotiations, but the purpose of the parallel negotiations has been to identify a preferred tenderer.

Senator CHRIS EVANS—Okay, thanks for that.

Senator HOGG—Will this be concluded by the year 2010?

Major Gen. Haddad—I certainly hope so.

Senator HOGG—It is just that we have been waiting such a long time.

Major Gen. Haddad—Senator Hogg, both you and I have been waiting for a long time on this.

Senator CHRIS EVANS—There are casual employees coming up for long-service leave there!

Senator ALLISON—I am sorry as I was not in the room when we started this discussion. Can somebody indicate if it is correct that the outsourcing process was abandoned for the

ACT and southern New South Wales? Mr Sharp, you were saying that you were beginning the process again in some way?

Mr Sharp—Correct. We are reviewing the process and retendering is one of the possible options.

Senator ALLISON—What was wrong with the process that it had to be abandoned?

Mr Sharp—As the air commodore indicated, one tenderer was thought to be far too costly and it was considered not possible to make up the difference. The other tender was inadequate, being non-compliant.

Senator ALLISON—What effect does that decision have on Victoria? I think you said earlier that it does not make any difference.

Mr Sharp—No.

Senator ALLISON—So it does not have an effect?

Mr Sharp—No, in terms of no impact on Victoria.

Senator ALLISON—Were the tenderers the same parties?

Mr Sharp—Both were.

Senator ALLISON—And the tender bids are not yet in for Victoria?

Mr Sharp—The preferred tenderer in Victoria is Mayne Health and contract negotiations are nearly complete.

Senator ALLISON—I understand that OPSM are involved in talks which might result in a takeover by an Italian company. What effect will that have on the contract that was awarded to OPSM for optometry for ADF personnel?

Mr Sharp—I would have to take that on notice, but none that we can think of.

Senator ALLISON—Getting back to Mayne, the preferred tenderer for Victoria, has the fact that they have recently announced a six-month loss for their hospitals division of some \$57 million—with the suggestion that the company may sell off this division within two years if it is still underperforming—made a difference to your discussions with Mayne so far?

Mr Sharp—No difference. The due diligence process—a critical part of any tender evaluation—has been conducted on Mayne and all issues such as those that you have outlined have been considered.

Senator ALLISON—What guarantees are there that this division will not be sold off?

Mr Sharp—The due diligence process takes account of the impact of whether it might be sold off or not and what impact that might have on the service delivery.

Senator ALLISON—Would the new owner be bound by whatever is agreed in the contract with Mayne?

Mr Sharp—My colleague might be able to add something to this.

Air Cdre Austin—As far as I am aware, it is not actually the hospitals division within Mayne that we are contracting with; it is Mayne Health. Mayne Health has various components, of which the hospitals area is but one.

Senator ALLISON—So you do not think this is likely to be handed over to another organisation?

Air Cdre Austin—No.

Senator ALLISON—If it were, would that raise any problems in terms of the situation? Do you need a contingency plan in place, given the financial vulnerability of Mayne at present?

Air Cdre Austin—Obviously, as part of the contracting process, there is a risk analysis that is conducted by Defence. Consideration is made of various recovery or retrieval options available to us. But no, as has been previously alluded to by Mr Peter Sharp, we have recently redone the due diligence for Mayne in light of the recent media coverage, being aware of the selling off of those hospitals. But they in fact do not in any way impact on this particular contract.

Senator ALLISON—I understand. So you have concluded that the risk of sell-off, liquidation or whatever other financial risks there are is low in this instance—is that what your due diligence has told you?

Air Cdre Austin—That is correct. In relation to the off-loading of the hospitals division of Mayne Health, we do not believe that it will adversely impact this contract.

Senator ALLISON—If it were the case that it happened, what would happen to the contract?

Mr Sharp—Perhaps I will make the more general point that Defence contractors' companies do change hands from time to time. They are taken over and amalgamated, and this is not uncommon. The challenge for us is always to ensure that the contract conditions and the due diligence process ensures that in that event the risk to us is low and manageable.

Senator ALLISON—How do you manage it in the event? I know this is hypothetical, but one has to have a contingency plan in place should it happen, whether it is Mayne or somebody else. What is that contingency plan?

Mr Sharp—The contingency plan is not worked out if the risk is very low.

Senator ALLISON—So there is none.

CHAIR—Senator Allison, you have two minutes.

Senator ALLISON—I have more than two minutes, Chair; I am sorry.

CHAIR—I am sorry. You will be asking your questions until 6.20 and then Senator Evans has questions to DHA. That is the arrangement.

Senator ALLISON—Are we coming back to this program?

CHAIR—No, we are not coming back to this program. You can think about what questions you might put on notice, but you have two minutes.

Senator ALLISON—Thanks.

CHAIR—I think that brings us to an end, General Cosgrove and Mr Smith. Thank you very much indeed for the courteousness of your presence and that of your colleagues. We look forward to seeing you later in the year.

[6.20 p.m.]

Defence Housing Authority

CHAIR—Welcome, Mr Bear and Mr Brocklehurst.

Senator CHRIS EVANS—I am sorry we only have 10 or so minutes to ask a few questions. I will put a couple of questions on notice. I want you to take me through two or three key issues. The first is the question of special dividend payments. Can you explain what the dividend payment is expected to be in 2003-04 and in 2004-05? Have you been provided with those? I also want to understand the process of how those amounts are negotiated, or whether negotiation is the right word.

Mr Brocklehurst—The special dividends are all associated with the capital restructure of DHA's balance sheet. They are determined by the DHA board as part of its annual planning process.

Senator CHRIS EVANS—What does 'restructure' of the balance sheet mean? Why are you paying money to the Commonwealth to restructure your balance sheet?

Mr Brocklehurst—The strategy of DHA over the last few years has been to reduce the amount of property that it actually owns by selling property to private investors. So we have been reducing the amount of property that we own, which in essence has released funds that were previously tied up in owning property that is no longer needed by DHA to meet its future requirements.

Senator CHRIS EVANS—So you effectively decide to gift this to the government? It is not a question of negotiation with the government?

Mr Brocklehurst—To the extent that there might be negotiation, there is a corporate planning process that DHA goes through. We are a government business enterprise and there are corporate governance arrangements that cover the planning arrangements for an organisation like ours. We submit a corporate plan to the shareholder ministers each year, and that includes our financial plans. The ministers can discuss with us, if they wish, any variations to that plan.

Senator CHRIS EVANS—Yes, but is there active to-ing and fro-ing about the amount, or is this something that is largely just determined by the authority?

Mr Brocklehurst—I would say that it principally has been determined by the authority.

Senator CHRIS EVANS—This is based on an assessment of surplus to requirements?

Mr Brocklehurst—Yes. It is based on assessments of what our funding requirements are that we need to retain within the business, taking into consideration our future capital requirements in the out years.

Senator CHRIS EVANS—Have you determined what you are going to pay the Commonwealth in 2003-04?

Mr Brocklehurst—We have. We are planning to pay a dividend of \$300 million in the 2003-04 year.

Senator CHRIS EVANS—Three hundred million?

Mr Brocklehurst—Yes.

Senator CHRIS EVANS—Next time you're having one of these discussions remember me, will you! What about in 2004-05?

Mr Brocklehurst—A further \$100 million.

Senator CHRIS EVANS—This is largely driven by your reduction in your stock?

Mr Brocklehurst—Yes.

Senator CHRIS EVANS—We know the numbers of Defence employees, ADF personnel, are increasing. Why are you reducing your stock while your numbers are increasing?

Mr Brocklehurst—I am sorry, I should correct that. It is not a reduction in stock; it is a reduction in the proportion of the stock that we own.

Senator CHRIS EVANS—Why are you reducing the proportion of the stock that you own?

Mr Brocklehurst—In assessing the funding requirements of DHA and what are the most cost-effective sources of funds for DHA, we have assessed that using private investors through the sale and lease back program to meet that funding requirement is the most cost-effective source of funds for DHA.

Senator CHRIS EVANS—Am I to take it that in 10 years time you will not own anything?

Mr Brocklehurst—No. We have a limit of about 20 per cent or so that we will not look to reduce ownership any further.

Senator CHRIS EVANS—So you are looking to reduce your ownership of your stock to 20 per cent?

Mr Brocklehurst—The plans that we have are to reduce ownership to 23 per cent by June 2006. We do not have plans going beyond that, but the strategies of DHA are that we would not expect to reduce ownership significantly further beyond that.

Senator CHRIS EVANS—So, to get down to 23 per cent by 2006, what does that mean you will hold in terms of stock, on current figures?

Mr Brocklehurst—Out of the 17,000 to 18,000 properties that we have under management, we would expect that we would own about 23 per cent of them, with the balance being in the hands of private investors or on defence bases where clearly you cannot sell the properties.

Senator CHRIS EVANS—Don't you own about 17,000 or so now?

Mr Brocklehurst—No, we do not own 17,000. As it stands right now, close to 70 per cent of the stock that we are managing is owned by private investors and leased back to us under arrangements that were put in place through the sale and lease back program.

Senator CHRIS EVANS—Could you take on notice the change over recent years both the total numbers and the proportion?

Mr Brocklehurst—Yes.

Senator CHRIS EVANS—You say you now own about 30 per cent—is that right?

Mr Brocklehurst—Yes.

Senator CHRIS EVANS—That is down from a peak of what?

Mr Brocklehurst—If you go back to the early to mid 1990s, it was about 70 per cent.

Senator CHRIS EVANS—So we have gone from 70 per cent ownership to a target of 23 per cent ownership in 2006.

Mr Brocklehurst—Yes.

Senator CHRIS EVANS—The rest of the stock is all on a private ownership lease back arrangement.

Mr Brocklehurst—The proportion of stock that we don't have?

Senator CHRIS EVANS—Yes.

Mr Brocklehurst—They are held by individual private investors and we have long-term leases with them whereby we retain access to the property.

Senator CHRIS EVANS—Are any of those owner-occupiers?

Mr Brocklehurst—No, they are not owner-occupiers.

Senator CHRIS EVANS—So this is not ADF personnel owning and renting back?

Mr Brocklehurst—There are some ADF personnel who have acquired DHA properties through the sale and lease back program, but they do not live in those houses.

Senator CHRIS EVANS—That is in the capacity of private investor.

Mr Brocklehurst—Yes.

Senator CHRIS EVANS—Are these investment ownerships largely individuals or are some of them corporate?

Mr Brocklehurst—They are individuals.

Mr Bear—Primarily individuals.

Senator CHRIS EVANS—We do not have LendLease or someone like that?

Mr Bear—No.

Senator CHRIS EVANS—So primarily individual investors who bought the house off you?

Mr Bear—They buy the house off us and then enter into a lease agreement either for nine plus three or so years.

Senator CHRIS EVANS—Are they all bought off you and leased back or do you purchase off them?

Mr Bear—We do purchase some houses directly in the market and then we will on-sell them on the sale and lease back program.

Senator CHRIS EVANS—But the majority of your stock is developed by you and sold on a sale and lease back arrangement. Is that a fair characterisation?

Mr Bear—Yes.

Senator CHRIS EVANS—Is it fair to assume then that if you stayed around the 23 per cent of the ownership share in 2006 the dividends to the government would then cease?

Mr Brocklehurst—I think we would have to reassess that nearer to the time. But I think at this point we would not envisage significant further returns to government.

Senator CHRIS EVANS—Allowing for other factors, effectively the dividend is coming from the reduction in your ownership protocol. Is that correct?

Mr Brocklehurst—Yes, that is correct.

Senator CHRIS EVANS—So Christmas will end for the government at some stage.

Mr Brocklehurst—Yes.

Senator CHRIS EVANS—Is it true your staff is going up as well? So you have gone from 600 staff to 800 staff. Is that a reflection of picking up this extra function in terms of relocations?

Mr Brocklehurst—Yes, that is true. Our staff numbers do vary quite significantly during the year. We have a peak cycle period around the December-January period when a lot of ADF members move. During that period we will have more part-time and temporary employees.

Senator CHRIS EVANS—You take on casuals to cover that period.

Mr Brocklehurst—Yes, and then we reduce the numbers during the middle of the year.

Senator CHRIS EVANS—I will not ask you about the first year, but how is the relocation experience going?

Mr Bear—Extremely good.

Senator CHRIS EVANS—Is there a customer service assessment of some sort of that?

Mr Bear—The defence department had the process reviewed at the conclusion of the recent cycle over the December-January period, decided that the service was up to the required standard and has continued the arrangement.

Senator CHRIS EVANS—Is that a published review?

Mr Brocklehurst—No, it is not.

Mr Bear—We also undertake extensive surveys of ADF members to assess their levels of satisfaction.

Senator CHRIS EVANS—Is all that in a document?

Mr Bear—That gets reported in a gross situation in our annual reporting process.

Senator CHRIS EVANS—Perhaps you could take on notice what you might be able to give me on notice about that survey or any information arising out of it.

Mr Bear—Certainly.

Senator CHRIS EVANS—One of the things I have learned is that if people are not happy they ring the shadow spokesman's office.

Mr Bear—And you have not had any phone calls recently.

Senator CHRIS EVANS—Graham Edwards got a few, but certainly last year was much quieter, so that must be a good sign for you. I think that the year before the Deputy CDF was complaining to me about it when I asked him about it.

Mr Bear—The level of our overall customer satisfaction went from 68 per cent in December 2001 to 75 per cent in February 2003, so we feel that is very good.

Senator CHRIS EVANS—I would appreciate any information you could give me on that. Mr Chairman, I will put a couple of questions on notice and leave the rest. Thank you, gentlemen.

CHAIR—Thank you very much, Senator Evans. Thank you, Mr Brocklehurst and Mr Bear, and we will see you later in the year.

Proceedings suspended from 6.32 p.m. to 7.35 p.m.

Department of Veterans' Affairs

CHAIR—We move now to consideration of the particulars of proposed expenditure for the Department of Veterans' Affairs. I welcome officers from the Department of Veterans' Affairs. The committee will begin with the portfolio overview and then consider the outcomes in number order. The committee will then hear from the Australian War Memorial. When officers are first called upon to answer a question, they should state clearly their names and positions. When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for an answer and the committee has resolved that the deadline for the provision of answers to questions taken on notice at these hearings is Tuesday, 22 July 2003. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind witnesses that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. An officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy. However, you may be asked to explain government policy, describe how it differs from alternative policies and provide information on the process by which a particular policy was selected. An officer shall be given a reasonable opportunity to refer questions asked of the officer to a superior officer or to a minister—if we had one. Finally, I remind everyone that mobile phones are to be switched off in the hearing room. I welcome Dr Johnston and other officers of the Department of Veterans' Affairs. Dr Johnston, do you or any of your senior people wish to make an opening statement?

Dr Johnston—We had been advised that the Australia War Memorial and the VRB were not required this evening. I hope that that is correct advice.

CHAIR—Have they been excused already this evening?

Dr Johnston—Yes.

CHAIR—Thank you.

Senator MARK BISHOP—Could we briefly turn to page 36 of the PBS. I want to talk briefly about the first item identified there, ‘Holocaust payments—extension of means test exemptions’. How many people are involved in that and from which countries?

Dr Johnston—I will ask Mr Maxwell to answer that.

Mr Maxwell—And I in turn might be required to ask Mr Winzenberg for the precise detail. In essence, this measure seeks to align the treatment of payments in respect of holocaust victims from governments other than Germany and Austria. I don’t suspect that there will be a vast number involved.

Mr Winzenberg—The numbers predicted for our department range from five to eight over the next three years. The numbers are extrapolated from the numbers that FaCS expects which is about 70. The exemptions apply currently for payments from Austria and Germany. We expect a number of other countries over the next years to make similar payments. I understand that France has announced a payment just recently.

Senator MARK BISHOP—Is it a policy in respect of which other countries pay reparations to those persons who were affected by holocaust activities in World War II and under which for those persons, having relocated to Australia, the pension payment is exempt? Is that the proposal?

Mr Winzenberg—That is correct, Senator.

Senator MARK BISHOP—It is currently Germany and Austria—

Mr Winzenberg—Which are currently exempt, and this legislation will extend the same exemption to any other countries that grant similar payments.

Senator MARK BISHOP—To any other country?

Mr Winzenberg—That is correct.

Senator MARK BISHOP—In the life of the four budgets, you think only five to eight persons would be affected?

Mr Winzenberg—We don’t have any identified cases at the moment. FaCS thinks it will have about 70. On a pro rata extrapolation, it appears that we may have four or five.

Senator MARK BISHOP—These various countries are going to create this exemption or extend the concession. Is it to be done to a standard protocol? Who does it apply to?

Mr Winzenberg—As I understand it, individual countries come to their own decisions in relation to what they are going to offer.

Senator MARK BISHOP—To what they think is an acceptable set of priorities?

Mr Winzenberg—That is correct.

Senator MARK BISHOP—So it could be, for example, resistance fighters in France and other persons affected?

Mr Maxwell—I think, with respect, that resistance fighters would not fall into this category. It is victims of the Holocaust and I therefore imagine that it will require incarceration by the Third Reich in a concentration camp or some other related activity. This is not the same as a gratuity payment for resistance fighting, for example, which the Dutch

government, I seem to recall, has a special passion for. This is aligning the current exemption provisions for recipients of Holocaust restitution payments from the German and Austrian governments to any other government that makes a similar payment to any of their nationals who may indeed have been a victim of the Holocaust. I think the Vichy French regime is one in mind.

Senator MARK BISHOP—The Vichy French regime?

Mr Maxwell—There were reparations or forced deportations from France after the Vichy government was installed. I think they are the sort of people that the French government is now targeting.

Senator MARK BISHOP—A lot of the Vichy government people cooperated, didn't they?

Mr Maxwell—I am sorry?

Senator MARK BISHOP—It is the victims of the—

Mr Maxwell—It is the victims. It is not a war gratuity, it is a restitution.

Senator MARK BISHOP—So it extends to those persons who survived the incarceration or is it their family dependants and the like?

Mr Maxwell—As Mr Winzenberg said, the details of each scheme are particular to the government in question. It is entirely their call. They determine what the reparation payment will be and to whom it will be paid. All that this measure is doing is saying that, once in Australia, the recipient will be treated the same with the payments from the Austrian government, the German government, the French government, the Dutch government or the third one, which I cannot remember.

Senator MARK BISHOP—Understood. Is this being processed pursuant to some sort of international protocol or whatever?

Mr Winzenberg—It is a decision by the Australian government to take this action in relation to those payments.

Senator MARK BISHOP—Can we now go to the bottom half of that page, Dr Johnston, to the enhanced compliance program. What component of that funds allocation is for new systems development?

Dr Johnston—I will ask my colleagues to handle this, Senator.

Mr Winzenberg—The total costs are \$4.7 million. The vast bulk of that money was for salaries, and that amount was \$3.1 million. The actual system costs were \$474,000. There was another \$600,000 for property valuations. They are, in essence, fees that we pay the Australian Valuation Office for undertaking valuations on properties. The rest is basically administrative expenses.

Senator MARK BISHOP—How was the figure of \$17.2 million savings derived? How did you come to that?

Mr Winzenberg—Over the last three years we have done some pilot risk reviews of around 1,990-odd veterans and the savings analysis is based on the results of those pilot

reviews. We have divided the veterans into 16 risk categories. We have high risk and medium risk categories. On the basis of the pilot reviews that we have undertaken over the last three years we have estimated that for those veterans in high risk categories there would be an approximate saving of \$40 a fortnight from their pension. For the high risk, non-property category the amount would be \$15 and for the medium risk category it would be \$4. We have done an extrapolation of those figures across our new target population. The new target population will be around 10,000 reviews a year, but within that 10,000 there will be various categories. For example, we will be doing 1,200 property reviews.

Senator MARK BISHOP—Only 1,200 of the 10,000 will be property reviews?

Mr Winzenberg—We have estimated that there are between 3,000 and 4,000 people who have property holdings that we think are at risk of receiving an incorrect payment. By doing 1,200 a year over a three-year cycle, we will roll through that number.

Senator MARK BISHOP—Is that 10,000 per year or over the—

Mr Winzenberg—It is per year.

Senator MARK BISHOP—So it is 10,000 per year and 1,200 are related to property. What are the other 8,800 related to?

Mr Winzenberg—The breakdown of the others is the other high risk and medium risk categories. As I said, we have 16 categories. I could go through those for you.

Dr Johnston—Do you want us to take that on notice, Senator?

Mr Maxwell—I can provide you with a summary, Senator.

Senator MARK BISHOP—If you could provide me with a summary of the pilot programs, conclusions to date and planned work over the next three or four years, that might save some time. Could that be done within a fortnight? Is that too—

Dr Johnston—Subject to the minister's comfort, we will try and do something quickly.

Senator MARK BISHOP—Perhaps we had better do it tonight then, Mr Winzenberg.

Mr Farrelly—As Mr Winzenberg said, there are 1,200 property reviews, 4,000 bereavement reviews, 1,500 earnings reviews, 1,500 asset test reviews, 400 overseas pension reviews and a further 1,400 earnings reviews in the medium risk category as opposed to high risk category.

Senator MARK BISHOP—The work you propose to do is based upon your own pilots over the past three years?

Mr Winzenberg—That is correct.

Senator MARK BISHOP—Have you been in any discussions with FaCS as to the methodology in the work you are putting together?

Mr Winzenberg—No, but we are certainly aware that they are engaged in similar programs.

Senator MARK BISHOP—We had an extensive discussion yesterday about their data matching, risk profiling and the large number of reviews they are doing. I presume that this is a similar type of work.

Mr Winzenberg—From what I understand, it is similar work.

Senator MARK BISHOP—Do those 16 risk groups come from your risk profiling?

Mr Winzenberg—They come from our pilot risk reviews that we have done over the last three years. Given that the cohort of our population will be different from the FaCS population, our risk profiling will be a little different in that regard.

Senator MARK BISHOP—What is your estimate or ballpark figure of the number of veterans and widows considered to be—I was going to say understating their income and assets but I will not say that—at risk?

Mr Winzenberg—On the basis of the 2,000 pilot reviews that we have done over the last three years, 40 per cent of those people had pension reductions, 15 per cent had pension increases and for the balance the pension stayed the same.

Senator MARK BISHOP—That is a huge amount. Fifty-five per cent of your pilot population were found to be at risk?

Mr Winzenberg—No. For 55 per cent their pensions did not change as a result of the reviews.

Senator MARK BISHOP—I am sorry, I thought you said that 40 per cent went—

Mr Winzenberg—Forty per cent had a pension reduction, 15 per cent had a pension increase and 55 per cent stayed the same—sorry, 45 per cent stayed the same.

Senator MARK BISHOP—Yes, that is right. Again, how many were in the pilot?

Mr Winzenberg—It was just a touch under 2,000.

Senator MARK BISHOP—So 55 per cent were at risk. It will be interesting to see how this unfolds. Can you outline the process involved in fixing the problem when you identify an at-risk person?

Mr Winzenberg—We are building an IT system that will encompass the risk criteria and extrapolate those veterans that we consider to be at risk. They will be sent a detailed form to fill in and then the form will come back to the department. We have not yet agreed on the administrative arrangements to process that form. We will be putting a number of options to the secretary on how that may be done. That processing may be done by a specialised unit in one of our state offices or across state offices, or a hybrid in between. That is a general outline of the process.

Senator MARK BISHOP—So the detail has yet to be worked out within the department.

Mr Winzenberg—We are doing that now.

Senator MARK BISHOP—Fair enough. Have you made a decision within the department if the error tends to be one of failure to advise of a change in income or assets? Is the decision to seek to have it resolved by fixing it for the future or to go to prosecution? Have those decisions been made yet?

Mr Winzenberg—These reviews are carried out in the background of our normal arrangements. If in the course of doing a review on a particular veteran we find that they have an undeclared asset that they should have declared or an undeclared source of income, the

consideration around those circumstances would occur and possible consequences would follow. If it was the case that the veteran had, say, a holiday home or a property in the CBD which had been valued at \$100,000 10 years ago and as a result of the new valuation it was now \$200,000, that asset would just be valued and the effect on the pension would be prospective.

Senator MARK BISHOP—Prospective?

Mr Winzenberg—Yes.

Senator MARK BISHOP—FACS made the point that there was a lot of the latter case going on and the opportunity was taken to adjust the pension payment up or down as appropriate. Only in the case where it was sheer fraud did they go to prosecution.

Mr Winzenberg—That is the same general protocol—

Senator MARK BISHOP—If there was a prosecuting agency, would that be the DPP?

Mr Winzenberg—We refer all cases to the DPP. As a department, we do not make a decision to prosecute; that is a decision that the DPP makes.

Senator MARK BISHOP—How many cases of understating income and assets were referred to the DPP last year?

Mr Winzenberg—That is not my area. I do not have those figures.

Dr Johnston—My guess is that we don't have that with us tonight. No, we will have to take that on notice.

Senator MARK BISHOP—The officer is not here?

Dr Johnston—The responsible officers are here, but we do not have the detail.

Senator MARK BISHOP—If you could take on notice how many cases of understating income and assets were referred to the DPP last year. Do we know the total sum recovered last year for understatement of income and assets? Is that figure available?

Mr Winzenberg—We provided answers to one of your questions on overpayments that have been raised. In terms of understated income or assets, the function of the overpayments raised would be a portion of those figures. I think you have the global figure in one of the answers to a question on notice.

Senator MARK BISHOP—No. I thought that question related to recoveries of money for overpayment of pensions but it wasn't necessarily related to understatement of either income or assets.

Mr Winzenberg—An overpayment of pension is a consequence of that. We would have to dissect that information to—

Senator MARK BISHOP—But from memory the answer was a one-liner and it doesn't dissect. Take it on notice—the total sum recovered last year for understatement of income and assets. With the property boom in the last three years right around Australia there are going to be large numbers of veterans and widows at risk who have not complied with the law in advising of changes in value. Are you going to be having any communications campaigns to alert people of their obligations under the law?

Mr Maxwell—We have a very active campaign to alert and advise pensioners about their obligations, including a rather nice booklet that they each receive. I ought to caution that it is not my understanding that a pensioner is required to advise us of a change in the valuation of real estate.

Senator MARK BISHOP—It was made quite clear to me yesterday by the Secretary of the Department of Family and Community Services, Mr Sullivan, that those people who were in receipt of the age pension—the rough equivalent of the service pension—were under an obligation under their act to advise in writing of any change in the value of assets from which income was derived that might affect their entitlement to pensions paid by Centrelink. I presumed it was the same in the DVA.

Mr Maxwell—I cannot answer for FACS, but in our jurisdiction there is a requirement on the pensioner to advise us of changes in income and changes in assets holdings, but there is no formal requirement to notify us of a change in the valuation of a real estate asset held.

Senator MARK BISHOP—Why doesn't that last come within the second?

Mr Maxwell—They are still holding the asset. As I said, they are required to notify us of the disposal of an asset or of acquiring an asset.

Senator MARK BISHOP—Are you saying that, if I receive a particular payment that is asset tested, and I own a block or a shack or a house that produces an income that I had declared 10 years ago to be worth \$50,000 but that is now worth \$400,000 to \$500,000, that change in value does not regularly have to be reported?

Mr Maxwell—No, not to my understanding. However, the income from it does.

Senator MARK BISHOP—If the income has remained static then there is no need to—

Mr Maxwell—If the income has remained static I would have to say that the pensioner is a pretty poor investment manager.

Senator MARK BISHOP—In that case, why are you allocating \$600,000 for payments to the AVO?

Mr Winzenberg—Currently, we have a rolling program of asset property valuations that we do each year with the AVO for those veterans whose pensions are asset tested—that is, their current property holdings are affecting the rate of their pension or they are within a certain threshold of affecting the rate. The new program will look at that group of veterans that are not currently being picked up under that program.

Senator MARK BISHOP—I see.

Mr Winzenberg—For example, I think we spend about \$1 million a year with the AVO on that rolling program.

Senator MARK BISHOP—I understand. Mr Maxwell, say I had a significant equity portfolio which produced income that has to be disclosed and it affected my entitlement to a benefit payment or part thereof. Does the DVA have to be advised of that change in income from that equity portfolio?

Mr Maxwell—It has to be advised of any change in income, as I understand it. All I am seeking to do is to correct what was perhaps a misunderstanding on your part that the

pensioner involved might have been guilty of some transgression by not advising us of the change in the real estate value.

Senator MARK BISHOP—I will have to reread the transcript from yesterday, because I was clearly of the understanding that Mr Sullivan was saying the diametric opposite of what you are saying about increases in property values needing to be declared. Of course, your authority derives exclusively from your governing statute, doesn't it?

Mr Maxwell—Yes.

Senator MARK BISHOP—The net of that is that there is no requirement for DVA pension recipients to update property valuations to the DVA, is there?

Mr Maxwell—There has not been to date.

[7.59 p.m.]

CHAIR—We will turn now to outcome 2, Eligible veterans, their war widows and widowers and dependents have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life.

Senator MARK BISHOP—I would like to discuss the gold card. I note that DVA has already advertised in the press for LMOs to sign up. I presume this is for non-AMA members?

Dr Johnston—That is not correct. It is for all LMOs. We have advertised publicly and we have written to all LMOs asking them to consider signing up for the new contract.

Senator MARK BISHOP—At what stage are the negotiations with the AMA on the new memorandum of understanding?

Dr Johnston—We have indicated to the AMA that we are interested in talking to them about a new memorandum of understanding. In fact, in the letter to LMOs, we have advised them that that is the case, but we have not yet sat down and looked seriously at what the terms of such a new memorandum of understanding might be. I imagine that will occur over the next few months.

Senator MARK BISHOP—Would the new memorandum of understanding merely reflect the government's recent announcements in the budget?

Dr Johnston—That would primarily be the content we would expect, but it is open to the AMA to raise matters that they might be interested in.

Senator MARK BISHOP—In terms of the government's decision prior to the budget, and then repeated in the budget, has that been endorsed or accepted by the AMA or have they just noted the government's position?

Dr Johnston—We have certainly consulted with the AMA on the terms of the invitation to LMOs to sign up to a new contract. I am not aware of the AMA having publicly endorsed the proposal, but they are certainly being consulted and are supportive of the process we are progressing.

Senator MARK BISHOP—Are they recommending to doctors—

Dr Johnston—Let me just make sure that that is correct, Senator.

Mr Stonehouse—The AMA have essentially taken a negative—I am sorry, a neutral—position in terms of this although we have cleared the letters with them and they have been actively engaged with us in the process we have undertaken to get doctors to re-sign. Dr Killer might want to say something more about that.

Senator MARK BISHOP—Did you say that they had taken an essentially negative role?

Mr Stonehouse—I did say that; that was a mistake. I meant a neutral role. They have not either supported or not supported the position, but they have been engaged with us, at the officer level at least, in terms of the letters that have gone to doctors.

Senator MARK BISHOP—So they were involved in negotiations, an outcome is achieved, there is a form of letters that has been mutually agreed, the letters have gone out and it is up to individual doctors to sign up. Is that the case?

Mr Stonehouse—Exactly. And that is the case under the MOU at any rate. It is an individual decision by each doctor whether they sign.

Senator MARK BISHOP—In past renewals of the MOU, did the AMA normally recommend them or did they take the same position as they have taken this time?

Mr Stonehouse—There are issues surrounding the ACCC and the role that the AMA can take. I am not fully au fait with those. Mr Pirani could probably explain that better than I could. But certainly the AMA sign an MOU with the department and then it is a requirement that each doctor makes an individual decision to accept the conditions that we offer them.

Senator MARK BISHOP—Have the negotiations started or is it anticipated that they will start in the near future?

Dr Johnston—I would think over the next several months.

Senator MARK BISHOP—When did the first invitations to sign up leave the department, Mr Telford?

Mr Telford—We wrote to them all on 2 May.

Senator MARK BISHOP—So you would be starting to get responses now?

Mr Telford—We have indeed. We have already received 9,679 responses which represents about 71 per cent. Yesterday we sent a follow-up letter to those who have not responded for whatever reason and that will be with them in the next couple of days to remind them if they have overlooked it for whatever reason.

Senator MARK BISHOP—So you have had a 71 per cent acceptance rate in a little less than five weeks. Is that consistent with past performance?

Mr Telford—There is really nothing we can directly compare that with. The previous exercise was one of asking the LMOs to continue to extend their current arrangements, which is not directly comparable to something that is offering a different set of arrangements.

Senator MARK BISHOP—Okay. We will call upon your experience then, Mr Telford: what is your gut feeling as to the level of sign-up when the process is essentially concluded?

Mr Telford—At the end of the day?

Senator MARK BISHOP—Yes.

Mr Telford—I would not like to hazard a guess on that. It will depend upon the response to the letters which we mailed out yesterday and it will depend upon other strategies which we have in place in terms of following up some of the returned mail, some of the dead letters that we have received back—we are following those up—and so forth. So I would not be able to hazard a guess.

Senator MARK BISHOP—Fair enough.

Dr Johnston—Senator, you could understand why we would want to be rather cautious in assessing the acceptance but I think it is significant that of the number of responses we have only had four rejections. So you could be optimistic and say the response rate looks excellent, but we only have about a 70 per cent acceptance rate so far.

Senator MARK BISHOP—I will talk to you in November. Evidence to the last meeting of the committee was that something in the order of 250 specialists had indicated an unwillingness to accept the gold card. I think I saw some higher figures in some NATMOC minutes. What is the figure since the last time you gave me a figure when we met?

Mr Telford—The last time we spoke we used the figure of 268 specialists who had withdrawn. The figure today is 299.

Senator MARK BISHOP—What consideration is being given to a new deal for specialists? Where are we at on that?

Dr Johnston—That is a matter being discussed with government at the moment, but we would hope to be advancing discussions with specialists over the next several months.

Senator MARK BISHOP—Do you need to get a tick-off from the minister or cabinet?

Dr Johnston—This is a government decision.

Senator MARK BISHOP—Is it a government decision as to whether you are authorised to enter into negotiations or who you negotiate with or what?

Dr Johnston—More particularly what the nature of a possible approach might be.

Senator MARK BISHOP—Do you essentially have to get some parameters and guidelines before you can start the process?

Dr Johnston—These are matters that involve significant sums of money and are important structures in arrangements between government and the medical profession, so it is naturally a matter that we would consult other agencies about.

Senator MARK BISHOP—In your forward planning for departmental work, when do you think those negotiations are likely to kick off?

Dr Johnston—I think I said, just a few moments ago, over the next several months.

Senator MARK BISHOP—You cannot be more specific?

Dr Johnston—No.

Senator MARK BISHOP—Do negotiations have to be conducted with each college?

Dr Johnston—It would depend on what we were going to negotiate about, I imagine.

Senator MARK BISHOP—So it is at that basic level, is it?

Dr Johnston—I am not trying to be too clever. I think you are asking questions that we really cannot comment on at this point.

Senator MARK BISHOP—In the additional estimates, in the answer to question on notice 1043, the estimates of expenditure for specialists actually fell short by \$2.6 million. Why was that? Was it due to the fact that those 268 specialists had withdrawn from using the gold card scheme?

Mr Stonehouse—We would only be speculating. Perhaps we could take that notice. We do not have the figures with us.

Senator MARK BISHOP—All right.

Dr Johnston—We do need to take that on notice, but I would suggest that, if the lower expenditure was because veterans could not get access to specialists, you and we would know much about it than appears to be the case at this point. I would be very surprised if that is impacting in that way.

Senator MARK BISHOP—I now turn to page 47 of the PBS. I want to talk about Veterans' Home Care. We see on that page that the estimated actual for 2002-03 was \$67½ million and the budget for 2003-04 is a touch over \$76 million—a change of \$8½ million. Was that extra \$8½ million included in the original forward estimates when we met earlier?

Mr Farrelly—No, it was not. This is an increase over the original budget estimate.

Senator MARK BISHOP—Was it included in the PBS for the additional estimates we did in February?

Mr Farrelly—No. It is new since that time.

Senator MARK BISHOP—Has there been a blow-out in costs between February and May of that magnitude?

Mr Farrelly—I might pass this question down the line in due course but there have been increases to meet increased costs of MOUs—memorandums of understanding—with state governments and to create room for growth in demand. Ms Witkowski might care to comment further on that.

Ms Witkowski—As Mr Farrelly said, the increases were due to our commitments that we had from our memorandum of understanding with state and territory governments for payments for those other HACC services that we do not provide through Veterans' Home Care and for increased demand.

Senator MARK BISHOP—You did not know that you would be implementing the MOUs with the various state governments after February and before May of this year when you put together the AEs for last February? I find that a bit surprising.

Ms Witkowski—Our agreements with state and territory governments are subject to some data matching, according to veteran access to those HACC services. While we have a standard or a set amount that we can pay up-front by quarter, there is a payment that we need to make after the event. In other words, we need to go back and look at the number of veterans who have accessed those HACC services and pay accordingly.

Senator MARK BISHOP—How much extra did you have to pay between February and May to the various state governments?

Ms Witkowski—I do not have that data for between February and May with me at the moment.

Senator MARK BISHOP—Is it a minor amount?

Ms Witkowski—Senator, I really would rather have the actual figure. The additional amount would be in the vicinity of \$3.3 million.

Senator MARK BISHOP—So \$3.3 million had to be paid to the state governments after February. Does the other amount relate to increases in demand?

Ms Witkowski—That is true, Senator.

Senator MARK BISHOP—How much is that?

Ms Witkowski—That is the additional amount or the difference between the \$8.7 million and our—

Senator MARK BISHOP—Roughly \$5 million?

Ms Witkowski—About \$5.4 million.

Senator MARK BISHOP—When were those MOUs negotiated with the various state governments?

Ms Witkowski—At the beginning of the program, between January and May or June 2001.

Senator MARK BISHOP—And were the costings in the MOUs when they were negotiated back in January to May 2001?

Ms Witkowski—I am sorry, I do not understand that question, Senator.

Senator MARK BISHOP—What I am trying to understand is why there has been a change in the estimated actual of \$67.5 million in the current budget PBS but you did not know about that in the additional estimates when we met in February. You have outlined to me two reasons: one, because of different MOUs resulting in an extra \$3.3 million in costs; and, two, \$5.4 million relating to extra demand. I then asked you when the MOUs were negotiated and you said January 2001 thereabouts. Then I asked you when the costs were put in the MOU and you say what?

Dr Johnston—Can I make a couple of comments that might help? You might recall that the additional estimates in fact settled in October so we are talking about a period somewhat further back into 2002. The nature of the costs of the memorandums of understanding that we have with the states relate to a range of services that we do not provide through the Veterans' Home Care program, where we rely on programs the states run for the community at large, such as Meals on Wheels and community transport in some cases and so on. The arrangements actually vary from state to state but what has happened over the last 12 months, through the course of the current financial year, has been a number of discussions with states where states could be said to be making cases for higher levels of payment than we had been expecting and higher levels of payment than might have been envisaged when we initially settled the MOUs with states. At the moment, we are reviewing in house how we might draw

this issue together again in discussion with the states and see if we cannot get these MOUs on a more satisfactory basis. As Ms Witkowski has said, through the course of the last six months we have certainly felt that, other things given, we need to make more provision for the MOU costs than we were expecting. That is in the provisions now for next year. Just exactly what those costs will turn out to be is still quite uncertain.

The other aspect of the uncertainty for the year ahead is that we have quite a major review under way at the moment of the price schedules that apply for the Veterans' Home Care program and the payments we make to assessment agencies and to providers. We use independent consultants to do that work and until we have their report we will not know what the actual final prices are for services next year. As you will be aware from previous meetings, over the last 12 months we have sought, in consultation with the assessment agencies, to reassert the intention of the program and to achieve more adherence to the guidelines of the program. We can say that the unit costs of the program with the existing price schedule have in fact declined in line with the objective we have had with the assessment agencies. Just how those factors balance out and how much we have with our new provision for real increases in services through the course of the next year remains to be seen. It is probably something that you will want to return to at our next estimates hearing.

Senator MARK BISHOP—I think Mr Farrelly referred to a blow-out in demand or increased usage—I cannot remember the phrase he used.

Dr Johnston—I do not think I would have used that phrase, but we were concerned that the level of services were not consistent with the low level of need type focus of this program.

Senator MARK BISHOP—I was not talking about the guidelines. I gained the impression that the uptake in aggregate of users of the system had increased dramatically more than had been anticipated in the planning. Is that what Mr Farrelly was referring to?

Dr Johnston—To some extent numbers were somewhat higher than we expected, but the primary issue we were dealing with last year was the level of service which was going on average to the veteran community. There is quite a significant variation in that from state to state and we had the view that we needed a much more consistent approach and a more equitable program delivery around the country.

Senator MARK BISHOP—You addressed this issue in passing at the New South Wales RSL. You made references to numbers—15,000 recipients in New South Wales; 75,000 in Australia. Did I hear you say that one-third of veterans were new and would not have been in the old scheme?

Dr Johnston—That is our estimate. The program has, from that point of view, been extremely successful. You will recall the figures I quoted at the New South Wales conference were that, since its inception, we had provided services to 75,000 veterans, and we estimate that some two-thirds of those had received services for the first time and that a fairly significant proportion of those would not receive services under the HACC program. But that is consistent with the initial budget.

Senator MARK BISHOP—Okay, I drew the wrong conclusion. So you have the extra funding. It has gone up from \$58 million in February to \$67 million for the year, and now it is

going up to \$76 million for the 2004 financial year. What is driving that increase of another \$9 million odd in the 2004 budget year?

Dr Johnston—As Ms Witkowski explained, a portion of the dollar increase in principle is there to meet the possibility of the increased cost of MOUs for associated services. The balance is there to meet any increase in costs as a result of the current review of the price schedules and, to some extent, increase in number of places.

Senator MARK BISHOP—To some extent you increase the number of market places?

Dr Johnston—That is correct.

Senator MARK BISHOP—How many are you anticipating?

Dr Johnston—As I have tried to say in my previous point, there is a fair degree of uncertainty in the balance of these issues at the moment, and we do not have a firm view of what the mix will be.

Senator MARK BISHOP—So you are saying we have a bit of leeway here?

Dr Johnston—I believe so. We would hope, within a short period, to be advising assessment agencies of their budgets, and, in making that decision, we will have to make judgments along the lines you are asking us about. We have not yet finished those allocations, so it is a bit early to talk in detail.

Senator MARK BISHOP—I was intrigued that, when the papers came out on budget night—and either we got them from the lock-up or your department supplied us with the box of stuff that the minister put out—in the minister's various press releases there was no reference at all to the increase in funding in this particular program.

Dr Johnston—Yes, there was.

Senator MARK BISHOP—In that case, we missed it. Is there an amount from special appropriations still available for respite care, as was the case last year? I think it was \$6 million, from memory.

Ms Witkowski—Yes, there is. While respite care is provided and coordinated through Veterans' Home Care, the appropriation is separate to the Veterans' Home Care appropriation.

Senator MARK BISHOP—Is it in the PBS?

Ms Witkowski—No, it is part of the 'Veterans' hospital and health services' under 'Consultation and services provided by medical practitioners', 'Treatment in public and private hospitals' and 'Other health care expenses'.

Senator MARK BISHOP—How much is it, then? It is part of that \$1.6 billion, is it?

Ms Witkowski—Part of the budget for 2003-04 is \$2.78 billion.

Senator MARK BISHOP—Is it \$6 million again?

Mr Farrelly—The budget for respite care is about \$14 million.

Senator MARK BISHOP—It is not separately identified anywhere else apart from that?

Mr Farrelly—No, it is part of a larger number.

Senator MARK BISHOP—Can you take on notice the original number of vets transferring from HACC, how many vets were added in the first year and how many are now receiving services? That is unless we have those figures available.

Ms Witkowski—I do not have them with me at the moment.

Senator MARK BISHOP—How many complaints have you received on cutbacks in the last six months?

Ms Witkowski—I think we answered that in one of your questions on notice.

Senator MARK BISHOP—Remind me of the figure.

Ms Witkowski—I will just go back and see if I can find it in the documents we have here.

Senator MARK BISHOP—Could the committee be provided with a copy of the home care evaluation done by Access Economics?

Dr Johnston—Yes, Senator.

Senator MARK BISHOP—Thank you. Do you have the exact level of savings estimated in each year since the program's inception? Are those figures available?

Ms Witkowski—Yes, I believe I have those with me.

Senator MARK BISHOP—Do you mind giving them out?

Ms Witkowski—Certainly. The original estimate of savings for 2000-01 was \$18.924 million, for 2001-02 it was \$95.236 million, for 2002-03 it was \$77.530 million and for 2003-04 onwards it was \$78.777 million.

Senator MARK BISHOP—Have those figures been met for each of the years?

Ms Witkowski—At this stage, no. The Access Economics report which undertook to do a detailed econometric analysis of our DVA data helped us in our methodology to determine the overall savings. The actual revised savings for 2000-01—it was an actual spend—was \$15.65 million. There were savings from there onwards of \$33.65 million for 2001-02 and \$71.33 million for 2002-03. At that point, we are estimating at least that, if not more, from then onwards, and we feel those estimates are conservative.

Senator MARK BISHOP—So the forecast savings in 2001 was \$18.9 million and you got \$15.6 million. Is that what you said?

Ms Witkowski—That is correct.

Senator MARK BISHOP—So 2001 was pretty well on spot.

Dr Johnston—No, that was a net cost, Senator.

Ms Witkowski—Savings were expected of \$18.924 million but it was an actual cost of \$15.65 million.

Senator MARK BISHOP—Okay. So it was a blow-out of \$33 million.

Dr Johnston—The Access Economics study, as you will see, indicates that the initial reaction to the program seems to be an actual increase in expenditure but then it turned through to achieving savings, as Ms Witkowski has indicated, probably of a higher order than we have indicated to you now, which were in the original budget estimates. You need to apply

a little bit of analysis to the Access Economics study. If you agree, we will give you a couple of pages to show you how we have used their data to get these figures.

Senator MARK BISHOP—That would be appreciated, thank you. Also on home care, I have had representations from the City of Kingston in South Australia complaining that reassessments of veterans' widows soon after death are insensitive with respect to timing and also that those reassessments are generally resulting in reduced levels of service. I have had the same complaint in writing from Melbourne. In some cases, it is said that widows prefer to return to HACC where they once enjoyed what they believe to have been better service but are now unable to do so because there are no places left in HACC for veterans and widows. When the HACC plan was transferred over to home care, the government made a commitment that no veteran or widow would have their services reduced. That was part of the explanation and justification at the time. Do you have any comment to make, Dr Johnston?

Dr Johnston—It is true that we have guaranteed or grandfathered, if you like, the level of services provided by HACC. I think the circumstance you might be raising is where a veteran passes away and a widow who is not entitled to veteran's benefits wants to continue to have assistance in the home, and where we in a sense are not formally available to provide that because they are not an entitled individual for our program. If that is the case, that individual would be looking for service through the HACC program.

Senator MARK BISHOP—But there are no places there.

Dr Johnston—I would be surprised if the department was not facilitating that transfer back if that was necessary, but if you could give us the details perhaps—

Senator MARK BISHOP—What category of widows of veterans are not entitled to receive attention under the home care plan?

Dr Johnston—War widows are eligible. It is essentially targeted at veterans or their widows who have a gold or white card.

Mr Stonehouse—War widows are eligible, as the secretary says. To be a war widow your husband had to have been on a TPI rated pension or an EDA, or have his death accepted as service related. Even service related may take some time for a widow to lodge a claim and for that to be determined. Mr Maxwell could explain this better than I can, but three months could elapse between the death and the time the claim might or might not be accepted.

Senator MARK BISHOP—Have you received a copy of the correspondence from the City of Kingston?

Ms Witkowski—I don't believe so.

Senator MARK BISHOP—It went to the local MP, Mr Kemp, Senator Patterson, a range of mayors and myself. No, you would not have. It is elimination of services on the death of the veteran in that case, isn't it?

Dr Johnston—I would think so, Senator, but you would hope that the Commonwealth and the states could sort out a protocol that looked after people in that situation. If we could have the correspondence or a note from you, we would be happy to look at that.

Senator MARK BISHOP—I will provide you with a copy of the documents.

Ms Witkowski—Perhaps I could go a little further. Our guidelines actually cover the period of time, I think it is 12 weeks after death, while we will continue under Veterans' Home Care to provide services. It gives the widow the opportunity to put in a claim for war widow's status. We monitor that. Services will continue until the war widow status comes through, which could be longer than 12 weeks. If there is any indication that it will not, our Veterans' Home Care assessment agency will facilitate transfer across into the HACC program.

Senator MARK BISHOP—If the widow is not entitled to be classified as a war widow and hence receive continuing services under home care, the existing service provider is required to have her returned to HACC so she can get the services from the other agency?

Ms Witkowski—The department is fairly heavily involved during this process because we understand the sensitivities around bereavement. The minute we know that there is a death and that it involves a Veterans' Home Care recipient, the department facilitates contact with the widow. There is no reduction in services. Services will continue to go into that home for domestic assistance. That will continue until the determination is made about the war widow status.

Senator MARK BISHOP—Is that contact made by one of the service providers or by a departmental official?

Ms Witkowski—It could depend on the circumstances. The service provider—

Senator MARK BISHOP—It could be either?

Ms Witkowski—Yes.

Senator MARK BISHOP—So as far as you are concerned, if a widow is no longer entitled to receive home care services upon the death of her spouse or partner, she has an automatic entitlement to receive the appropriate services under HACC from the Department of Health and Ageing. Is that what you are saying to me?

Ms Witkowski—No, Senator. We have no jurisdiction over the HACC program. She will continue with our services until the determination is made.

Senator MARK BISHOP—But if, say, her husband has just passed on in the natural course of events, not related to service, she is not going to be a war widow—

Ms Witkowski—That is correct.

Senator MARK BISHOP—so her entitlement is exhausted, if you like, or voided. Does she just take her place in the queue with HACC then?

Ms Witkowski—Our Veterans' Home Care agency would facilitate access to the HACC program, but it would just be on a referral basis. At that point in time it would be up to the HACC program. You would find in a lot of cases that a HACC provider is also a Veterans' Home Care provider.

Senator MARK BISHOP—I am sure that is the case. It is just that we have received a number of complaints. Now I understand why we are receiving them—because the widows are not entitled. What they are saying is, for whatever reason, they are not getting admitted back into HACC and they are drawing it to the attention of people like me.

Can we turn to page 51, where there is a reference at the bottom to rehabilitation and the working party from vets' organisations undertaking a review of the VVRS. To what extent has this work taken into consideration the analysis done by Justice Clarke?

Mr Stonehouse—Senator, could I just interrupt: before Ms Witkowski leaves the table, could she give you the answer to the question she was looking up for you before?

Senator MARK BISHOP—Yes.

Ms Witkowski—It was an answer to question on notice No. 12 which you asked at the additional estimates on 12 February. Our answer was that since 1 July 2002, up to and including 28 February 2003, the minister had received 113 letters concerning levels of service under the VHC program. I could provide you with a more up-to-date figure.

Senator MARK BISHOP—Yes, if you would not mind. We did receive some answers to questions on notice yesterday morning, I have read them and I do not recall seeing that. Is it possible that that answer is still in the minister's office?

Ms Witkowski—As I understand it, these are answers that have been provided to you.

Senator MARK BISHOP—I must have missed it. Thank you. Do you recall my question, Dr Johnston?

Dr Johnston—The review of the veterans' vocational rehabilitation program was actually undertaken by a joint departmental-veteran working party prior to the substantive work of the Clarke committee. The report of that working party was made available to the Clarke committee for its information and use.

Senator MARK BISHOP—Could we be provided with a copy of that report?

Dr Johnston—Yes.

Senator MARK BISHOP—Thank you. You provided it to Mr Clarke. The PBS says the evaluation report has yet to be considered by the Repatriation Commission. When will that job be concluded?

Dr Johnston—We have begun consideration of the report, but indeed your question points to the issue: clearly, the evaluation of that program does link in some interesting ways with the Clarke report. So I think a comprehensive response to that report will probably have to wait until the government responds substantively to the Clarke report. But the commission is trying to identify if there are any immediate measures that could be taken in response to the report that would make sense even with that approach.

[8.38 p.m.]

Senator MARK BISHOP—Can we turn to outcome 3, on pages 54 and 55, and talk about the London war memorial for a while. There is an additional million dollars allocated in this budget and it is described as being 'for the commemorative mission'.

Air Vice Marshal Beck—I will hand over to Kerry Blackburn to talk about that first million.

Senator MARK BISHOP—Welcome, Ms Blackburn. Could you give us the detailed break-up of that money: travel costs, entertainment, hospitality, ADF attendance, gifts and to whom—all those sorts of details.

Ms Blackburn—We have some working figures on that but we are still awaiting advice from the High Commission in London about accommodation et cetera, so final figures on airfares, accommodation et cetera are not yet available.

Senator MARK BISHOP—When will the finals be available?

Ms Blackburn—We will make a decision on accommodation, I would imagine, in the next month or so, subject of course to the minister's agreement. We will be working on the latest available figures for airfares and, while there will be additional work that will need to be done—things like meals et cetera will not be known until the mission is completed—we would certainly have a break-up of the likely costs of each of the main components of the mission.

Senator MARK BISHOP—What are the main components?

Ms Blackburn—As you have identified, airfares, both within Australia and overseas, and accommodation—we bring the veteran group together in Australia before departure and there is the accommodation overseas—and there will be land transport costs in getting to and from airports here and for the coach hire in the UK. There will be meals and there will most likely be one or two events that the minister will host that will involve perhaps other Australian veterans in the UK. We always fund passports and inoculations for the veterans and war widows who require them. We take a small medical group with the veteran group, so if we use contracted doctors and nurses there would be payments to them. We have a publication associated with the memorial dedication and we always produce a biography of the veterans who are travelling, so there would be publication expenses.

Senator MARK BISHOP—Can you take on notice providing those figures when they are available, Ms Blackburn?

Ms Blackburn—Yes, we can do that.

Senator MARK BISHOP—Of the original allocation of \$6.4 million, how much of that has been spent?

Air Vice Marshal Beck—Of the original \$6.4 million, we have spent \$2.067 million.

Senator MARK BISHOP—What has that been spent on?

Air Vice Marshal Beck—In 2001-02 we spent \$499,000 and that was mostly on the original design. On the new memorial, which is mostly the expenses in 2002-03, we have spent \$1.568 million, and probably to the end of June we will have spent about \$2.3 million.

Senator MARK BISHOP—That is to June this year?

Air Vice Marshal Beck—Yes, June this year.

Senator MARK BISHOP—Has any further payment been made by way of compensation to the former designers since the answer to question No. 1266?

Air Vice Marshal Beck—No.

Senator MARK BISHOP—Was the sum pencilled in for ATARCH of \$393,000 inclusive of the \$226,000 already paid, or is that additional?

Air Vice Marshal Beck—That is additional.

Senator MARK BISHOP—So you have paid ATARCH \$227,000 already?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—And we anticipate another \$393,000.

Air Vice Marshal Beck—The claim is for another \$393,000.

Senator MARK BISHOP—So what is the likely outcome in total damages—around \$1 million?

Air Vice Marshal Beck—I beg your pardon—the likely outcome of that process?

Senator MARK BISHOP—Yes, for the total damages. Is it around \$1 million?

Air Vice Marshal Beck—I would hesitate to guess that. Mr Woodward's aspects are separate from the Melbourne group, ATARCH. We are going through a process of mediation, which is a very formal process involving a Melbourne barrister and each side is represented by legal counsel and there is a fairly severe process to be followed. We have responded and they have responded and we are preparing a response to their response. We are the respondent in this. We would hope that we can resolve this by early August.

Senator MARK BISHOP—Are you paying the legal costs on both sides?

Air Vice Marshal Beck—No, we are not; only on our side—the Commonwealth.

Senator MARK BISHOP—A final cost payment would be an issue for negotiation too, wouldn't it?

Air Vice Marshal Beck—Only if we go to court and if costs are awarded, but I do not expect that that will happen.

Senator MARK BISHOP—So the payments to date are about—

Air Vice Marshal Beck—They are \$2.067 million.

Senator MARK BISHOP—No, the damages payments to Mr Woodward.

Air Vice Marshal Beck—They are not damages. There are no damages payments. The payments to date were just amounts. They were paid under contract—\$227,000 to ATARCH and I think about \$22½ thousand to Mr Woodward.

Senator MARK BISHOP—That is right. And we are in mediation for the outstanding amounts under the claims.

Air Vice Marshal Beck—We are in mediation with ATARCH. We are communicating with Mr Woodward by letter.

Senator MARK BISHOP—Is that negotiations or just position putting?

Air Vice Marshal Beck—I think it is negotiations, which we prefer.

Senator MARK BISHOP—The process with Mr Woodward is to be regarded as formal negotiations over his outstanding claims?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—How much are his outstanding claims?

Air Vice Marshal Beck—About \$391,000.

Senator MARK BISHOP—Do you anticipate that also to be concluded by August?

Air Vice Marshal Beck—I would hope so but I do not know, Senator.

Senator MARK BISHOP—I gained the impression from the mediation that your forward thinking was that you would have this done by August.

Air Vice Marshal Beck—I think the mediation lays down some very deliberate time lines which we have to meet, and the process takes us to early to mid-August. That seems to be a more formal and deliberate process, but whether the other one results in settlement earlier than that I am not sure.

Senator MARK BISHOP—Are the payments to date to ATARCH and to Mr Woodward and any future payments that might be agreed as part of the mediation or negotiation process to come out of the original \$6.4 million?

Air Vice Marshal Beck—I suppose the answer is yes, but that will just leave us short for the new memorial, because it was designed on a \$6 million budget.

Senator MARK BISHOP—It is more than likely that you will need additional appropriation?

Air Vice Marshal Beck—We already know that we will need additional appropriation, Senator.

Senator MARK BISHOP—Appropriation in addition to this \$1 million?

Air Vice Marshal Beck—Yes. I am sorry, when you say ‘one million’—

Senator MARK BISHOP—There is an extra appropriation of \$1 million in this budget.

Air Vice Marshal Beck—I know it was included in your press release but none of that money was for the potential overspend on the London memorial. As Ms Blackburn has described, it is pretty well all consumed in the mission of veterans to the opening ceremony.

Senator MARK BISHOP—Yes, the million dollars in this PBS that Ms Blackburn was discussing—

Air Vice Marshal Beck—It is nothing to do with the costs of the memorial.

Senator MARK BISHOP—No. That is to do with the commemorative mission?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—Understood. So if there are significant damages to be paid to ATARCH and to Mr Woodward, will you need additional appropriations to fund that?

Air Vice Marshal Beck—I think that will be paid through our legal and compensation area, so I would probably defer to Mr Farrelly on that.

Mr Farrelly—I think what you are asking is: if the original allocation is short, will we need to go back to the budget to request extra funding? The answer is yes.

Senator MARK BISHOP—On the basis that you did not anticipate paying up to about \$800,000, that outcome is most likely?

Air Vice Marshal Beck—I would not say that outcome is likely, no. That is not our position, it is their position.

Senator MARK BISHOP—Yes, but when you did the original planning, you did not plan on having to cancel or void the original contracts and restart?

Air Vice Marshal Beck—No, we did not plan that, but in cancelling those contracts it is not the Commonwealth's position that it will cost us \$0.8 million.

Senator MARK BISHOP—No, it has cost you \$250,000 to date and more is in the ether?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—I understand. In the answer to question 1266, which I received on 15 May, I was told that the cutting and fixing contract had not been let, hence the cost of shipment could not be given, nor the name of the engraver, yet the *Illawarra Mercury* of 9 May, six days earlier, stated that one stonemason was McMurtrie and Co. from Orange. How do we explain that?

Air Vice Marshal Beck—Those questions were answered on 14 March.

Senator MARK BISHOP—They sat in the minister's office. I received the answers on 15 May—

Air Vice Marshal Beck—To question 1266?

Senator MARK BISHOP—Yes.

Air Vice Marshal Beck—We answered them on 14 March and all our answers were based on the information available then.

Senator MARK BISHOP—I see.

Air Vice Marshal Beck—If I could just add that on 14 March almost none of the contracts had been awarded, but I can go into some detail of the contracts that have now been awarded. They have nearly all been awarded now.

Senator MARK BISHOP—I do not think there is any fault to be laid at your door. Presumably, on 14 March when you answered the questions, you sent them to minister's office?

Air Vice Marshal Beck—Nor did I mean to get the minister in the soup, but I am only referring—

Senator MARK BISHOP—She is there already.

Air Vice Marshal Beck—to the day we gave the answer.

Senator MARK BISHOP—Dr Johnston might be—

Dr Johnston—I think you should be careful in interpreting that the whole intervening period was taken up with the minister's office. I think we would need to check when the material was despatched to the minister's office. There were a number of questions that

required very close examination because of your searching approach. I would have to check that it went out on that date.

Senator MARK BISHOP—These were questions about contracts and masons and engraving; they were not matters of high state.

Dr Johnston—We answer all your questions with the greatest of care.

Air Vice Marshal Beck—I am referring to notice given 14 March; I am not sure whether that is the date you asked the question or whether it is the date we replied.

Senator MARK BISHOP—No, the question I asked was arising out of additional estimates in February. I am not fussed about it.

Dr Johnston—Can I draw your attention to another matter? During that time the minister was overseas for a period.

Senator MARK BISHOP—Dr Johnston, I am not fussed about it. Perhaps you might bring us up to date, Air Vice Marshal Beck, on the record, with the detail of contracts: who they have been let to, what their purpose is and all of that type of material.

Air Vice Marshal Beck—It would be easy to take that on notice but I will have a crack it. We are in contract with 20 companies, so this is an incredibly complex memorial involving firms both here and in the United Kingdom. If I could just take Australia first. We have let the stone supply contract with Granites of Australia in Gosford, and that has been very successful. We had great difficulty letting the stone cutting and fixing contract to fix the stones to the memorial in London. We initially went to tender in the United Kingdom but the prices were too high so we re-let the tenders in Australia and selected Stoneplus Pty Ltd, a Sydney firm. They have a number of subsidiary companies assisting them because of the complexity of the design. Nothing like this has ever been attempted in Australia before. Every stone is unique and there is a great deal of CAD/CAM design work that is being undertaken by Masco Design.

There is an eight-week lettering process and stones are now progressively being delivered to McMurtries of Orange, where they will undertake the lettering. The UK tenderers found that whole process too difficult so we are quite chuffed that all the visible aspects of the memorial will be Australian—Australian stone, Australian manufacture, Australian construction and Australian installation.

Senator MARK BISHOP—Very good.

Air Vice Marshal Beck—Everything underground is English.

Senator MARK BISHOP—You got that one in, didn't you?

Air Vice Marshal Beck—Of course, Tonkin Zulaikha Greer are the architects, and we are working with Arup engineers, both in Sydney and in London. In the United Kingdom, we have let the main construction management contract to Wallis, a subsidiary of the Keir Group, a large firm over there. They constructed the Royal Artillery monument about 85 years ago right next door to the one we are building today. They are responsible for letting all the contracts, which have now been let for almost everything—the excavation, the piling the drainage—all the in-ground structural work. The hydraulics tender has just been let to a UK

company. The only one outstanding is the electrical, so all the design is being done here and all the construction is being done in the UK. Much of the installations are coming from Australia—a lot of the pumps and valves, as much as we possibly can.

Senator MARK BISHOP—Why would pumps and valves have to come from Australia? Is there a cost reason?

Air Vice Marshal Beck—It is just on price. Some of them are being delivered from Germany but are being purchased through here. We have managed to avoid VAT and import duty on everything we are importing by using the Commonwealth War Graves Commission as our agent. However, we still face paying VAT on all the in-UK construction costs. We are battling that one but I do not know how we will go on that.

Senator MARK BISHOP—Can you break up the cost for the design, shipping, construction, assembly and maintenance? Is that possible?

Air Vice Marshal Beck—We have currently spent £1.498 million in the UK—sorry; that is the end product. No, I probably cannot answer that question off the top of my head. Are you asking for the proportions of expenditure both here and in the UK?

Senator MARK BISHOP—No.

Air Vice Marshal Beck—How much we have spent on freight?

Senator MARK BISHOP—I am asking for the break-up of the attributional costs for the purchasing of product, the design, shipping, assembly and maintenance.

Air Vice Marshal Beck—A lot of those things you mentioned are included in the Stoneplus contract. They are responsible for cutting the stone, polishing it, having the lettering done, shipping it to the UK and installing it. They will have 13 workers in the UK for 3½ months. They have to meet all those costs so that is all included in their contract price.

Senator MARK BISHOP—Is it commercial-in-confidence to ask the cost of that?

Dr Johnston—I do not think so.

Air Vice Marshal Beck—That is \$2.13 million.

Senator MARK BISHOP—So that is all of the work about the building of the monument from whoa to go, is it?

Air Vice Marshal Beck—No, that is only the cladding. All the foundations and the concrete wall on which stainless steel fixing devices and the stone are installed have to be constructed first. The plant room has hydraulic equipment in it for the water feature and the hydraulic tender is £321,000. If we divide that by 0.4 it is over a million dollars; no, it is about \$990,000.

Senator MARK BISHOP—What is the construction of the monument excluding the cladding going to cost?

Air Vice Marshal Beck—I cannot quite identify the actual in-ground structures works, but it is probably £271,000 for the in-ground structures—the concreting.

Senator MARK BISHOP—Has that just been foundation work?

Air Vice Marshal Beck—Yes, but it is a large excavation and there is a big underground plant room with a long tunnel. The memorial is 56 metres long so there is an underground tunnel two metres deep that runs the length of the memorial and the plant room, and then the concrete structure, which rises 3.3 metres above ground, has to be built by that contractor.

Senator MARK BISHOP—The figure struck me as being pretty minor for that work. That is what I meant.

Air Vice Marshal Beck—Yes, you are right. I cannot see it identified here, I am afraid. I can come back to you on that. I will make a phone call afterwards.

Senator MARK BISHOP—That would be appreciated or, alternatively, you might provide me with a more lengthy written response that breaks up all the detail of the funding allocation for the monument from beginning to end.

Air Vice Marshal Beck—Yes, certainly.

Senator MARK BISHOP—That would be appreciated.

Dr Johnston—I think we should say that quite a number of the contracts that Air Vice Marshal Beck has been addressing have been finalised in very recent times. In relation to the aggregation of the outcomes of those, as we indicated before, we will almost certainly be looking to need to supplement the existing budget. In the explanation Air Vice Marshal Beck gives, we can lay that information out for you.

Senator MARK BISHOP—How much do you think you will have to supplement the existing budget by?

Dr Johnston—I think we will need to wait until we have finished the monument to be confident on that, but Air Vice Marshal Beck can probably give you an indication of what we expect on the basis of contracts settled to date.

Air Vice Marshal Beck—I think we are looking at a shortfall on the construction cost of this memorial of about \$2.5 million. I would like to follow that up, if I may. Just to explain: some of the overspends—the variation from the original budget—just in the UK were £40,000, £140,000, £40,000 and £103,000, and in Australia the overspends on estimates were \$1.06 million and \$130,000. The problem is that getting anything built in London has proved incredibly expensive and way over the estimates we were originally provided, by quantity surveyors both here and in London.

Senator MARK BISHOP—Are they material cost blow-outs or labour cost blow-outs?

Air Vice Marshal Beck—Both. Can I outline the reasons? Certainly the estimates of costs by the quantity surveyors were considerably lower than tendered prices, and the reason for that is that the amount of work under way in the London construction industry is such that we had great difficulty getting responses and certainly getting responses on time. So a lot of our costs have blown out just on selecting the best tender price, which is still well above our estimates.

There has been a growth in the complexity of the engineering solution to the design. It is such a complex memorial. With the curvature, they found an error of seven millimetres in 40 metres in the length of the curve of the stone wall and they had to redo all the design work

because it would have made it impossible to maintain the gaps between the stones. We have had work stoppages incurred by Transport for London because they are seeking statements of work months in advance of what we are actually doing, and they finally put a stop-work on it until we provided all those method statements.

Senator MARK BISHOP—What is Transport for London?

Air Vice Marshal Beck—They own the underpass and the stairway behind the memorial. We have had to excavate and underpin to protect that stairway, and we have had to offer a £200,000 bond in the event of any damage to that stairway. These are some of the things that were designed to test us. We have had to spend money on removing British Telecom cables that were not supposed to be there. And then of course there has been the cost of the stone and the fixing, as I said. By going to the Australian contractor we have saved about \$1 million, but on the other hand we have had to airfreight some stone over there at a cost of about \$100,000. The reason for having to airfreight—which sounds a bit outrageous, I know—is simply that we have a small Australian work force, but there are separate fixing and laying teams for the laying of the paving and the fixing of the stone to the wall. They are only small teams and they only have about 3½ months to do it, and there has been an eight-week delay while all the lettering is done here. We will airfreight over all those vertical panels that the lettering will be on. We got a good rate on that. It means that everything will arrive at a time that they can sequence the installation and do it all in time. So it is not easy, but it is happening.

Senator MARK BISHOP—Do you have people working double shifts in Australia?

Air Vice Marshal Beck—Not until they go overseas. They will be working six-day weeks and 10-hour days. But, again, that minimises their cost because of the time they spend in London. The whole process is about minimising time at the site.

Senator MARK BISHOP—You are taking 13 workers from Australia to London, working six days a week and 10 hours a day. Are you putting them up in a hotel or a hostel or something?

Air Vice Marshal Beck—Yes. We have lined up a fairly cheap hotel.

Senator MARK BISHOP—They do not get Italian luxury at \$16,000 a night?

Air Vice Marshal Beck—No. They save that for the architect.

Senator MARK BISHOP—Do you have anything else to add?

Air Vice Marshal Beck—Nothing I would care to.

Senator MARK BISHOP—Has the draft guest list been drawn up for 11 November?

Ms Blackburn—Not that I am aware of.

Senator MARK BISHOP—Would that be your responsibility or is that yours, Air Vice Marshal?

Air Vice Marshal Beck—The Australian High Commission is principally responsible for that. Our minister or the Prime Minister will be responsible for any Australian invitations, but the guest list will be put together predominantly by the High Commissioner, working with the Department of the Prime Minister and Cabinet.

Senator MARK BISHOP—How many personnel from the ADF or the catafalque party will be going?

Air Vice Marshal Beck—That has not been decided. Defence is keen to send a Royal Guard over, which is about 107 personnel. To minimise costs, though, we are looking to get a United Kingdom band. But none of this has gone before Senator Hill. They are just initial wish lists.

Senator MARK BISHOP—So if you sent a Royal Guard over, that would be exclusive of sending a band over?

Air Vice Marshal Beck—To minimise costs, they are talking about using a UK military band.

Senator MARK BISHOP—A full band?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—How many personnel are in a full band?

Air Vice Marshal Beck—I am guessing, but I recall that an Air Force band used to be about 39. We have organised an RAF fly-past. The UK is keen to contribute whatever we seek.

Senator MARK BISHOP—Will the Queen be invited?

Air Vice Marshal Beck—The Queen has it pencilled in, yes.

Senator MARK BISHOP—Which members of the British government are on the invitation list?

Air Vice Marshal Beck—I do not know, but I assume it starts at the Prime Minister and works down.

Senator MARK BISHOP—Is our Prime Minister attending?

Dr Johnston—We expect so, but it is too early to go into the details. We are at a very early stage of that sort of planning.

Senator MARK BISHOP—Would you anticipate that other ministers would attend, Dr Johnston?

Dr Johnston—We would hope that our minister would attend.

Senator MARK BISHOP—I presume that Mrs Vale will attend?

Dr Johnston—Yes.

Senator MARK BISHOP—I meant ministers apart from Mrs Vale.

Dr Johnston—I have not been involved in any discussions on that. As I said, we are at a relatively early stage.

ACTING CHAIR (Senator Ferguson)—You might get a guernsey too.

Senator MARK BISHOP—I might. You never know your luck in a big city. I might not, too.

ACTING CHAIR—I will see what I can do for you.

Senator MARK BISHOP—You have not been too successful to date. Will the designers be going?

Dr Johnston—That is a quite common convention. It would be unusual for them not to.

Senator MARK BISHOP—I saw that they were up in PNG. So it is most likely that they will be going?

Dr Johnston—It would be most unusual for them not to be there.

Senator MARK BISHOP—Would that be a government expense?

Dr Johnston—I am not sure.

Air Vice Marshal Beck—We had not offered.

Dr Johnston—As I said, we are at a very early stage in the discussion of these aspects.

Senator MARK BISHOP—I find this fascinating.

Dr Johnston—Would you like to join the planning committee, Senator?

Senator MARK BISHOP—We will see what happens in due course. I find this detail fascinating.

Air Vice Marshal Beck—The budget allows for the chief architect to go over on about four visits, and he has only been once, so I am sure he is saving one for November.

Senator MARK BISHOP—Have you or will you retain a public relations firm to record and publicise the event?

Air Vice Marshal Beck—I think that is in house. We have our own public relations, and the Department of the Prime Minister and Cabinet certainly have theirs. I would not imagine that any commercial organisation would be involved.

Senator MARK BISHOP—So you think that will be done in house.

Dr Johnston—You will be aware, Senator, that for some occasions of this nature there has been considerable interest in the commercial world in providing television coverage and the like. I say again we are at a very early stage of this sort of detail. I must say that most of our energy in recent months has been spent planning the fine detail of the construction that Air Vice Marshal Beck has taken you through. The departments have met a couple of times to start planning the events in November. That will now proceed as a priority, but we are really not in a position to talk on the detail.

Senator MARK BISHOP—I recall that when we were in Singapore and PNG, but particularly in Singapore, there was a team of camera persons, TV people and the like around. I presume you will be taking a mass of press people with you from Australia to the event?

Air Vice Marshal Beck—They tend to use local resources where they can—hire facilities in the UK. The ABC would probably do that, and there has been some discussion along that line.

Ms Blackburn—On past missions, Defence has on occasion provided a video crew and a stills photographer at their expense, and there have been some feeds back to Australia, particularly from difficult locations. On other occasions, we have had a lot of interest from the

commercial sector, as the secretary mentioned, but it has been at their own expense. We cooperate with them in terms of access to the veterans and, of course, the minister, but it is their decision whether they cover the events.

Senator MARK BISHOP—How many veterans are you going to be taking?

Ms Blackburn—A final decision has not been made. But our costing is for the 25 to 30 range, including two national ex-service organisation leaders.

Senator MARK BISHOP—How have you selected the 25 persons?

Ms Blackburn—We are proposing that we go through the procedure which has worked effectively in the past—that the Repatriation Commissioner writes on behalf of the minister to a range of ex-service organisations seeking nominations. We then look carefully at their service records, trying to achieve a balance of services, states, territories, units, experiences et cetera. Recommendations are put to the minister, and the minister makes the final decision on invitations.

Senator MARK BISHOP—The minister has the final call on who gets an invitation to attend?

Ms Blackburn—Yes, but the ex-service community is invited to submit nominations.

Senator MARK BISHOP—Will this new memorial henceforth be the site of future Anzac Day ceremonies in London? Is that the intention?

Air Vice Marshal Beck—Yes. It will.

Senator MARK BISHOP—What will happen to other memorials? My understanding is that there are ceremonies conducted at the Battle of Britain Memorial at Runnymede, attended by the RAAF, and at Battersea Park.

Air Vice Marshal Beck—I do not know of any Anzac Day service conducted at Runnymede, but certainly up until now one has been conducted at Battersea Park. From discussions with the high commissioner, he still thinks there might be a small service there on the afternoon of Anzac Day.

Senator MARK BISHOP—So it is an option that might be continued?

Air Vice Marshal Beck—Yes.

[9.19 p.m.]

ACTING CHAIR—We will return to output 1.

Senator BARTLETT—I will try to be brief, and there are a couple of questions that I will probably put on notice. I am mainly interested in the area of income support pensions, compensation pensions et cetera. With regard to the whole issue of the TPI payments, which has obviously been a matter of debate in the veterans' community, as I am sure you would acknowledge, and there has been a lot of pressure to try and increase some of those payments. There were a few statements in terms of the findings of the Clarke review about the value of TPI benefits by the minister and the Prime Minister. There was a statement by the Prime Minister that suggested that on average a TPI veteran receives about \$44,000 a year. Is that accurate?

Dr Johnston—I am not aware of what document you are quoting from. I think we would need to have more details to clarify that.

Senator BARTLETT—Rather than do the political point scoring about what the Prime Minister said, perhaps you could just tell me the average amount that a TPI veteran receives in payments a year.

Dr Johnston—I do not think we have that figure. The difficulty is that the range of payments varies considerably depending on the circumstances of the veteran, whether they have qualifying service and whether they have a spouse or dependants. My minister has in recent days been referring to an information document on her web site which documents that quite extensively. We could make a copy of that available for you, if you like. I think that is the latest statement from the minister to try to clarify those matters.

Senator BARTLETT—Thank you, I can look up the web site. The difficulty from my point of view is that some of the feedback I have been getting from TPI veterans is that the minister has been out there saying that TPI people receive around \$1,900 a fortnight. I would assume that there are many that do not receive that amount. I was wondering whether that figure is an average or a maximum, or where that figure came from. Similarly, the Prime Minister on Perth radio talked about average earnings in the order of \$44,000 a year. I am trying to get a handle on what the average TPI person gets. I know they have different circumstances, spouses, children et cetera, but if ministers are going to be out there giving out figures like this suggesting this is what they receive then we want clarification or verification of that.

Dr Johnston—For the record I need to say that in the program where the minister referred to \$1,900 she did not say that that was the average payment; she said that the payment could be of that order in a circumstance of family dependency and so on. As I said, the minister has on her web site a document which lays all those figures out.

Senator BARTLETT—Does that give an indication of the numbers of people who receive the various types of payment?

Dr Johnston—It does, yes.

Senator BARTLETT—You have talked a bit about the Clarke review this evening and the implementation of that. Most of these questions I will put on notice but I am particularly interested in that because it has been around for so long and the proposal or desire to exempt disability support pensions from income tests for social security has been brought up so regularly by me and others. From previous estimates and other raisings of this issue in the Senate, costings of that have been somewhere around \$20-odd million per annum. What is the latest costing to implement that measure?

Dr Johnston—The cost of that type of measure does vary quite considerably depending on the specific way in which it might be implemented and its coverage. You would need to be much more specific on a particular proposal for us to be able to cost it for you.

Senator BARTLETT—Currently Centrelink, through the Social Security Act, treats the disability support pension as income. There has been a strong push from most parts of the

veteran community for a long time to exempt that from income tests. I presume you would be aware of that desire from the veteran community?

Dr Johnston—Indeed, but there are a number of different ways of doing that and you need to decide when you do that whether your having that change follows through to other related aspects of veterans' payments. For example, rent assistance is treated on a different basis in the Department of Veterans' Affairs than in Centrelink, principally because of the difference in treatment of disability pensions. So you would need to decide, if you were going to change the treatment of disability pension at Centrelink, whether you would change the treatment of rent assistance as well. So your question, while it might sound as though it is just a simple proposition, in fact requires a degree of detail to have it costed.

Senator BARTLETT—Okay. I managed to get a reasonably straightforward answer in the past about that, but perhaps I will put forward on notice some options on some of the different ways of dealing with it.

Dr Johnston—Thank you. We would be happy provide the detail.

Senator BARTLETT—I think this comes under 1.2. I noted a recent report that showed that some Australian Vietnam veterans were exposed to twice the amount of dioxin—the toxic ingredient in Agent Orange—than was previously thought. I believe the federal government said it will review the principles of veterans' compensation. It was in *Stand To* in February-March this year. What is the process and when will that occur?

Mr Maxwell—If you are referring to the studies that we have done on the possible implications of dioxin transfer via ships' filtration and water evaporation plants, the output of that study has indeed been referred to the Repatriation Medical Authority for review in the course of its normal considerations of the statements of principle that govern the payments of compensation to Australian veterans. As of today, the Repatriation Medical Authority has not completed its analysis of those findings.

Senator BARTLETT—I know there have been a number of studies on the health of the Vietnam veteran community in Australia. The 1998 one pointed out the higher rate of suicide of children of Vietnam veterans. In light of suggestions that there has been greater exposure to dioxin et cetera than was previously thought, are there any plans for further research into the health of veterans or their children?

Mr Maxwell—We have an ongoing program of monitoring the mortality experience of the Vietnam veteran cohort. That is about to go through its next iteration—in fact, it has already commenced. It will take us some time to complete. That work is afoot. I am not aware of any other plans for further research in other areas.

Senator BARTLETT—Does that include children of veterans?

Mr Maxwell—No.

Senator BARTLETT—I am sorry?

Mr Maxwell—No, it does not.

Senator BARTLETT—I might get some of your medical people to give me a hearing test. I am having a bit of trouble here tonight.

Mr Maxwell—I can arrange a pension as well, Senator, if that is of any use!

Senator BARTLETT—I believe your support program for Vietnam vets' children currently assists with costs of medical treatment for a few conditions—spina bifida manifesta, cleft lip, cleft palate, leukaemia and adrenal gland cancer. It seems a fairly specific list. Is any consideration being given to, or are there any demands or requests for, other conditions to be added to that list?

Mr Maxwell—That is really a question for my colleague Mr Stonehouse. But my understanding is that, no, those particular provisions followed the study that was previously done. In the absence of a further study finding that would suggest extensions, I do not think we would have a trigger for that sort of extension.

Senator BARTLETT—Okay. If there is any variation on that from your colleague you can provide that. You said before there is no intention at this moment for further study in relation to the children of Vietnam vets with regard to other conditions or their situation.

Mr Maxwell—The only current study under way with respect to Vietnam veterans is the next in the ongoing series of mortality studies—No. 4, I think, or No. 3.

Dr Johnston—It is worth adding that the design of that study, as well as a general mortality examination, is looking in particular at the nature of Navy service in waters in the surrounds of Vietnam that might provide further evidence of the impact of pollution, as a result of the study we have done on water contamination. That is a detailed area of examination at the moment.

Senator BARTLETT—The final area I want to ask a few questions on is compensation payments for spouses. I assume it is still the case that the department, under legislation, is not able to extend veterans' entitlements and compensation payments to same-sex partners.

Mr Maxwell—That is a fact.

Senator BARTLETT—Is there any consideration being given to changing that situation?

Dr Johnston—Not actively that I am aware of at the moment, no.

Senator BARTLETT—We do not have a minister here, so I cannot ask about policy aspects. The government, including the veterans minister, has made statements saying they condemn discrimination on the basis of sexuality. How does that fit into the current situation where same-sex partners are not able to access compensation payments or other assistance?

ACTING CHAIR—Senator Bartlett, you said earlier that it is really a matter of policy. I know the minister is not here. I think that you can make sure you get a response from the minister to that question, rather than from officers whom you would be asking to comment on government policy. The minister apologises, but he had to go at six o'clock.

Senator BARTLETT—That would be appreciated. Do you receive representations or requests from same-sex partners in relation to access for compensation or other entitlements that opposite-sex partners, de facto couples, get.

Dr Johnston—From time to time.

Senator BARTLETT—I do not suppose asking for numbers is terribly practical.

Dr Johnston—Not very.

Mr Maxwell—I can give you an indication. I have been in the jurisdiction a long time. I can recall one case, and it is relatively recent. It involved litigation at the courts. So the answer is fairly infrequently.

Senator MARK BISHOP—Dr Johnston, I want to refer to a case currently going on in Brisbane concerning a widow, Mrs Palmer. It is not normally my practice to identify people who raise matters with me publicly, but I state for the record that her son has written to me giving authorisation to have the matter raised here in public, so I do it on that basis. Firstly, can I confirm the facts of Mrs Palmer's case. They are these. Royce Palmer, a Changi prisoner of war, married Mrs Palmer in February 1946. Mr Palmer was prosecuted by the DVA for default on a loan and was jailed for 12 months. The Palmers had three children, two of whom were adopted. Mr Palmer deserted his family in 1952 and remarried bigamously under an assumed name.

Mrs Palmer's application to DVA, going back to 1954, for child allowance and spouse allowance were rejected on the false basis that Mrs Palmer's marriage to Mr Palmer was bigamous. Mr Palmer died in 1976. His de facto wife received the war widows pension until her death in 1999, but again on inquiry by Mrs Palmer she was told in 1976 that she was ineligible as her marriage was bigamous—a repeated error. Mrs Palmer persisted and reapplied for the war widows pension again in 1977 and was again refused. Can the DVA confirm that outline of the facts?

Mr Maxwell—I can confirm some of the outline of the facts—some of it, frankly, we are not in a position to either adjudicate on or even offer a view about. However, it is a fact that from the time of Mr Palmer's departure from Queensland until he surfaced again in Victoria in 1959 no pension was payable because there were no conditions that were then accepted as being due to his service. The fact that he was a prisoner of war in Changi would not have given him any access even to health care per se until much later in history. Our first, if you like, modern or relatively recent contact—it is going back 40-odd years—with the veteran was when he resurfaced in Victoria and lodged a claim, and at that stage the second wife was attached to the claim. The error in marital status determination was made in our Victorian office at that time. It went uncorrected until in very recent years.

Senator MARK BISHOP—Mr Pirani, you are very much on top of the facts of this situation, aren't you? You have been involved in some of negotiations.

Mr Pirani—Yes, that is correct.

Senator MARK BISHOP—The facts as I outlined them were, by and large, correct?

Mr Pirani—Except in relation to the criminal matter involving Mr Coulter, which as I understand it had nothing to do with the department—that is, actions he was involved in following World War II where he had a truck and was engaged, as I recollect from the file, in criminal activity that involved the stealing and transporting of goods.

Senator MARK BISHOP—I never mentioned any of that, Mr Pirani.

Mr Pirani—Sorry, I thought I had heard you say that the department had been involved with him being jailed for 12 months.

Senator MARK BISHOP—I suggested that Mr Palmer was prosecuted by the DVA for default on a loan and was jailed for 12 months.

Mr Pirani—No, that is not correct.

Senator MARK BISHOP—Thank you. But otherwise the facts as I outlined them were correct?

Mr Pirani—As I understand them generally, Senator, yes.

Mr Maxwell—Subject to the correction that I made.

Senator MARK BISHOP—A fair point. So we are agreed that Mrs Palmer was wrongly refused her war widows pension and her children's allowances going back to 1959?

Mr Maxwell—That is true. The war widows pension, of course, was not payable until the death of the veteran much later. Certainly there would have been a spouse or dependant disability pension and the children would have had an entitlement flowing from the 1959 claim.

Senator MARK BISHOP—Can the department also confirm that Mrs Palmer is entitled to back pay?

Mr Maxwell—Yes, she certainly is and, as I understand it, it has been paid.

Senator MARK BISHOP—I will come to that in a minute. She is entitled to back pay. Is Mrs Palmer also entitled to damages for defective administration as well as defamation?

Mr Maxwell—An offer has been made to Mrs Palmer through Mr Palmer. The actual settlement is currently a matter of negotiation between his legal adviser and us.

Senator MARK BISHOP—That offer was made some time ago, was it not?

Mr Pirani—The process is that, because the amount of money likely to be involved is very large, the decision maker in relation to this matter will be the minister. The process we have tried to pursue with Mr Palmer is one that ensures he is afforded natural justice and is given the opportunity to make submissions. That process is still continuing. There were other matters that Mr Palmer raised as being of concern, and an indicative report was provided to him on 1 November last year. Since that time he has responded with further submissions and since earlier this year he has been engaging in correspondence with us through a solicitor. We have had two recent letters from the solicitor, and the last response to the solicitor went out on 27 May.

Senator MARK BISHOP—Can you itemise for the record the detail of Mr Palmer's claim on behalf of his mother?

Dr Johnston—We are in a very difficult domain here. I think it is quite proper for you, if you have been given authority, to detail the nature of the claim but it would be quite improper for us as officers to do so particularly as we are in the situation of negotiating a package at this point in time.

Senator MARK BISHOP—I take the point. Perhaps I could go back to my question, Mr Pirani. Is part of the negotiation process about damages, firstly, for defective administration and, secondly, for defamation?

Mr Pirani—Certainly the majority of the claim has been examined under the compensation for detriment caused by defective administration guidelines. In relation to the claim of defamation, that matter is being dealt with under the legal services directions issued by the Attorney-General under the Judiciary Act and, as we are required to do in relation to those guidelines, that aspect was referred to the Australian Government Solicitor for advice. We still have hanging over our heads a potential lawsuit in relation to that aspect and some other elements and, accordingly, I reiterate comments made by the secretary in relation to that. We have made indicative offers in relation to it but it has not gone to the minister at this stage. When we have their final submissions then the whole matter will be put to the minister for the making of a decision.

Senator MARK BISHOP—So there are headings of defective administration and defamation. Is there any other compensation that might be payable to Mrs Palmer for the wrongful treatment of her with respect to stress and humiliation?

Mr Pirani—The defective administration guidelines encompass both what is called economic loss, which is the direct financial loss that she had incurred, and an amount for non-economic loss, which includes pain and suffering.

Senator MARK BISHOP—Understood. Have any payments been made to Mrs Palmer so far?

Mr Pirani—In relation to the claim that led to this incident being uncovered, yes, there were payments made back to three months prior to the date of that claim, to November 2001. There has also been the payment of the \$25,000 for the prisoner of war compensation.

Senator MARK BISHOP—So she has been back paid to November 2001, and there is the \$25,000. Is she now receiving war widows pension?

Mr Pirani—Yes, Senator.

Senator MARK BISHOP—Has she been given a gold card?

Mr Maxwell—Indeed.

Mr Pirani—Yes.

Senator MARK BISHOP—Have any medical expenses incurred by Mrs Palmer for the period in which she was denied a gold card been paid?

Mr Pirani—That is part of the claim at this stage. It is being dealt with as part of the defective administration claim.

Senator MARK BISHOP—How long has the negotiating process been going on?

Mr Pirani—The first meeting I had with Mr Palmer was in July last year. Since that time there have been various emails and the exchange of correspondence, so essentially it has been since July last year.

Senator MARK BISHOP—So it is heading for 12 months. How old is Mrs Palmer?

Mr Pirani—I do not have her date of birth here.

Senator MARK BISHOP—She is over 80, isn't she?

Mr Pirani—I think that is likely, yes.

Senator MARK BISHOP—How do you respond to the allegation that the department is in breach of all of the Commonwealth standards with respect to being a model litigant?

Mr Pirani—In relation to that accusation, I am rather mystified as to the basis of the comment. The model litigant guidelines apply in relation to the legal services directions. In relation to the defamation aspect, which was referred to the Attorney-General's Department, I do not believe we are or have been in any way in breach. In relation to dealing with the defective administration claim, I personally sent an email to Mr Palmer in November advising him that if he felt that there was some impropriety in relation to the way this matter was being handled then under the defective administration guidelines the Ombudsman specifically has a role, and I directed him to the Ombudsman's office.

Senator MARK BISHOP—You deny the allegation?

Mr Pirani—I deny the allegation.

Senator MARK BISHOP—I just wanted it on the record. Is part payment as part of the settlement process under consideration? We are talking about hundreds and hundreds of thousands of dollars.

Mr Pirani—This was specifically dealt with in correspondence with Mr Palmer. It is impossible to split up the aspects of this matter. We have a threat of legal action hanging over us. Under the defective administration guidelines the process requires us to obtain an appropriate indemnity and release to preserve the Commonwealth's position if an amount is paid. The difficulty here in this particular matter is saying that particular components can be paid and split up to get an appropriate indemnity and release. It was put forward by Mr Palmer but it just is not feasible in the circumstances of this matter.

Senator MARK BISHOP—Under the current guidelines?

Mr Pirani—And due to the facts of this case. The guidelines do refer to the possibility of looking at a part payment and that can be done when you have discrete components. There has been no agreement on any single aspect of this particular matter at this time.

Senator MARK BISHOP—If you are unable to come to an agreed resolution with Mr Palmer and you are of the view that you are just not going to achieve resolution, what happens then?

Dr Johnston—That is not correct, Senator. We are going through a process and Mr Palmer and his mother will need to decide whether the formal proposal of the minister is acceptable or not, in the light of all of the advice and the considerations we have put to them. I do not think it should be assumed that at this stage it cannot be resolved on that basis.

Senator MARK BISHOP—Sorry, I am not making myself clear. I was not trying to suggest that negotiations would be fruitless. I was just saying that if, you come to the view that the parties are just so far apart and cannot be resolved by negotiation, where do we go then? That is really what I am asking.

Mr Pirani—The guidelines themselves refer to the Ombudsman having a role here. If the negotiations are unsuccessful and if we are still pursuing the guidelines in relation to the negotiations then we would expect that the next process would be to go to the Ombudsman.

However, as I have already stated, Mr Palmer has indicated that he is still considering whether or not to launch legal proceedings.

Dr Johnston—I will just add one other point of emphasis. As Mr Pirani has pointed out, our handling of this case is taking advantage of advice from the Australian Government Solicitor. That should be taken into account as well.

Senator MARK BISHOP—Thank you. Dr Johnston, at the DVA congress in Perth recently you expressed concern about the adequacy of psychiatric diagnoses, assessments and treatments of veterans afflicted by PTSD in particular. Is that a fair summation of your comments?

Dr Johnston—That is correct, Senator. I have alluded to that issue at a number of conferences over the last couple of months.

Senator MARK BISHOP—Can you develop that? What are your particular concerns as the head of the Repatriation Commission?

Dr Johnston—It is well known that over a period of years we have looked closely at this aspect of the rehabilitation system. You might recall that some years ago we went through a lengthy consultation process with the psychiatric profession and developed a protocol of second-opinion procedure to try to strengthen the nature of advice coming to the department in making decisions on claims based on psychiatric illness. You will be aware—indeed you have been asking questions on this over recent months—of the number of claims we have been receiving and the number of approvals of psychiatric based compensation claims from East Timor service. The numbers are not small. A number of studies in recent times have continued to point to the significance of psychiatric illness as part of military service. That was one of the aspects of the recently released Gulf War study. So this is an area in general where we believe we and the veteran community need to keep in regular dialogue about the experiences we have and our perceptions of how well the system is working.

Senator MARK BISHOP—Is it fair to describe the number of claims that have been made for various benefit payments and the number of claims that are being allowed by the system as consistent with past practice and past trends?

Dr Johnston—I do not know quite how to answer that, Senator. The department and the commission believe that we are administering this aspect of our responsibilities in a comprehensive and professional manner, as the department and the commission have in years past. But this is a difficult area of veteran experience.

Senator MARK BISHOP—Why is it difficult?

Dr Johnston—Because you are dealing with disabilities and impairments that are difficult to assess and treat. When I talk to veterans I have the impression that we would all like to be more effective in treating and assisting people with these ailments. That is why we continue to look at that area of experience and wonder whether we can do better.

Senator MARK BISHOP—I think one of the answers that you gave me a couple of days ago said that 76 per cent of TPI claims related to psychiatric grounds.

Dr Johnston—That is correct.

Senator MARK BISHOP—Or one of the grounds was psychiatric, I think. Is that correct?

Dr Johnston—That is correct, yes.

Senator MARK BISHOP—Do you think that 76 per cent is a large number? Why is it occurring compared with previous conflicts at that level?

Dr Johnston—It is very difficult to translate today's experience back 50 years and analyse it in those terms. Each conflict may be different in terms of the nature of the experience and the sorts of conditions that arise, but it does seem that a feature of warfare over the last decade or two has been the significance of psychiatric impairment of one form or another. That is something we have to accept and deal with.

Senator MARK BISHOP—The problem at source is not the responsibility of your department, is it? It is manifest many years after people leave the defence forces?

Dr Johnston—Indeed the great majority of claims coming through that you were alluding to before are still in relation to Vietnam veterans.

Senator MARK BISHOP—We might now turn to military compensation. Can you confirm for the record that it is expected that a draft of the proposed new military compensation scheme will be made available for public exposure in the next two or three weeks?

Dr Johnston—We are hoping so, Senator. The government has a draft bill and it is now deciding on the final details of release.

Senator MARK BISHOP—So it has been to the minister for approval?

Dr Johnston—That is correct.

Senator MARK BISHOP—Is it Minister Hill or Minister Vale who makes these decisions?

Dr Johnston—I would suggest that it is both ministers.

Senator MARK BISHOP—It is a joint decision, is it?

Dr Johnston—Yes.

Senator MARK BISHOP—What is going to be the exact format of the draft bill? Will it be a full bill or just an outline?

Dr Johnston—The draft is a substantive draft of most of the bill but there are important parts that are not yet drafted, consequential amendments and the like. But I think readers of the bill will be able to see from the material provided in substantial part the package that is proposed by the government.

Senator MARK BISHOP—And there will be accompanying explanatory material for the entirety of the bill?

Dr Johnston—There is extensive explanatory material.

Senator MARK BISHOP—What consultative arrangements are proposed and what is the timetable?

Dr Johnston—I think we need to wait for the government's release of the bill for some of that detail. But I think it is reasonable to assume that there will be a period of consultation and feedback to the government to then provide time for any finetuning before formal submission to the parliament.

Senator MARK BISHOP—Has it been decided who you will be consulting with?

Dr Johnston—The document will be publicly available to any interested party, but I would assume that the defence and veterans communities would be the principal interested parties.

Senator MARK BISHOP—Will DVA be leading those consultations or Defence?

Dr Johnston—Both.

Senator MARK BISHOP—Who is going to be appointed from your department to be involved in that?

Dr Johnston—I don't know that there is an answer to that question. We will probably have presentations around the country to defence personnel and veterans. That will be shared between the two agencies. For a while we have had a working party drawn from the veteran community that we have been using as a sounding board. My guess is that we will have that group meet at least once if not a couple of times to get feedback and have discussions.

Senator MARK BISHOP—Could I ask that the opposition be provided with a detailed briefing as soon as possible?

Dr Johnston—I would expect that, Senator.

Senator MARK BISHOP—Is there any proposition around that the costings on the new MCS are to be budget neutral? Is that part of the government's thinking?

Dr Johnston—I think it is fair to say that in some of the early meetings of the working party when we were consulting with the veteran community we would have given that as a guideline at least to anchor some of the discussion and to give it a basis. However, you need to wait for the government's release of the draft bill to gauge how that has turned out.

Senator MARK BISHOP—When the bill is released, will costings have been done on the bill?

Dr Johnston—It would be the usual practice for government to have a view of the costs of what is being proposed.

Senator MARK BISHOP—Who will be doing those costings? Will it be done by the two departments or by DOFA and the Treasury?

Dr Johnston—As you would be aware, in the budget process all costings have to be agreed by the Department of Finance and Administration.

Senator MARK BISHOP—Has that process been concluded?

Dr Johnston—We have certainly discussed and assessed costs along the way. It will be a question for the government as to how it handles any statements on costings.

Senator MARK BISHOP—I understand that. You say 'we' have done the costings along the way; by 'we' do you mean DVA?

Dr Johnston—The Department of Defence and ourselves.

Senator MARK BISHOP—So you have done your costings along the way. Has it got to the stage yet where it has been flicked off to DOFA and Treasury for them to do costings or to check your costings?

Dr Johnston—We have been talking with those agencies over a period of months as this work has been progressed.

Senator MARK BISHOP—So they are in the loop on the costings?

Dr Johnston—They have been consulted, yes.

Senator MARK BISHOP—Do those costings to date indicate budget neutrality?

Dr Johnston—I cannot comment on that, Senator. You need to wait for the government's release of the bill and consideration of the draft bill.

Senator MARK BISHOP—Can you tell me about the projected extra costs over the four years?

Dr Johnston—No, I cannot.

Senator MARK BISHOP—Was funding of any kind provided for set-up costs during the budget processes?

Dr Johnston—No, you might have noticed that the minister's budget statement press release advised that the budget has not made specific provision for the bill and that that will be a matter settled by government in light of the bill that is presented formally to the parliament.

Senator MARK BISHOP—So nowhere in the PBS can you point me to the costs?

Dr Johnston—You have to appreciate that the existing legislation in place is in the forward estimates—the two pieces of legislation—so the forward estimates in principle have a provision for compensation payments and related entitlements for defence service and veterans. The question is the net variation against those forward estimates as a result of the bill.

Senator MARK BISHOP—I am specifically trying to focus on the costs involved in the establishment of a new act.

Dr Johnston—There is no specific provision for those. Those costs at this point are being absorbed or met by Defence and ourselves as part of our day-to-day business.

Senator MARK BISHOP—Who did the drafting of the bill? Has that been done internally or by AGS?

Dr Johnston—We have used the services of the Office of the Parliamentary Counsel, and both Defence and we have made a considerable effort supporting that drafting work.

Senator MARK BISHOP—Can it be confirmed that the Department of Employment and Workplace Relations have not been involved in the drafting?

Dr Johnston—Not in the drafting but they have a policy interest and we have been consulting with them of course on elements of the bill in the interests of consistency or appropriateness of policy across government.

Senator MARK BISHOP—Yes, you would have been. Have the Department of Employment and Workplace Relations signed it off to date?

Dr Johnston—It is more a question of the draft bill that the government wants to present for consultation, not what any individual department—

Senator MARK BISHOP—And that has been signed off by cabinet of course?

Dr Johnston—But in terms of process, they have had their contribution to the process.

Senator MARK BISHOP—They have had their opportunity for input?

Dr Johnston—Yes.

Senator MARK BISHOP—That is understood. Has the Safety, Rehabilitation and Compensation Commission been involved in the process to date?

Dr Johnston—To my understanding, the dialogue has been basically with the Department of Employment and Workplace Relations, not with the SRCC directly.

Senator MARK BISHOP—When did the proposal go to cabinet for endorsement?

Dr Johnston—I do not think I can comment on that. We have been through a process over a period of months with departments, working in consultation with our respective ministers and in discussion with senior ministers and cabinet. I think that is about as much as I can say.

Senator MARK BISHOP—I am not asking you to tell me the detail of the cabinet process. I am asking you to advise when cabinet signed off the package. Is that not proper?

Dr Johnston—At this point I would make the point that there is a draft bill waiting for formal sign-off before it is released. There are various stages where governments decide whether what is now available reflects their policy intentions.

Senator MARK BISHOP—As you are very close to the end of the process, if you are going to release it your time line is to release it in two or three weeks?

Dr Johnston—We would hope so, yes.

Senator MARK BISHOP—So does it have to go back to cabinet?

Dr Johnston—Not on our expectation.

Senator MARK BISHOP—So once it is signed off by the minister it goes out. So why can't you tell me when cabinet signed off the drafting instructions? Why is that an improper question?

Dr Johnston—I am not sure how relevant it is. The package has been to cabinet on a number of occasions in the past but, over the last six months, consideration at cabinet level has not been a significant feature of the process; it has been more one with the two key departments—Defence and us—and the Prime Minister's department and so on, working through the issues.

Senator MARK BISHOP—If I go back through my files, there is stuff dating back that mentions Mrs Bishop. Was she the minister at one stage?

Dr Johnston—Yes, she was.

Senator MARK BISHOP—There is stuff in our file that has Mrs Bishop talking about the new MCS in 1996 or 1997. So presumably there was a sign-off by cabinet then. But that is not the source of authority for what is going on now, is it?

Dr Johnston—No.

Senator MARK BISHOP—What is the source of authority for the activity that is going on now between PM&C and the other two departments?

Dr Johnston—In government, sometimes matters are dealt with by having a full cabinet submission and process. At other times, if it is appropriate, it will be handled by exchange of correspondence between relevant ministers. It is a matter of judgment for the government of the day to decide what detailed process is appropriate.

Senator MARK BISHOP—Can I ask you what processes were determined by the government?

Dr Johnston—Over the last 12 months, points have generally been covered by exchange of correspondence between the key ministers involved rather than taking it to full cabinet. But I make the point that I do not believe that that is all that relevant. It is a question of the process that the government of the day believes is appropriate to determine what it finally decides is an appropriate bill to put before parliament.

Senator MARK BISHOP—I accept that. I am really trying to find out when cabinet, whether it was full or partial cabinet, signed off on the process and gave the instructions to effectively the line departments in PM&C to go and do their work. That is what I am trying to find out.

Dr Johnston—At the moment, we are going through a process with senior ministers to obtain clearance for a draft bill to go forward as a statement of government policy intention. It is not just my minister or the defence minister who is making that decision.

Senator MARK BISHOP—No, PM&C is also involved.

Dr Johnston—And some other ministries as well.

Senator MARK BISHOP—Which other ministries are involved in that?

Dr Johnston—The ministries that have an interest in the bill.

Senator MARK BISHOP—Which are they?

Dr Johnston—Family and Community Services, Employment and Workplace Relations, Attorney-General's, Finance and Administration, and Treasury.

Senator MARK BISHOP—The interests of those departments—while not wanting to belittle them—are not core interests; the core interests are in Defence, DVA and PM&C?

Dr Johnston—That is a reasonable statement.

Senator MARK BISHOP—Attorney-General's needs to sign off on the drafting—I accept that. FaCS has an interest in compensation claims and disability—I accept all that. What I am trying to find out is when the final set of principles was endorsed by the cabinet?

Dr Johnston—The final endorsement will be when the government agrees to endorse the document. I think I am not answering your question, and I do not intend to answer your question.

Senator MARK BISHOP—You do not intend to answer my question?

Dr Johnston—I do not think so, because you are trying to make a point that is not relevant to the process as we perceive it. We are going through a process of clearance now that stands in its own right, whatever the processes have been to date. You see the point I am trying to make? I think you are trying to make a point that is not particularly relevant to the clearance process at this point.

Senator MARK BISHOP—Does PM&C have to sign off on this legislation?

Dr Johnston—That is a reasonable expectation.

Senator MARK BISHOP—Is it proposed that the Department of Defence will retain full responsibility for the policy aspects of the legislation as the employer with occupational health and safety liability?

Dr Johnston—You need to wait and see the draft bill. That will be clarified in the draft bill.

Senator MARK BISHOP—Will the new act appear on the administrative arrangements order with Defence or with DVA?

Dr Johnston—The administrative arrangement orders of the day are the decision of the Prime Minister of the day; they are not dictated by the lettering of the legislation. The legislation might indicate the usual expectation of administrative arrangement orders, but it is open to any government of the day to vary those through the administrative arrangement orders.

Senator MARK BISHOP—So who makes that decision?

Dr Johnston—The government of the day.

Senator MARK BISHOP—Has the government of the day made that decision yet for the bill we are talking about?

Dr Johnston—I think that will be clear from the draft bill, Senator.

Senator MARK BISHOP—Will DVA have policy control?

Dr Johnston—I think that will be clear from the draft bill, Senator.

Senator MARK BISHOP—Will Defence have a chair on the new board?

Dr Johnston—As above.

Senator MARK BISHOP—Will the Safety, Rehabilitation and Compensation Commission be represented?

Dr Johnston—You will be aware, Senator, that in the draft proposals that had wide consultation, including with the opposition, that was a proposal. I think it is a reasonable expectation that that will be the case, but again I think you need to wait for the draft bill.

Senator MARK BISHOP—Will the RDFWA be involved in the consultation process as one of the ex-service organisations?

Dr Johnston—Yes, Senator. I would expect so.

Mr Maxwell—They have been to date, Senator.

Senator MARK BISHOP—And what about the Australian Retired Forces Association—the ARFA?

Mr Maxwell—ARFA has also been involved to date.

Senator MARK BISHOP—And that consultation has been conducted jointly by Defence and DVA?

Mr Maxwell—It has.

Senator MARK BISHOP—When the safety net of TPI is mentioned for those who are discharged unable to work, will that be the current TPI model or a variation along the lines suggested by Mr Justice Clarke?

Dr Johnston—You will have to wait and see the draft bill, Senator. But I can be a bit more helpful there, Senator, because I have been speaking on this at some conferences. The mechanism will link to the VEA as it is at the moment. To the extent that the government's response to Clarke changes the VEA, that will automatically carry through to the new bill. Of course, that is subject to the draft bill on release reflecting that mechanism, but that is the nature of the mechanism we have talked about for some time with the veteran community and others.

Senator MARK BISHOP—Will the arrangements for psychiatric diagnosis, assessment and treatment be altered from the current VEA model?

Dr Johnston—The draft proposals that have been widely discussed, including with the opposition, indicated that the new bill would make use of GARP as the framework for assessment. I think it is reasonable to expect that that will still be the case. For the detail of that you need to wait for the draft bill.

Senator MARK BISHOP—Will there be a category of EDA in the bill?

Dr Johnston—I think you will have to wait.

Senator MARK BISHOP—Will there be a single line of admin review or will it maintain the current two-three split between VRB and AAT for veterans and AAT only for the ADF?

Dr Johnston—I think you need to wait for the new draft bill.

Senator MARK BISHOP—That review on warlike and operational service being conducted by the retired brigadier from ADF—I cannot recall his name.

Mr Maxwell—Webster.

Senator MARK BISHOP—Has that been concluded yet?

Mr Pearce—Brigadier Webster's review of the nature of service is expected to be completed some time towards the end of this year.

Senator MARK BISHOP—Will legal aid, non means tested, still be available for those with warlike service?

Dr Johnston—Legal aid is not a matter that is actually established in either the Veterans' Entitlement Act or the Military Compensation Scheme. I do not think it will be in the new bill either. That is a separate matter for determination elsewhere within the structure of government.

Senator MARK BISHOP—Is it proposed that the VEA war widows pension be retained as well, or will the MCRS model be enhanced?

Dr Johnston—I cannot answer that.

Senator MARK BISHOP—Is it addressed in the bill?

Dr Johnston—War widows and widows benefits of course have to be addressed in the new bill.

Senator MARK BISHOP—Can it be confirmed that the PIG is to be replaced by the GARP but with reduced lifestyle values to reduce costs?

Dr Johnston—I think I have already commented that the new bill will be based on GARP. For the rest of the detail, you will have to wait.

Senator MARK BISHOP—I heard you say that the bill was going to be based on GARP. Does that mean that PIG will not be in there?

Dr Johnston—I think that is what that means.

Senator MARK BISHOP—That is okay; I was just asking. Thank you for that, Dr Johnston; that was quite a useful discussion.

[10.16 p.m.]

Senator MARK BISHOP—I want to turn to outcome 2, on health. Could I have some information on the current state of ambulance cover for veterans in Queensland and the state of negotiations as to who pays for veterans?

Mr Telford—We currently have a contract with the Queensland Ambulance Service. That runs out at the end of June this year.

Senator MARK BISHOP—When was that originally negotiated? When did that contract begin? Was it a three-year contract?

Mr Telford—I do not have the answer to that with me.

Senator MARK BISHOP—It has been extant for some time, hasn't it?

Mr Telford—Yes, it has.

Senator MARK BISHOP—With the changes in legislation up there, have veteran pensions been excluded from the exemption from user-pays for pensioners?

Mr Telford—I do not understand the question, I am sorry.

Senator MARK BISHOP—For veterans who access ambulance services in the state of Queensland, who pays?

Mr Telford—What we are doing, with the ending of the current contract and the new arrangements in the new legislation, we will be approaching the Ambulance Service for a new contractual arrangement, depending upon the outcome of that current change in arrangements under legislation.

Senator MARK BISHOP—Are they shifting the cost to you?

Mr Telford—I think that it is a matter of looking at the existing costs structure which is being paid for currently by the department. I would not characterise it as a cost-shifting exercise.

Senator MARK BISHOP—Who currently pays when veterans access ambulances in Queensland? Who pays the ambulance cover?

Mr Stonehouse—I think you are referring to some decisions which I don't know a lot about, but I understand that the Queensland government made some new arrangements exempting certain concessional card holders from payment for ambulance service but not exempting veterans. As Mr Telford has said, our arrangements are that we pay for the services that veterans receive—we have in the past—and we will be renegotiating that with the Queensland government before the new contract takes effect.

Senator MARK BISHOP—So has it always been the practice for DVA to pay for services used by veterans in Queensland?

Mr Stonehouse—Yes.

Senator MARK BISHOP—What about in other states?

Mr Stonehouse—There is a mixture of arrangements and, by and large, the department has paid. I will have to take that question on notice to give you the detail state by state.

Senator MARK BISHOP—Didn't DVA pick up a bill for \$10.5 million in Victoria? When was that, Mr Farrelly?

Mr Farrelly—That was introduced recently. You will recall an increase at additional estimates. The department picked up ambulance fees for the first time in Victoria.

Senator MARK BISHOP—That was the first time, wasn't it?

Mr Farrelly—In Victoria.

Senator MARK BISHOP—Why was that? Why did you pick that up? Why did the department choose to accept a cost shift from the government of Victoria to the Commonwealth?

Dr Johnston—I think I should comment on that. There has been a general assumption between the Commonwealth and the states that, as a result of the Commonwealth moving to pay for the full cost of veterans in hospitals, in general for health and related services the Commonwealth will pay the way for veterans' requirements for services. Over the last two or three years there have been a number of areas that the states have progressively identified as being areas in which, they are of the view, the Commonwealth has not met that expectation.

From the Commonwealth's point of view, it has been rather a grey area and there are aspects that we need to continue to talk about with the states. Whether it is useful to use a term like cost shifting, I am not so sure, but it is an area where we need to negotiate with the states on an ongoing basis. You will recall some of the earlier discussion this evening on the costs that we are facing with Veterans' Home Care for HACC type services. That is another example of the same principle being worked out between the Commonwealth and the states at the moment.

Senator MARK BISHOP—It just struck me as intriguing when it was brought to my attention that, for the first time in over 100 years, the Commonwealth has started to pick up costs for residents in the state of Victoria which are covered by the government of Victoria via a levy for every other resident in that state except for those who serve their country—they stick it to the Commonwealth.

Dr Johnston—It is an area where the Commonwealth and the states perhaps need to have a slightly clearer understanding of how broadly that principle should be taken and, where it does not apply, on what basis veterans are covered by community wide arrangements.

Senator MARK BISHOP—Am I right to say that the principle is being extended up to the state of Queensland?

Mr Telford—As Mr Stonehouse said, we currently pay for services there for non-PCC gold card holders. What we negotiate at the end of this current contractual arrangement will depend upon the information provided by the state government and ourselves in the normal process of negotiations. I could not comment on whether that price will increase or not.

Senator MARK BISHOP—Does DVA pick up the costs for ambulance services in any other states at the moment?

Mr Stonehouse—As I suggested before, we will take that on notice and give you the full detail of the arrangements state by state.

Senator MARK BISHOP—I have had some representations from my colleague in the other house Mr Martin Ferguson concerning the provision of physiotherapy from a community centre, which I understand costs \$8 per session. It is not refundable but it is free elsewhere with a gold card, and it costs the taxpayer over \$40. There seems to be a bit of bureaucratic madness there. Is there no discretion within DVA to refund the \$8 charge to the veteran and hence avoid the higher costs through the use of a gold card?

Mr Stonehouse—Generally, we have arrangements with specific providers and we pay a fee for service which is negotiated with, in this instance, the APA—the Australian Physiotherapy Association. If someone chose to receive services through a community based service and there was a charge, no—we would expect they would receive the treatment through the facilities that we organised for that purpose.

Senator MARK BISHOP—No discretion. All right. I have also received representations concerning the vacant position of a community support officer at Port Macquarie, where it is said that such a position is badly needed full time. Can you tell me what the current position is? Is the job to be filled and, if so, when? Do you have that level of detail with you tonight?

Mr Stonehouse—I do not believe we have an office in Port Macquarie.

Senator MARK BISHOP—Staff vacancy in Lake Macquarie.

Mr Stonehouse—I am sorry, I thought you said Port Macquarie.

Senator MARK BISHOP—I did, actually, but it is Lake Macquarie.

Dr Johnston—I am advised that it is a position in a Centrelink office. It is part time and it has been advertised as a vacancy.

Senator MARK BISHOP—And not yet filled?

Dr Johnston—I do not believe so.

Senator MARK BISHOP—Do we know when it is going to be filled?

Dr Johnston—I am told the process is under way.

Senator MARK BISHOP—I am advised it has been vacant for over 12 months.

Dr Johnston—That may be correct.

Senator MARK BISHOP—Is that correct?

Dr Johnston—We understand so.

Senator MARK BISHOP—When was it advertised?

Dr Johnston—Recently, I take it. I think you had better give us the question and we will answer it on notice.

Senator MARK BISHOP—Do you know why it has been vacant for 12 months?

Dr Johnston—I cannot answer that.

Senator MARK BISHOP—Can you take on notice when it first became vacant, why it has remained unfilled, when it was advertised, when the interview process is going to occur, when it is planned to place a person in there and the hours that are involved in the part-time position.

Dr Johnston—Yes.

Senator MARK BISHOP—I received a letter of complaint from users of the hydrotherapy pool at Daw Park hospital in Adelaide. It now requires a copayment from veterans for a facility which was once free of charge. Do you have any advice on that issue?

Mr Stonehouse—I am not familiar with the exact arrangements at Daw Park. We are very particular about the circumstances in which we pay for hydrotherapy. We have to be very certain that it is a form of therapy and not someone learning to swim or undertaking a normal exercise program. We would have to take that on notice to give you a detailed answer.

Senator MARK BISHOP—Thank you. I am starting to get complaints again, this time from Tasmania, about transport. Veterans in remote areas are required to keep large sums of cash on them to pay taxi fares prior to reimbursement. I think the problem was eventually solved in Brisbane after repeated approaches up there. What is the situation down in Tasmania? Is that a matter for the local state manager?

Mr Telford—No, the situation relates across the country. I would have to get the detail to you on notice but, in general, there is the situation where veterans will be reimbursed for their

transport in particular circumstances and particular regions of the state or states that we are talking about. But I am happy to give you the details of the Tasmanian arrangement as it relates to reimbursements as opposed to ‘book car with driver’.

Senator MARK BISHOP—Has there been a bit of a toughening-up process instituted down there—

Mr Telford—Not that I am aware of.

Senator MARK BISHOP—to more rigorously apply the guidelines or to revisit the guidelines? There seems to have been a change in practice, and a number of people have written to me complaining about having to get and carry large sums of money.

Mr Telford—I can include that in our response, but it is not something I am aware of.

Senator MARK BISHOP—If you can take that on notice, that is fine. With respect to hearing services, I have had a number of representations from the members for the seats of Charlton, Brisbane and Banks concerning the fate of Better Hearing Australia, who it seems are no longer accepted as providers of hearing services to veterans. Is that correct?

Mr Telford—Not to my knowledge.

Mr Stonehouse—Our arrangements are with Australian Hearing Services. They may have been a subcontractor. I will have to take that on notice and find the detail for you.

Senator MARK BISHOP—The mob is called Better Hearing Australia. They have apparently been de-listed from providing hearing services in a number of areas. Do you know why that is?

Mr Telford—Given that our arrangements are through the office of Hearing Services, we would need to talk to them about what the particular arrangements are at the local level. That is all I can say.

Senator MARK BISHOP—I am advised by Better Hearing Australia that the DVA had until last year referred ex-service personnel who had suffered hearing loss attributable to war service to Better Hearing Australia for hearing rehabilitation. That practice has apparently ceased. A number of members of parliament—from Newcastle, Brisbane and Nundah—have written to me, complaining about this.

Mr Stonehouse—We have had many complaints over the years about not allowing access to private hearing aid manufacturers. We have stuck with the quasi-government supplier, through the office of Australian Hearing Services, which provides a range of hearing aids. We have that process monitored through a representative on our National Treatment Monitoring Committee, Mr Agnew from Legacy, who himself has significant hearing difficulties, so I am surprised to hear that what is currently a commercial organisation says that we were using them.

Senator MARK BISHOP—Let me read you this letter:

For over 10 years now, Veterans’ Affairs members have had their membership fees and hearing loss rehabilitation & lip-reading classes at Better Hearing Australia Newcastle paid by the Department of Veterans’ Affairs.

Just recently we were advised by the Department of Veterans' Affairs that they would no longer be paying these fees for their members as there was "no legislative basis for the payment of this fee to Better Hearing Australia in either the Veterans' Entitlement Act or the Treatment Principles".

It goes on and on.

Mr Stonehouse—At least the letter supports my view on there being no legislative basis for it. I think we will have to take that on notice.

Senator MARK BISHOP—Can you take on notice what the background to that is, why that particular organisation has been de-listed, whether there was any complaint about the services it had provided, and the nature of those complaints, and what would prevent Better Hearing from being restored to the provider list?

Mr Stonehouse—Yes.

Senator MARK BISHOP—Over the past few months I have also had a number of complaints about the provision of repatriation aids and appliances. There was a veteran in Brisbane who needed his food blender replaced, but the department refused to replace a previously supplied blender. There was the proposal to eliminate the issue of prosthetic limbs. The DVA in New South Wales was thinking about changing the guidelines for the provision of spare limbs. There was the case of Mr Farquhar in Brisbane. Now I am getting a number of problems referred in New South Wales, where it is said that the DVA is in the process of stopping the supply of oxygen to veterans in nursing homes. Has the department issued new guidelines for the RAP?

Mr Telford—No.

Senator MARK BISHOP—Why is there this apparent rash of tough measures?

Mr Telford—I do not quite understand. You would be aware that we are going through a process of trying to develop better responses to RAP. We are looking at greater consistency and greater capacity for the program to deliver outcomes across the country which relate to better practice, better quality and better cost of services. That relates to tenders which are at various stages of finality in relation to various product groups. None of that has yet had, and will not have, any impact upon the delivery of the services to the veterans. It may well be that there is some confusion in the veteran community surrounding the current activity being undertaken by the department, but I certainly am not aware of any of the sorts of cases you are drawing to our attention.

Mr Stonehouse—The issue of the supply of oxygen and other items, which would normally be provided by a nursing home as part of the residential care arrangements, are issues that we do have arguments and debates about from time to time. But our basic approach is that we do not provide items, such as oxygen, which would normally be provided as part of a person's care in a residential care facility, so that may well be the situation in relation to that item. That is consistent with the Department of Health and Ageing's approach, guidelines and controls for the residential care facilities.

Senator MARK BISHOP—Whilst you may not have supplied the oxygen, for example, have you paid for its supply?

Mr Stonehouse—I would not say that we never have, but we should not have.

Senator MARK BISHOP—Why do you say you should not have?

Mr Stonehouse—Because it is covered as part of the Commonwealth's wider payments for the supply of items that people need when they are in residential care facilities.

Senator MARK BISHOP—Are you saying that, if oxygen supplies or payment for oxygen use in appropriate centres was provided by the department in the past, it was either provided or paid for in error? Is that what you are saying?

Mr Stonehouse—You asked me if we had ever paid. We may have and, in that case, it would have been in error. I was trying to be precise in my answer.

Senator MARK BISHOP—Has DVA entered into some contractual negotiations with Air Liquide?

Mr Stonehouse—We are currently entering into a range of contracts, as I mentioned earlier, with a range of providers across the country. Air Liquide is currently one of those we are in negotiations with in terms of the oxygen contracts across the country.

Senator MARK BISHOP—Where have Air Liquide been given the oxygen contracts?

Mr Stonehouse—As far as I am aware, we have not actually let any contracts with Air Liquide yet.

Senator MARK BISHOP—What about Bankstown, Newcastle and Yallambee Village?

Mr Stonehouse—Are you talking about existing contracts or about contracts in relation to the new arrangements under the product groups I mentioned earlier?

Senator MARK BISHOP—I am talking about contracts that were in existence in February, March and April this year.

Mr Stonehouse—I would have to check on those. I do not have those details with me.

Senator MARK BISHOP—I have had a range of complaints from Bankstown City Aged Care Ltd—

Mr Stonehouse—There would be existing contracts; it is just that I would need to check on the locations that you mentioned.

Senator MARK BISHOP—Yes, here is one:

Air Liquide Healthcare has been informed that, effective 1 March 2003, Department of Veterans' Affairs (DVA) will no longer be responsible for payment of oxygen to all veterans residing in public Residential Care Facilities, other than those for clients pre-approved for portable oxygen. At the beginning of May 2003 we will be invoicing your facility for veterans receiving service in March and April of 2003.

That is on Air Liquide letterhead.

Mr Stonehouse—That is relevant to the issue I was just referring to about payments in residential care facilities.

Senator MARK BISHOP—It apparently has been the practice for DVA to cover the cost, and that has now changed.

Mr Stonehouse—If it had been our practice, it was not appropriate that it should have been. From time to time we have a look at what is going on around the place and say to

ourselves, 'Is this right or wrong?' That is part of the normal review of our practices that goes on all the time right across the health services we provide.

Senator MARK BISHOP—Perhaps, Mr Stonehouse, you are not well-informed. It says: ... the Department of Veterans' Affairs will no longer be responsible for payment of oxygen ...

Mr Stonehouse—What I am saying to you is that that may well be the case. You are suggesting to me that we might have paid in the past, and I am agreeing with you. But that does not make it right.

Dr Killer—I think the issue here is that it is the provision of oxygen in residential care. We still provide oxygen in a non-residential care arrangement. But in the residential care facility arrangement, the oxygen and the other supplies should be provided under the Commonwealth payment arrangements to the residential care facility. It should not be the responsibility of DVA to top up and provide this oxygen. It is the responsibility of the residential care facility not DVA.

Senator MARK BISHOP—And you say that that is part of it?

Dr Killer—I suspect that that is the issue here. Maybe in the past we have been paying for it inadvertently. But for out of residential care facilities, if there is an assessed need for the provision of oxygen for a veteran, the department would pay for it.

Senator MARK BISHOP—Could you take on notice to report on what the previous situation was, what the current guidelines are, what the changes are and what the current practice is in terms of the provision of oxygen and the payment of services in residential care so that I can advise my colleagues?

Mr Stonehouse—Yes.

Senator MARK BISHOP—If we turn now to WA partnering, I am pleased to see that that issue has been resolved at long last. I refer you to the minister's media release of 7 May concerning the deal done with Ramsay Health Care in Perth. Could you explain the detail of the agreement for the record?

Dr Johnston—I think the minister's press release laid out in full the nature of the agreement.

Senator MARK BISHOP—What is the nature of that agreement?

Dr Johnston—The agreement is that, in metropolitan Perth, we will move to tender for tier 1 hospital provision outside a 20-kilometre radius. Across metropolitan Perth we will tender for tier 2 hospital services. So those hospitals can provide services when veterans cannot satisfactorily get access to tier 1 facilities. The agreement with Ramsay Health Care is that we will make a transition payment to assist them in handling within their institution the ramifications of those changes. In 2006, at the end of the current contract with Ramsay, we will move to full veteran partnering in metropolitan Perth, similar to that applying in most other states, and again assist Hollywood Hospital in making the transition in that new environment. To ensure that Hollywood Hospital remains a centre of excellence in veteran care, we will continue funding teaching and research activities focused particularly on veteran aged care and elder friendly care in that hospital for two years. So that would be for the balance of 2006 and 2007.

Senator MARK BISHOP—Was the agreement that was eventually reached dictated in part by a view that Ramsay had an effective monopoly over veterans health care in Western Australia and that there was a need to address that issue?

Dr Johnston—I am not sure of the intent of your question. In this place, in previous estimates committees, we have talked about the nature of the contract and the arrangements in Perth. We have consistently explained to you that our approach to the provision of hospital services in Perth has reflected the historical approach and the strong view of veterans that that has been their preference. We have also made it clear that, if veterans' views changed we would be prepared to discuss possible new arrangements with the veteran community and interested institutions, and that in effect is what has happened.

Senator MARK BISHOP—What caused the department to change its mind on its assessment of the attitude of the veterans' organisations in Western Australia? I think we had a discussion about this in February.

Dr Johnston—We have had, in previous estimates committees. There has been a sequence of events, as you are aware. There were a number of meetings by a range of veteran organisations indicating a wish that we review the arrangements in Perth, but it was not clear to us at that point that that represented the majority view. But then the RSL, in its internal discussions, decided it also had a preference to have a review of the arrangements and, once that became clear, we felt there was a need to review the arrangements in that city. We thought it best to try to take to the veteran community a proposed way forward that we thought would meet all the interests, and that has proven to be the case.

Senator MARK BISHOP—Why was the figure of 20 kilometres chosen? What was the basis of that? Why not 15 kilometres or 20 kilometres? Was it intended to achieve particular population centres?

Dr Johnston—No, I think the rationale is that, the closer in the boundary is to Hollywood Hospital, the more likely it is there will be a shift of veteran services away from Hollywood Hospital and the bigger the adjustment process by that hospital. Veterans have certainly been concerned about the adequacy of access to private hospital services in the outer regions of Perth. It was just a matter of making a sensible decision on the basis of those judgments. It is interesting that the group that was initially seeking change did propose 20 kilometres, and that seemed sensible to us and to Ramsay.

Senator MARK BISHOP—I was not being critical; I just wanted to know.

Dr Johnston—I am just explaining it.

Senator MARK BISHOP—There are some transition costs of two lots of half a million dollars a year, from memory.

Dr Johnston—The agreement is to provide transition assistance at the rate of half a million dollars a year. The actual payment will depend on when we get the new contracts into place.

Senator MARK BISHOP—Do those figures appear in the PBS?

Dr Johnston—Yes.

Senator MARK BISHOP—Can you show me the line item? I could not find it.

Dr Johnston—It is not a line item. It is notionally in the aggregate forward estimates, but, as you understand, these are very small amounts that would get lost in there.

Senator MARK BISHOP—So it would be in the health forward estimates—the \$1.4 billion.

Dr Johnston—That is correct.

Senator MARK BISHOP—Within that 20-kilometre radius, does Hollywood have exclusive private hospital rights?

Dr Johnston—It will be the sole private tier 1 hospital within that radius until 2006.

Senator MARK BISHOP—That answers my question.

Mr Stonehouse—To add to that answer: there will be other tier 2 hospitals—that is, hospitals that require prior approval—within the 20 kilometres that will be able to take overflow or, in other circumstances, take patients. I am just responding to the exclusivity of the wording, because it is not totally exclusive.

Senator MARK BISHOP—I suppose it is not, but it is 99 per cent exclusive because the tier 2 access is just for after-hour emergency and excess and overflow.

Mr Stonehouse—That is right.

Senator MARK BISHOP—I am just doing some prioritising of my questions. Are we finishing at 11.30 or 12?

CHAIR—We are finishing at 11, by prior agreement.

Senator MARK BISHOP—In that case, we might just have an in-passing discussion about Gallipoli this year. Welcome again, Air Vice Marshal. Can I have an update on the outcomes of the Gallipoli ceremony this year with respect to crowd behaviour? Did we have any of those problems we had in previous rounds?

Air Vice Marshal Beck—I am not sure we had any problems previously, Senator.

Senator MARK BISHOP—That has always been your position. That is right; we have a difference.

Air Vice Marshal Beck—There were various opinions about the music. This year we did control the music in the evening. We supplied our own CDs but we also had an act performed by a Victorian artist, Jan Wozitsky, who put on a live show for about 50 minutes, which seemed to be well received. Other than that, there were no particular problems that we perceived. The big changes, of course, were the much higher security and a much larger number of young Turkish people attending—a big increase. But, no, I do not believe there were any particular problems.

Senator MARK BISHOP—I just wanted to get you on the record. What Australian security agencies or people were in Turkey at the time doing the precautionary work?

Air Vice Marshal Beck—I cannot really comment on that.

Senator MARK BISHOP—Why is that?

Air Vice Marshal Beck—There was a security team, of which I was part, who went over there prior to Anzac Day that had meetings with Turkish authorities. There was some representation afterwards, but the security was entirely provided by the Turkish authorities—the gendarmes and Turkish Army.

Senator MARK BISHOP—I was not addressing that. I was asking which agencies from Australia were involved in your preparatory work prior to Anzac Day? Were the AFP involved?

Air Vice Marshal Beck—No. The AFP were not involved, but I am not sure I am in a position to say what security agencies were involved.

Senator MARK BISHOP—Why is that?

Air Vice Marshal Beck—Because I think the involvement by some of them was secure.

Senator MARK BISHOP—And some of it was not secure because it was on the web site from DFAT.

Air Vice Marshal Beck—Sorry, from DFAT?

Senator MARK BISHOP—Yes. It is on the web site, for goodness sake—

Air Vice Marshal Beck—I am not sure whether there are any security—

Senator MARK BISHOP—and reported in the press. Why is the name of the agency that supplied personnel secure, for goodness sake?

Air Vice Marshal Beck—They never told me that either, Senator.

Senator MARK BISHOP—Were you involved in it?

Air Vice Marshal Beck—I met them there and showed them over Gallipoli Peninsula, but I was not part of the security team. I was there with them and I attended the meetings with them.

Dr Johnston—We can see if we can provide you with that information on notice.

Senator MARK BISHOP—Perhaps it might be a lesson for the future. Maybe I am asking the wrong agency. Who did the coordination of the security work for Anzac Day in Gallipoli?

Air Vice Marshal Beck—The Turks. The Australian Embassy coordinated it on the Australian site.

Senator MARK BISHOP—Which Australian government agencies were involved in that process?

Air Vice Marshal Beck—We will take that on notice. I am not sure I can answer that.

Senator MARK BISHOP—I must have made some amazing response. I do not understand why you are reluctant to—

Air Vice Marshal Beck—I am not sure I know them. I was not part of the security team. I was there to escort them around but I am not sure—

Senator MARK BISHOP—You do not know who you were escorting around?

Air Vice Marshal Beck—No. That is the nature of security. I do not mean—

Senator MARK BISHOP—You do mean to be impertinent.

Air Vice Marshal Beck—I do not mean to be impertinent, Senator. I do not know; I was not part of the team. I said that we will take it on notice. I do not know the names of the bodies, Senator.

Senator MARK BISHOP—All right.

Air Vice Marshal Beck—Senator, if I knew who they were I would tell you. I do not know the names of them.

Dr Johnston—I think it is clear, Senator, that we were not the lead agency for securing—

Senator MARK BISHOP—I think we might leave this particular topic and we will go to a topic that I was not intending to address. I would like to refer the department to some recent publicity concerning improper use of the Internet by staff—press reports in the *Sunday Telegraph* and, prior to that, in the *Canberra Times*. Can I have an update on the current investigation being conducted?

Dr Johnston—We put out a staff notice on Monday advising the outcome of those reviews. They are now completed.

Senator MARK BISHOP—What was the nature of the investigation?

Dr Johnston—Improper access to the Internet.

Senator MARK BISHOP—How many staff originally were detected using the system to access pornographic material through any channel?

Dr Johnston—I think the press reports referred to 30 staff under investigation. That is not entirely accurate. What we did was audit the whole staff community's use of the Internet over a period of months and identify any areas where, on the information available, we were not satisfied that we could explain that usage. Then through a very careful process we identified where we needed to make further inquiries. A number of staff were identified. Where we could not, on the basis of that information, decide whether the usage was appropriate or not, those staff were either interviewed directly by our investigation team or were written to and asked to explain the circumstances of their usage.

Senator MARK BISHOP—How many staff were involved?

Dr Johnston—In terms of the actual numbers that were either written to or interviewed the number was 41 staff.

Senator MARK BISHOP—What levels of classification top to bottom were involved?

Ms Spiers—Generally it was across the range in terms of the levels classification, from APS to above.

Senator MARK BISHOP—What was the most senior level?

Ms Spiers—EO2.

Senator MARK BISHOP—How many staff were found to be—

Ms Spiers—Sorry, there was an SES officer as well.

Senator MARK BISHOP—Who conducted the investigation?

Ms Spiers—Ian Campbell, the Deputy President of the Repatriation Commission, was appointed to investigate the inappropriate access.

Senator MARK BISHOP—What is Mr Campbell's authority to do it? Isn't his appointment a statutory authority?

Ms Spiers—There is a power under the Public Service Act—I do not have it with me today—that allows the secretary to delegate to another to do an investigation, and that includes a statutory office holder.

Senator MARK BISHOP—So the secretary of the department has the power to delegate the deputy president to carry out the investigation of Public Service officers?

Ms Spiers—That is correct.

Dr Johnston—You will be aware, Senator, that while he is deputy president in many of his responsibilities he acts equivalent to a deputy secretary so—

Senator MARK BISHOP—But he does not hold such an appointment, does he?

Dr Johnston—That is certainly true, Senator.

Senator MARK BISHOP—I know there can be a co-mingling of functions but he does not have any direct authority as a—

Dr Johnston—His appointment is a statutory appointment not as a deputy secretary.

Senator MARK BISHOP—Is the department satisfied with the adequacy of its guidelines?

Dr Johnston—In the staff notice that I circulated on Monday we advised staff that several staff had penalties imposed in terms of salary remuneration and a small number of staff had been either formally reprimanded or warned that their conduct was inappropriate and would be a matter that was watched. I give you those points, Senator, to make the point that, as a result of a comprehensive audit of all our staff and contractors working on-site—which are some 2,500 to 3,000 at any point in time—over a period of three months we had some half-dozen staff either formally reprimanded or penalised in terms of salary. I do not think that amounts to a situation where, in a sense, conduct is totally out of court.

The behaviour of the officers concerned is of considerable concern. The painstaking nature of the audit and of our process would indicate that we take this most seriously. But I am pleased to say that, as a result of that investigation, the numbers of staff about whom there is a need for serious concern is relatively small.

Senator MARK BISHOP—Have any staff been dismissed?

Dr Johnston—No, Senator.

Senator MARK BISHOP—How many visits to pornographic sites were reported?

Ms Spiers—That is a very difficult question to answer. As part of the investigation the system recorded the number of hits. The number of hits is a measure of how many times the proxy server log records aspects of an image.

Senator MARK BISHOP—I understand that. How many hits were there on the inappropriate sites?

Ms Spiers—It varied from as low as two hits—so that would have been one screen, I am presuming—to the highest, which was around about the 7,000 hits.

Senator MARK BISHOP—What was the total number of hits?

Ms Spiers—For all of the people? I do not have the information.

Senator MARK BISHOP—Will you take it on notice?

Ms Spiers—Certainly.

Dr Johnston—In respect of that number, one of the real difficulties that the Internet presents—and it is widely known by the community that make regular use of the Internet—is the aggressive marketing and use of spam and the like, which is very aggressive and forceful. In a lot of the cases that came to light as a result of this audit we accepted on the basis of the evidence that this was in no sense intentional by our staff or evidence of their inappropriate behaviour. I think we will try to give you a set of statistics that reflects where we believe the conduct of our staff was certainly inappropriate on the evidence that we now have.

Senator MARK BISHOP—I refer you to an answer given to a question on notice following additional estimates in February last year where it was revealed that in a sample month there were 56,000 visits to individual domains in that month of which 13,000 were Australian and about 3,000 government sites, leaving about 40,000 sites visited overseas. When you extrapolated the figures it was something in the order of 678,000 for the year. How many staff need to access international web sites?

Dr Johnston—I am not sure that is easily answered. Certainly we have areas of work by our staff where the information is of an international nature. The various research functions that we have exercised in the department would be an example of that. Commemorations would be another area—

Senator MARK BISHOP—I accept commemorations, the Office of War Graves and the Australian War Memorial. Apart from those areas, of the 2,200 staff you have what is the need to be accessing almost 700,000 international web sites per annum?

Ms Spiers—From my own experience, my branch in people services would also be accessing international sites to look at best practice in HR and IR areas, and I imagine that most of the policy areas have a similar interest in seeing what overseas companies are doing in the various specialist fields. Software development is another area. I imagine the Information Management Unit does look at development work and development sites in the overseas context as well.

Senator MARK BISHOP—I will put the remainder of my material on notice. I thank Dr Johnston and the other officers for attending this evening.

CHAIR—Thank you, Dr Johnston, and thank you to all the officials of DVA. We are sorry for having kept you up so long or having kept you waiting for so long. We look forward to seeing you all later in the year.

Committee adjourned at 11.05 p.m.