



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

ESTIMATES

**(Additional Estimates)**

WEDNESDAY, 15 FEBRUARY 2006

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE****FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE****Wednesday, 15 February 2006**

**Members:** Senator Johnston (*Chair*), Senator Hutchins (*Deputy Chair*), Senators Mark Bishop, Ferguson, Payne and Stott Despoja

**Senators in attendance:** Senators Adams, Mark Bishop, Chris Evans, Faulkner, Ferguson, Fierravanti-Wells, Forshaw, Hogg, Hutchins, Johnston, Joyce, Ludwig, Payne, Robert Ray and Trood

**Committee met at 9.01 am**

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

Minister the Hon. Ian Campbell, Minister for the Environment and Heritage

**Department of Defence****Portfolio overview and major corporate issues****Portfolio overview****Budget summary (financial statements, capital investment budget and improvement initiatives)****Capability development**

Mr Ric Smith, Secretary of Defence, AO, PSM

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

Lieutenant General Ken Gillespie, Vice Chief of Defence Force, AO, DSC, CSM

Lieutenant General David J. Hurley, Chief Capability Development Group, AO, DSC.

Dr Stephen Gumley, Chief Executive Officer Defence Materiel Organisation

Mr Phillip Prior, Chief Finance Officer

Mr George Veitch, First Assistant Secretary Budgets and Financial Planning

Mr Jon Collings, Assistant Secretary Planning and Budgeting

Mr Mark Jenkin, Assistant Secretary Financial Strategy and Reporting

Ms Diane Fielding, Acting First Assistant Secretary Financial Services

Rear Admiral Matt J. Tripovich, Head Capability Systems, AM, CSC

Dr Ralph Neumann, First Assistant Secretary Capability Investment and Resources

Rear Admiral M.F. Bonser, Head Military Justice Implementation Team, AO, CSC

Air-Vice Marshal Christopher Spence, Commander of Joint Logistics, AO

Brigadier Philip Edwards, Director Defence Stock take Remediation Project CSC, BM

**Defence Materiel Organisation****Outcome 1: Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel****Output 1.1: Management of Capability Acquisition (including Major Capital Equipment projects)****Output 1.2: Capability Sustainment**

**Output 1.3: Policy Advice and Management Services**

Dr Stephen Gumley, Chief Executive Officer Defence Materiel Organisation  
Mr Norm Gray, Deputy Chief Executive Officer Defence Materiel Organisation  
Dr Ian Williams, Chief Finance Officer Defence Materiel Organisation  
Mr Frank Lewincamp, Chief Operating Officer, Defence Materiel Organisation  
Air-Vice Marshal Clive Rossiter, Head Aerospace Systems Division  
Ms Shireane McKinnie, Head Electronic and Weapon Systems Division  
Rear Admiral Trevor Ruting, Head Maritime Systems Division, AM, CSC  
Mr Colin Sharp, Head Land Systems, AM, CSC  
Dr Robert Bourke, Acting Head Industry Division  
Ms Gillian Marks, General Counsel, Defence Materiel Organisation  
Mr Kim Gillis, Program Manager Amphibious Deployment and Sustainment  
Commodore Andrew Cawley, Director General Engineering Air Warfare Destroyer  
Brigadier David McGahey, Director General Materiel Information Systems  
Commodore Boyd Robinson, Director General Submarines  
Commodore Drew McKinnie, Director General Major Surface Ships  
Brigadier David Welch, Director General Land Combat Systems  
Brigadier Grant Cavenagh, Director General Land Manoeuvre Systems  
Mr Paul Consiglio, Director General Land Engineering Agency

**Major Capital Facilities projects**

Mr Alan Henderson, Deputy Secretary Corporate Services, PSM  
Mr Geoffrey Beck, Head Infrastructure Division  
Ms Chris Bee, Assistant Secretary Strategic Planning and Estate Development  
Air Commodore Brian (Jack) Plenty, Director General Headquarters Joint Operations Command Project, AM  
Mr Alan McGrath, Acting Director General Infrastructure Asset Development

**Defence Outcomes****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**

Lieutenant General Ken Gillespie, Vice Chief of Defence Force, AO, DSC, CSM  
Rear Admiral Russ Crane, Commander Joint Operations, Director General Coastwatch  
Rear Admiral Rowan Moffitt, Deputy Chief of Joint Operations, AM

**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, meteorological and oceanographic operations**

Vice Admiral Russ Shalders, Chief of Navy, AO, CSC

Rear Admiral Max Hancock, Deputy Chief of Navy

Mr David Spouse, Director General, Navy Business Management

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

**Output 3.1: Capability for special operations**

**Output 3.2: Capability for medium combined arms operations**

**Output 3.3: Capability for light combined arms 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 combined arms operations**

**Output 3.10: Capability for protective operations**

Lieutenant General Peter Leahy, Chief of Army, AO

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

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

**Output 4.1: Capability for air combat operations**

**Output 4.2: Capability for combat support of air operations**

**Output 4.3: Capability for surveillance and response operations**

**Output 4.4: Capability for airlift operations**

Air Marshal Geoff Shepherd, Chief of Air Force, AM

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

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

**Output 5.1: International policy, activities and engagement**

**Output 5.2: Strategic policy and military strategy**

Mr Michael Pezzullo, Deputy Secretary Strategy

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

**Output 6.1: Intelligence**

Mr Shane Carmody, Deputy Secretary Intelligence and Security

Mr Timothy Scully, Head Defence Security Authority

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

**Output 7.1: Superannuation support services for current and retired defence personnel**

**Output 7.2: Housing assistance for current defence personnel**

**Output 7.3: Other administered expenses and revenue**

**Business processes**

**Inspector General**

Mr Claude Neumann, Inspector General

**Chief Information Officer**

Air Vice-Marshal John Monaghan, Chief Information Officer, AM

Mr Peter Lambert, Head Information Systems Division

**Corporate Services**

Mr Mark Cunliffe, Head Defence Legal

Air Commodore Simon Harvey, Director General Australian Defence Force Legal Service

Dr David Lloyd, General Counsel  
Mr Frank Roberts, Head National Operations Division, AO  
Brigadier Elizabeth Cosson CSC Director-General Regions and Bases  
Ms Alison Clifton, Assistant Secretary Business Services  
Mr Lindsay Kranz, Assistant Secretary Personnel Services  
Mr John Diercks, Assistant Secretary Technical and Facilities Services, ASM

**Coordination and Public Affairs**

Mr Peter Jennings, Chief of Staff Australian Defence Headquarters / Head of Coordination and Public Affairs

**People****Defence Personnel**

Major General Mark Evans, Head Defence Personnel Executive, DSC, AM  
Air-Vice Marshal Tony Austin, Head Defence Health Service, AM  
Mr Peter Sharp, First Assistant Secretary Personnel  
Brigadier Simon Gould, Director General Defence Force Recruiting, DSC  
Mr Steve Grzeskowiak, Director General Occupational Health and Safety and Compensation  
Mr Peter Lush, Director General Personnel Systems  
Ms Janet Stodulka, Director General Defence Community Organisation  
Mr Geoff Earley, Inspector General ADF, AM

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

**Outcome 1: Eligible veterans, serving and former defence force members, their war widows and widowers and dependents have access to appropriate income support and compensation in recognition of the effects of war and defence 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**

**1.5: Incapacity payments, non-economic lump sums through MCRS**

**1.6: Individual merit reviews of MCRS decisions**

**1.7: Incapacity payments, non-economic lump sums through MRCA**

**1.8: Individual merit reviews of MRCA decisions**

Mr Mark Sullivan, Secretary  
Mr Ed Killesteyn, Deputy President  
Mr Barry Telford, Division Head, Compensation and Support  
Mr Ken Douglas, Division Head, Health  
Mr Paul Pirani, Branch Head, Legal Services  
Ms Carolyn Spiers, Branch Head, Veterans' Compensation  
Mr Wayne Penniall, Branch Head, Aged and Community Care  
Mr Mark Johnson, Branch Head, Disability Compensation  
Ms Jeanette Ricketts, Branch Head, Income Support  
Ms Peta Stevenson, Branch Head, Business Modernisation and Integration



Ms Helen Devlin, Acting Branch Head, Defence Links

**Outcome 2: Eligible veterans, serving and former defence force members, 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**

**2.3: Deliver medical, rehabilitation ... under MCRS**

**2.4: Deliver medical, rehabilitation ... under MRCA.**

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Mr Ken Douglas, Division Head, Health

Mr Barry Telford, Division Head, Compensation and Support

Dr Graeme Killer, Principal Medical Adviser

Mr Wayne Penniall, Branch Head, Aged & Community Care

Mr David Morton, Branch Head, Vietnam Veterans' Counselling Service

Mr Adam Luckhurst, Acting Branch Head, Health Infrastructure

Mr Richard Bartlett, Acting Branch Head, Hospitals and Business Development

Mr Roger Winzenberg, Branch Head, Health Services

**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.**

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Ms Kerry Blackburn, General Manager, Commemorations and War Graves

Mr Ian Kelly, Branch Head, Commemorations

Mr Geoff Stonehouse, Acting Director, Office of Australian War Graves

Ms Kathy Upton-Mitchell, Deputy Director, Office of Australian War Graves

Mr Matthew Cartledge, Director, Gallipoli Projects

**Outcome 4: The veteran and defence communities have access to advice and information about benefits, entitlements and services.**

**4.1: Communication, community support .... to the veteran community and providers, including veterans' local support groups.**

**4.2: Advice and information to members of the defence force community ... under the MCRS**

**4.2: Advice and information to members of the defence force community ... under the MRCA.**

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Ms Jo Schumann, Acting General Manager, Corporate

Mr Chris Harding, General Manager, Business Integrity

Mr Ken Douglas, Division Head, Health

Mr Barry Telford, Division Head, Compensation and Support

Mr Pablo Carpay, Branch Head, Parliamentary and Corporate Affairs

Mr Neil Bayles, Chief Finance Officer  
Mr Bob Hay, Chief Information Officer  
Mr Wayne Penniall, Branch Head, Aged and Community Care  
Mr Mark Johnson, Branch Head, Disability Compensation  
Ms Peta Stevenson, Branch Head, Business Modernisation and Integration

**Outcome 5: Serving and former defence force members and dependents have access to support services provides through joint arrangements between DVA and Defence.**

**5.1: Joint Defence/DVA projects.**

Mr Mark Sullivan, Secretary  
Mr Ed Killesteyn, Deputy President  
Ms Jo Schumann, Acting General Manager, Corporate  
Mr Chris Harding, General Manager, Business Integrity  
Mr Ken Douglas, Division Head, Health  
Mr Barry Telford, Division Head, Compensation and Support  
Mr Pablo Carpay, Branch Head, Parliamentary and Corporate Affairs  
Mr Neil Bayles, Chief Finance Officer  
Mr Bob Hay, Chief Information Officer  
Mr Wayne Penniall, Branch Head, Aged and Community Care  
Mr Mark Johnson, Branch Head, Disability Compensation  
Ms Peta Stevenson, Branch Head, Business Modernisation and Integration

**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.**

Mr Mark Sullivan, Secretary  
Mr Ed Killesteyn, Deputy President  
Ms Jo Schumann, Acting General Manager, Corporate  
Mr Chris Harding, General Manager, Business Integrity  
Mr Barry Telford, Division Head, Compensation and Support  
Mr Pablo Carpay, Branch Head, Parliamentary and Corporate Affairs  
Mr Paul Pirani, Branch Head, Legal Services  
Mr Neil Bayles, Chief Finance Officer  
Mr Bob Hay, Chief Information Officer  
Ms Olivia Witkowski, Branch Head, People Services

**CHAIR (Senator Johnston)**—Good morning. I declare open this public hearing of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Ian Campbell, Minister for the Environment and Heritage, representing the Minister for Defence; Air Chief Marshal Angus Houston, Chief of Defence; and Mr Ric Smith, Secretary of the Department of Defence, together with each of the service chiefs, the Vice Chief of the Defence Force and officers from the Defence organisation.

On 8 February 2006, the Senate referred to the committee for examination particulars of proposed additional expenditures, appropriations and other financial outcomes in respect of the year ending 30 June 2006. The committee will consider these additional estimates for the Defence organisation, commencing with a portfolio overview. We will then move on to the outcomes.

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 and the questions will be forwarded to the department for answer. The committee has resolved that Thursday, 30 March 2006 is the return date for answers to questions taken on notice at these hearings.

Before we start there are a few formal procedural matters to go through. Senate standing order 26(2) requires that all evidence taken during estimates hearings must be in public session. That includes answers to questions on notice. There is no capacity to receive evidence, including answers to questions on notice, in camera or on a confidential basis. All answers given will be automatically published in *Hansard* upon receipt by the committee. It is the responsibility of witnesses to ensure that answers are accurate and that there are no impediments to them appearing on the public record. I also draw attention to the privilege resolutions agreed to by the Senate on 25 February 1988 concerning the conduct of Senate committees. I draw attention in particular to resolutions 1(9), 1(10) and 1(16). Privilege resolution 1(9), which deals with the question of relevance, reads as follows:

A chairman of a committee shall take care to ensure that all questions put to witnesses are relevant to the committee's inquiry and that the information sought by those questions is necessary for the purpose of that inquiry. Where a member of a committee requests discussion of a ruling of the chairman on this matter, the committee shall deliberate in private session and determine whether any question which is the subject of the ruling is to be permitted.

The Senate endorsed in 1999 the following test of relevance of questions at estimates hearings:

Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I ask senators to bear this in mind when framing questions and to stay focused on the question of relevance. I further advise that 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. I also remind senators and officers that privilege resolution 1(16) states:

An officer of a department of the Commonwealth or of a State shall not be asked to give opinions on matters of policy, and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a Minister.

An officer of a department of the Commonwealth may be asked to explain government policy, describe how it differs from alternative policies and provide information on the processes by which a particular policy was selected. Evidence given to the committee is of course 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. Minister, do either you or the Chief of Defence Force have an opening statement?

**Senator Ian Campbell**—I do not think anyone has an opening statement.

**CHAIR**—We will commence with the portfolio overview.

**Senator MARK BISHOP**—I welcome Air Chief Marshal Houston, the minister and Mr Smith. On the basis that there are no statements, we might firstly turn to international

operations and start with the issue of our current role in Iraq and ask some questions on that. Firstly, what is the current state of play of the troop mission in Al Muthanna? What is their current mission and purpose?

**Air Chief Marshal Houston**—At present in Al Muthanna we have about 460 people. They are involved with providing security for the Japanese engineers, who are embarked on a very important and substantial humanitarian mission in Al Muthanna. We are also in the process of training another Iraqi battalion, and that training is proceeding very well. I visited Al Muthanna in mid January and I observed how things were going. I travelled in one of our Bushmaster vehicles for about an hour and a half through the province. Our people are being very well received. The body language that I observed indicated that our people are highly respected for their approach. Their approach is very restrained and very sensible and they have been very well received by the people of Al Muthanna. I might add that the issue of combat equipment has come up in recent times. I went to every location—

**Senator MARK BISHOP**—I might interrupt you there. My office gave a list of today's likely headings for discussion to the secretary of the committee yesterday, and I asked that it be passed on to ADF so that you would be aware of where the opposition was heading with its questions. There will be a fairly significant session on equipment, clothing and those issues that have been in the press for the last three or four days later on in today's proceedings.

**Senator Ian Campbell**—The question is being answered and Air Chief Marshal Houston is going through one-to-one contact that he has had in the field and is providing the committee with some feedback from on the ground, and it is entirely appropriate that Air Chief Marshal Houston give feedback to the parliament on his contact with our troops in the field.

**CHAIR**—Unless the senator does not want the feedback. I am—

**Senator Ian Campbell**—We can go into it in detail. It is an issue that needs exposure.

**CHAIR**—The question seemed to be a wide-ranging question, and I thought it was being answered.

**Senator Ian Campbell**—At the time I read the papers last week, I had only recently had contact with General Leahy, and the first thing I said to myself after reading those was that it would be interesting to know what our senior Defence people interacting with our forces in the field were getting in terms of feedback. It is a unique opportunity for us to get that feedback from senior Defence people who have been in the field. Please, Mr Chairman, allow Air Chief Marshal Houston to continue.

**Senator MARK BISHOP**—I did not ask for Air Chief Marshal Houston to desist; I simply advised that there would be an extensive session of questioning later.

**Air Chief Marshal Houston**—I want to range much more widely than clothing; I want to range over the whole issue of how we have equipped and prepared the Al Muthanna task force, and that is very relevant to what they are doing there.

**Senator MARK BISHOP**—That range that you want to address, in terms of equipment supply, procurement issues, utility of—

**Air Chief Marshal Houston**—I do not want to go to procurement; I just want to give the committee and the people of Australia my observations of my people in the field in Al Muthanna, and would like the opportunity to do that if I might.

**Senator MARK BISHOP**—I thought that was the question.

**Senator Ian Campbell**—Preferably without interruption.

**Senator MARK BISHOP**—If you want to go down that path, I am happy to go to that session for an hour and a half now.

**Senator Ian Campbell**—I do not think it is going to be an hour and a half

**Senator MARK BISHOP**—There is more to it than just—

**Senator Ian Campbell**—The Air Chief Marshal is making an observation on our troops in the field and you have already said ‘I don’t quite like what you’re saying’—

**Senator MARK BISHOP**—The Air Chief Marshal said he did not want to make a statement at the outset.

**CHAIR**—Let’s just get on with it.

**Senator Ian Campbell**—When you do not like what he is saying, you interrupt. So let’s just get on with it.

**CHAIR**—Minister, if I could just interrupt for a minute: I am the Chair. If we can just go through the Chair. The question was asked; I believe it was being answered. I thought the senator was advising that he had other questions. I did not think there was any situation where we needed to get into a dogfight. If the Air Chief Marshal can answer the question about Al Muthanna, amongst other foreign deployments, I think we can get through this simply.

**Air Chief Marshal Houston**—I just wanted to make the observation that we have got 462 people there and we are equipped with the Australian light armoured vehicle. There are 40 of those and, of course, 10 of our Bushmaster vehicles. I have to say that they are ideal for the operating environment in Iraq and they are performing very well. I think that is a big plus for us as a nation, because they are built in Australia and, in the case of the Bushmaster, designed in Australia. It is a superior product for what we are doing in Al Muthanna. Might I also say that while I was in Al Muthanna I spoke to large numbers of soldiers and I did not get one single complaint about their personal equipment. I questioned them closely about their weapons, their webbing, their boots and everything, and I did not get a single complaint from that particular group of people. I would be the first to acknowledge that I did not speak to all 462, but I think I got a pretty reasonable cross-section of our people.

Suffice to say that the mission is going well. The Japanese are very happy with the way we work with them. I observed how that worked and I also attended training sessions where our people were training the Iraqis. Again, the way they were doing that was very impressive. It was a very professional and culturally sensitive approach, and a brigadier who is commanding the brigade in Al Muthanna was very complimentary about the quality of the training that the Iraqis were receiving. As you would be aware, that training mission will complete in May.

**CHAIR**—I think the question was related to other international deployments.

**Senator MARK BISHOP**—No, it was only related to Al Muthanna at this stage. The training session is going to be completed in May. Do we have a more up-to-date figure on how many people will have been trained by that time?

**Air Chief Marshal Houston**—I think I went through that in detail last time, and essentially the figures that I gave you last time will still be extant. So I do not have any more to update you on, except to say that by May we will have trained the whole of that second battalion. That is very much the focus of the training team that is there now.

**Senator MARK BISHOP**—When you were engaged in your discussions with the troops in Al Muthanna, did they raise with you the issue of whether they would be coming home after May, or whether they would be expected to stay on for another rotation?

**Air Chief Marshal Houston**—I think I talked about that with the commander, but it was not raised by anybody at the soldier level. They were very happy with what they were doing. Their morale was sky high and they were enjoying the challenge of their mission in Al Muthanna.

**Senator MARK BISHOP**—So apart from the CO of the operation there, it was not raised with you by any officer or other person as to when they were likely to be coming home?

**Air Chief Marshal Houston**—I raised it with the commanding officer in the context of the fact that there was considerable uncertainty about what might happen in the middle of the year—there were a lot of moving parts—and he should be aware that my expectation was that he and his people would probably come back in about the middle of the year, as planned.

**Senator MARK BISHOP**—That was your expectation when you were there in January?

**Air Chief Marshal Houston**—That is correct.

**Senator MARK BISHOP**—Which may have changed in the light of more recent comments by the Prime Minister?

**Air Chief Marshal Houston**—The whole issue of what happens in terms of Iraq from here on in is something that we are heavily engaged with government on. Clearly I cannot share those thoughts with you, because not only are we engaged with government, we are also engaged with a number of other nations to work out how the coalition proceeds into the second half of the year.

**Senator MARK BISHOP**—So your current thinking is not dissimilar to that which you outlined to us when we met last year. The training task and the security functions in Al Muthanna would basically be concluded by May. Your discussions with the CO when you were there in January were to the effect that, at that stage, their task would likely be concluded by then and they would be brought home. Subsequent to that, there have been the public and deliberate comments of the Prime Minister, where he indicated that our forces are likely to remain in the field in that part of the world. Finally, you say that you, the Chief of the Defence Force, are currently in discussion with our government as to likely roles post May. And you did not say, but I presume, that you are in discussions with other governments participating in the coalition of the willing as to our role in Iraq post May. Is that a fair summary?

**Air Chief Marshal Houston**—It is not a totally accurate summary. In the main, it is pretty close to the mark, but I would stress that the security mission is very dependent upon Japanese plans. At this stage we have no formal indication of what the Japanese plans are. It could be that the Japanese continue. If the Japanese continue in Al Muthanna we will clearly remain with them, because our principle task is to provide security for them.

**Senator MARK BISHOP**—I understand that.

**Air Chief Marshal Houston**—If, on the other hand, they were to pull out, obviously we are engaged with government on what we might do thereafter.

**Senator MARK BISHOP**—We are now in the middle of February, a little less than three months short of when the current training and security operations would have been concluded—at the end of May. I presume we are in discussion with and being informed by the Japanese government of their thinking at this stage.

**Air Chief Marshal Houston**—We are talking extensively to all of our partners in the coalition. It is not just the Japanese. As you know, in Al Muthanna we are under British command. We need to talk to the British. We also need to talk to the Americans, who are the leaders of the coalition. And of course we also have to talk to the Iraqi government. So there are a lot of moving parts, and it is a very complex process as to what might happen in the future.

**Senator MARK BISHOP**—Has the Japanese government as yet made a decision that their construction and other people are likely to do another tour post May?

**Air Chief Marshal Houston**—The Japanese government have provided a mandate to continue through to the end of this year, but they have made no decision on what their withdrawal date is and how that withdrawal might be executed. So at this stage we have no visibility of their detailed plans.

**Senator MARK BISHOP**—You used the word ‘mandate’ until the end of the year. What does that mean?

**Air Chief Marshal Houston**—That means that the Japanese Diet—the Japanese government—have essentially given approval for the Japanese contribution in Iraq to continue to the end of the year, but there is no detail on how long the military deployment will continue and we just have not had any visibility of that at all at this stage.

**Senator MARK BISHOP**—You say that the Japanese government, the Diet, have given a mandate until the end of the year. Was that their original public position when they committed to sending troops or is that a revised position in light of subsequent events?

**Air Chief Marshal Houston**—That was a decision that the Japanese government took late last year. I think it was in about November. They extended the mandate for another year.

**Senator MARK BISHOP**—After our last round of estimates?

**Air Chief Marshal Houston**—I think it was just after the last estimates. I am not quite sure of the precise date. I can get it for you if you require.

**Senator MARK BISHOP**—No, that is fine. That is publicly available. We are in contact with the Japanese government, they have not yet made a decision for their people post the end

of this year and you say you have no visibility as to their planning, but in your comments you also made the point that the British were in charge of the province. I presume we are in a degree of regular consultation with either the British government or the British forces on this issue?

**Air Chief Marshal Houston**—We have extensive contact with all members of the coalition on a regular basis, and occasionally everybody comes together in quadrilateral meetings. So there is frequent interaction. That bilateral and quadrilateral contact continues with a view, I think, to finally sort out how the coalition might proceed into the second half of the year and beyond.

**Senator MARK BISHOP**—In terms of operational requirements, manpower allocation, rotation of troops, provision of new or replacement equipment and all of the attendant obligations imposed upon you if we are going to maintain 500, or perhaps more, people in that area carrying on the same functions, when do you as the Chief of the ADF—as chief of the armed forces—need to have a firm indicator of our government’s intent so that you can carry on options planning satisfactorily?

**Air Chief Marshal Houston**—As long as we get a definite decision some time in the future, that is fine. The current circumstances are very manageable. The nature of coalitions is that there is a lot of negotiation that goes on and there is a lot of sorting out who does what. Clearly, what might happen is covered by our preparations.

**Senator MARK BISHOP**—‘Some time in the future’ is pretty nebulous.

**Air Chief Marshal Houston**—Essentially it is very hard for me to give you a date because, simply put, we are reliant on our friends and partners to inform us of their plans. Very often, we cannot decide on what course we are going on until we have visibility of those plans. Let me assure you that I am quite comfortable with the situation we have at the moment. It is just part and parcel of being a member of a coalition. We see these sorts of circumstances in all the coalitions I have experienced over the years, going back many years.

**Senator MARK BISHOP**—One of the options actively under consideration in your planning department would be for continuing complement of significant numbers of ADF personnel in Al Muthanna, wouldn’t it?

**Air Chief Marshal Houston**—Well, the Japanese may decide to extend.

**Senator MARK BISHOP**—Yes.

**Air Chief Marshal Houston**—If they decide to extend, we need to be able to provide the security. We have not yet worked out in detail the shape of what is required for that. We have a good idea of what might be required, but no decisions have been made as to the shape of that particular disposition.

**Senator MARK BISHOP**—I understand you cannot do your exact planning until you have been given advice by our government as to its decision—and that is dependent on negotiations with the other three coalition partners. I do not quarrel with that approach, I am just asking you to confirm that one of the necessary options that you have to consider in the current fluid environment that you have outlined, is for significant numbers of troops to remain in Al Muthanna into the future, post-May.



**Air Chief Marshal Houston**—I really have not got anything to add to what the Prime Minister has put on the public record. He has indicated that we will continue past the middle of the year, and I have not got anything to add to that other than to say that we have done our planning to cover the likely possibilities. There are still a number of options that are open so I cannot really share that with you because we are dealing with a lot of other governments.

**Senator MARK BISHOP**—But one of those likely possibilities, particularly in the light of the Prime Minister's comments, is for maintenance of a significant troop operation in the Al Muthanna province?

**Air Chief Marshal Houston**—That is one of the possibilities, yes.

**Senator MARK BISHOP**—And of course you, in anticipation of that, would be doing the necessary planning for that likelihood. Because, with due respect, if the government makes a decision some time in May that we are staying in Iraq and you have not done the necessary planning, you would be derelict in your duties, wouldn't you?

**Air Chief Marshal Houston**—We have done all the necessary planning that we need to do. The situation is completely manageable, and I am very comfortable with where we sit now. Clearly it is always nice when you get early decisions from partners, but that is not the nature of the business that we are in because there are a lot of moving parts.

**Senator MARK BISHOP**—Our troops in Al Muthanna are engaged, as you have now told us twice, in security and training operations. You have told us that they are well received and well respected and that they are going well. I conclude that decisions on continuation of that would require some degree of planning and it is a serious option for you to be looking at. There is no greater spin on it than that. Changing to some public indications concerning the British headquarters at Basra and the helicopter support capabilities located at the Nasiriyah airbase up there, have either the British or the US partners asked us to assume control of coalition headquarters at Basra?

**Air Chief Marshal Houston**—No, they have not.

**Senator MARK BISHOP**—It has not been raised with us?

**Air Chief Marshal Houston**—No, it has not.

**Senator MARK BISHOP**—Do we have contingency plans for the British withdrawing their helicopter squadron down there in the southern airbase of Nasiriyah?

**Air Chief Marshal Houston**—I think that is completely hypothetical. We are talking to the British about all matters to do with their plans, the plans of the coalition and our plans. Again, I am very comfortable with where we sit at the moment.

**Senator MARK BISHOP**—Have they given you any indication that they are considering withdrawing that helicopter capability?

**Air Chief Marshal Houston**—No, the indications at the moment are quite the contrary.

**Senator MARK BISHOP**—Do we have any Black Hawks or Chinooks located in Al Muthanna at the moment?

**Air Chief Marshal Houston**—No, we do not.

**Senator MARK BISHOP**—Is locating some of that capability over there in the future under consideration?

**Air Chief Marshal Houston**—No, not at this stage.

**Senator MARK BISHOP**—You referred earlier to a quadrennial partnership in terms of the operation in Al Muthanna. The British have control of the base there and we have a particular role. Which partner, of the United States, Japan, Britain and Australia, is the lead partner or is nominated as being in control there?

**Air Chief Marshal Houston**—It is an interesting question. It is a very complex set of circumstances because, of course, the other partner is the Iraqi government. Now that there has been an election, very shortly, when that government is formed, we will be working with a sovereign Iraqi government that is permanent. So, which one is the most important? The Americans: General Casey is the overall commander of the coalition forces. The military district in the south, which we are part of, is commanded by a British general, Major General Cooper. Essentially, our forces are under his operational control, although we retain operational command and, obviously, full command of those forces. And the relationship with the Japanese is that we support them.

**Senator MARK BISHOP**—Have we had any requests from the United States government that Australian forces assume command of the Multinational Division (South-East) headquarters in the future?

**Air Chief Marshal Houston**—No.

**Senator MARK BISHOP**—Any other headquarters?

**Air Chief Marshal Houston**—No.

**Senator MARK BISHOP**—Does Defence do its own security assessments of threats to both coalition forces and our own forces in the various locations in Iraq, or do we rely solely on information material supplied by coalition partners?

**Air Chief Marshal Houston**—We are part of the coalition. I obviously cannot get into too much detail here, but we share intelligence as a partner in the coalition. Also, back here in Australia, we conduct our own assessments of the circumstances that apply in Iraq and, indeed in Al Muthanna. Of course we have a very good tactical intelligence capability embedded within the Al Muthanna Task Group that does its own work, in a local sense, determining the threat on the ground in Al Muthanna.

**Senator MARK BISHOP**—So in Al Muthanna we have our own ‘indigenous’, for want of a better description, intelligence gathering capability which provides advice to you and government. Generally would we share that with our coalition partners there?

**Air Chief Marshal Houston**—It is a very seamless system. It is a system that relies on inputs from all levels, so I would not characterise it the way you have. What I would say is that we have a very good intelligence system that essentially keeps us fully informed and, indeed, keeps the commanders on the ground in Al Muthanna fully informed.

**Senator MARK BISHOP**—Does the security information gathering that we are doing, and do the security assessments that are made partly in consequence upon that information

gathering, include any work that coalition forces do in terms of their presence, their role and their activity acting as a continuing incitement to the Iraqi insurgency?

**Air Chief Marshal Houston**—Our assessments cover all relevant matters. We essentially cover everything that might be relevant to our deployment there and obviously the safety of our people on the ground.

**Senator MARK BISHOP**—And motivation as to the continuing reasons for the insurgency, is that by definition comprehended by your last answer?

**Air Chief Marshal Houston**—Our intelligence people are highly professional and very good at basically assessing the circumstances over there. When I look at what is happening right across the whole intelligence continuum, my priority, my prime focus, is the safety of our people on the ground in Iraq. Obviously the people in Al Muthanna are an important part of that priority that I have.

**Senator MARK BISHOP**—I do not in anyway quarrel with any of that. If you or your intelligence people do not ask the right question, by definition you cannot get the right answer. So hence the advice you give the government by definition is going to be somewhat deficient. A serious argument being put around by commentators and senior people in the US government and the US forces, and similar comments here, suggest or argue that our continuing presence itself in various parts of Iraq—because we are foreigners and we are perceived as outsiders, invaders and generating all the things that are occurring—acts as a continuing incentive, motivation or causal factor for the continuing insurgency there. Do you have any advice to that effect from your intelligence or security people and is it part of your advice up the line to government?

**Air Chief Marshal Houston**—Our intelligence people ask those ‘what if’ type questions all the time. They have a very intelligent and sensible approach to the business of assessment. As an intelligence person will tell you, they consider all the factors. I am very comfortable with the way they do their business. In fact, they are a very impressive bunch of people. In terms of what is happening on the ground in Al Muthanna, we have not seen those signs that you seem to be inferring. Our people are being very well received and, indeed, people seem very comfortable with their presence. That is what I have observed for myself. I drove through the whole area and that is what I observed on the ground. In discussion with the commanding officer on the ground, he informed me that things are going very well with the local population in Al Muthanna.

Having said that, I would be the first point out that Iraq is a very dangerous place. But the restrained way in which our people are doing business has been very well received by the local population. I was deeply impressed with their approach, because I think it gives us the best prospects of continuing to have that great relationship with the local population.

**Senator MARK BISHOP**—I would have been surprised if you had had a significantly different conclusion, based on the evidence that you have repeatedly given in public, on our training and security role there and on our lack of in-the-field military engagement in the area where we have 400 or 500 people. Going back to my question as to the causal factor, we have men and women in other parts of Iraq where there are ongoing field operations and military activity, violence and death on a regular basis. In that context, have our security people given

advice up through the chain and to you that our continuing presence is a causal feature in the continuing insurgency?

**Air Chief Marshal Houston**—Most of the rest of our people—if I might run through where they are—with the exception of a couple of people who are deployed out in the field in a training role with Iraqi formations, are in Baghdad. We have the security detachment, which is about 100 people. Last time I looked closely it was 109. Their role is to carry our diplomats around and ensure they are safe, both in the international zone and, if necessary, beyond. So that is a Baghdad role.

Headquarters—that is, joint task force headquarters 633—has about 100 people in it. It is located in Baghdad at Camp Victory. Again, they are involved in and around Baghdad, interfacing with our coalition partners and doing what is required to command and control our whole operation in the Middle East. The rest of the elements that make up the Joint Task Force 633 are outside Iraq, with the exception of about 70 of our people who are embedded in the coalition headquarters.

**Senator MARK BISHOP**—Having outlined that we have significant personnel in key parts of Baghdad, have we received any advice from our security or intelligence units that our continuing presence as part of the coalition of the willing is a contributing, causal factor to the insurgency?

**Air Chief Marshal Houston**—We are getting into sensitive territory, because we do not normally talk about our intelligence assessments. They are very closely held, for obvious reasons. But, in terms of your specific inquiry, if you are talking about my assessment, I am comfortable with how we sit right now in Iraqi, mainly because our major deployment is in Al Muthanna and that is going well.

**Senator MARK BISHOP**—You do not want to specifically answer the question?

**Air Chief Marshal Houston**—I cannot, Senator. You are asking me what our intelligence assessments are about a very sensitive matter. Even if I had that information, I could not share it with you. I do not have information along the lines you suggest.

**Senator PAYNE**—The rule of this committee and others is that matters such as that are not ventilated in a public environment—and for very good reason, as the CDF has said. And that particularly goes for intelligence matters and questions like that. It is the same rule that applies in relation to discussions with the AFP and ASIO and it is entirely appropriate that they not be pursued in the public estimates process.

**CHAIR**—That has a lot of merit, Senator.

**Senator MARK BISHOP**—Yes, and, if you recall, when we began the discussion it was in the light of public comments by senior current serving personnel in the United States government—military people and members of Congress—that the presence of coalition forces was a causal factor in the continuing insurgency. It is in the light of those public comments by generals from the United States and by others of a senior level that I am asking for a comment by Air Chief Marshal Houston. He says that he is unable to share intelligence or security assessments by our people, and I accept that response. Nonetheless, it is a topical discussion

point in key circles as to whether our presence sparks off or continues the insurgency. If you do not want to comment on security or intelligence assessments, that is fine, but is—

**Air Chief Marshal Houston**—Our experience in Al Muthanna is that we are there and the security environment is quite good relative to what is happening, perhaps, in the Sunni areas of Iraq. Our people are not seeing what you are suggesting down in Al Muthanna.

**CHAIR**—Can I interrupt? There is a context to this. We have just over 400 men at Al Muthanna, which is 300 kilometres south of Baghdad, we have 100 on the security detachment in the Green Zone and we have 70 in Camp Victory. The Americans have what—130,000?

**Air Chief Marshal Houston**—Yes.

**CHAIR**—So there is a context that we need to keep this in. We are not terribly visible. The question is an interesting question but I do not think it really leads us to much, given the small size of our forces in comparison to just one force—not to mention the Brits—that is on the ground in Iraq.

**Senator MARK BISHOP**—I am responding to arguments that are being put in the public debate about our presence in Iraq. I accept that our presence is small—that is a statement of fact; a statement of the obvious. However, we have key people in key locations in Baghdad, and I am asking whether Air Chief Marshal Houston wishes to pass a comment as to the veracity of other comments of more senior people—that is all.

**Air Chief Marshal Houston**—One of the comments that I would make in regard to Al Muthanna is that we are working with the Japanese. The Japanese are delivering humanitarian support. The work that they are doing is very good for the people of Al Muthanna. We have a very significant civil-military aid program. We call it the CIMIC program. Our efforts there have been very well received. We spend a lot of money on agriculture, we are building a bridge across the river, there has been some investment in the veterinary capability within the province, we have also contributed to building an ambulance station and so on. There are a number of projects, 14 all told. All of those assist in giving a very good basis for a good relationship with the people of Al Muthanna. That is the way you manage these circumstances. You have to put more emphasis on the softer side of the business with lots more aid and lots more projects—lots of things that people can see as a visible benefit from the presence of the Japanese and us in that province.

**Senator MARK BISHOP**—This latest line of questions has not been about Al Muthanna; it has been particularised to the two significant groups of people we have in Baghdad, and you keep responding in terms of Al Muthanna. My questions are in the context of the security people and the headquarters people in Baghdad. If a decision is made to maintain another 450 people or thereabouts in Al Muthanna post-May, is that going to cause any inordinate demands on our capability to maintain a group that size in the field far away?

**Air Chief Marshal Houston**—We can manage that requirement if that is what government requires.

**Senator MARK BISHOP**—Could you maintain a battle group of that size indefinitely?

**Air Chief Marshal Houston**—We could manage that indefinitely if there was a requirement to do so, but clearly the longer we do it the more demanding it becomes. There are obviously concurrency issues that we have to think about and so on.

**Senator MARK BISHOP**—And appropriation issues?

**Air Chief Marshal Houston**—It would definitely put a strain on us, but if push came to shove we could do that, yes.

**Senator MARK BISHOP**—The defence white paper's strategic platform suggests, in terms of our strategic planning, that at any one time we should be able to simultaneously deploy a brigade to one theatre of operation and a battalion sized battle group to another theatre of operation. That would be something in the order of 4,000 men, give or take?

**Air Chief Marshal Houston**—Yes, more or less.

**Senator MARK BISHOP**—Are we currently capable of doing that, in an operational sense?

**Air Chief Marshal Houston**—Yes, we are capable of doing that, but of course there is usually some sort of build-up to circumstances like that. As you saw with the situation in Timor, we were able to build up and deploy a substantial force across there in very short order. If similar circumstances came up again we could do that, but there is always a need to raise the preparedness of forces and that requires resources, requires more money and takes time.

**Senator MARK BISHOP**—Of course.

**Air Chief Marshal Houston**—We can meet that requirement given sufficient notice, yes.

**Senator MARK BISHOP**—What would you regard as sufficient notice?

**Air Chief Marshal Houston**—I would prefer not to go into that level of detail, because those things are classified.

**Senator MARK BISHOP**—With due respect, the defence white paper suggests that we have to be able to provide any one time a battalion sized group and a brigade sized group. You make the obvious point that there are planning, resource allocation and financing issues and it takes time to get ready to provide a force of three or four thousand people ready for operations in the field. I would not regard how long it takes to get them ready as classified information.

**Air Chief Marshal Houston**—Let me put it this way—

**Senator MARK BISHOP**—It might be embarrassing, but it is not classified.

**Air Chief Marshal Houston**—With due respect, it is highly classified. The reason for that is that if you ask me to deploy a battalion and a brigade in, say, seven days time we probably could not do it. We could deploy elements of that in seven days but we could not deploy the whole lot. What I am saying to you is that a lot of very complex activities have to be conducted to raise the readiness of a force like that. The other thing is, what is the force going to be doing? What is the task? Are we going to do something similar to RAMSI, or are we going to do war fighting? If we are doing war fighting, the lead times are much longer. All of that is highly classified. I would be delighted to arrange for a briefing in camera for, say, the

Joint Standing Committee on Foreign Affairs, Defence and Trade, but I am not prepared to put that sort of information on the table in a public forum such as this.

**Senator MARK BISHOP**—If you were directed by government to double the number of our people almost to battalion level in Al Muthanna in May or June of this year, for whatever reason, would you be able to comply with that request?

**Air Chief Marshal Houston**—It is hypothetical and I do not want to go there. But we can—

**Senator MARK BISHOP**—But it would be an option you—

**Air Chief Marshal Houston**—Let me put it this way: if government requires us to raise a battalion group we can raise a battalion group, but I do not want to put it in the context of what might happen in the Middle East.

**Senator MARK BISHOP**—Is there any relationship between our ongoing role in Al Muthanna and the likely number of people that is going to have to be provided to the provincial reconstruction team in Afghanistan? To be more specific, is the current presence and the likely future presence limiting our ability to provide the required number to go into Afghanistan?

**Air Chief Marshal Houston**—As to the circumstances of deploying a provincial reconstruction team, that is 200 people. Right now we have the force in the Middle East. Of course, we have a lot of other forces around theatre. So we have had a look at it and we can manage both deployments concurrently if that is a requirement.

**Senator MARK BISHOP**—Have we increased in more recent times our recruitment rate into Special Air Service forces on both the east coast and the west coast?

**Air Chief Marshal Houston**—Since 9-11 we have seen a huge expansion of our special forces capability. If you require it, I can give you the numbers. But, believe me, it is a substantial increase. What we had before 9-11 was one tactical assault group, which was resident on the west coast. We now have one on the west coast and one on the east coast. We now have an incident response regiment. Of course, we are doing a lot of planning. The helicopter capability is being upgraded to take account of the requirements of special forces. So it is a much enhanced capability over what it was, say, only five or six years ago.

**Senator MARK BISHOP**—Do you have the numbers readily available?

**Air Chief Marshal Houston**—I do not have them readily available. I think I would like to take that on notice because we are sensitive about the capability.

**Senator MARK BISHOP**—It is just that you offered.

**Air Chief Marshal Houston**—Yes. I will take that on notice because the numbers are a little sensitive.

**Senator MARK BISHOP**—So there has been a significant capability increase and significant growth in numbers and units since 9-11. In the last 12 or 18 months has that rate of growth plateaued out, or is it still on an upward trajectory?

**Air Chief Marshal Houston**—I think it is true to say that what we have is a capability and that capability has been in place for some time. It is where it should be at this time.

**Senator MARK BISHOP**—That is fine. That answers the question. There are within each of the services both recruitment and retention problems for different reasons. We will have that discussion later on today. In terms of the Special Air Service regiments and the counter-terrorism people, do we have any particular and new problems in firstly recruiting into the regiment and secondly retaining in the regiment when their tour of duty is finished?

**Air Chief Marshal Houston**—We can get the Chief of Army up to address that right now. Alternatively, we could leave it till the discussion later on.

**Senator MARK BISHOP**—I want to do the recruitment and retention later on generally, but I am happy to conclude the discussion now with the General on whether there are particular problems with the SAS people at the moment.

**CHAIR**—Can we just clarify this. The question is: are there problems in recruiting into the special forces regiment, and if so what problems?

**Senator MARK BISHOP**—If so, are there problems then in retaining them when their tour of duty has finished.

**CHAIR**—So, recruitment and retention issues for special forces. Welcome, General.

**Lt Gen. Leahy**—In response to Senator Bishop's question, I would say that there are no particular problems that cause us undue concern in either recruiting or retention for the special forces. Since the expansion of the special forces was announced by government, we have essentially undergone two methods of recruiting. Firstly, there was the normal method, where soldiers would spend time in Army units. They would complete selection courses and would move through after a period of time in the service to either SASR or 4RAR Commando. That proceeds essentially on an historical path; it is a good and very solid path.

Because of the requirement to expand by 334 the number of people in the special forces, we instituted a new program called the Special Forces Direct Recruiting Scheme. That has been in operation for about two years now. It has been a successful scheme. What we did was target elite people—elite sportsmen, high achievers and people who were clearly fit. Typically you might think of a triathlete; that is the sort of person that we are after. There are people who might have had a fair bit of training and experience in other fields of life, and we said to them, 'Do you want to come and do the hardest thing you have ever done?' We had very strong responses. We have been working those people through the recruit training centre at Kapooka and the infantry centre at Singleton, where there is a special forces training centre, which has been responsible for training them, and we have got good numbers out of that. So I am happy, in general terms, that recruiting into the special forces is proceeding well.

In terms of retention, in general terms again—and if you want the specific figures I can get them for you—we are not seeing any aberration in the numbers of people who are leaving the special forces. It is around about historical averages; what we are seeing, in fact, is some people coming back. Those who have left, perhaps to go off and do other things, have seen what the special forces are doing and they say, 'Well, I want to be part of that.' It is a very strong and cohesive group of people who are very proud of their capabilities, and we are seeing some people come back. So I am not able to identify—and I do talk to General Hindmarsh, the commander of the special forces, on this matter—that there is anything going on that we should be worried about. He has not come to me and said there are concerns.



Clearly, people leave; their family circumstances change or they feel they have done what they wanted to do when they joined the Army and it is time to go on and do something else. But there are no untoward figures that I am concerned about.

**Senator MARK BISHOP**—I asked that question for two reasons. One is that there had been suggestions in the press that the high level of activity and high level of rotation were causing concerns. Also, there had been a number of press reports—a while back now—that security financial reward incentives were very attractive to people in that part of the world at the moment, and that that was possibly a causal factor in a lot of people leaving.

**Lt Gen. Leahy**—I take it by that you mean security employment in the Middle East?

**Senator MARK BISHOP**—Big money.

**Lt Gen. Leahy**—Yes, there is big money. There are big risks. Some of our soldiers have gone there, and not only from the special forces. We point out to them very clearly that if you go into that environment you need to accept the risks that are there, and the backup that they get is not quite the same as our soldiers get on service in Al Muthanna or with the special forces—that is, the medical support and a whole range of other activities. The full suite of force protection that we provide to our soldiers is well beyond what people working privately in the Middle East get. So, yes, some soldiers have left. They go there for big money but they are taking a big risk and we point that out to them. Some of them have come back and said, ‘I’m not touching that again.’

**Senator MARK BISHOP**—That is fine; you have answered the question. You have also made the point that it has not been drawn to your attention that people leaving the special forces for that particular job option is a particularly significant issue in any way.

**Lt Gen. Leahy**—It is not of enormous concern to us, no.

**Senator HUTCHINS**—Are all those positions in the special forces full now?

**Lt Gen. Leahy**—Not all the positions are full. We are still working through an expansion program. Clearly, an expansion program of the size and quantity that was asked for does not happen overnight. These are very experienced, highly trained and very capable people.

**Senator HUTCHINS**—This is the extra 344?

**Lt Gen. Leahy**—Yes. We are still working through to implement some of those changes, in particular the changes in 4RAR Commando, which required the creation of an additional company of about 150 soldiers. We are still working on that. Certainly, in the headquarters, the logistics and the creation of the tactical assault group east we have very largely achieved our targets and we are working on the completion of the targets in 4RAR Commando.

**Senator HUTCHINS**—That has not been completed?

**Lt Gen. Leahy**—That has not been completed. I expect that through this year we should be able to achieve the target figures.

**Senator HOGG**—I have a question on the Special Forces Direct Recruiting Scheme that you spoke of. Is that done through Manpower?

**Lt Gen. Leahy**—I believe it is. I would have to get confirmation. It is targeted and marketed separately from normal recruiting but I am pretty sure it is conducted through Manpower. If it is not I will come back to you.

**Senator MARK BISHOP**—Have the people doing the security preparation for the Commonwealth Games been located from the counter-terrorism group in Sydney to Melbourne?

**Air Chief Marshal Houston**—We have a national capability which includes an ability to respond to counter-terrorism on the ground, on the sea or in the air. In terms of the dispositions of the special forces, I do not want to get into that. I can assure you we will have a good capability established in and around the Melbourne area.

**Senator MARK BISHOP**—That is a special forces capability?

**Air Chief Marshal Houston**—Yes, it is.

**Senator MARK BISHOP**—Will they be the counter-terrorism people from Sydney or extracts from the regiment over in the west?

**Air Chief Marshal Houston**—I do not want to get into discussion as to where they come from. We will have the right capability to handle the circumstances. We are there to support the Victorian police. Obviously, we only come into play when they have a set of circumstances that is beyond their capability.

**Senator MARK BISHOP**—I understand that. The bill that went through the parliament only last week tightened up a lot of the regulations that are going to apply there. Within the constraints you impose upon these public hearings, can you give us an indication of the size of the deployment of personnel to Melbourne for the duration of the games?

**Air Chief Marshal Houston**—I can share that with you. We will have 2,600 ADF people supporting the games in Melbourne. Regarding the areas in which they will be involved, I have mentioned the national tasks. We will also have a more routine security capability which will directly assist the Victorian police, and that is a bomb search and render safe capability. They are very busy at the moment ensuring that all the facilities are checked and made safe before they are utilised for the games. Of course, we have the normal sorts of ceremonial capabilities as well. We have a joint task force established which will handle the 2,600 people. The task force come from all three services and include everything from fighter aircraft to ship and all the people on the ground in Melbourne.

**Senator MARK BISHOP**—We have significant deployment of special air service people—it is on the public record—in Afghanistan; some elements are going to be located into Melbourne for the Commonwealth Games; and we have some elements elsewhere in the world. Are there sufficient current personnel in the SAS to properly carry out those myriad tasks?

**Air Chief Marshal Houston**—Absolutely, yes.

**Senator MARK BISHOP**—There is no shortage of men—manpower is not an issue?

**Air Chief Marshal Houston**—It is not a problem.

**Senator MARK BISHOP**—The SAS people have a high and continuing presence in fields of engagement offshore. Is that a particularly attractive feature to people who want to join the SAS? Or, at the other end of the scale, is it a feature in dissuading them from remaining in the SAS?

**Air Chief Marshal Houston**—I think one of the great attractions of being in the special forces is the wide variety of employment that is open to them. I invite the Chief of Army to say a few words.

**Senator MARK BISHOP**—I anticipated that answer. The reason I asked the question is that it has been put to us that the high tempo of activity in the Middle East and other areas of engagement can have a debilitating effect on the men—high rotation, high activity—and a harmful effect on their families back here and that leads to pressure to leave earlier than would otherwise be the case. It is that context that I ask you to address.

**Lt Gen. Leahy**—I assure you that we monitor constantly what I call generally the ‘health’ of our special forces, and we do the same for all the other units. We look at retention, recruiting, families and whether there are increased separations or divorces. There are many factors that we can look at that give us a view of the health of the unit. The view of the commanders from special forces is that their morale is high and generally that institutional health is very strong. I would say that the opportunity to deploy as part of the special forces on operations overseas is a very positive attractant to soldiers in the Army. I hear constantly from other members of the Army who are not in the special forces, ‘Why are you sending them; why don’t you send us?’ I think the opportunity to go on operations overseas, not only in the special forces but in the Army more broadly, is why soldiers join the Army. That is a very positive thing about what they are doing.

We look very closely at the length and frequency of tours that soldiers do. There are internal mechanisms, procedures and protocols to ensure that we spread the load as much as we can to ensure that we are not unnecessarily tiring our soldiers or placing them under undue stress. I am confident that, with those procedures and with the desire of soldiers to be involved in operations, we have a very capable and a very sustainable force.

**Senator MARK BISHOP**—I have one final question on this issue before we go to the Seasprites. What stage are we at with the plan to deploy the provincial reconstruction team in Afghanistan? Can we get an update on that?

**Air Chief Marshal Houston**—Yes, certainly. You would be aware that, I think, Senator Hill was on the record last year as saying that NATO wanted us to partner with the Dutch, and the Dutch have recently made a decision to commit to a provincial reconstruction team in southern Afghanistan. We have received that information, and we are now talking to government about where we go from here in the development of our provincial reconstruction option. We obviously have a lot of work to do. If we are going to partner with the Dutch, we need to get into detailed planning but government has yet to make a decision on where we go, whom we partner with and so on. My expectation would be that eventually we will end up in circumstances where we start detailed planning with the Dutch, with a view to presenting options to our respective governments.

**Senator MARK BISHOP**—You say that the Dutch have now made a commitment, and that is public knowledge. What is the nature of that commitment?

**Air Chief Marshal Houston**—The nature of that commitment is essentially a 900-person provincial reconstruction team that will go to a province called Uruzgan in southern Afghanistan. They will have a fairly substantial force protection capability and also a substantial ability to do humanitarian and engineering projects in the province.

**Senator MARK BISHOP**—So they have made a decision to put 900 men in there. It is going to have protection capability, and it is going to have humanitarian and engineering projects as part of it. Is our commitment going to be working with them or working in tandem with them? What is the nature of our role likely to be?

**Air Chief Marshal Houston**—The nature of those sorts of activities is that we will work closely with them. If the government gives us the final go-ahead, essentially we are looking at an integrated approach, with the Australian element being a discrete element within a wider Dutch provincial reconstruction team. The government announced in the middle of last year that this deployment would be about 200. I imagine that, if a final decision is made to partner with the Dutch, we are looking at 900 Dutch people and 200 Australians. The 200 Australians would essentially be a discrete element within the Dutch disposition. What I am getting at is that I do not see us as being scattered throughout their provincial reconstruction team, rather I see us as being a tight little element that is very much a part of the team but a very Australian element within that team.

**Senator MARK BISHOP**—I understand the point you are making. Does that 200 include a force protection capability segment or would we rely on the Dutch?

**Air Chief Marshal Houston**—Essentially we have yet to get into detailed planning with the Dutch. Indeed, that is something that would probably need to happen before I could answer that question with the sort of precision that you would require. My expectation would be that we would provide a balance between force protection and the delivery of humanitarian support.

**Senator MARK BISHOP**—I understand. There has been an increase in press reporting of late of more insurgency operational and military activity in different parts of Afghanistan. Where is this province of Uruzgan?

**Air Chief Marshal Houston**—Uruzgan is in the south of Afghanistan.

**Senator MARK BISHOP**—South-west or south-east?

**Air Chief Marshal Houston**—It does not share a border with Pakistan. It is just to the north of the province known as Zabul, which is on the border. It is the next province in from Zabul.

**Senator MARK BISHOP**—When you say the next province in, what sort of distances are we talking about—70 miles?

**Air Chief Marshal Houston**—It is a fair way into Afghanistan. It is what I would call south central Afghanistan.

**Senator MARK BISHOP**—I see.

**Air Chief Marshal Houston**—It is between Daykondi and Zabul and is to the north-east of Kandahar.

**Senator MARK BISHOP**—All right; I know where you are. Is that currently an area of insurgency activity?

**Air Chief Marshal Houston**—The area that NATO is going into, the south central part of Afghanistan, is an area of insurgent activity.

**Senator MARK BISHOP**—Has the level of activity increased in the last six to nine months?

**Air Chief Marshal Houston**—The level of activity has remained reasonably constant. What seems to have changed is the tactics that the anti-Afghanistan government elements are using.

**Senator MARK BISHOP**—Have they become more focused on the suicide path?

**Air Chief Marshal Houston**—In the past, there was a tendency to use guerrilla marauding tactics almost exclusively. What we have seen in the last three months or so is the emergence of terrorist/suicide bomber type tactics. That is a new development within Afghanistan over about the last three months.

**Senator MARK BISHOP**—With that change in focus of the insurgents in terms of their operations, are we noticing in that area of the world an increased foreign, non-Afghan content in the people engaged in that different form of insurgent activity?

**Air Chief Marshal Houston**—In terms of the sort of activity it is, it is predominantly a Taliban activity. The Taliban are conducting a campaign against the Karzai government. I would characterise it as in the main a Taliban campaign, with very limited participation by foreign fighters.

**Senator MARK BISHOP**—When the Taliban government was in power prior to it falling some years ago there was significant funding of its operations from outside Afghanistan. There have been press reports of late that there are a lot of Pakistani, Iraqi and Saudi fighters being recruited to and participating in what you call Taliban activities in that part of the world. They are back on the attack. Do you have any comment on those press reports or do you say that they are incorrect?

**Air Chief Marshal Houston**—I have no comment on them. We are getting into territory which unfortunately I cannot discuss with you, for obvious reasons.

**Senator MARK BISHOP**—But you do have knowledge of that, don't you?

**Air Chief Marshal Houston**—I cannot discuss it with you.

**Senator MARK BISHOP**—That is okay—I am allowed to ask questions and you are allowed to not answer. Coming back to the provincial reconstruction team, the composition of the force and the planning requirements in terms of vehicles and equipment will be decided at a later stage, when the government has signed off on what it wants.

**Air Chief Marshal Houston**—The first thing we need is the government to confirm what the arrangements are—whether we go with the Dutch. The second thing is that we would then need to go into very detailed planning with the Dutch, if that were to be the decision the

government made. Essentially, we would then go back to both governments, and probably to NATO as well, with a proposal as to how we would see the provincial reconstruction team on the ground in the province of Uruzgan.

**Senator MARK BISHOP**—Will the operation that might come to pass in terms of the reconstruction team be a NATO op? Will the supreme command or coordinating body be NATO or UN?

**Air Chief Marshal Houston**—This is part of the NATO expansion of what they call ISAF: the International Stabilisation of Afghanistan Force. Essentially, it is stage three, which involves the British going in to Helmand, the Canadians going into Kandahar and the Dutch going into Uruzgan. This is all part of that expansion. The Canadians are already in there. The British recently announced their plans—about a week ago. And the Dutch have made the decision to go into Uruzgan. We would be part of that expansion.

**Senator MARK BISHOP**—One final question on this issue: press reports have indicated that in a number of parts of Afghanistan there is increased insurgency activity. You have part confirmed that in our earlier discussion. Has there been a significant increase in insurgency activity widely throughout Afghanistan or has it been minor and relatively confined?

**Air Chief Marshal Houston**—What we have seen over the last couple of years is a fairly constant level of insurgent activity directed at the Karzai government by the Taliban elements. The Taliban elements live in sanctuaries in the more remote parts of Afghanistan, and the level of activity is reasonably constant.

**Senator MARK BISHOP**—I want to now discuss capability for naval operations, particularly the Seasprites, Black Hawks and Tigers.

**CHAIR**—Before we go to that we will have a morning tea break.

**Air Chief Marshal Houston**—In preparation for that, Senator Bishop, do you want to talk about operational capability or capability in general?

**Senator MARK BISHOP**—I want to talk about certification problems, operational capabilities, reduction in flight hours and personnel issues and associated training issues. There are some references in the AEs to cutbacks in hours.

**Air Chief Marshal Houston**—We will bring our team up in anticipation.

**Senator MARK BISHOP**—Thank you.

**Proceedings suspended from 10.29 am to 10.47 am**

**CHAIR**—We now reconvene the estimates hearings.

**Senator MARK BISHOP**—I want to talk about the Seasprite helicopters and some issues that have been in the public domain in more recent times. I am advised that the Seasprite helicopters previously failed certification for flight in instrument meteorological conditions. What problems caused or contributed to this failed certification?

**Vice Adm. Shalders**—That is incorrect. They have not failed certification for that test. They have not yet got to that point of the certification testing. They have, in fact, passed certification testing for what is known as visual meteorological conditions—VMC. The IMC testing will take place later this year.

**Senator MARK BISHOP**—So there has not been any IMC testing of the Seasprites at all?

**Vice Adm. Shalders**—That level of certification testing has not yet been done.

**Senator MARK BISHOP**—Why has it not been done?

**Vice Adm. Shalders**—I will pass to Air Vice Marshal Rossiter who is responsible for bringing this capability into service. Essentially speaking, it is a phased approach to bringing this capability into service. The IMC certification testing and a number of other more complex certification trials take place in the latter part of the testing period, and we have not yet got there. Air Vice Marshal Rossiter may have more detail on the phased approach of the introduction into service.

**Air Vice Marshal Rossiter**—As you are well aware, this has been a very difficult project. The contractor has had a lot of difficulty delivering to schedule. That is primarily associated with the software integration of the very sophisticated set of systems in the aircraft. As a result of that, some way through that process we took a decision to go down a phased introduction to service process. Effectively, we broke the certification process into two. At the moment we have accepted nine of the 11 aircraft in the interim configuration into service.

**Senator MARK BISHOP**—For VMC?

**Air Vice Marshal Rossiter**—For visual—that is correct. The remaining certification activity cannot be completed until the full software suite is installed in the aircraft. That is still undergoing development and testing. We are about to go into the formal qualification testing for that, hopefully by April. All going well, with not too much rework out of that, we would hope that, by the middle of the year, we would be looking at getting our first fully mission capable aircraft. When we have that we then complete the second part of the certification process.

**Senator MARK BISHOP**—So when they are fully flight capable in April or May, you then go into phase 2 for the IMCs—is that right?

**Air Vice Marshal Rossiter**—That is correct. The IMC testing will be conducted then. You cannot do it now because the interim configuration does not have all of the systems operating.

**Senator MARK BISHOP**—Is that a software installation problem or a software operation problem?

**Air Vice Marshal Rossiter**—Right now the aircraft is loaded with an interim software load. The full software load is still under development and will enter testing hopefully around April this year.

**Senator MARK BISHOP**—When you say that it is under development and will be tested later this year, is that a delay or is it consistent with the original contract and purchase specifications?

**Air Vice Marshal Rossiter**—It is well and truly a delay based on the contract. In fact, it is several years of delay based on the contract. When I spoke to the SLC in about May of last year I was predicting—

**Senator MARK BISHOP**—What is the SLC?

**Air Vice Marshal Rossiter**—SLC is this committee. In May last year I was predicting at that stage that it would be optimistically before the end of last year and more likely early this year before we would get there. The company has continued to have difficulties developing the software and closing the trouble reports at a rate to get us there any earlier.

**Senator MARK BISHOP**—Is that delay in getting the software fully operational a consequence of changed specifications by Navy or of just more complex problems than were anticipated by the developer in his tender contract at the outset?

**Air Vice Marshal Rossiter**—If you went back to contract signature time, they had a major subcontractor that was going to be the software developer and integrator. That subcontractor failed to deliver on the contract and the prime contractor was required to go and replace that subcontractor for failure to perform. At that stage they moved the work to another subcontractor which had to pick up that work and integrate the software that had been done by that subcontractor plus a couple of other subcontractors developing particular systems. We are looking at quite a significant and complex software development and integration activity. There are over 600,000 lines of software code that have to be integrated together. That is now being conducted in the final stages here in Australia. Basically, that is the reason. There has been no specification creep or any of that type of thing that has justified this delay.

**Senator MARK BISHOP**—The subcontractor who originally got the subcontract from the prime contractor was not able to deliver because of the complexity of the task? Did that company simply underestimate it or not allocate sufficient resources or manpower?

**Air Vice Marshal Rossiter**—I would have to speculate. I was not here at the time. It is certainly, I believe, fair comment to say that all parties associated with this underestimated the complexity of the software development activity.

**Senator MARK BISHOP**—In terms of payments required to be made pursuant to the original contract for both the prime and the sub, did the sub who had to be replaced get full compensation or has Navy chosen not to pay?

**Air Vice Marshal Rossiter**—We have no visibility of the commercial arrangements between the prime contractor and the subcontractor. I can tell you that the prime contractor is losing many millions of dollars on the Seasprite program but, despite that, today remains committed to see the program through.

**Dr Gumley**—It is a fixed-price contract, so the Commonwealth is not bearing the extra cost of these overruns. The real cost to us, of course, is delayed capability.

**Senator MARK BISHOP**—That is the cost the Commonwealth and the Navy are bearing. It is now several years of wearing the cost.

**Senator HOGG**—Are any damages being recovered as result of the delays incurred by Defence? Are you seeking any damages?

**Air Vice Marshal Rossiter**—The contract does not have liquidated damage provisions in it.

**Senator HOGG**—Why doesn't it have those provisions? I thought they were part and parcel of most contracts.



**Air Vice Marshal Rossiter**—Liquidated damage provisions are a typical feature of a contract and they are also something that is negotiated quite heavily during the contract negotiation phase. I was not there at the time, but again I would speculate that it was negotiated away in exchange for some other benefit at the time.

**CHAIR**—When was that time? When was the contract signed?

**Air Vice Marshal Rossiter**—In the late 1990s, perhaps 1999—somewhere around that time.

**Senator MARK BISHOP**—So nine of the 11 helicopters have VMC, you hope to have the rest of the installation by April-May and then you will go to the second phase, for the IMC, for all the units. How long do you anticipate it will take to reasonably do the phase 2 trial and test?

**Air Vice Marshal Rossiter**—I think that we are looking at very late 2006 to complete that.

**Senator MARK BISHOP**—If you get to late 2006—late this year—that is dependent on satisfactory trials, isn't it? Getting late IMC certification for all the units in late 2006 depends on total success of the phase 2 trials, doesn't it?

**Air Vice Marshal Rossiter**—Yes, that is correct. I am anticipating that we would have concluded the second round of trials by the end of this year. What the outcome of that is and what remediation, if any, is required I cannot speculate at this point in time.

**Senator MARK BISHOP**—At best, and with current state of knowledge, we are going to be some five or six years delayed in full capability for this particular platform. Is that correct?

**Air Vice Marshal Rossiter**—That is correct.

**Dr Gumley**—Could I clarify an earlier answer. The original contract was signed in 1997.

**Senator MARK BISHOP**—So that is nine years. Have we started to do a review as to why we have not had capability, for something approaching nine years, for this fairly critical platform? I guess this question is for you, Dr Gumley.

**Dr Gumley**—Yes. We have about 230 projects in DMO and three or four are in the category of 'very troublesome', and this is clearly one of those three or four. We have learnt a valuable lesson out of this: to take a mechanical platform that was designed many years ago and to turn it into an electronic platform is an enormous amount of work at a very high risk. It is now clear to us that we made a mistake back in the mid-nineties in going down this path. We are now looking at future capabilities and we are treating upgrades with a lot more caution than we did back in the mid-nineties.

**Senator MARK BISHOP**—Would you now rule it off the books to go to a similar purchase model? Would you now go straight to the purchase of an electronic platform as opposed to modernising or updating mechanical platforms in this complicated area?

**Dr Gumley**—From what we have learnt, we would now go for a new buy most times. It is clear to us that the supposed savings that you might get by doing an upgrade are rarely realised when you look at the cost of lost capability through delays. We have had perhaps a similar issue with some of our ships, with the FFG program. That is one of the other two or three that are in the troublesome basket. It is a very similar situation to the Seasprite in that it

was a fixed-price contract signed in the late nineties, with the same sort of thinking at the time. Again, we would not go down that contracting model a second time now.

**Senator MARK BISHOP**—I suppose the prime contractor has to have close to final responsibility for the delays. In your view as a professional, has that company been negligent in its administration of its responsibilities or is it just something that could not have been reasonably anticipated back in 1996-97?

**CHAIR**—I do not think Dr Gumley can give what would be a legal opinion in the circumstances of this project.

**Senator MARK BISHOP**—I was not asking for a legal opinion.

**CHAIR**—The word ‘negligence’ has a number of connotations, the primary one of which is legal liability.

**Senator MARK BISHOP**—All right then. The lawyer speaks. I take your advice, Chair, and I will come at it a different way.

**Senator Ian Campbell**—Send him a bill, Mr Chairman!

**Senator MARK BISHOP**—Dr Gumley is head of the DMO and is a very experienced chief officer and scientist. The contract, for whatever reason, has not been complied with and, at best, is going to be fully implemented some nine years after the expected date. Either it is an act of God or there is fault somewhere down the line in the ADF, the DMO, the prime contractor, the subcontractor, the overview or the supervision. Dr Gumley would be intensely interested in finding out why this particular project has not been successful. What is your assessment of reasons for failure? Which actor is responsible?

**Dr Gumley**—I think the responsibility rests with the prime contractor because they took on a fixed-price prime contract. A contract is a promise to achieve certain tasks for a certain sum of money. There has to be offer and acceptance in a contract. We offered to the contractor to do a job at a certain price, and that job has not been done in the time required.

**Senator MARK BISHOP**—Who is the prime contractor?

**Air Chief Marshal Houston**—Can I just make the point that it was never intended to be delivered in 1997. That is when the contract was signed. I do not know what the original delivery date was, but it was certainly not 1997.

**CHAIR**—So the contract was signed in 1997, not 1999?

**Dr Gumley**—It was signed in 1997. We initially expected delivery around 2002.

**Senator MARK BISHOP**—So we are two to four years behind. On best expectations there will be a successful trial at the end of this year. So who is the prime?

**Dr Gumley**—Kaman Aerospace.

**CHAIR**—Are they an Australian company?

**Dr Gumley**—No, they are an American company.

**CHAIR**—Can I interrupt the senator to ask: when was this capability approved? In other words, when did the Super Seasprite project get approval to go forward? Do we have the date of that? Bear in mind that we did not have a two-pass system back then.

**Dr Gumley**—We will have to take that question on notice and get back to you. We do not have it in the pack now.

**CHAIR**—Thank you.

**Senator FIERRAVANTI-WELLS**—Could you tell us when did the negotiations actually start, what was the time frame for those negotiations and give us a bit of detail in relation to that as well?

**Dr Gumley**—Yes, we will have to take that on notice too, because I think you are after the time line of when it was approved, when the contract negotiation formation process happened and so on. Yes, we will get that data for you.

**Senator FIERRAVANTI-WELLS**—Thank you. And the analysis process et cetera.

**Air Vice Marshal Rossiter**—If I could just add a bit with regard to the prime contractor's difficulties, I think they have found it more difficult than they anticipated mainly due to the fact that their major subcontractor defaulted on performance. They picked that subcontractor for particular reasons based on similar experience on similar projects in the US. After that subcontractor failed to deliver and had difficulties, I think the prime contractor had a very difficult situation to address and they have effectively tried to address that as best they could.

**CHAIR**—The subcontractor is also American?

**Air Vice Marshal Clive Rossiter**—Yes, it was.

**CHAIR**—So the litigation would have to be conducted offshore?

**Air Vice Marshal Clive Rossiter**—If there were litigation, yes, it would—well, I am not sure about that. The contract was signed in Australia.

**Senator HOGG**—I want to find out what happened to the personnel involved in this. Obviously if delivery was planned for 2002 there would have been a program in place for training and so on for the pilots and crews who are going to operate these aircraft. Can you give us some idea as to what has happened to those crews?

**Vice Adm. Shalders**—I might be better able to answer that question. In anticipation of the capability coming on line, we commissioned 805 Squadron in Nowra and that squadron was undertaking the work needed before aircraft acceptance. The squadron was established on 28 February 2001, but during 2001 and 2002 the number of personnel attached to the squadron was minimised as they did not have aircraft to use. We have recently ramped up, and there are currently over 90 people working in 805 Squadron to support the flying activity that commenced in the squadron in October 2003.

**Senator HOGG**—Were all those people pilots or involved in the aircraft or were some of them ground support?

**Vice Adm. Shalders**—A combination. The majority would have been ground support in the initial stages, but then as we moved towards establishing the full capability a number of trainees came through the system. Right now, we are at about 90.

**Senator HOGG**—So what did these people do in that period of time between 2001 when the squadron was first established and now, given that they have not had aircraft to fly?

**Vice Adm. Shalders**—As I said, we minimised the number of people in the squadron after establishment because they did not have aircraft on which to work. There would have been a core maintenance crew getting ready for the introduction of the aircraft and progressively accepting aircraft—‘accepting’ in the sense of being able to operate them. Then from October 2003, when we started to fly the Seasprite, the numbers would have ramped up, with maintainers, operations staff, support staff and aircrew.

**Senator MARK BISHOP**—The downside has been the lack for a number of years of a capability that we had otherwise anticipated. Has there been any other cost occasioned to the Commonwealth?

**Dr Gumley**—Yes, we have had extra costs because we have had to keep our project office going longer than we would otherwise have had to.

**Senator MARK BISHOP**—Is that the only extra—

**Dr Gumley**—There is no doubt there has been some frictional cost with the squadron as well, so there are a serious of indirect costs. The main contract, as I said, is a fixed-price contract, so there has not been a blow-out there.

**Senator MARK BISHOP**—When the prime starts losing money on a big contract—and we are starting to talk about tens of millions of dollars of losses—and it is a fixed-price contract, what are your abilities to enforce compliance when they are simply losing money hand over fist?

**Dr Gumley**—Contractor behaviour is a strange thing to monitor, and it varies very much with the ethics of the company concerned. In this particular case, I cannot criticise the company for sticking to it. We know they are losing money, but they have stuck to their task over a number of years now and they have given me personal assurances that they intend to complete their contract. It must be hard for them, because they are cash-flow negative. At the end of the day we want the capability for the armed forces—that is the most important thing—so we have given them cash-flow relief on a couple of occasions. We have taken a bank guarantee for \$15 million so as to protect some of these extra cash-flow payments. We have attempted to work with the company to get the capability delivered.

**Senator MARK BISHOP**—Is there any suggestion that the company might be approaching bankruptcy.

**Dr Gumley**—I could not comment on that. I do not know.

**Senator MARK BISHOP**—You do not have any advice to that effect?

**Dr Gumley**—I have no advice to that effect. We know that they are made up of several divisions. We know that their alternative business divisions are quite profitable. We suspect, but do not know, that their helicopter division is probably losing money, mainly because of this contract.

**Senator MARK BISHOP**—So it is a company with a range of divisions. Do they have the ability to sell the helicopter division to another company?

**Dr Gumley**—I am not aware of what the answer to that is. I guess they could—divisions are being sold and bought in the defence industry all over the place.

**Senator MARK BISHOP**—Of course they have the right to break up their own company. I meant in terms of performance of the contract.

**Dr Gumley**—They have not flagged to us in any way that they intend to sell the contract or sell the division to anyone else.

**Senator HOGG**—Can I just go back a bit. It was said that nine out of the 11 aircraft have been brought up to a VMC standard at this stage. Is that correct?

**Air Vice Marshal Rossiter**—Yes, the interim configuration.

**Senator HOGG**—What about the 10th and 11th aircraft—what is happening there?

**Air Vice Marshal Rossiter**—The 11th aircraft is the prototype testbed, which is being used in the States at the moment for all the developing testing. We were originally planning to accept the 10th aircraft in the interim configuration; we have more recently made a decision that we will delay acceptance of that and receive it in the full configuration.

**Senator HOGG**—How long has the 10th aircraft been in Australia?

**Air Vice Marshal Rossiter**—The 10th aircraft is not in Australia.

**Senator HOGG**—It is not here?

**Air Vice Marshal Rossiter**—No.

**Senator HOGG**—It is in the States. Can I assume that the other nine aircraft are all at Nowra?

**Air Vice Marshal Rossiter**—Correct.

**Senator HOGG**—And they have a limited operational capacity?

**Air Vice Marshal Rossiter**—Correct.

**Senator HOGG**—The 10th and 11th aircraft are still in America, and neither of those has been accepted on any provisional basis at this stage. Is that correct?

**Air Vice Marshal Rossiter**—That is correct.

**Senator HOGG**—When are the 10th and 11th aircraft likely to be accepted into service?

**Air Vice Marshal Rossiter**—They will be accepted as soon as we have contractually accepted the final configuration. When the testing is completed we will take over the original testbed—the prototype test aircraft.

**Senator HOGG**—Which is aircraft 11?

**Air Vice Marshal Rossiter**—We refer to it as aircraft 11.

**Senator HOGG**—I accept that. I am just trying to get a picture in my mind of what is happening.

**Air Vice Marshal Rossiter**—The 10th aircraft will be the first that we will accept in the full configuration. Then we will go back—

**Senator HOGG**—Then you will have to go back progressively and work through one to nine.

**Air Vice Marshal Rossiter**—and upload the new software into the previous nine aircraft.

**Senator HOGG**—What sort of time frame is involved in doing that?

**Air Vice Marshal Rossiter**—The software upgrade is a relatively straightforward process; we are talking about a couple of months.

**Senator MARK BISHOP**—The successful upload of the software in the other nine is a precondition to the IMC certification.

**Air Vice Marshal Rossiter**—Yes. Once we have got the first fully capable aircraft accepted, the rest follow very quickly and they will all then be brought up to the same configuration.

**Senator HOGG**—How will the delay in putting the aircraft into service affect their long-term serviceability and use to the Navy? Will it decrease the number of years that you are able to operate them? Will the platform degenerate or not be efficiently available for use in operations?

**Air Vice Marshal Rossiter**—No, I do not believe that the delays had any material effect on the supportability of the platform.

**Senator MARK BISHOP**—Thanks. Can we now turn to the revised estimates. Firstly, the revised estimates show a reduction from 1,800 hours to 975 hours for the Navy's Seasprite helicopters. The note at the bottom says that that is due to lack of spare parts. To what extent will this reduction in hours exacerbate the inability of Navy to meet operational requirements?

**Vice Adm. Shalders**—Because the aircraft has not yet been accepted into operational service, it will have no impact on our operational capability, obviously.

**Senator MARK BISHOP**—Even on the VMC side?

**Vice Adm. Shalders**—No, because the aircraft is currently not embarked at sea; it has not been accepted into service yet.

**Senator MARK BISHOP**—But for the problem that we do not have the platforms at all, and hence we have a reduced capability, the further reduction now, as you say, has no material effect because the units have not been accepted for operation.

**Vice Adm. Shalders**—No. I said that it has no operational capability impact. I have not got the capability at sea at the moment, so this reduction does not therefore affect my operational capability, the ability to use the aircraft. It will of course impact, and has impacted, on our training progression. We cannot fly the aircraft as often as we would like.

**Senator MARK BISHOP**—And that impacts upon your capability?

**Vice Adm. Shalders**—That will have an ultimate impact on overall capability, yes.

**Senator MARK BISHOP**—And it has an impact on current capability if you are not doing training runs and bringing the skills of your people up to standard, doesn't it?

**Vice Adm. Shalders**—I accept that, yes.

**Senator MARK BISHOP**—What is the significance of the figures of 1,800 to 975? I am referring to the table at the bottom of page 93.

**Vice Adm. Shalders**—Essentially that means that we believe that we will fly the aircraft for 975 hours this financial year. Our initial estimate was 1,800; the estimate now is 975.

**Senator MARK BISHOP**—That is a problem of lack of spare parts?

**Vice Adm. Shalders**—I will allow Air Vice Marshal Rossiter to address spare parts. I will address another issue once he has completed that answer.

**Air Vice Marshal Rossiter**—There are actually three contributors to Seasprite availability. The first one is associated with spare parts; the second one is associated with some unexpected quality issues on some of the items that we received into service; and the third one is some competition between completing the project and supporting the in-service support of that project with the limited test pilots that we have. I will step very quickly through each of those for you.

When we introduce a new capability into service, very early on we do a logistics support analysis where, based on the reliability and the spares pipeline performance, we develop a model and determine an initial spares package to be acquired. It does not matter what platform you are talking about, the same general process is applied. Generally when you are introducing new systems into service, some of the reliability factors are design factors—they have not been proven in service yet. Similarly with the pipeline: before you have set up the supply chain to support it you are working on your estimates of what that supply chain performance is going to be. So you model all that and you come up with an initial spares package. That was done with this platform, as it is done with every other platform.

What you then do, as you get experience in operating that, is that you make adjustments and remodel based on real world experience—what the real reliability rates are that being achieved and what the real supply chain performance is. As a result of that, there is generally a supplementary spares acquisition that occurs to take into account the real world experience.

In the case of Seasprite we went through that process. The initial spares package was acquired. It has all been delivered. Some of the components have had usages greater than we anticipated. A second lot of spares packages to the tune of about \$US11 million has been placed; they are on order. They will progressively come in, the majority of which will come in during 2006. So that has had some impact on aircraft availability.

The second category was unexpected quality issues. A series of quality problems were determined as we started to operate the equipment. Again, they were restricted to a limited number of components, but because they were unanticipated and in some cases had not been provisioned for, because they were the sort of thing that you did not expect to fail or did not expect to have quality problems, the supply lead time in getting those components either repaired or replaced has had an affect on aircraft availability.

The third one is basically just a tension that we have at the moment between the demands of completing the project and of supporting the in-service support activity where we have two test pilots to support both those activities. They have been a constraint on occasions, where we have had to prioritise a project demand over an in-service demand. Again, on occasion, that has led to some impact on aircraft availability.

**Senator MARK BISHOP**—So the net of that has been a reduction of 825 in the projected flying hours in this financial year. Is that correct?

**Air Vice Marshal Rossiter**—Correct.

**Senator MARK BISHOP**—Is this need to revise downward a new development this year or has that occurred in past years as well?

**Vice Adm. Shalders**—I think it is a continually moving target. As things change in the additional estimates we come forward with our revised estimates. This is not a one-off. If I could just add to Air Vice Marshal Rossiter's response, there is a fourth issue which has led to the underfly—that is, the introduction of a new maintenance regime in this squadron and in all other naval aviation squadrons. The new maintenance regime, which we call the MRP, or Maintenance Reinvigoration Program, was introduced after a comprehensive review of all naval aviation maintenance in August last year. That review was a result of the Sea King crash in April last year.

**Senator MARK BISHOP**—I see.

**Vice Adm. Shalders**—So we have had a fairly major adjustment to our maintenance regime. That requires, for example, additional supervision of maintenance practices. That, in turn, leads to a slowing down of maintenance being conducted on the aircraft, and that is another contributor to the underfly.

**Senator MARK BISHOP**—So there are four contributory factors. Are adequate spare parts currently available?

**Air Vice Marshal Rossiter**—With the exception of those that have been ordered more recently and are due in this year, yes. We believe that we have now revised the spares package so that when they come in it will be an adequate spares package.

**Senator MARK BISHOP**—When do you anticipate they will come in?

**Air Vice Marshal Rossiter**—The majority of them are expected in this year.

**Senator MARK BISHOP**—Late this year?

**Air Vice Marshal Rossiter**—I have no details, but this year.

**Senator MARK BISHOP**—The reason I ask the question is that if we do not have sufficient spare parts it is another delay in capability, isn't it?

**Air Vice Marshal Rossiter**—Yes, it is. But I think we have taken the appropriate action to deal with that.

**Senator MARK BISHOP**—I do not quarrel with your analysis; that is what the experts have said. The conclusion I reach is that (1) we have long-term capability problems related to the previous discussion on the contract and its implementation and (2) we have a series of emerging problems: the four issues you and Vice Admiral Shalders have outlined. Both of those necessarily impact on capability at the moment. Is that correct?

**Air Vice Marshal Rossiter**—They do at the moment.

**Senator MARK BISHOP**—If all the new spares are delivered later this year—say, in August, September or October—and put into the system, subject to the previous discussion on the VMC and the IMC, will we then have full capability for these platforms? Or will the other three issues still be issues?



**Air Vice Marshal Rossiter**—The quality issues are unanticipated. I would characterise them as the sort of thing that you are more likely to find during the initial introduction into service phase. The rate of arising of that sort of thing drops off with experience, if you like.

On the pilot issue, we have just put our third test pilot through the training program over in the US. He is about to join Seasprite. In a matter of the next couple of weeks, I think, he moves across to do the conversion training on the Seasprite in the States. So, hopefully, we have dealt with that constraint.

The spares packages have been ordered. When they come in that will rebalance the spares package to the real-life data in terms of supply chain performance. The only other logistics activity of substance that we are planning but have yet to implement is that there are additional airframes in the US desert that were not part of the upgrade program which we plan to reduce to spares in the fullness of time.

**Senator HOGG**—So there will there be sufficient spares for the through-life support of the aircraft—is that what you are saying?

**Air Vice Marshal Rossiter**—Yes. When all that comes together, that should provide an adequate logistic basis for operating this aircraft.

**Senator HOGG**—What will the operational life expectancy of the aircraft be once they are fully operational?

**Air Vice Marshal Rossiter**—I am not sure what the planned withdrawal date is.

**Vice Adm. Shalders**—We anticipate 20,000 hours out of the airframes.

**Senator HOGG**—That is how many years, roughly?

**Vice Adm. Shalders**—I will have to take that on notice. I can find that out quickly and get back to you.

**Senator HOGG**—Do we have the expected fully operational date?

**Air Vice Marshal Rossiter**—I do not expect that we will be through the testing and any remediation that may be required until late this year at the earliest, so it is likely to be next year.

**Senator HOGG**—Just one interesting point—where is the 10th aircraft? I am just a little confused. You told me it is in the United States yet the PBS tells me it was being assembled in Australia. Is it in the United States? This is on page 171 of this year's PBS—2005-06. It says that, of the two remaining aircraft, one is in final assembly in Australia and one remains in the United States.

**Air Vice Marshal Rossiter**—That would be correct. I must have been incorrect before.

**Senator HOGG**—So it is in Australia?

**Air Vice Marshal Rossiter**—It would be in Australia if that is what it says.

**Senator HOGG**—I was confused when I heard your answer so I thought I would go and check my source. Thank you.

**Senator MARK BISHOP**—What impact, if any, is this continuing delay in bringing the platforms to capability for a range of reasons having on the utility and currency of the crews? Is their training necessarily delayed?

**Vice Adm. Shalders**—Yes.

**Senator MARK BISHOP**—How long will it take to bring them up to speed?

**Vice Adm. Shalders**—Once we have airframes to work with, the conversion course that is needed to bring the two air crew on line is reasonably rapid. The difficulty has been having aircraft able to do the certification and handling testing and the other things that the test pilots need to do, and having sufficient aircraft to train with. As you have heard, we have had some spare parts and quality issues which have limited that availability.

**Senator MARK BISHOP**—So the real training of the crews in terms of the IMC and the serious flying cannot even begin until the units are fully operational?

**Vice Adm. Shalders**—No, that is not correct. We have actually been flying the aircraft since January 2004 in an interim capability. We cannot do the more difficult parts of the job such as embarking at sea and landing and launching from ships, because those trials have not been completed, but we can do a lot of the more routine aspects of naval flying, and we do that. We have a number of crews down there at the moment who fly the aircraft routinely and who are training more junior pilots.

**Senator MARK BISHOP**—But that is within the certification levels that have been granted—the VMC?

**Vice Adm. Shalders**—The issue of VMC and IMC is only one part of describing the capability of the aircraft. Essentially—and I am sure the Chief of Air Force will correct me if I get this wrong—that governs what you can do in certain atmospheric conditions. The capability we are looking for, of course, requires us to be able to do much more than just fly in IMC, for example. We need to fly in IMC over water, over extended ranges, and launch and recover from the heaving deck of a frigate. All of those issues are, dare I say it, more important than the IMC certification. That does not come until we get the full software load.

**Senator MARK BISHOP**—That is right. But you cannot do those more difficult and more important flying tasks until you have the IMC certification for the platforms, hence the delay blow-out in training time?

**Vice Adm. Shalders**—It is not in series; it is in parallel. The IMC certification will be sought but we will be attempting to practise and hone our skills in all of those other areas whilst we are seeking the IMC certification. So IMC by itself is not the major hurdle that press reporting seems to be saying it is.

I should just correct something. I mentioned 20,000 hours before. We are looking for 10,000 hours, which is what you would get from a new aircraft. In terms of what that life of type is, I will get back to you.

**Senator MARK BISHOP**—We will go back to the revised estimates for the Black Hawks. They show a reduction of 1,100 flight hours for the Army's Black Hawks. What is the cause of this reduction?

**Air Vice Marshal Rossiter**—I can explain the basis of the flying hours. The 8,600 flying hours is a baseline amount of flying they expect to take out of the Black Hawk, and it is used primarily for planning purposes. In particular, the DMO uses it for resource planning purposes. So we build our logistics support system up based on an anticipated rate of effort. That rate of effort on platforms varies throughout the year, through different circumstances. Some actually go up. You will notice in some other platforms that the rate of effort has gone higher.

**Senator MARK BISHOP**—Yes, it has.

**Air Vice Marshal Rossiter**—Others are adjusted downward for different reasons. In the case of the Army Black Hawk a number of issues affected the reduction to 7½ thousand. The first was that the Army felt that this year they were comfortable in operating 7½ thousand hours instead of the 8,600. A further contributor is that, as a result of the tempo, some of the maintenance operations that would normally be conducted at squadron level have been delayed and deferred to be done at deeper maintenance by the contractor. Therefore, the time taken at the deeper maintenance level has increased. That decision was taken on the basis of providing some relief to the operational tempo that the squadrons were experiencing. There has also been some structural cracking that required repair development. In that case we have developed a repair and it is going through a fleet-wide incorporation program that will conclude in September this year. That will increase the fleet availability by another couple of aircraft. They are the sorts of things that have affected the Black Hawk.

**Senator MARK BISHOP**—The footnote says that. What are these unscheduled maintenance tasks? Does that mean unanticipated?

**Air Vice Marshal Rossiter**—Unscheduled maintenance generally refers to a class of maintenance that cannot be predetermined. We have scheduled maintenance, where you will go and inspect particular areas and do particular maintenance activities.

**Senator MARK BISHOP**—Routine planned maintenance.

**Air Vice Marshal Rossiter**—Yes. As is typical when you are going through that routine, planned, scheduled maintenance activity you find other things, like corrosion and minor cracking. They require repairs or treatments to be developed for the particular cases. That type of thing is classed as unscheduled maintenance.

**Senator MARK BISHOP**—So is the prime cause unanticipated structural corrosion and cracking?

**Air Vice Marshal Rossiter**—As with all of these aircraft, there are a number of factors that affect the rate of effort. In this case it is things like the ones I have just mentioned. When we have completed the cracking program, that will add an additional two aircraft to the fleet.

**Senator MARK BISHOP**—Where is the cracking occurring—in the frame or the engines or what?

**Air Vice Marshal Rossiter**—I cannot recall.

**Senator MARK BISHOP**—The note in the portfolio additional estimates statements refers to ‘work to rectify structural cracking’. I presume that means the frame itself, but I do not know that.

**Air Vice Marshal Rossiter**—It will be part of the airframe.

**Senator MARK BISHOP**—General Leahy, do you have the answer?

**Lt Gen. Leahy**—Yes. The problem has been there for some time. It is entirely manageable. It is common in aircraft of this nature around the world. It is in the roof of the aircraft, by recollection, towards the flying bulkhead. We have been dealing with that for some time.

**Senator MARK BISHOP**—What causes it? Is it on the outside?

**Lt Gen. Leahy**—No, it is inside, in the frame of the aircraft. It is the stresses and strains associated with flying.

**Senator MARK BISHOP**—The note refers to ‘unscheduled maintenance tasks and work to rectify structural cracking’. That deterioration in the top of the frame was never anticipated by the Army?

**Air Chief Marshal Houston**—That goes back to the very beginning, when we first bought the aircraft in the late 1980s. We had the external stores support system, upon which the external tanks are carried. Very early on, in the first couple of years of operation, we started to see cracking in the areas that General Leahy referred to. They have been a feature of the operation of the Black Hawk right through its life. As General Leahy said, it is entirely manageable.

**Senator MARK BISHOP**—The reduction in hours for the Black Hawks is 8600 to 7500 for the rest of the financial year. That is a bit over 10 per cent. I presume that that is not going to have any impact at all.

**Lt Gen. Leahy**—No. It is just a midyear readjustment of the operational and training requirements. As has been mentioned to you I think, a particular point is the tempo of operations. We have people flying in Pakistan at the moment. It is an appreciation of us saying: ‘These guys are going to come home. They’ll want a bit of a rest.’ The maintainers need a bit of a rest, as you have noted. It is about a 10 or 15 per cent change in what our original plans were. It is just a normal part of functioning with the fleet.

**Senator MARK BISHOP**—Let us now go to the Tigers. The reduction there is significant.

**Lt Gen. Leahy**—That is right.

**Senator MARK BISHOP**—It is from 1740 hours down to 515. By any definition, that is a significant reduction in flying hours. Note 5 says that this ‘has been caused by the inability to train the required number of qualified flying instructors’.

**Lt Gen. Leahy**—That is correct.

**Senator MARK BISHOP**—Can you tell us about that, General Leahy?

**Lt Gen. Leahy**—I think I might leave that to DMO. It is still in the contract phase of this project.

**Air Vice Marshal Rossiter**—Yes, that is correct. I think the primary, if not the sole, reason for the rate of effort decrease here is associated with the ability to train sufficient pilots. That traces itself back to the point when we signed this contract. We were expecting that the French program was 18 months in advance of us and that they would be introducing their Tiger

aircraft into service well in advance of our program. They have suffered some delays to their program, the result of which has been that the Australian Tiger program has actually leapfrogged theirs. We are introducing ours into service in advance of theirs.

We were also planning on training our initial cadre of instructors using the French aircraft. The delays in their program have resulted in delays in training those instructors. As a result of that, we have been working hard with the company to mitigate those impacts on our program. Training is about to transfer into Australia. We have the first set of instructors back here in Australia now. We anticipate commencing additional training in Australia in the middle of this year.

**Senator MARK BISHOP**—Have the instructors been in France to be trained?

**Air Vice Marshal Rossiter**—They have been, yes.

**Senator MARK BISHOP**—But that has been delayed because France's contract has had some time slippage as well.

**Air Vice Marshal Rossiter**—That is correct.

**Senator MARK BISHOP**—What sort of time impact did that have on our men who had to be trained—18 months or longer?

**Air Vice Marshal Rossiter**—I think it was shorter than 18 months, because we were anticipating training somewhere in the middle of that. I do not know the exact time. The point I would make is that we were anticipating being able to put out sufficient pilots to start flying at our initial operating capability in June 2007, and the remediation program that has been put in place for the training should support that.

**Senator MARK BISHOP**—So your original plans were to have the pilots fully trained and the Tigers operational by June 2007? Is that correct?

**Air Vice Marshal Rossiter**—That is correct.

**Senator MARK BISHOP**—Are you telling me that, notwithstanding the delays in France and the delay in training the men back here, the full complement will be fully trained by the middle of 2007?

**Air Vice Marshal Rossiter**—Correct. At this stage we are aiming to meet the original dates.

**Senator MARK BISHOP**—How are you going to do that when your training time for the men has been reduced by some 18 months or two years?

**Air Vice Marshal Rossiter**—It was not 18 months. It was a shorter period than the 18 months because we were not planning to train on day one; they were going to commence training somewhere during that program. It has required us to do two things. It has required us to transfer more training onto aircraft than we originally planned—off a simulator into the aircraft—because the simulator was part of that delay I was talking about. The second thing it has required us to do is go back with the company and re-evaluate the training program in order to provide a more compressed training program. As a result of both of those things—transferring more hours onto the aircraft and making adjustments to the syllabus and the

training program—we are hoping to push out the number of pilots that we anticipated to meet our IOC date.

**Senator MARK BISHOP**—Was the problem in France a problem with the simulator or with the platforms over there?

**Air Vice Marshal Rossiter**—No, the one I was talking about there was problems with their aircraft. Their aircraft program is significantly late. We have also had problems in getting our simulator delivered on time. It is running about 10 months late.

**Senator MARK BISHOP**—The simulator is being purchased from the production company in France as well?

**Air Vice Marshal Rossiter**—Correct. It has just arrived at Oakey. It is being reassembled at the moment to complete development, installation and testing.

**Senator MARK BISHOP**—In terms of the operational and, consequently, production problems that the French had that caused the delay, are you now satisfied that they are completely on top of those problems and that it is just a time delay? Or does there still need to be further work in terms of remediation done?

**Air Vice Marshal Rossiter**—I am sorry, I do not understand your question.

**Senator MARK BISHOP**—You have referred to problems in France with the platforms. That has caused a delay in production and that has led to delays in Australia in terms of getting the units and training the men. Are all the problems that the French had now resolved to your satisfaction?

**Air Vice Marshal Rossiter**—I am not sure whether the French program still has problems or not. The impact that it has had on our training program is effectively behind us now. We have got our initial set of instructors here in Australia and we will be taking over the training program.

**Senator MARK BISHOP**—Okay.

**Dr Gumley**—Chair, may I enter some data for the record about the Seasprite, the contract dates?

**CHAIR**—Certainly.

**Dr Gumley**—It was approved in the 1994-95 budget. The tenders were opened in October 1995. The tenders closed in April 1996 and the contract was signed on 30 June 1997.

**CHAIR**—Thank you very much.

**Vice Adm. Shalders**—I would like to add to an answer I gave before in response to Senator Hogg's question about the life of type for the Seasprite. The contract requires the refurbished aircraft to be supportable for 25 years and have a certified service life of 10,000 hours. At this stage our planned withdrawal date for the Seasprite is 2025.

**Senator FAULKNER**—While we are on the chopper theme perhaps I could ask about the Sea Kings. Could someone briefly indicate what the current situation is in relation to the Sea Kings?

**Air Chief Marshal Houston**—The Chief of Navy can give you a response on that, but they have started flying again.

**Vice Adm. Shalders**—A suspension of flying was invoked on 6 December last year. We have worked through a very comprehensive physical configuration audit, documentation audit and maintenance review since that time. The first of the Sea King fleet flew on 31 January. We are working through a return to flying program in 817 Squadron which will bring five of the remaining six aircraft on line hopefully in the next two months. The sixth aircraft is in deep maintenance, which is a normal deep maintenance routine.

**Senator FAULKNER**—From what you have said, it would not be accurate to say that the fleet is still grounded.

**Vice Adm. Shalders**—No, it would not be accurate to say that. The fleet is returning to flying. The first aircraft flew on the 31st and there has been an intensive program of ground runs and maintenance test flying happening since that time.

**Senator FAULKNER**—I saw the transcript of a press conference that Minister Hill, the former defence minister, gave at *Albatross* on 21 July last year. He was asked by journalists whether the Navy had full confidence in the Sea Kings and he replied, clearly: ‘full confidence in the Sea Kings’. Can I ask you a similar question. Does the Navy have full confidence in the Sea Kings?

**Vice Adm. Shalders**—Yes.

**Senator FAULKNER**—I read with concern an article in the *Sydney Morning Herald*—and no doubt you also saw it—dated 18 January this year and entitled ‘Fearful pilots in Sea King mutiny.’ That is a rather dramatic title! I am sure you remember the article, Vice Admiral Shalders.

**Vice Adm. Shalders**—I remember the article and I agree with you that it was a sensationalist headline.

**Senator FAULKNER**—Yes, it was. ‘Mutiny’ is a strong word at any time, and we certainly do not like it in politics, I can assure you. An ADF statement is quoted—and I do not have the original; I will be frank with you about that—which says:

Since the Sea King accident of April 2005, two Sea King aircrew have refused to fly in Sea Kings due to a loss of confidence in the maintenance of the aircraft.

So we can be clear about what we are talking about here, was that actually sourced from a Defence statement of some description?

**Vice Adm. Shalders**—I am not sure of the source of the statement, but the facts that you have just accounted are correct. Two aircrew did refuse to fly in Sea King.

**Senator FAULKNER**—I see. Is that accurate as to the number of Sea King aircrew? Is two still the current figure?

**Vice Adm. Shalders**—No. One of those two officers has since indicated that he is willing and wants to come back to flying the Sea King.

**Senator FAULKNER**—Were these two aircrew pilots or did they have other responsibilities? Are you able to tell us?

**Vice Adm. Shalders**—I cannot answer that question, but I can find out whether they were pilots or observers, or exactly what the two were. I will find that out.

**Senator FAULKNER**—Okay, thank you for that advice.

**Vice Adm. Shalders**—I believe, and I will correct this if I am wrong, that one was a pilot and one was an observer.

**Senator FAULKNER**—It has been suggested to me, with goodwill I think—and I would like you to comment on this—that the figures are in reality higher than that, because effectively those numbers do not take account of aircrew who say they do not want to fly but are posted off before they get medical certification. Is that right?

**Vice Adm. Shalders**—I am only aware of the two officers that we have been discussing. Periodically, there are people who go temporarily medically unfit and who cannot fly because of that medical unfitness, but I am only aware of the two that we have been discussing.

**Senator FAULKNER**—In other words, they get medical certification so they do not have to fly, and this has an impact on the figures. I am sure you understand that point. That is the nub of it. That has been suggested to me, and I wanted to put it fair and square straight to you and ask you whether that was the case.

**Vice Adm. Shalders**—I am not aware of that.

**Senator FAULKNER**—I appreciate that you may not be aware of it, but if it were the case, I hope that you would be aware of it. In one sense, the answer, ‘I am not aware of it,’ is helpful, but I want to be really clear here whether this suggestion that has been made to me has some substance. I accept what you have said—that you are not aware of it—but can we get behind that and try to establish whether this circumstance does exist and you are just not aware of it?

**Vice Adm. Shalders**—My responsibility to Chief of the Defence Force is to raise, train and sustain capability that he can use. In this case, my responsibility is to raise, train and sustain the Sea King capability from 817 Squadron. We watch the level of preparedness in each of our units and none more closely at this stage than at 817 Squadron. I am aware of two officers who have reported their unwillingness to fly in the aircraft and those two officers have been managed in accordance with our standard procedures in those circumstances. I am also aware, through very close scrutiny of the squadron, of people who go medically unfit. Squadron statistics are kept rigorously about who is fit and who is not fit, so of course I am aware of the capability of 817 Squadron. It is an operational capability which we watch very closely. The maritime commander reports it regularly. Beyond that, I cannot really comment on what you might have heard about other things.

**Air Chief Marshal Houston**—I have spent much of my working life in flying squadrons and I can tell you that for a large part of the time some of the squadron members might be medically unfit. It takes something as simple as a common cold to remove you from flying status for a period of time. You might sustain a sprained ankle that would remove you from flying status. So I would just say that we need to be very careful about the way we use these figures because in my experience it is a normal feature of every flying squadron to have a small percentage of the squadron temporarily unfit for flying duties.



**Senator FAULKNER**—I accept that completely, but you understand the import of the question I am asking. A suggestion has been made to me—I do not put any spin on this; I do not say that it is correct or incorrect; I think it is appropriate that I ask you about it—that the figures are not fully representative because of the sort of process in relation to medical certification, postings and the like that I have mentioned. The purpose of this exercise, as you know, is to ask questions and to receive responses from witnesses at the table. I cannot say to you, and I do not want to say to you, that this is a fact. I do not know that it is a fact, but I do know that the issue has been raised and I certainly want to put it to you so I can hear your response. I am sure you appreciate that.

**CHAIR**—I think you have the response.

**Senator FAULKNER**—With the thorough work that has been done in relation to the two Defence personnel and with the sorts of statistics that are kept and so forth, you would know why the aircrew took the decision that they did in the two instances that you have been able to confirm. In other words, why the two aircrew refused to fly in the Sea Kings. Would you be able to tell me why?

**Vice Adm. Shalders**—I could. In fact, they have indicated that they were not confident in the maintenance of the aircraft. One of those officers has now indicated that he is fully confident and has requested to return to flying status. That is as a result of the maintenance reinvigoration program that I mentioned earlier. We have done an awful lot in looking at maintenance practices as a result of the accident investigation report and the ongoing evidence being let at the board of inquiry. The second officer has been watching those activities and has indicated that he is now more comfortable than he was when he requested to withdraw his flying status.

**Senator FAULKNER**—I now want to talk about this specifically so that I understand the process. If aircrew refuse to fly, the process, as I understand it, ends up with them being declared medically unfit. Please correct me if I am wrong about that, because that is just my layman's understanding and I might be wrong. Please tell me whether that is the case.

**Air Chief Marshal Houston**—This is quite a sensitive area. From time to time, people decide they do not like flying and decide to pursue something else. It does not necessarily mean that they become medically unserviceable. In other circumstances, somebody might have a particular problem, a temporary problem, and they would go away to undergo medical treatment and then would be returned to flying status. It all depends on the circumstances. It happens quite a bit more than you might imagine. It is something we do not generally talk about because there are privacy issues concerned with it.

**Senator FAULKNER**—I accept that, Air Chief Marshal. I am certainly not going into individual cases or circumstances at all. You know I would not do that. But, just so you are clear about this, it has been suggested to me that aircrew have been posted off the squadron when they refuse to fly before the other processes take place. If you can put my mind at rest about that, if you can say that is not the case, that is fine. It has been suggested to me that it does affect the figures, but if you say that is not the case, I accept that, and we will move on.

**Air Chief Marshal Houston**—I am not aware of that. The Chief of Navy and I will probably go away and have a close look at that, because I do not think either of us has heard

any of those suggestions. I prefer to deal with the facts; I am not aware of any facts that relate to what you have heard.

**Senator FAULKNER**—I appreciate that, Air Chief Marshal, because I would prefer you to deal with the facts too, as you would know. This is not dissimilar to questions I have asked at this estimates committee before. If you take the view that you need to be absolutely clear in the evidence that you provide—which I think we all appreciate—and you do not have the facts before you, I accept that. We will hear from you, hopefully, in the near future.

Vice Admiral—I think this is probably best directed to you—can you quickly give me an approximate cost to the taxpayer of having the entire Sea King fleet grounded? You have explained some of the processes that have gone on in the work that you have done; are you able to provide that figure to the committee?

**Vice Adm. Shalders**—I cannot give you an answer to that question now, Senator. I will have to take it on notice. I presume you mean how much it has cost to do the maintenance reviews and retraining. Is there anything else?

**Senator FAULKNER**—That would certainly be included, but I am sure your professional understanding of the costs borne in this sort of circumstance is much better than mine. You understand the import of the question and I will be very happy with the way that you respond to it. I am sure you will respond in the way you always do when you do not have the figure available.

**CHAIR**—So, just to clarify, the question on notice is: what is the cost—

**Senator FAULKNER**—I am asking Vice Admiral Shalders what the cost to the taxpayer was for the grounding of the Sea King fleet. The Vice Admiral has suggested to me that there are at least two elements, and that is what I have in mind. But there may be some other elements, and I depend on the professionalism of Defence to provide me, as I am sure they will, with an answer that reflects and is in the spirit of the question I have asked. I am confident Defence will do that.

**CHAIR**—So there is an accounting equation to do on the cost of the grounding.

**Vice Adm. Shalders**—Yes. In answering that question, of course, any additional costs will be offset by the fact that we are not operating the aircraft while they are grounded.

**CHAIR**—Exactly. There may in fact be some form of saving.

**Vice Adm. Shalders**—There possibly could be, but we will investigate and respond.

**Senator FERGUSON**—I have a question in relation to the Sea Kings. In the event of an early retirement of the Sea Kings, has any consideration been given to a possible or likely replacement?

**Air Chief Marshal Houston**—I think you would be aware that the Sea Kings are planned to be replaced in the defence capability plan. We would clearly like to see that happen on time and, indeed, as soon as we can justify the requirement for a new capability.

**Senator FERGUSON**—Has any thought been given to replacing Sea Kings with perhaps the 12 MRH 90 aircraft that were recently ordered for the Army which do have a maritime capability or ordering additional aircraft of that sort?

**Air Chief Marshal Houston**—In the nature of these things, we are looking at options and clearly that is one option that we could embrace. MRH 90 would be a suitable option to replace the Sea King.

**Senator FERGUSON**—So is it currently under consideration?

**Air Chief Marshal Houston**—Yes, it is. We are obviously looking at Sea King replacements and that is one of the options that we would look at.

**Senator FERGUSON**—What is the present thinking on the timing of the ordering of the remaining 36 aircraft that are left out of the 48 of the original tender for Army helicopters, which was partly met by the order of the first 12?

**Air Chief Marshal Houston**—General Hurley, the Chief of Capability Development Group, will respond to that question.

**Lt Gen. Hurley**—Replacement of the Sea King helicopter is part of the Air 9000 program dealing with the rotary wing fleet. It is phase 6 of that program. Are you looking for a decision or a date?

**Senator FERGUSON**—Something a bit more explicit than that. What is the timing in real terms?

**Lt Gen. Hurley**—If you are talking about MRH 90—

**Senator FERGUSON**—Originally 48 were tendered for and we have 12.

**Lt Gen. Hurley**—Yes. The original concept was to put phases 2 and 4 of Air 9000 together, which was the additional troop lift helicopters, and then replacement or refurbishment of the Black Hawk, which is phase 4. We did not proceed with that phase. So we are now looking at the phase 4 solution and the possibility of linking phase 6, which is the Sea King replacement, into that solution set. We are not at the point of giving advice to government yet, but it will be done this year.

**Senator FERGUSON**—Thank you.

**Senator FIERRAVANTI-WELLS**—Dr Gumley, thank you for the information that you have provided. Could you take on notice, going back to the various time periods that you described before about leading up to the signing of the contract—

**CHAIR**—Super Seasprites.

**Senator FIERRAVANTI-WELLS**—and give me an analysis of the various stages and procedures, in a more detailed response, and the various steps that were undertaken—a little bit more than just the time, if you do not mind.

**Dr Gumley**—Is it the decisions or the reasons for decisions that you are looking for?

**Senator FIERRAVANTI-WELLS**—No, I would like a bit more detail on each step of the way, starting from the beginning and the work that was done.

**Senator MARK BISHOP**—While we are talking about helicopters, I will shift to some compensation issues arising out of the tragedy in Indonesia. By way of background, the helicopter fell and, from memory, nine service personnel were killed and two were not killed. At the outset, I presume that any compensation payable to families would have been paid

under the new Military Rehabilitation and Compensation Act that came into effect on 1 July 2004. Is that presumption correct?

**Air Chief Marshal Houston**—Which part of the compensation—for people who survived or—

**Senator MARK BISHOP**—No, for the dependants of the men who were killed.

**Mr Grzeskowiak**—The compensation payments would be made under the new Military Rehabilitation and Compensation Act.

**Senator MARK BISHOP**—I presume that, in terms of dependants of the deceased personnel, that process of payment has now been concluded after all of this time—is that correct?

**Mr Grzeskowiak**—The process of payment is handled by the Department of Veterans' Affairs, which administers that legislation. I do not have the details of individual payments that have been made. The Department of Veterans' Affairs would be able to advise on those specific issues.

**Senator MARK BISHOP**—I have had some anecdotal complaints that dependants have not received compensation payments that were due to them. It is a fixed schedule of payments for wives, partners or children and there is a whole range of other things including education allowance and those sorts of things. Have you had any advice from DVA to that effect?

**Mr Grzeskowiak**—I have not asked DVA that question. The issue is being dealt with by DVA and obviously it is a priority issue, I am aware. Defence is involved as necessary to resolve any issues that might arise over those payments.

**Senator MARK BISHOP**—The specific complaints I have received—and it surprised me when I received them—have been to the effect that, firstly, family members are unaware of their entitlements and, secondly, they have not received payment of those entitlements. I was surprised to receive that complaint because I am very familiar with the act, having had responsibility for it at one time. Have you had any advice to that effect? Air Chief Marshal, have you had any advice up the line?

**Air Chief Marshal Houston**—No, I have not.

**Mr Grzeskowiak**—I have not had any advice into my office that families may not be aware of their entitlements. In that regard, I am not aware.

**Senator MARK BISHOP**—It is customary in these situations for DVA and also Defence to appoint a project officer or a coordinating officer to handle the family, social and financial issues derived from death in service. Has such a person been appointed by Defence?

**Air Chief Marshal Houston**—We normally do that. Ms Stodulka is the director of the community organisation. She has been managing a lot of the aspects with the families of those who were killed.

**Senator MARK BISHOP**—Ms Stodulka, the complaints I have received are that some family members of deceased personnel have not received the compensation payments that they were entitled to under the act and are unaware as to future payments of their entitlements. As I said, I was surprised to hear that complaint because I am familiar with the

act and I am familiar with a lot of the people in DVA who normally have this responsibility. So it surprised me. Do you have any advice from DVA or any first-hand knowledge of the process so that you can allay those concerns?

**Ms Stodulka**—There are different entitlements and processes depending on whether you are a spouse who was dependent on the deceased member or perhaps a parent. My understanding is that those for whom there is a clear entitlement know their entitlements and they are being progressed. However, I am aware that there are some families who are still in negotiation with DVA about their degree of dependency with the deceased member and therefore it is in abeyance.

**Senator MARK BISHOP**—Is that a parent type of a dependant, as opposed to spouse or partner?

**Ms Stodulka**—Yes.

**Senator MARK BISHOP**—And you have got that economic dependency test to apply, haven't you?

**Ms Stodulka**—Yes.

**Senator MARK BISHOP**—So that is the problem. Can we rule out problems with spouses, partners and children who are immediately dependent on the deceased person?

**Ms Stodulka**—Yes, those who are recognised as dependent. That has all been progressed. It is when the matter is not clear about the dependency.

**Senator MARK BISHOP**—An officer in DVA has responsibility for this?

**Ms Stodulka**—That is right. Defence has a case manager for each family as well. We assist by ensuring communication with DVA and making sure that people are responded to, although the decisions are obviously not within our influence.

**Senator MARK BISHOP**—What is the problem with the group you are referring to? Is it with the interpretation of the act as to the economic dependency of parents?

**Ms Stodulka**—I do not think that I am competent to answer that. The act is clear about its requirements and people then submit their claims or their arguments as to why they think they are dependent or not dependent. It is then within DVA to assess that. DVA has its own review processes and I would not be competent—

**Senator FAULKNER**—I know that this is hard to believe and you have got to have a long memory, but once upon a time I was Minister for Veterans' Affairs and Defence, Science and Personnel. There was nothing comparable then or any tragedy like this at that time though there were incidents obviously that had occurred previously. I was always struck in talking to families that they sought the kind of contact that they did. It is very logical that the point of contact be Defence as opposed to DVA and I would imagine, Ms Stodulka, that that is still case. Naturally families with a tragedy like this would have a level of comfort with contact with Navy as opposed to DVA. It seems very logical and obvious to me. Is that still case?

**Ms Stodulka**—The families have both a social worker and a military support officer allocated to them. Obviously we also work closely with 817, with Navy, across the board. But

for matters that relate to DVA we work and assist those families to work with the responsible officers within—

**Senator FAULKNER**—Of course. Those officers who are undertaking that important role—and that is as it should be—are also, I would hope, very well apprised of all the legislative and other requirements and provisions of our entitlements in the broad. Almost all of these of course are handled by the Department of Veterans' Affairs.

**Ms Stodulka**—Yes, that is correct.

**Senator FAULKNER**—And those Defence officers do have a very good understanding of that and a good relationship, I would hope, with DVA as you work through these sorts of issues.

**Ms Stodulka**—Yes, they do. However we are quite clear that we do not provide subject matter advice on those issues and we will get the subject matter experts to the respective family then to ensure that they have got the advice that they need. Obviously, we have got to have a good understanding to know where to get the advice.

**Senator FAULKNER**—Historically what has always struck me was the natural point of contact—and I think that it is logical and obvious, and I do not know whether you perceive this also, Air Chief Marshal—being Defence or the relevant service, if you like, in this case Navy, as opposed to the Department of Veterans' Affairs.

**Air Chief Marshal Houston**—I think that we have improved the way we do that now. The defence community organisation, under Ms Stodulka, has done a wonderful job in supporting the families that have lost loved ones in the Sea King tragedy. The contact has been constant through the last few months. It has involved her and her people but also people from the two services involved. It has been a great example, I think, of how to approach these matters.

**Senator MARK BISHOP**—But your advice, Ms Stodulka, is that the processing of payments for compensation to either immediate family or those who might be economically dependent is a decision for DVA.

**Ms Stodulka**—Yes.

**Senator MARK BISHOP**—We might talk about that with DVA tonight, then. Thank you for that. Without pre-empting the findings of the board of inquiry, is it sufficiently evident that common-law implications will be derived from the cause of the accident?

**CHAIR**—Before you answer that, can I say that I would be very unwilling to canvass other than the most peripheral of issues surrounding the board of inquiry. I have already mentioned the opinion that you asked Dr Gumley to give regarding negligence with respect to the contract. We have a board of inquiry sitting on this matter—one of the most important matters a board of inquiry would sit on. Given what the media has published about the nature of evidence regarding aspects of what was on or off the aircraft at the time, I would counsel you not to go to matters that are going to be before the board of inquiry. I think that is appropriate. We should leave it to the experts to make determinations there.

**Air Chief Marshal Houston**—Eventually the outcome of the board of inquiry will come through the Chief of Navy to me. It will then be reported to government and, presumably, to

you in the fullness of time. May I suggest that once the report is on the record is the time that we would come back to you and take questions on that.

**Senator MARK BISHOP**—That is fine.

**CHAIR**—I am obliged to you, Senator.

**Senator MARK BISHOP**—I want to talk now, Air Chief, about the late 2005 strategic update. There is a quote in the strategic update acknowledging terrorism as a principal threat to Australia's national security. It states:

Defeating the threat of terrorism, countering the proliferation of weapons of mass destruction and supporting regional states in difficulty remain the Government's highest priorities.

The Air Chief is nodding. I think we are all familiar with that statement and general approach. In that context, the government having identified those issues as real concerns and priorities, why is there no mention of the role of the AFP and other law enforcement agencies, such as the Australian Crime Commission and Customs, in confronting the terrorist threat and restoring law and order in failed states?

**Mr Smith**—There are a couple of points I would make in response to that. Firstly, this was a Defence Update. It did not purport to be a whole-of-government update. It was requested by the Minister for Defence. Secondly, more so than in any such document that we have produced, there is at other parts of that report an emphasis on our relationships with other government agencies. On pages 10 and 11 more detail than I think we have had before is provided on what we do with other governments agencies. Thirdly, I should also say that the department of foreign affairs has separately published a white paper on terrorism which does cover all of that.

**Senator MARK BISHOP**—Yes, and I acknowledge that it was requested by former Minister Hill, that it was a Defence Update and that it does address Defence type issues. However, it is also clear on the record that there has been a whole-of-government approach to these sorts of issues. You see that a range of agencies within Defence, but also within foreign affairs and other departments, have had significantly increased appropriations of billions of dollars in recent years. All of my discussions on this committee with relevant ministers in the last two or three years have been a whole-of-government approach via a range of agencies with different tasks. What intrigued me in reading the document was that there did not appear to be that whole-of-government approach in terms of Defence's responsibilities and its liaison and links with the other agencies. That is what I am trying to explore.

**Mr Smith**—There is a chapter here called 'Whole-of-government responses'. I do not believe that our previous publications of this kind—certainly eight or 10 years ago—would have had that. That does set out what we are doing with other government agencies, which I think reflects the point you are making—which is a valid one about the changes to strategic circumstances and the way we have to manage them.

**Senator MARK BISHOP**—Does that latter chapter address the role of Customs and the Australian Crime Commission in terms of confronting terrorist threats and restoring law and order?

**Mr Smith**—It certainly talks about WMDs, fisheries, resource protection and so on. It talks about the Joint Offshore Protection Command. It talks about operations with Foreign Affairs, Attorney-General's and the Australian Customs Service, and it talks about DSTO's role in it and so on. So within the confines of a 26-page document, I think there are two full pages on that subject.

**Senator MARK BISHOP**—We have a series of major projects coming to pass two or three years out, with heavy outlays required. The Prime Minister recently made an announcement on the three per cent increase in real spending in Defence post, I think, 2011

**Mr Smith**—It was 2010-11.

**Senator MARK BISHOP**—Is it Defence's view that that commitment is going to be sufficient at this stage to meet that heavy outlay in projects?

**Mr Smith**—In a sense, that is a generous question, but equally it is very difficult for me to comment on it. Because it is subject to a decision in the budget context in the next couple of months, I am constrained as to what I can say about our advice to government.

**Senator MARK BISHOP**—I take that point.

**Mr Smith**—Thank you for the question.

**Senator MARK BISHOP**—I have a supplementary question. Late last year the Prime Minister announced they would maintain that three per cent increase post the financial year 2010-11. When the Prime Minister made that announcement, was it the advice of the department that that was sufficient to cover the large outlays required for the forward projects?

**Mr Smith**—I think the Prime Minister made that observation at a doorstep-like press conference on 17 December. The department has been putting forward its view on that issue for some time, and there has been some review work done within government over the last year or so leading towards this decision that we are expecting in this current budget round.

**Senator MARK BISHOP**—You avoided that nicely. Can we anticipate further real increases in this year's budget?

**Senator Ian Campbell**—I think you had better wait until May.

**Senator MARK BISHOP**—All right then. That is fine. I think it is fair to say that previously our defence strategy has been based on the intention and ability to contribute a niche capability in coalition operations. This seems to have changed; my take is that it has changed. The 2005 update states:

In providing ADF support to coalitions, the Government recognises the need to make a meaningful contribution to the coalition's capability.

So there seems to be a change in emphasis. What does the phrase 'meaningful contribution' mean? Is it a change or am I misunderstanding?

**Senator HUTCHINS**—Or is there a 'less meaningful'?

**Mr Smith**—I do not think we ever said 'niche capabilities'. We talked about niche contributions. The chief would tell us none of our capabilities are niche-like, but they were niche contributions. That was a term that was used for a while—



**Senator MARK BISHOP**—We have gone from niche to meaningful contributions.

**Mr Smith**—Some of the commentators were suggesting that this was belittling contributions that, small in quantity as they might have been, were nevertheless tremendously effective and very much welcomed in the coalition. It is in that context that we adopted the term ‘meaningful’ because, small and niche-like as they might be, they are nevertheless effective and they are meaningful to the coalition.

**Senator MARK BISHOP**—The use of the word ‘meaningful’ then is nothing more than a matter of semantics?

**Mr Smith**—It is a reflection that they are appreciated, whereas I think ‘niche’ was neutral—if not, in the end, inadvertently belittling.

**Senator MARK BISHOP**—I always thought ‘niche’ meant ‘part of a wider operation’. I never understood it as being inconsequential or small.

**Mr Smith**—That was the intention: a niche in a wall. But it had acquired some loaded connotations and so I think this is a better reflection of what we do.

**Senator Ian Campbell**—It is interesting. I have always thought of ‘niche’ as small, specialised and highly effective. But that is the trouble with the English language.

**Senator MARK BISHOP**—I do not care what the past description was. Is there any other change in intent deriving from the deliberate choice to use different words to describe our capabilities in changing to ‘meaningful contribution’?

**Mr Smith**—I do not think there is a change in intent, no.

**Senator MARK BISHOP**—We never provided meaningless contributions, did we?

**Mr Smith**—I hope not!

**Senator MARK BISHOP**—No. All right then.

**CHAIR**—Before we break for lunch, could you give the officers of the department and the service men and women a bit of an outline of where we are going this afternoon, so that we can get some sort of order? We are still on the portfolio overview, aren’t we?

**Senator MARK BISHOP**—I will lead you through where I want to go. When we come back we will go to personnel recruitment and retention, and I think that will probably take the best part of 1½ hours. I then want to address the issues that the air chief passed comment on in his introductory remarks on the allegations of defective equipment and the like, and I think that will probably take a couple of hours.

**CHAIR**—That is the DMO area?

**Senator MARK BISHOP**—Yes, then we will go sequentially into, for about half an hour at a time, the FFG, the naval frigates contract—

**CHAIR**—Still in DMO, yes.

**Senator MARK BISHOP**—Abrams battle tank acquisition, the M113 upgrade, perhaps a bit on the JSF, Bungendore, military justice, and honours and awards if we have time.

**CHAIR**—I hope that is helpful to all.

**Senator MARK BISHOP**—And I think Senator Faulkner is doing some stuff—

**Senator FAULKNER**—DIO ought to be thrown in there somewhere.

**CHAIR**—And DIO somewhere along the way.

**Proceedings suspended from 12.30 pm to 1.33 pm**

**CHAIR**—We will resume the estimates hearing.

**Senator MARK BISHOP**—I want to turn to an issue that has received a bit of notoriety in the press of late, concerning allegations of substandard protective clothing and associated equipment.

**Air Chief Marshal Houston**—Could I and the Chief of Army just say a few words on this subject?

**CHAIR**—Certainly you can. Please do.

**Air Chief Marshal Houston**—I have been very concerned about some of the media reporting that has been out there in recent days about the fact that we are putting the safety of our troops at risk because of the equipment that we give them to conduct operations. As I indicated to you earlier, I was in the area of operations in January. I visited all our people; I went to Pakistan, Afghanistan and Iraq. I note that yesterday there was an editorial in the *Canberra Times* that indicated that the safety of our special forces was at risk. Can I tell you that I addressed our Special Forces Task Group—every single person in that task group—and I asked the questions: ‘Do you have any problems with your equipment? Is there anything I can do to improve the equipment that you have got?’ They are all completely happy with their equipment. They are satisfied with every item of it: boots, clothes, weapons and everything else that they utilise for operations. So I find it quite offensive that those suggestions are out there.

We took the Joint Committee on Foreign Affairs, Defence and Trade out to Iraq only late last year, and the feedback I got was that the committee was very impressed with the quality of our equipment. No issues came back to me. I specifically asked the question when the committee came back: ‘Were there any issues?’ So I ask the question—

**CHAIR**—Air Chief Marshal, I was on that trip. Can I just interrupt you to say that the committee made it its business to ask many questions about the quality of our gear, equipment and logistics back-up. To my understand, and I am very confident in saying this, there was not one single complaint. I believe we had such a rapport with the men on the ground that they would have complained had they had any. In fact, it was the opposite. They compared their gear favourably against that of all other coalition partners.

**Senator FAULKNER**—Chair, can I interrupt just to say that I was disappointed that you interrupted CDF.

**CHAIR**—And I apologised to him.

**Senator FAULKNER**—I am serious. If it were me interrupting CDF, and I would try not to do it, I think you would rightly say, ‘You should not interrupt, Senator Faulkner.’

**CHAIR**—The point is that I was actually on the trip.

**Senator FAULKNER**—I appreciate that, but you should have made that point after CDF's contribution, and you know that as well as I do.

**Senator Ian Campbell**—I am getting a bit upset about the interruption to the interruption!

**CHAIR**—I am suitably chastised, Senator Faulkner, thank you—

**Senator FAULKNER**—Good. We are all happy.

**CHAIR**—if it makes you feel better. Obviously you need to feel good about something.

**Senator Ian Campbell**—Senator Bishop is a bit upset at me for interrupting the interruption to the interruption!

**CHAIR**—Please go on, CDF. I just thought I would make that contribution.

**Air Chief Marshal Houston**—I just want to reinforce, before I hand over to the Chief of Army, that every commander in the ADF, from me down, works very hard to ensure that our people have the safest and best equipment that we can give them for the very challenging tasks that we give them when they go on operations. It does not matter where you go, we will always listen to our people and respond to their needs very quickly.

**Lt Gen. Leahy**—I can only reinforce what the Chief of the Defence Force has said. I also travel extensively to our operational deployments. My primary aim is to ensure that what we say—that our troops are well prepared, well led, well trained and well equipped—is true. I also ask as often as I can, not only in relation to clothing and personal equipment but also in relation to the major capital items that we have to use on operations: what do you think of it? And almost universally I get very positive replies. I am not going to suggest that everything is perfect. There will be some issues and there are some issues. But they are dealt with very quickly and using, I think all of the resources available to Defence.

I thought that the allegations made, and some of the reporting and commentary that followed the newspaper article, were selective and sensationalist. That does no good to the soldiers deployed on operations or to their families back here. We should be attempting to reassure not only our soldiers on operations and those about to go on operations but also the families and friends and mums and dads back here that our soldiers do have amongst the best combat equipment in the world and that when they are deployed on operations they have everything that we can give them to enable them to do their job well and safely and to get home.

I can go to some of the detail—and I am not sure, Senator Bishop, if you want to go there—of the press reporting that appeared. It would seem to indicate that there was a groundswell of dissatisfaction from soldiers deployed on operations. What we saw reported in the press was actually part of our feedback mechanism—that is, the RODUM system, or the report of defective unit materiel and equipment. We know that because of changes in technology, because of a thinking, adaptive, clever and dangerous enemy, what we put out there may not be always suited for the task. So we ask our soldiers, not only here preparing for operations or in training but also on operations: 'What do you think of the equipment?'

There was a freedom of information request; that was provided. We provided, over an 18-month period, a record of 147 RODUMs. Of those RODUMs, only seven came from operations; 140 were domestic. A number of those 140, and I have some considerable detail

here, were on equipment that is already out of service—that is, because of the feedback system, because of the trials and experimentation that we do, because of the involvement of DMO, of industry and of our Defence Science and Technology Organisation, we have been able to make improvements. I think that is one of the features of the process whereby we seek to equip our soldiers. It is a process of continual improvement, adapting to the threat, adapting to the physical and climatic environment, and making sure that our soldiers have the best equipment.

CDF, I and our other senior commanders talk about this in the field, and you can listen to us and have what we say. But I have here an email that came yesterday—we asked for this—from the present RSM of the special operations task group deployed in Afghanistan:

‘A quick email to let you know that the members of the SOTG are more than happy with the personal equipment they have. Most believe it is the best they have ever had, especially the cold weather gear and body armour.’

I have another comment:

I have spoken extensively to those who have deployed on Rotations 1 and 2 and have had nothing but praise for the type and standard of equipment, I would say everyone is happy.

I get the same feedback from our allies, from those countries that we are deployed in, particularly from Iraqi generals and from American and British generals, and our soldiers are very proud of what they are wearing. As I have said, we are not going to get it perfect all the time but, certainly for those who are deployed on operations, I can reassure the parliament and the Australian public that we are doing our best to make sure that our soldiers have the best combat equipment available.

**Senator MARK BISHOP**—Thank you for those introductory and overview comments on the issue. We certainly appreciate the seriousness of the allegations that were raised in the press. We certainly appreciate the seriousness with which you have attempted to address the generality of the complaints from your regular contact with our people in the field. You would appreciate that it is our obligation to also test the matters raised in the press and give you the opportunity to rebut them, confirm them or give an explanation of what might be a relatively brief comment.

My intention in this session is to go through specifically the particular allegations as to the quality of clothing or material, both for the troops in operations and for those who are here and might be expected to go into operations in different parts of the world in due course. Then I will go through to the internal RODUM procedure, the investigations, the FOIs, the role of DMO and their role in relation to allegations of improper behaviour or impropriety in contract tendering and substandard equipment derived from the alleged improper process. I will then test you with some of the comments that have been put by more reputable writers in defence trade type magazines and the like. That is the process I want to go through.

The opposition, I repeat, has been greatly concerned at the allegations and shares your concerns that the opportunity be given to you as the senior person to either put them to bed or to give an explanation or, if there is substance to the allegations, to advise us why that occurred and what appropriate disciplinary conduct you would be insisting upon to ensure

that it does not occur in the future. That is the process that I and my colleagues will pursue. They might jump in at the appropriate opportunity.

**Senator HOGG**—Just before we embark on that line of questioning, can I ask whether there are any military personnel at all who do purchase part of their own equipment? If so, can you give us some examples so that it gives us an idea of what we are talking about.

**Air Chief Marshal Houston**—I will hand over Lieutenant General Leahy, but when I was a young guy out in the field I used to buy my own stuff. I did it because I am a bit of a junkie for going into bushwalking stores and so on—

**Senator HOGG**—We don't want to hear about junkies!

**Air Chief Marshal Houston**—and I like particular types of compass, I like to have flashy torches and so on. Of course they buy some of their own equipment. The point we are making is that the issued equipment is of a very high quality. When you go out into the operational field there are no substantial complaints about it. I ask everybody. I was in the Middle East for 10 days and I asked the question constantly of every single group that I met—and I spoke to that RSM and the special operations task group—and what is in the email is the response I got. That was typical right across the AO. Things are not perfect everywhere, but in the AO we have the very best equipment. Our equipment is the envy of our allies and friends, believe me.

**Senator HOGG**—I did not want to get down to the merits of it. I was just trying to find out the instances where people might purchase their own equipment, how prevalent that is in the Defence Force and whether you could just give us some idea of what is happening.

**Lt Gen. Leahy**—We have gone out to a number of the shops. We have been to the ones in our units—the units run a little regimental shop where you can buy items of clothing, apparel and so on. Also you might note that, apart from pizza parlours and other shops outside our brigade areas, there tend to be camping stores and things like that. We have gone out to those shops over the last couple of weeks and said, 'What are you selling?' Typically they are selling things like gloves; scarves; torches, which are very popular; Camelbacks, which are water carriers that you put on your back; and VueTues, which are small plastic folders to put notes and so on in. Another shop is selling insulated gloves. The school of infantry sells a lot of bush hats with short brims. We issue soldiers with bush hats with broad brims. Fashion dictates that you will probably want a short brim if you are given one with a big brim.

**Senator Ian Campbell**—Unless, of course, the Army starts issuing short brims. Then they will want to go for the other one.

**Lt Gen. Leahy**—Exactly. They are selling a thing called a stand cup canteen. That is something you would light a fire with under your cup canteen. There are some items of padding to be worn with webbing. Then there is the Camelback again. There are camouflage kits. They do not like the army issue cosmetics, so they are buying camkits to paint their faces with. They are selling a number of small backpacks. These are below 65 litres. People might use them in a lecture room or something like that. Another item that is being sold is the dive bag. They are waterproof versions of the echelon bag. They are fairly popular at the moment. You tend to be right up in the fashion stakes if you have one of those.

**Senator JOYCE**—It sounds like they are buying a lot of stuff they may have been losing.

**Lt Gen. Leahy**—Some of it, certainly, would be things they have lost. But, as the CDF said, it is a matter of: ‘Look at me; I’ve got something a bit different.’ I use the phrase: ‘Is it fashion or function?’ I would say that in general contexts we issue very functional equipment. We also need to understand that we issue equipment that cannot be replaced in the field. One of the concerns that we have is that if you are deployed on extended operations and, for example, you have a blow-out in your pack or the sole of your boot gets torn or ripped, and you have got a boot that you bought from somewhere else, we cannot replace that in the field. We supply this equipment through the Q store. It is a complete range, from underwear all the way up. On occasion soldiers buy different stuff, for fashion or because they want to be different. That is one of the things the RSMs tell us. Soldiers are doing that; I am not going to stop them doing that, but I am confident that the equipment we are issuing is very good and very functional. Certainly that which is issued for safety purposes on operations is the best we can get.

**Senator MARK BISHOP**—Thank you, General. I might just go through seriatim and ask you to respond to the specific complaints that have been brought to our attention. Firstly, with respect to combat jackets, the allegation is that the cuffs are made from flammable material and troops suffer the risk of burns when a hot rifle barrel makes contact with the jacket cuff. Has that been brought to your attention?

**Lt Gen. Leahy**—I am aware it is in the RODUMs that were issued. I am not aware of the cuffs actually catching on fire as a result of that. I will ask the specialists in DMO who are at the table to comment on that. I think what we need to understand is that the jacket that was issued in 2003 was always seen as an interim jacket. We replaced a jumper that the soldiers complained about. This jacket has a much better thermal quality than the jumper has, and because of the RODUMs—and we have had 28 RODUMs issued on this jacket—we are looking at replacement action now. I suspect that it will be a better jacket. This is the same thing that happens with most of our equipment.

**Senator FAULKNER**—Just let me be clear: 28 RODUMs means 28 electronically generated complaints.

**Lt Gen. Leahy**—That is correct.

**Senator FAULKNER**—RODUM is another acronym, isn’t it?

**Lt Gen. Leahy**—Yes: report of defective unit materiel.

**Senator FAULKNER**—When you say RODUMs you mean formal complaints that have been recorded in Defence—that is right, isn’t it?

**Lt Gen. Leahy**—They are put in by the soldiers; they are recorded and a reply goes to the soldier who puts it in. It is part of a very formal process.

**Senator FAULKNER**—Exactly. These are forwarded, aren’t they, through an electronic mechanism?

**Lt Gen. Leahy**—That is right.

**Senator MARK BISHOP**—On those 28 RODUMs making complaint about the combat jackets and the risk of burns, do you accept the veracity of those complaints, and what have you done about it?

**Lt Gen. Leahy**—I accept that the complaint has been made, as have others. As a result of that we have already taken action to look at a replacement jacket.

**Senator FAULKNER**—Are the combat jackets that the RODUMs referred to still being used?

**Lt Gen. Leahy**—Yes.

**Senator FAULKNER**—Have any been replaced at all?

**Lt Gen. Leahy**—No.

**Senator FAULKNER**—So the jackets which, in this case, 28 complaints have been logged about, are still in use in the Army?

**Lt Gen. Leahy**—That is right.

**Senator MARK BISHOP**—And you are of the view that these complaints are upheld?

**Lt Gen. Leahy**—I have not said that.

**Senator MARK BISHOP**—Okay. Is that your view?

**Lt Gen. Leahy**—No, it is not. I would like to look at the specifics of that particular complaint about the flammability of the cuff. I do not know whether the gentlemen at the other end of the table, who are closer into the specifications of it, can help. But I am not going to say that it has caused a problem or that it might cause a problem.

**Senator MARK BISHOP**—Let me ask the question a different way. What is the complaint in those 28 RODUMs about the combat jackets?

**Lt Gen. Leahy**—Let me give you the comments on a few of them. The jacket wore badly. It got wet in the rain and started to smell. It is not with an Australian patented camouflage outfit. It is visible—and this is one that may come up later—under night vision equipment. The zipper failed—it was defective. It has got a zip up the front made from plastic. There are no cuff ranks on the jacket. The teeth of the zip have shattered and fallen off. The zip in the side zipper pocket catches and becomes entangled in the nylon flock. There are comments about cuffs and elbows, and I just found the one that you were talking about—it is highly flammable—which was to be investigated by the clothing project office. There are problems with sizes for females—female sizes not available. There is a comment here about the zip, and they want a tag on the collar. So you can see, Senator, that there is an enormous range of comments. Some of them are quite routine. People do not like the zip, obviously. Here is one that says that the jacket is extremely bulky and is a hindrance when packing into a field pack.

**Senator FAULKNER**—General Leahy, I believe in transparency in these committees and I want to say to you that some material has been provided to me—and therefore the opposition—that may have been provided elsewhere or it might be different material from what has been in the public arena, and I cannot make a judgment of that. But in the interests of transparency I want to say to the officials at the table—and I think that you would appreciate me saying this—that copies of RODUMs and covering notes and briefings have

been provided to the opposition. I do not automatically jump to the conclusion that information that is provided to me is necessarily fair dinkum—I do not know whether it is or not. But just in the interests of transparency I want to say that I have some material. Maybe it is similar to material that has been provided elsewhere, because this has received some media commentary—you would appreciate that. I always say to people that when in opposition you say, ‘Keep the cards and letters coming in,’ but I have not said that for a while. Some material has been provided to the opposition. In these circumstances I reckon it is best that I say that and I think that you would appreciate why, Chair. It is being frank with General Leahy and the other witnesses at table and I may or may not refer to it as we work through. Because you have now specifically gone to detail of RODUMs, and I have what I believe are copies of RODUMs and a substantial number of them, I thought that I should say that fairly and squarely and as frankly as I could and be right up front with the witnesses.

**CHAIR**—These are combat jacket RODUMs?

**Senator FAULKNER**—The RODUMs relate to a range of areas including jackets.

**CHAIR**—I think that we are going through the RODUMs on combat jackets—

**Lt Gen. Leahy**—I echo your insistence on transparency. I think that we are showing that these RODUMs are available and were made available to a journalist under freedom of information. You have a copy of them and we have a copy and we can talk to them.

**Senator FAULKNER**—I suspect, General, that I have different material from that which was provided to a journalist.

**CHAIR**—Let us bat on. General, you were going through the RODUMs and I am interested to hear about them. Is that the completion of them?

**Lt Gen. Leahy**—No. There are many more. As I said, there were 147 of these over the 18-month period that the journalist asked for.

**Senator MARK BISHOP**—We are only talking about combat jackets—

**Lt Gen. Leahy**—We are talking about combat jackets. There would be another half-a-dozen or more and they are much along the same theme.

**Senator MARK BISHOP**—Is there any common denominators with respect to the combat jacket RODUMs from the same unit from around the same time or anything of that nature?

**Lt Gen. Leahy**—No, they vary by time and by date.

**Air Chief Marshal Houston**—We have thousands and thousands and thousands of combat jackets out there. We have had 28, and there are over 70,000 of these jackets.

**CHAIR**—Seventy thousand combat jackets?

**Lt Gen. Leahy**—Seventy-nine thousand—

**CHAIR**—Seventy-nine thousand combat jackets with 28 complaints.

**Air Chief Marshal Houston**—Formal complaints, yes.

**Senator MARK BISHOP**—So you have got 28 formal complaints as to a range of features in the combat jackets predominantly about zips and the jackets not being suitable for wearing.



**Air Chief Marshal Houston**—The RODUM system is not just about complaints; it is about developing better kit for the troops. It is part of our approach to all equipment in the Defence Force, from the most expensive jets down to most basic equipment. We ask for feedback from the users—

**Senator MARK BISHOP**—It is a communications mechanism.

**Air Chief Marshal Houston**—and this is part of Army's feedback loop.

**Senator FAULKNER**—I appreciate that, and I am pleased that you make that statement, but I would like to be clear here about the issue of the complaints and what association the complaints have to what General Leahy has told us in relation to the replacement of about \$8 million worth of combat jackets. I think that is right—it is around the \$8 million mark, isn't it?

**Brig. Welch**—Yes.

**Senator FAULKNER**—Those jackets are being replaced. That process is underway. That is correct, isn't it?

**Lt Gen. Leahy**—We are in development of a second generation jacket.

**Senator FAULKNER**—Are you saying to the committee that there is no link between the complaints and the replacement of the combat jackets? That is the nub of what I would like to understand.

**Lt Gen. Leahy**—No, I am not saying that at all. I would say that there is a direct link between the complaints and what will be developed in the new replacement combat jacket. For example, based on the feedback, we are going to look at the fire retardant capability; the near infra-red capability, which is a capability beyond that; the disruptive pattern print; more functional pockets; a storm flap; waist draw cords; and female sizes. So there is a direct relationship.

**Senator FAULKNER**—That is all I wanted to know—that there is a direct link between the complaints and what is an \$8 million replacement program for combat jackets.

**Lt Gen. Leahy**—I make the point I would not use the term 'replacement'. These things are an item of clothing. They are issued, and over a two- or three-year period they are going to wear out. It is not as though we are replacing the fleet and getting rid of the old one. They are worn out, they have been used pretty roughly—

**Senator FAULKNER**—What word should we use then?

**Lt Gen. Leahy**—It is an improvement of an item of issue.

**Senator JOYCE**—Would it be the case—especially with tests on ultraviolet light and things like that—that the disruptive pattern uniform could become more susceptible, just by wear and tear over a period of time, to losing its infra-red or ultraviolet capabilities? Would that be a fair statement?

**Lt Gen. Leahy**—That is correct. We have only just developed the technologies that allow us to put counterinfra-red capabilities into clothing.

**Senator JOYCE**—So it is really an article of time and there is nothing you can do about it. As it is currently, it is really not an issue of bad management but wear and tear over time. Also, I image the zippers are all made by YKK. They make about 95 per cent of the zippers in the world, and there is no alternative but to use them.

**Lt Gen. Leahy**—Again, I am not sure of the details.

**Senator MARK BISHOP**—On the RODUM system for communicating issues, you have had 28 specific complaints from a range of sources as to the suitability of the combat jackets. Those complaints address a range of issues. The original jackets were issued on the basis of them being an interim issue, and you have, subsequent to the interim issue, commissioned DMO or some other body to design an improved combat jacket that addresses a series of complaints in those RODUMs. Is that correct?

**Lt Gen. Leahy**—I think that is a good generalisation of where we are at. We had a jumper before. We got complaints about that. We issued this. We have had complaints. We are trying to satisfy the needs of the soldiers, so we are replacing them.

**Senator MARK BISHOP**—If we have had an interim combat jacket since 2003—

**Senator Ian Campbell**—I think there is one mistake there, though, General Leahy, and that is that Senator Bishop said ‘the 28 complaints went to the suitability of the combat jackets’. As I heard the complaints, a number of them were in fact about a faulty fly and stuff getting stuck in your fly. That happens. The zip being faulty does not necessarily mean that the jacket is not suitable for combat.

**Senator MARK BISHOP**—General Leahy referred to fire retardant work and night vision work. Those issues, not whether you get your zipper caught, go to the suitability of the jacket for its function in the field.

**Lt Gen. Leahy**—We have not discussed the issue of night-time visibility, so I would not include that there.

**Senator MARK BISHOP**—You raised that.

**Lt Gen. Leahy**—I mentioned it, but we have not discussed it.

**Senator MARK BISHOP**—No. I am simply trying to summarise the discussion to date. My question arising from that summary is: if the interim combat jacket was issued back in 2003, why has it taken so long to get a complete review, an issue of a new jacket sometime in the future?

**Lt Gen. Leahy**—I think the period between 2003 now is a reasonable period of time to have an item in service in the field, to have an evaluation done, to get the feedback in and for us to now begin looking at it. Let us be generous and say it is a 2½-year period. I think that is a pretty quick turnaround for what is generally a pretty functional piece of equipment. There have been 28 complaints over 79,000 items. You would have to say that that is doing all right, isn't it?

**Senator MARK BISHOP**—It is 28 RODUMS about a particular type of combat jacket—

**CHAIR**—There is only one.

**Senator MARK BISHOP**—going to some pretty particular issues, such as fire retardants and night-time vision. It strikes me as being a long time, at least two years, before a more acceptable combat jacket is designed, tested and issued.

**Lt Gen. Leahy**—Because there is a RODUM does not mean automatically that there is a major defect. Perhaps I can explain that with regard to the night vision of this thing. The RODUMs referred to the fact that it was more visible than other items of equipment when using night vision goggles. The purpose of night vision goggles, which are generally only on issue to our Army and comparable allied armies, is so that you can see things at night-time. In non-scientific terms, they gather the ambient light that is available from either the moon or the stars. They magnify that so that you can see things that are out there. I have here a photograph. If the chair does not mind I will seek to table it, if the minister is happy with that.

**Senator Ian Campbell**—Please.

**Lt Gen. Leahy**—It shows you the night vision comparison between the jumper and the combat jacket that replaced it.

**CHAIR**—Are we happy to have that table? So tabled.

**Lt Gen. Leahy**—You can see that there is not a great difference. I have some scientific data that goes with that, from our Defence Science and Technology Organisation. The suggestion I am making is that this is not an immediately enormous and different problem. I think that in the space of two years it is a reasonable thing that we have acknowledged that. This is night vision capability. I have mentioned that one of the improvements we seek to make is in near infra-red vision. In that time, as technology moves on, I think we are taking pretty good steps.

**Senator MARK BISHOP**—But it appears to be a continuing problem of significant degree for both the old jumper, on the right-hand side, and the new jacket, on the left-hand side, that they are more visible.

**Lt Gen. Leahy**—That is right. As I have tried to explain, with the technology you can see everything under night vision goggles.

**CHAIR**—General, how many specific RODUMs do you have complaining about infra-red qualities relating to the combat jacket? How many RODUMs do you have with respect to the fire retardant ability?

**Lt Gen. Leahy**—I do not have that immediately to hand. As I went through those I think I saw two, perhaps, on the fire retardant capabilities. There might have been three on the—

**CHAIR**—Infra-red.

**Lt Gen. Leahy**—No. I do not think there were any on infra-red. There would be some on the night vision goggles. I will take that on notice and we will get an answer to you.

**CHAIR**—Thank you.

**Senator MARK BISHOP**—The complaint that I have received about the combat boots, via the RODUM system, is specifically that standard issue boots cause serious foot injuries, severe rubbing of skin and that stitching breaks open during exercises or operations. Do your RODUMS address that issue, General?

**Lt Gen. Leahy**—They certainly do. I assume that we are talking about the same RODUMs and that you have the same list that we have.

**Senator HOGG**—I have not seen it.

**Senator MARK BISHOP**—I have not seen it.

**Lt Gen. Leahy**—Senator Faulkner seems to have something.

**Senator FAULKNER**—No, I do not have a list of RODUMs. I have received some, which I do not believe are the ones that were subject to an FOI. I have only just got them; I have not really looked very closely at them. But, as a matter of transparency, I was being frank and saying, ‘Look, I’ve got these.’ They are sitting here. I will not be giving them to you, and of course you will understand why, because anyone who provides information to me can be assured that it is kept confidential. I will look at it as the hearing goes on.

**Senator MARK BISHOP**—How many RODUMs are about the boots?

**Lt Gen. Leahy**—Since the introduction of the boot in 1999—and we are continually introducing new boots as technology changes, to try and improve the boots that we have—we have had 411 RODUMs. Sixty one of those were the basis of the report that was provided for the freedom of information request. We are talking about 276,000 pairs of boots issued since 1999. At any one time there are approximately 60,000 boots in use and we are talking about 61 RODUMs.

**Senator MARK BISHOP**—We are talking about a large number of complaints derived from exercises or operations and you say you have had 61 RODUMs to that effect. Are their complaints consistent with what I said to you?

**Lt Gen. Leahy**—No—there were 61 RODUMs in the last 18 months, and since the introduction of the boot in 1999 there have been 411 RODUMs.

**Senator MARK BISHOP**—So there were 61 RODUM complaints about the boots in the last 18 months.

**Lt Gen. Leahy**—That is correct.

**Senator MARK BISHOP**—Do they go to what I read out: serious foot injuries, severe rubbing of skin, stitching breaks, and being open during exercises or operations?

**Lt Gen. Leahy**—We have done some analysis on this and I will be able to provide you with that. This is not an analysis of the 411; it is of the 61. Fifteen per cent of the complaints were in relation to the eyelets on the boots. There was one complaint about the side insert that clearly had been a manufacturer’s fault—it was sticky. Sixteen per cent related to the shape of the toe and lining problems. Again, from my memory of reading through these things a few nights ago, they were largely put down to manufacturer’s faults. Somebody got two right boots in one pack, so we have a RODUM on that. Twenty six per cent were in relation to heel supports, blisters and the general fit of the boot—and, if you like, I can come back to that. Ten per cent were in relation to compression and cracking of the rubber compound in the boot. Then we are looking at percentages of one, four and so on for the stitching. There was a lump inside the boot. A small number have complained about the drain holes in the boots. Someone had trouble getting the orthotics in the boot. Someone did not like the cut. The traction of the

boot was a problem for four per cent of people. One person complained about the leather quality; one person complained about the tongue stitching; and someone had a problem with their laces breaking. So you are looking at a wide range of complaints. For soldiers who are getting blisters and discomfort, they are big problems, but I would say that none of them say that this boot is a dog.

I would also suggest that the sorts of conditions we ask our soldiers to work under mean that, in a lot of cases, it will be pretty difficult not to get blisters. You are out in the field for a considerable period of time and, if you are lucky, you have a spare pair of socks. Your feet may be wet; you have been walking for long distances; and these days—and I am sure we will talk about packs in a little while—our packs are large. Some would say they are too small. Soldiers would routinely carry in the order of between 45 and 60 kilograms.

**Senator JOYCE**—You have a 15 kilometre pack march—would that be correct—not as part of the basic fitness assessment but part of the—

**Lt Gen. Leahy**—A routine operation for an infantry soldier would be 15 kilometres quite frequently. To carry that sort of weight under those sorts of climatic conditions, it has to be a really good boot not to give you sores or blisters.

**Senator MARK BISHOP**—Could I ask a question here, Chair?

**CHAIR**—Have you finished?

**Senator JOYCE**—No, I have not.

**CHAIR**—Wait one minute.

**Senator MARK BISHOP**—I have a point of order.

**CHAIR**—What is your point of order?

**Senator MARK BISHOP**—Do I have the call to ask questions or are all senators free to jump in and ask questions?

**Senator JOYCE**—I am just clarifying an issue.

**Senator MARK BISHOP**—Excuse me! I had the call, and my colleague behind me has jumped in.

**CHAIR**—You are quite right, Senator Bishop, but when there was a pause—and I know that you were referring to your notes and I appreciate that you need a little time to move onto the next issue—I thought that Senator Joyce could have a short question. I thought it was going to be shorter than it has been. I will finish with Senator Joyce and then come back to you. From now on, I will make sure that I get the call formally before I go to any other senators. It was simply a matter of expedience—I thought we could get through a question. I will finish with Senator Joyce and then come back to you, and then we will formalise the whole thing.

**Senator JOYCE**—I apologise, Mr Chair—it is just that I am behind you and it is hard for you people in the front to see me. So there are 411,000 people, who do 15 kilometre pack marches, with each person is carting between 45 kilograms to 65 kilograms worth of gear—and then you have to imagine an area the size of the Tully Jungle Warfare Training School.

This is really not an unusual occurrence. Even if they went out there with the best set of Converse or Nike sandals, it would have occurred.

**Lt Gen. Leahy**—That is certainly our appreciation. I would say that Nike and Converse, even though they are the best and might cost \$300 or \$400, would last a couple of days. They are just not up to it. We think that the boot that we have at the moment incorporates the latest in technology and we do pretty well out of it. I admit that some soldiers prefer to wear other boots.

**Senator MARK BISHOP**—That list that you gave in percentages: when you add it up, something in the order of 70 per cent of the 61 complaints on FOI go to either design faults, breakdown of the boot or discomfort in wearing it. Is that not a significant problem for the men in the field?

**Lt Gen. Leahy**—I did not realise that you were going to do some mathematics on it. It adds up to 100 per cent—I did not read out all the figures exactly as they appear here.

**Senator MARK BISHOP**—Whether it is 100 per cent or 70 per cent of the 61 complaints on FOI going to design faults or breakdown of the boot when being worn or operational problems when wearing the boot, that is a still in my view a significant problem for a large number of men in the field. Is that not correct?

**Lt Gen. Leahy**—You have said that it is your view.

**Senator MARK BISHOP**—Is that a significant problem or a minor thing we can pass over?

**Lt Gen. Leahy**—I certainly do not pass over it, but we are talking about 760,000 pairs of boots, 60,000 in use at any one time. There are 32 complaints, equalling 52 per cent, about quality control or manufacturer's fault. I would have—

**Senator MARK BISHOP**—But you have 61 RODUMs going to complaints about the boots. Is that a minor problem or a serious problem?

**Lt Gen. Leahy**—It is a problem that we pay particular attention to. Since 1999, we have been seeking and we will continue to seek to, where we can, improve the quality of the boot.

**Senator MARK BISHOP**—You have had 400 RODUMs on the boot since 1999 and 61 in the last 18 months, essentially going to their quality. The point I make is that strikes me as a continuing serious problem for men in the field on operations in terms of discomfort.

**CHAIR**—Ask the question of the general, please, Senator. Is it a serious problem?

**Senator MARK BISHOP**—Is it a serious problem?

**Lt Gen. Leahy**—It is a problem that we acknowledge. We have the feedback loop and, where we can, we will rectify it.

**Senator MARK BISHOP**—Is it a minor problem or is it a serious problem.

**Lt Gen. Leahy**—It is a problem we need to take attention of.

**Senator MARK BISHOP**—What does that mean?

**Lt Gen. Leahy**—It means that we are concerned by it.

**Senator MARK BISHOP**—You are concerned about it.

**Lt Gen. Leahy**—Very concerned—to the extent that we make modifications and change things.

**Senator MARK BISHOP**—So you are very concerned and you are going to make modifications arising out of the complaints?

**Lt Gen. Leahy**—That is right.

**Senator MARK BISHOP**—Okay. The issue with body armour: the complaint that I have is that specifically it does not fit properly and must be worn in excessively large sizes for female soldiers. Do you have complaints in your RODUM system to that effect?

**Lt Gen. Leahy**—Since 1999 we have issued 15,000 body armour standard sets and since 2004 we have issued 1,700 sets of enhanced body armour—and I can cover what that incorporates a bit later.

I will now go to the complaints that we have in relation to the body armour. Again, let me go to my notes, please, and I will try to read out all the figures so that they neatly add up to 100 per cent. There have been nine RODUMs received over the last 18 months. Two of those relate to fragile clips; one relates to a problem with the fibre inside the body armour itself—the protective equipment; two relate to the size and fit of the cover; one relates to the fact that there is no capacity to put load bearing equipment on it—that is, to put pouches and things on the outside; two relate to the plate cracking; and one relates to the fact that it needed a name tag on it, so the guy could be identified.

**CHAIR**—Is that nine out of 15,000?

**Lt Gen. Leahy**—Yes, that is nine of 15,000.

**Senator MARK BISHOP**—Had there been any complaints as to the issue of body armour for female soldiers—that is, that the product is too large or excessively large?

**Lt Gen. Leahy**—There is one there in relation to the size and the fit of the cover. If you will indulge me, I will go to my list. I mentioned the clips. There is one complaint on the list that says ‘cover hangs forward and down when worn and can’t be fitted snugly to the body’. That is from a unit where there are no female soldiers. I am not able to readily identify the problem with female fit on this list. There may be one here but I just cannot see it.

**Senator MARK BISHOP**—So you have had nine RODUMs on the body armour?

**Lt Gen. Leahy**—Yes, in the last 18 months.

**Senator MARK BISHOP**—Do you have RODUMs or complaints on the webbing, particularly that the standard issue webbing is weak, fails to carry adequate supplies or fit properly, and is often replaced at the wear’s own expense? Do you RODUMs or complaints about the webbing?

**Lt Gen. Leahy**—I do not have them with me today. The freedom of information request was based on five items of equipment, and that is what we have focused our brief on today. I would suggest that we most certainly would have RODUMs on the webbing, in that it is something about which soldiers make mention to me repeatedly. This is an area of very great personal preference. How you carry it and where you carry it depends on whether you are an

armoured corps soldier inside a vehicle working inside the hatches and cupolas, a transport sergeant working inside a truck or an infantry soldier. I think this is the area of most discussion. I am almost positive that there would be RODUMs. I do not have them ready on hand but I can take it on notice in relation to the load bearing equipment.

**CHAIR**—We would be obliged.

**Senator MARK BISHOP**—Do you have RODUMs on packs—specifically, that the standard issue packs are constructed with poor quality materials and design and cannot carry sufficient gear comfortably, causing back problems and the like?

**Lt Gen. Leahy**—We do have RODUMs on packs. Chair, if you like, I will go through the same routine.

**CHAIR**—Just before you do, I would like to interrupt for a minute. With respect to the question on notice on webbing, we want to know how many RODUMs, an outline of what those RODUMs are about, how many sets of webbing have been issued and a bit of an explanation as to what you actually mean by webbing. I am not sure we are fully familiar with what webbing is and does. If you do not have the information on any other items of equipment, I think we can stick to that format, if you would be so kind.

**Lt Gen. Leahy**—That is fine.

**CHAIR**—We are now on to field packs.

**Senator MARK BISHOP**—Do you have the information on field packs?

**Lt Gen. Leahy**—I do. We have around 50,000 packs on issue. In the last 18 months, we have had 45 RODUMs on the packs. I hope these add up to the right number. One is that it is unsuitable for parachute descent.

**Senator MARK BISHOP**—Does it say how it is unsuitable for parachute descent?

**Lt Gen. Leahy**—It can in the detail. My recollection is that it was a soldier from 3RAR who was concerned about the fit to the back. There were 12 that said it was too long; one that it was too short; 24 that it was too small; two that it was too large; 17 that it had insufficient frame, lumbar and back support; four that the stitching was inadequate; one that the stuff-sack, a compartment inside the pack, for the sleeping bag was too small and they could not get their sleeping bag in it—

**Senator Ian Campbell**—I sympathise with that one.

**Lt Gen. Leahy**—Three thought that the straps were too wide. Two thought that there were insufficient external pouches. As to cause and remedial action, to the one that said it was unsuitable for parachute descent we said, 'Don't use it for parachute descent; use one of the other 18 packs that are available on issue.' There is a selection of packs. We have used a lot of that information to design a new pack which is being trialled right now in 1st Battalion in Townsville. We are looking at investigating two areas and we have made some changes to the pack. I would make the point that there are 19 different types of pack available in the Army and you can almost pick and choose.

**Senator Ian Campbell**—Can I interrupt. When you are investigating the sleeping bag pouch, I know that you, as an outback person who sleeps in sleeping bags, would be



interested in this. If you find a solution to the pouch for sleeping bags not being big enough, could you please inform the committee. We will commercialise it and you will sell a million of them.

**Lt Gen. Leahy**—We will be able to provide you with the material for a RODUM, Chair, and you can let us know as well. I would like to make a point in general about packs. This is again a very personal thing for a soldier. You live with this thing. You have it on your back. It sticks with you all of the time, you do not let go of it and it can be a mongrel. It can be really very uncomfortable. There is a perennial debate on the size and type of the pack. I can characterise it in two ways. We have had complaints that it is too small. I may be corrected by others behind me in the room, but I think the current issue pack carries about 105 litres. My view is that it is too large and what we are asking our soldiers to carry means that they are not as effective as they could be. We have referred to 45 to 60 kilos. I have seen soldiers carrying much more than that. They need people to help them to lift the pack and put it on their back. We then ask them to perform combat operations. I would like to reduce the soldiers' load. Part of that would be done by making the pack smaller.

The pack is worn in essentially two ways—the first is close to the back and the second is off the back. Those who are bushwalkers might know the term 'ALICE pack'. That is an external frame that takes the pack about two inches off your back. As to the biomechanics, those in the medical arena and our science and technology people have advised us that that moves the centre of gravity away and you therefore get back problems because of it. The other way of doing it is with an internal frame. That is worn close to your back and pulled in tightly. That then adjusts the centre of gravity closer to the body. There is a raging debate in every country and in every army about which one to have. We have both types of pack available. Where possible, where there are specialists such as parachutists or snipers who have to carry a large load and go out and be perhaps isolated for a long period of time, we try to adjust the packs to them. We are responding to the RODUMs on packs. We listen to our soldiers and watch technology. I am confident that the pack being introduced as part of plan 125 will be a very good pack. But, frankly, I am equally confident that we will not satisfy everybody.

**CHAIR**—Is there any way that we can assess whether, say, in the last three years, the level of RODUMs has in fact spiked? It strikes me that, with the amount of equipment we are talking about—15,000 packs and all of this sort of jazz, and webbing or whatever—I think the committee would benefit if you could assure us that in the last two or three years there has not been this spike in complaints and RODUMs. It may be that there is in fact a spike—I am not saying that it is either way. But I would like some help on whether it is a beat-up or not.

**Lt Gen. Leahy**—We can do an analysis of the RODUMs over the last period of time—three years is perhaps something we could aim at. I must admit, though, that the reason for some of these complaints is me. I go out and talk to soldiers and they say, 'I've got a problem with my boots.' I say: 'Make a formal complaint about it. Don't have a moan about me around the company store; make a formal complaint.' I can record exactly to one visit I made to a unit a number of these RODUMs. I think it just reinforces the fact that this is a feedback mechanism whereby we seek in a formal way the soldiers' views of the equipment we have and then we try to improve it.

**Senator MARK BISHOP**—I want to return to the combat jacket issue and the series of issues raised in the RODUMs. Apart from the information released in the FOI process, has the Inspector-General of the Australian Defence Force conducted any investigations to date into the combat jacket issue?

**Lt Gen. Leahy**—He has. To the best of my knowledge it is not in relation to what I would call the functionality of the jacket. It is related to the Defence Materiel Office and I will hand over to the CEO of the DMO.

**CHAIR**—We are going to the contract issue regarding these combat jackets.

**Senator MARK BISHOP**—Dr Gumley, you might respond to the question outlining what the inspector-general's investigations were addressing, what his findings were in respect of your own organisation and whether he has recommended any change within your own organisation or made any recommendations concerning disciplinary action as well.

**Dr Gumley**—There has been an investigation into the combat jacket procurement. It was an internal investigation. We have, over the last couple of years, been concerned about aspects of some of the procurements. We have been working on improving them; we have made a number of management reforms. I could go through those management reforms and what we have been doing if that would be helpful. The industry in which we are dealing with these jackets and other clothing is a very competitive one. There is a lot of interest in the procurement of all sorts of equipment for the military. This means that we have to be very careful in our contracting practice. I would like to ask my colleagues at the end of the table to go through specifics of the combat jacket issue, and when they are finished perhaps I can offer some words about where we are heading with the procurement changes.

**Brig. Welch**—The investigation arose from a complaint from one of the tenderers, who made allegations about the specifications and alleged that the tender process had been engineered to achieve a particular outcome. Evidence was not found to support that allegation. It did identify that the procurement had been done with some haste but for reasons other than to achieve a particular outcome or for a particular company to win the tender.

**Senator MARK BISHOP**—Who did the review?

**Brig. Welch**—The inspector-general's organisation. It was also alleged that the complainant's company was not provided with adequate information and that inquiries made during the tender process were not adequately answered. That was found to be largely correct, in that initially they received the same information as all other tenderers but some of the answers to specific questions during the tender process were somewhat oblique and did not exactly address the issues that were raised.

**Senator MARK BISHOP**—In terms of the issue that the complainants were not given adequate information so they could comply with the tender documents, did the inspector-general's conclusion have a material impact on that particular complainant not receiving the contract?

**Brig. Welch**—In that sense, that tenderer was in the same position as all but one of the tenderers. A company had been involved in the development work of the jacket and by virtue of that work they had an understanding of what was desired. There was information that could

have gone into the tender specification document but did not. Therefore, that company had information that others did not.

**Senator MARK BISHOP**—So the company that had done the development work for the jacket had done the research and had a material advantage. And the information that it had gained through its own endeavours was not shared by the DMO with other competing companies who wanted the tender and hence they were at a material disadvantage.

**Brig. Welch**—That is largely correct. The complainant asked a number of specific questions that would have gone down that path, and they were not particularly well answered. It was also alleged that the jackets that were ultimately delivered against the contract did not match the specification that had gone out with the tender. The investigation was unable to reach a conclusion on that, although there were concessions granted post contract in relation to fabrics and the like. But the investigation was unable to reach a conclusion on that allegation.

**Senator MARK BISHOP**—That the jacket delivered did not match the specifications is a fairly serious allegation. Why was the IG unable to reach a—

**Brig. Welch**—I am sorry, I have misread a sentence. The review team was unable to conclude that any of the jackets met the specifications.

**Senator MARK BISHOP**—That is a bit different.

**Brig. Welch**—It is indeed.

**Senator MARK BISHOP**—So none of the jackets matched the specification in the tender document?

**Brig. Welch**—They were unable to conclude that any of them did. That is because there were a number of concessions—design deviations—sought post tender. Those design deviations were granted. So now we have a digression from the specification as stated in the tender and, post tender, an agreement between the procuring organisation and the supplier.

**Senator MARK BISHOP**—So we have a company doing development work and gaining knowledge of the jacket. We have a competitive tender process. We have, at its conclusion, all of the information not being shared with all of the tenderers. And then we have the jackets not matching specifications in the contract at all, based upon concessions and design deviations given to the successful company post the tender process which were not shared with the other companies tendering?

**Brig. Welch**—We would not expect that design deviations or concessions made after contract signature would be shared with companies who were involved in the tender, having moved past that point.

**Senator MARK BISHOP**—So the company that got the tender gained it on the basis of having material knowledge that the other companies did not have. It got the tender and supplied the combat jackets with concessions and design deviations that, in any event, did not match the specifications in the original contract.

**Mr Sharp**—I will just reiterate that the IG was unable to determine whether any of the tenderers met the specification. It does not mean that none of them met the specification; it

was inconclusive about whether they did. Part of that went to how the jacket was assessed against the specification. I would draw to senators' attention that, if there are any mitigating circumstances to this, it is that in 2002 we were supporting an operation in Afghanistan. It became evident that we needed a cold climate jacket. So there was considerable pressure and speed needed to get this jacket out to our troops on operations. The normal processes of developing a concise specification and proving that specification going out to an RFT were, I think, probably cut short. It would not happen today, but I am quite confident in saying that the pressure on the team at the time was about supporting operations and getting that cold weather gear to the troops in Afghanistan.

**Senator MARK BISHOP**—Nonetheless, accepting that caveat, there was a significant degree of improper process in the tendering.

**Mr Sharp**—This is not a process that we would stand up for and try to justify today within the DMO. It is not something that happens in the rest of Land Systems Division or the DMO. If it does, we take disciplinary or administrative action or we would retrain, and this is indeed what we are doing here. This has been uncovered by our IG's report. I am not comfortable about it but it is something that we have got to address to make sure that companies are dealt with fairly in the future. I am quite happy to admit that. But in fairness to the people who were involved at the time, who were the lower level officials doing this, I think that, if you impute a motive, it was for the best interests of getting support to operations in the field.

**Senator MARK BISHOP**—It raises some consequential issues in terms of discipline and reprimands. Have you concluded, Brigadier?

**Brig. Welch**—There were concerns raised about safety. There were some issues spoken about here earlier about flammability. There is also an allegation that one of the people involved in this procurement left the DMO shortly after the contract was signed and went to work for the winning tenderer.

**Senator MARK BISHOP**—Is that true?

**Brig. Welch**—The person did leave the DMO shortly after the contract was signed and went to work for either the winning tenderer or a company closely associated with the winning tenderer.

**Senator MARK BISHOP**—Was the person who left the DMO and went to either of those companies involved in the process of awarding the contract to the winning tenderer?

**Brig. Welch**—He was not involved in the tender evaluation board—that is, the formal committee that considered the tenders. However, he was a technical adviser in the development of the specification in the providing of technical advice to tenderers during the tender process and providing technical advice to the tender evaluation board.

**Senator FAULKNER**—But isn't providing technical support during the tender process involvement in the tender process?

**Mr Sharp**—The answer is yes. In an indirect way that person could be considered as part of the tender evaluation process even though they are not on the tender evaluation board, and they should declare an interest if they are thinking of taking up employment in another job. I think that it is on the public record that the member involved said that in hindsight that was a

mistake that he made, and that has been on national television, I think. I should say also, though—

**Senator MARK BISHOP**—More than a mistake though, Mr Sharp, isn't it?

**Mr Sharp**—It was a mistake he made in judgment. I am not going to put words in his mouth but I would call it a mistake of judgment. I do not know what his motives were so I do not know the intent.

**Senator MARK BISHOP**—What did the inspector-general call it?

**Mr Sharp**—The inspector-general concluded, I believe, that there was no disciplinary action that could be brought against the member. The member had advised Defence that they were leaving to go and join that company shortly before the tender was awarded. I think that the member believed at that stage that they did not have a role in that tender evaluation.

**Senator MARK BISHOP**—I can characterise the conduct of this particular official in only one way. He was involved in drafting technical information. He provided technical information and specifications to the tenderer companies. He provided drafting specifications and technical information to the company that eventually got the contract. He provided written advice inside the DMO to the tender contract board as to technical issues and, shortly after the contract was let, he took up employment with the company or an associated company. I cannot but draw a conclusion that there is a very strong relationship between his behaviour and his subsequent employment with the company. Can you draw any other conclusion?

**Mr Sharp**—My view would be with yours. I would probably choose my words more carefully, because it goes close to a code of conduct issue. We would expect the official to declare their conflict of interest, if they had one, beforehand. But, as I said, he did notify the DMO that he was going to the company before the tender was awarded. He did not stay with the company for very long. In fact, it was a company called True Blue Apparel, which was a subsidiary of Walkabout, the company which won the tender. I do not think he stayed there for more than a week, but it is not something that we would condone today, and neither does our policy.

**Senator MARK BISHOP**—Did you make any inquiries of either True Blue or the parent company as to the level of remuneration paid, if any, to that former official of the DMO for his week's employment with the company?

**Mr Sharp**—No, I did not.

**Senator MARK BISHOP**—Did the IG?

**Mr Sharp**—I would have to defer to the IG. I am not confident of the details.

**Senator MARK BISHOP**—Brigadier Welch, did the IG address that in his report?

**Brig. Welch**—It is not referenced in the IG's report.

**Senator MARK BISHOP**—Is the IG here?

**Brig. Welch**—Yes.

**Senator MARK BISHOP**—I might ask the IG then. Mr Neumann?

**Mr Neumann**—To the best of my knowledge, no.

**Senator MARK BISHOP**—Did you conduct the investigation yourself or did you delegate it to officers?

**Mr Neumann**—No. My investigators and auditors conducted it, mainly down in Melbourne.

**Senator MARK BISHOP**—And you do not know whether they made inquiries as to his remuneration for that week?

**Mr Neumann**—I do not believe that they did.

**Senator MARK BISHOP**—Can you take that on notice and find out?

**Mr Neumann**—Yes.

**Senator MARK BISHOP**—Do you know why he left the company after only a week's employment?

**Mr Neumann**—No.

**Senator MARK BISHOP**—Have you made inquiries to find out?

**Mr Neumann**—No.

**Senator MARK BISHOP**—Do you think it is pertinent?

**Mr Neumann**—The issue we have here is that the official has actually left. Mr Sharp mentioned the code of conduct. There is no way you can get make it a code of conduct issue once an official has left and is no longer a member of the Australian Public Service.

**Senator MARK BISHOP**—That is correct, but the issue is also that, arguably, the winning tenderer got the \$8 million contract on the basis of a degree of improper process because of information not disclosed to others, and the officer who provided the information, who participated in the tender process to a significant degree, went to work for the tendering company and left after one week. To repeat what I said to Mr Sharp, it strikes me as very odd for a senior career officer in DMO to give up a high-wage job with all the benefits to go to work for a company for a week and then go elsewhere. I would have thought that would have been of interest to you; it certainly would have been to me.

**Mr Neumann**—I have a couple of quick corrections there. The officer certainly was not senior and, as for high pay, I do not believe that DMO pays more than the normal Public Service rates.

**Senator MARK BISHOP**—Everything is relative. You understood the point.

**Mr Neumann**—The CEO DMO can correct me on that one. I think you are also assuming that the officer we are talking about at the moment is the same officer who should have told the company about the fabric. I think a separate officer was involved; in fact, another officer was involved.

**Senator MARK BISHOP**—There was another officer involved. Is that officer still with the DMO?

**Mr Neumann**—You have put two things together which are not necessary together.

**Senator MARK BISHOP**—I do not know whether I have put two things together. In the last half an hour we have been talking about one officer only. No-one from the floor has volunteered that there is more than one officer involved. That is the first I have heard of it. Are two officers involved? A group of officers? What? How many are involved in this? Mr Sharp, you are shaking your head.

**Mr Sharp**—There was no group of officers involved in this particular incident of leaving Defence, having influenced the tender, and moving on to another company.

**Senator MARK BISHOP**—But there was more than one?

**Mr Sharp**—There was one that I am aware of.

**Senator MARK BISHOP**—The IG just told us that there were two.

**Mr Neumann**—No. There is one person who resigned from DMO to take a position with Walkabout Leisurewear or a company with it. That is one officer. There were other officers involved in the procurement process who did not do things they should have done.

**Senator FAULKNER**—They are still with Defence? Is that the case?

**Mr Neumann**—Yes. In one case I believe disciplinary action has been taken.

**Senator FAULKNER**—The easy way to deal with this is for someone, perhaps you, Mr Smith, to give us a brief status report as to where we find ourselves with officers who were involved in this tender process and with whom action has been taken or is pending.

**Mr Sharp**—This is consistent with what we have been saying.

**Senator FAULKNER**—I am sure it is, but there is a lack of clarity.

**Mr Sharp**—What we were talking about before were irregularities in 2002 related to the combat fleece jacket and the letting and assessing of the RFT. There were officers involved in that and the conduct of that, as I said, was not in accordance with the rest of land systems division or the DMO and our practices today. It is part of the reform process.

**CHAIR**—How many officers?

**Mr Sharp**—I was coming to that. There are two.

**Senator FAULKNER**—With respect, Chair, Mr Sharp is giving us a status report on this. Hopefully, we will be able to follow it up.

**Mr Sharp**—As a result of the IG report, disciplinary action is being pursued against two officers in relation to the letting of that tender. I am not aware of any more.

**Senator FAULKNER**—And those two officers do not include the officer who has already left the department?

**Mr Sharp**—There is a separate issue raised in the IG report about an officer being involved in the tender evaluation process—obliquely; he was not on the tender evaluation board but, quite correctly I think, he was involved—moving to another company. I will correct the dates; I have just been handed them. The contract for the combat fleece jacket was awarded in March 2003. The member we are talking about notified Defence on 19 May of his intention to resign from Defence. He joined the company on 1 July. He did notify us before he left but the contract was awarded before that. That clarifies that. That member is the one we

are talking about who I would say should have notified us if there was any conflict of interest to his mind. He has stated publicly that in hindsight it was not the right thing to do.

**Senator FAULKNER**—Let us go to the other two officers. Have both those officers been disciplined? I am not using that terminology in terms of the Public Service Act.

**Mr Sharp**—Administrative and disciplinary action is being pursued against both officers.

**Senator MARK BISHOP**—Inside the department?

**Mr Sharp**—Inside the department. It would be unfair for me to talk about the results because the delegation rests with another member of Defence and I cannot pre-empt that. Certainly, we are pursuing disciplinary action.

**Senator FAULKNER**—Who is the delegate? Can you tell us that? Is it an internal or external delegate?

**Mr Sharp**—It is an internal delegate; I just cannot remember the name of the delegate. They have a secretary's delegation.

**Senator FAULKNER**—This is the delegate appointed by Mr Smith under the terms of the act. Is that correct, Mr Smith?

**Brig. Welch**—In one case, yes. There is one APS member and one ADF member. The APS member holds the delegation from the secretary. The ADF member is under a separate delegation—although I do not believe the word 'delegation' applies—a small 'd' delegation if you will allow me. A military officer will make that decision.

**Senator FAULKNER**—Were the actions of those officers that have led to disciplinary action being taken in the terms that have been explained to the committee identified by the inspector-general or elsewhere?

**Mr Sharp**—Directly answering your question, the inspector-general was called in as a result of a complaint by a contractor alleging certain improper practices about the cold weather combat fleece jacket. There was a management audit branch investigation, also under the IG, to look at process. That immediately brought in an inspector-general's investigation into whether there was any criminal activity involved in this as well. So the two things were going on in parallel but it was initiated by a contractor's complaint. The detail of where that complaint was received I do not have at my fingertips but I could get it for you. But it was certainly quickly sent for investigation so that we could clear it up.

**Senator FAULKNER**—Let us try to clear this up. You say it was initiated by a contractor's complaint. It obviously was not initiated by an aggrieved party in terms of the tender process. You have used the term 'contractor'—someone contracted to Defence.

**Mr Smith**—An aggrieved contractor.

**Senator FAULKNER**—A non-contractor.

**Mr Sharp**—The person does have a contract elsewhere in Defence.

**Senator FAULKNER**—That is what I am trying to establish. This was initiated by a non-successful tenderer—is that perhaps the best way of describing them? Will that suit Mr Smith?



**Mr Smith**—Yes.

**Mr Sharp**—I am uncomfortable with that. It is true, but I do not see the relevance of it. It seems to impute that somehow we noticed it or it came to our attention that he was aggrieved. It was a complaint; we would deal with any complaint in the same way, whether they were aggrieved or came in from the street.

**Senator FAULKNER**—Let us describe the complainant as an unsuccessful tenderer.

**Mr Sharp**—In this process, yes.

**Senator FAULKNER**—In the process that we are referring to?

**Mr Sharp**—Yes.

**Senator FAULKNER**—That complaint was lodged with whom?

**Mr Sharp**—As I said, I am not sure where it arrived in Defence.

**Senator FAULKNER**—Do you know when?

**Mr Sharp**—Yes. It was early in 2005, as I understand it, but I cannot go straight to the date right here.

**Senator FAULKNER**—As a result of that, I assume then, Mr Smith, that the department has procedures that immediately kick in on the receipt of such a complaint. Can you confirm that to the committee?

**Mr Smith**—That is correct.

**Senator FAULKNER**—Could you indicate to the committee what those procedures are?

**Mr Smith**—The procedure is that the matter is referred to the inspector-general, who is Mr Neumann at present. He is asked to initiate an investigation and report to either me or the CEO of DMO, as the case may be, on his findings. We would then take the findings and determine what disciplinary action or any other administrative or management action might be necessary and whether it should be under the Public Service Act or the Defence Force Discipline Act.

**Senator FAULKNER**—When was the successful contract actually let?

**Mr Sharp**—March 2003.

**Senator FAULKNER**—And you said that the complaint was lodged in—

**Mr Sharp**—I have found the date now. It was January 2005. I said it was early 2005; it was January 2005.

**Mr Neumann**—The complaint that I have here was August 2004. It could be that the same person put a couple of issues in. January 2005 is when my auditors went in to have a look.

**Senator FAULKNER**—Mr Neumann, can you explain to the committee the involvement of the Management Audit Branch? As I understand it, there has been a complaint from an unsuccessful tenderer. In accordance with departmental procedures, the matter is automatically referred to you. How does the Management Audit Branch get into it?

**Mr Neumann**—Perhaps I should go back and explain. I have four areas that work for me: evaluation, which does not matter in this particular instance, and investigators and auditors.

The Management Audit Branch is the internal audit capability within the Defence organisation. Depending on the nature of the complaint, if it is one about fraud, for example, I might send only investigators in to look at it. It could still be about fraud but it could be more complicated and might require some computer support and then I use my internal auditors. Sometimes I send in the auditors first, in order not to startle the miscreants, and then I put the investigators in to see whether there is a case to be made for a criminal prosecution. Sometimes I put them in together and sometimes one follows the other, as in this case.

**Senator FAULKNER**—So, from the Management Audit Branch, the auditors go in first? Is that what happens?

**Mr Neumann**—It depends on—

**Senator FAULKNER**—In this case the auditors went in first. I think that is what you said.

**Mr Neumann**—No. I think the investigators, in fact, went in first.

**Senator FAULKNER**—You told us it was the auditors.

**Mr Neumann**—It was the investigators first in this case.

**Senator FAULKNER**—So the investigators went in first?

**Mr Neumann**—That is right.

**Senator FAULKNER**—Did the auditors go in?

**Mr Neumann**—Yes.

**Senator FAULKNER**—When did they report to you?

**Mr Neumann**—The final report was at the end of last year, from memory. I do not have it with me, but I am pretty sure that it was the end of last year by the time it was finalised.

**Mr Sharp**—It was 22 December.

**Senator FAULKNER**—Included in those recommendations was a recommendation for the disciplinary action that we have heard about in relation to a continuing APS employee and an ADF officer. Is that correct?

**Mr Neumann**—No. That would have flowed from the investigation that we did separately a couple of months earlier. We made findings against people at that time. That would have flowed from that. Both of them are complementary, in a sense, because they are both treading the same ground. There are half a dozen or so formal recommendations in the audit report. The last one goes to the issue. It says, ‘Consider whether performance management action is warranted in respect of individuals, including those at supervisory levels.’

**Senator FAULKNER**—Are you able to say what the other recommendations from your investigation and audit report have been?

**Mr Neumann**—I will read just from the audit report. The first one relates:

1. Prior to release of a Request For Tender: Director Soldier Support Systems Program Office certify that:

- Specifications are complete, appropriate and approved—

**Senator FAULKNER**—Slow down, please, Mr Neumann, It is really hard to hear you. The sound system is not good. I would not suggest you were mumbling but it is hard to hear.

**Mr Neumann**—Perhaps going too fast. I will start again:

1. Prior to release of a Request For Tender, Director Soldier Support Systems Program Office certify that:

- Specifications are complete, appropriate and approved
- Unless otherwise stated in the Request For Tender no part of the requirement subject to the Request for Tender has already been decided
- The Request For Tender clauses do not create an unnecessary barrier to competition nor cause unnecessary cost to potential tenderers
- The tender period is appropriate in terms of duration and timing, and
- Tender sample and test requirements are appropriate.

In other words, it goes to the process of sending out a tender. Then we asked for a check list of procurements across the branch and implementation of a system of regular reviews to ensure conformance. Included in that was regular internal audits of conformance with the requirements of Land Systems Division's operating procedures, the Army technical regulatory framework and requirements for procurement documentation, including tender documentation.

The third one related to the combat fleece jackets: that they be submitted for scientific testing regarding flammability. The fourth one is that the Soldier Support Systems Program Office calculate the actual overpayments based on the difference of the cost of cuffs between the specification and the ones supplied, and seek a recovery from the company.

**Senator FAULKNER**—Could you read that cuffs one again?

**Mr Neumann**—Yes. It reads:

4. Soldier Support Systems Program Office calculate the actual overpayment, based on the difference between the cost of cuffs as specified and the cuffs supplied and seek recovery from the company.

The matter of the future use of the Howard Green jumpers is to be referred back to an Army committee for proper consideration of options. And the last one is about whether performance management action is warranted in respect of individuals, including those at supervisory levels.

**Senator FAULKNER**—That is the report of your investigators?

**Mr Neumann**—No, that is the audit report. That is the final one, if you like.

**Senator FAULKNER**—The final audit report. Are there any additional investigators' recommendations or report?

**Mr Neumann**—No, we try to sweep them up in the same—

**Senator FAULKNER**—So that represents, as far as the inspector-general is concerned, the complete outcome of all your inquiries—is that right? Your final recommendations?

**Mr Neumann**—Yes.

**Senator FAULKNER**—Mr Smith, following on from the recommendations, it is then that the disciplinary action that you and Brigadier Welch have referred to is commenced. Is that right?

**Mr Smith**—I believe that grows from the first report. Is that right, Mr Neumann? The disciplinary action derives from the first report or the second?

**Mr Neumann**—The investigators' reports indicate that adverse findings were made. The audit report actually says specifically that disciplinary action should be considered. You have to read the two together.

**Mr Smith**—Yes.

**Senator FAULKNER**—Those processes are ongoing—I think that is the import of what you have said to the committee.

**Mr Sharp**—Yes.

**Senator FAULKNER**—I think I have a pretty fair understanding of what happens in terms of the APS procedures here. You have indicated a delegate has been appointed. Are you aware of where that process is up to?

**Mr Sharp**—I am.

**Senator FAULKNER**—Can you give a brief status report on where the APS process is up to and I might ask the brigadier about where the ADF process is.

**Mr Sharp**—The delegate has made an initial determination and the APS member involved has been advised. I understand there is a redress system.

**Senator FAULKNER**—Thank you. I have got less understanding of what the ADF procedures are, Brigadier, but can you briefly say where the process is up to in terms of the ADF officer?

**Brig. Welch**—In relation to the ADF member, this is being pursued as an administrative rather than as a disciplinary, via the Defence Force Discipline Act, matter. The system is, in the broad, similar to the APS in that the person is presented with the evidence and, under natural justice principles, is invited to respond. This one has progressed to the point where that person has been presented with the evidence gathered during the IG's investigation. That person has not yet responded. When they have responded to it, it will be put to an appropriate delegate for a decision to be made.

**Senator FAULKNER**—One apparent loose end relates to the former Defence official who has left the department. Is there any outstanding action in that regard, Mr Smith?

**Mr Smith**—I am advised that that gentleman is beyond our reach.

**Senator FAULKNER**—When you say you are advised, have your legal advisers looked at that issue?

**Mr Smith**—Yes.

**Senator FAULKNER**—I want to go back on two issues in relation to what you have told us, Mr Neumann. The first relates to the flammability issue. This might be something where General Leahy would prefer to comment. Given the Inspector-General's recommendation on

that, General, which I am sure you are very well aware of but which I have only just heard, can you say what the response of Army has been to the Inspector-General's recommendation in relation to the flammability issue or if there has been any follow-up action as a result of that issue?

**Mr Neumann**—Could I just jump in there. That one was agreed in the management action plan that we put out. It says:

The SPO will arrange for flammability tests to be conducted on a sample of fleece jackets.

**Senator FAULKNER**—Yes, the flammability tests. I am just asking—

**Mr Neumann**—It has been agreed that they will be conducted.

**Senator FAULKNER**—You are saying that they will be conducted, but I was really asking whether they have been conducted and where that is up to. I appreciate what your recommendation is, Mr Neumann. What do you do with that? Do you shoot it off to the Chief of Army? I am informed by my colleague that 'shooting it off to the Chief of Army' is probably a bad use of language. I accept that.

**Mr Neumann**—I am a very poor shot, actually, unless it is a shotgun.

**Senator FAULKNER**—I would invariably miss him anyway.

**Mr Neumann**—So the chief is quite all right. This was directed to the Soldier Support Systems Program Office to do, not Army.

**Senator FAULKNER**—Okay. My question is: has it happened?

**Brig. Welch**—That organisation is within my branch. That task is on one of my direct subordinates. My understanding is that the results of that are not yet available. Whether it has been sent or not, I do not know.

**Senator FAULKNER**—But if a flammability issue has been raised, is it not pretty important that this is done with little bit of alacrity?

**Lt Gen Leahy**—Yes. The soldier SPO is doing that. As Brigadier Welch has mentioned, we are awaiting the results.

**Senator FAULKNER**—So you are able to say that tests have been done. You just have not received the results of them.

**Lt Gen Leahy**—That is what I thought I heard Brigadier Welch just say.

**Senator FAULKNER**—That is not quite what I heard, but I will take your word for it. Is that the situation, Brigadier?

**Brig. Welch**—I cannot give you an equivocal answer that it has been sent or the tests have been done. The task is there and the hurry-up with the results has been given. I do not know whether the test has been done.

**Senator FAULKNER**—I accept that. That is what I thought I heard you say, which is a little different from what General Leahy said. I think he would appreciate that. We know the status. If you could, as soon as you get an opportunity, perhaps indicate that time frame to the committee. There are concerns, obviously, if the Inspector-General is making recommendations about flammability. When was that recommendation made, Mr Neumann?

**Mr Neumann**—That would be part of the report of 22 December.

**Senator FAULKNER**—I am sure the committee would be interested to know what the time frame is. If you could take that on notice and perhaps advise us urgently I would appreciate it. That is one issue, and my colleagues might want to follow that through. The second issue I am interested in following through is that of the cost recovery for the dodgy cuffs. Can I describe them that way or is that a bit unfair? How should we describe them? ‘Dodgy’ is fair enough, isn’t it?

**Lt Gen. Leahy**—That is not a phrase I would use, Senator.

**Senator FAULKNER**—Where are we up to with that cost recovery? First of all, who is responsible for pursuing the cost recovery?

**Mr Sharp**—It is within the DMO; it is within my division. It is in process. There is a dispute, of course. We are pursuing it.

**Senator MARK BISHOP**—How much are you seeking to recover?

**Mr Sharp**—I do not have the exact figure in front of me.

**Senator MARK BISHOP**—Have you identified a figure as yet?

**Mr Sharp**—There has been one figure identified and there has been some dispute over that. I do not have an accurate figure in front of me but—

**Senator MARK BISHOP**—Does the figure of a quarter of a million dollars ring a bell?

**CHAIR**—Hang on—before you answer that question, do you anticipate litigation regarding this?

**Mr Sharp**—I think it is possible.

**CHAIR**—I think we need to be careful that we do not prejudice the Commonwealth’s position by having witnesses disclose matters which an adversary in court will take advantage of.

**Senator MARK BISHOP**—I have asked Mr Sharp whether he has identified the figure. He has said yes and that they are in negotiation with the other party as to whether all or some of that will be paid. Is that the case, Mr Sharp?

**Mr Sharp**—There is a counterclaim that the cuff that was provided actually cost more than we paid for the specified cuff. It needs to be resolved and we are pursuing it.

**Senator MARK BISHOP**—That is fine. Mr Neumann, when did you commence your inquiry into this whole matter of the cuffs and their flammability?

**Mr Neumann**—Probably about a year ago.

**Senator MARK BISHOP**—When did you become aware, General Leahy, that there were suggestions that the cuffs were inflammable and might be a problem to troops in the field?

**Lt Gen. Leahy**—When I first saw the RODUMs was the first I was aware of it—about a week ago.

**Senator MARK BISHOP**—The RODUMs that you outlined at the beginning of the hearing went to zippers, no cuffs, female sizes not being available, being extremely bulky and

wearing over time. Did you advise us that one or more of those RODUMs had addressed the issue of flammability of cuffs?

**Lt Gen. Leahy**—I mentioned that I thought that there were some that dealt with a fire hazard. I have been looking through them and have since found it. It is the only one that I can find. If you like I can quote it to you.

**Senator MARK BISHOP**—No, that is fine. So the first you knew about there being a live issue with respect to the cuffs was about a week ago, and that derived from one of the RODUMs you received?

**Lt Gen. Leahy**—What I have been able to find does not actually say ‘cuffs’. It says: ‘synthetic components constitute a fire hazard and can be heat damaged and may cause a static charge risk’.

**Senator MARK BISHOP**—The odd thing there is that the inspector-general was doing the investigation arising from faulty material relating to inflammability, but that was not passed across the board within the department or up to you at all.

**Mr Neumann**—I think we need to correct a couple of things there. One is that we are not saying that they are. The allegation was that they posed a risk to military personnel. The review team was unable to locate any evidence that fabric used in the manufacture of the garments had ever been tested by a certified laboratory to identify its flammability. I cannot say one way or the other as to whether there is a risk until the test results come back.

**Senator MARK BISHOP**—Till the SPO completes its work.

**Mr Neumann**—Yes.

**Senator FAULKNER**—This question is perhaps best directed to you, Mr Smith, and you can farm it out as you see fit. There was an article on this in the *Australian* newspaper of Monday, 13 February this year—a couple of days ago.

**CHAIR**—Last Monday.

**Senator FAULKNER**—I will quote an element of the article which relates to these matters. Quote:

A Defence Department spokesman confirmed the department’s inspector-general was "actively investigating" the department’s Combat Clothing section.

I do not know whether this question is best directed to you, Mr Smith, or to Mr Neumann. Can you confirm that there is an active investigation under way into the department’s combat clothing section?

**Mr Smith**—Dr Gumley will perhaps take that question.

**Dr Gumley**—I would be pleased to handle that one. After the Inspector-General’s report came back just before Christmas, early in the new year, on 13 January, the Deputy Chief Executive of the DMO and I went down to Victoria Barracks where we spent nine hours personally interviewing a number of people and reviewing a number of the practices going on in that unit. Out of that, I reached the conclusion that three of the people involved in that unit should not be employed in the positions in which they are currently employed, and we have taken management action to move those people. At least one of those is pending this Public

Service investigation business. I also had questions about supervision and have moved those people. One of those people is on leave at the moment and will be moved as soon as they get back from leave. We took action fairly quickly and decisively. It is correct that there is an investigation, but it is an investigation that I am conducting.

**Senator FAULKNER**—Are you saying that you are conducting the investigation personally—that is, you have not delegated it to anyone?

**Dr Gumley**—I saw this as important enough that my deputy and I would do it personally.

**Senator FAULKNER**—That is a bit different. So you and your deputy are doing it?

**Dr Gumley**—Yes. The two of us have been down to the clothing—

**Senator FAULKNER**—A moment ago you said you were doing it and now it is you and your deputy.

**Dr Gumley**—I think the first part of my answer actually mentioned both of us.

**Senator FAULKNER**—And you have taken action. It sounds pretty decisive, in that you decided forthwith to move three people from that section. Just so we are talking about the right thing, is it called the combat clothing section? Is that the right terminology? I was just quoting a newspaper article.

**Dr Gumley**—That is certainly what I call it.

**Senator FAULKNER**—Well, if you call it that, Dr Gumley, I reckon I can. Just so we know how big it is, how many officials and officers, or employees, work in the combat clothing section?

**Dr Gumley**—About 30.

**Senator FAULKNER**—Thirty?

**Brig. Welch**—There are about 30 in the clothing program, of which about half are in the combat clothing section.

**Senator FAULKNER**—Dr Gumley, is the investigation into the full section or just the combat clothing section?

**Dr Gumley**—It is into the full clothing section, because we buy a lot of items of clothing that are not destined for frontline combat.

**Senator FAULKNER**—You said that you have effectively moved three people from that section. Is that right?

**Dr Gumley**—Yes.

**Senator FAULKNER**—When did they go?

**Dr Gumley**—I will have to check with Brigadier Welch. I gave the instruction at the end of January.

**Brig. Welch**—The instruction that the individuals be moved?

**Dr Gumley**—Yes.

**Brig. Welch**—At the end of January.



**Senator FAULKNER**—Is it correct that one of those three people is also a person over whom there are some disciplinary procedures pending or under way?

**Dr Gumley**—Yes.

**Senator FAULKNER**—Does the other person still work in the clothing section?

**Dr Gumley**—No, that is the person who is on holiday who is being moved to another section. Let us be clear here—

**Senator FAULKNER**—I am not clear now. I thought I was.

**Dr Gumley**—I am sorry if I have misled you in any way. There is not enough evidence from the Inspector-General's report at this stage for any form of code of conduct violation against this other person. I do have a concern, though, about the management oversight that went on during this program. So I have instructed that that person be moved. We will continue our restructuring of this particular unit—and who knows what might turn up whilst that restructuring is under way. So it is basically quarantining the issue and then looking at it further.

**Senator FAULKNER**—Thank you, that is helpful. As you appreciate, we do not go to names at this committee. I certainly do not want to do that. But I am just wondering, of the three people you identify, whether that includes one or two of the ones who you also separately indicated to us are subject to disciplinary actions. That is what is not clear: whether it is an extra two or an extra one person.

**Dr Gumley**—It is an extra one person.

**Senator FAULKNER**—Thank you.

**Dr Gumley**—I want to make it clear that nothing has been proven against that extra one person. I just think it is good management, when you have an incident like this, to check on the management supervision levels.

**Senator FAULKNER**—You have made that clear and we thank you for it. That is clear. It is also clear that there are two people—one APS official and an ADF member—about whom there are some proceedings ongoing. I stress with you, we are not asking about the details. I am not even asking a question about rank, APS level or the like. I am not going there; I think we have got the general picture. I think that is enough.

**Senator MARK BISHOP**—I think it was you, Mr Neumann, who said that the former official of DMO who was involved in the tender process intended to resign in May and turned up in the company in the beginning of July and remained for a week. My question is, has there been any contact made with the company about the level of remuneration paid in that week and why he left the company?

**Mr Neumann**—I thought we agreed that we would take that on notice because I did not know the answers to either of those questions.

**Senator MARK BISHOP**—That is fine; thank you for that. As a routine matter, this company is still supplying clothing to ADF involving some millions of dollars, is it not?

**Mr Sharp**—It is one of our contractors.

**Senator MARK BISHOP**—What is the price of the contract that that company has got, in ballpark figures?

**Mr Sharp**—I will have to take that on notice, because it is for a range of combat clothing. Routinely, there are 1,290 contracts that go on in this clothing group, so I have not got—

**CHAIR**—Sorry, could you say that number again?

**Mr Sharp**—There are 1,290 contracts that are let. I have not got all of the things that we supply.

**Senator MARK BISHOP**—But this contract, this company and this particular person have been under internal review and investigation for some time, so you are aware of—

**Mr Sharp**—I do not believe that this company has been internal review and investigation for some time.

**Senator MARK BISHOP**—It raises the question. The question so far concerns the officer who was involved in the tender process, resigned and turned up in the company. The line of questioning has been to suggestions of improper behaviour and possibly inappropriate financial inducement. If that is correct, there is a fault on his side and there is also fault on the payer's side—the contracting company. In your opinion, are those matters worthy of continuing investigation by the department or not?

**Mr Sharp**—I might refer that to the I-G, because it was their team that did the review and concluded things about the actions of the company.

**Mr Neumann**—I am not sure. I will follow up those two questions on notice, as you asked, but I am not sure where we are going to get to because we need to meet the normal standards of evidence here, sufficient for a criminal prosecution. That is, beyond reasonable doubt. I do not believe that at this stage we would be able to prove that.

**Senator MARK BISHOP**—At this stage, you may not be able to prove it, but you have not been able to tell me whether you have done any investigation into the company's role or its activities in this whole process to see whether there has been, *prima facie* at least, any illegal or fraudulent activity on the part of the company, have you?

**CHAIR**—If I can interrupt before you answer that question, I think the question should be this: do you have any authority to conduct an investigation into a private company?

**Mr Neumann**—I do not. I would have to refer it to the civil police; in this case, the Victoria Police.

**Senator MARK BISHOP**—Are you considering that course of action?

**Mr Neumann**—No.

**Senator MARK BISHOP**—You are not? Doesn't it strike you as odd that this officer turned up in the company in the new financial year, left after a week and was involved in at least dubious process in the whole scheme of things? You don't intend to call the company in and ask them about their activities or role at all? Why not? They have multimillion dollar contracts with the Commonwealth.

**Mr Neumann**—I said I would look into the two questions you asked me. But if there is not evidence beyond reasonable doubt, the case will not be accepted by any director of public prosecutions.

**Senator MARK BISHOP**—Evidence beyond reasonable doubt is a legal test in a court of law. We are talking about—

**Mr Neumann**—No, it is a test that the Director of Public Prosecutions puts on the briefs of evidence that we supply.

**Senator MARK BISHOP**—Yes, I accept that. But you can only provide the brief of evidence to the DPP when you have concluded an investigation. The point that is being made here is that there may have been a degree of financially improper conduct by the company. You do not seem to be at this stage interested in establishing or rejecting that fact.

**Mr Neumann**—No, I said I would get back to you on the two questions you raised.

**Senator MARK BISHOP**—But as a general rule of thumb, aren't you interested as to whether a major supplier of clothing to the Army might be engaged in improper practice?

**Mr Neumann**—We are obviously interested to ensure that everybody who supplies the Commonwealth engages in proper practice. The question is whether we have a reasonable prospect of getting a result.

**Senator MARK BISHOP**—And you will only know the answer to that when you have done the investigation.

**CHAIR**—But you cannot do the investigation.

**Mr Neumann**—I do not have the powers to do that. What I have to do is provide sufficient evidence to a police force for them to take on the case, and that I do not believe I have, but I will check that for you.

**Senator MARK BISHOP**—You do not have the powers. Does anyone else have the powers, Mr Smith?

**Mr Smith**—I believe not.

**Senator MARK BISHOP**—All right.

**CHAIR**—We are going to have afternoon tea.

#### **Proceedings suspended from 3.32 pm to 3.47 pm**

**CHAIR**—The committee will reconvene. Senator Bishop informs me that we will persist with this issue for a short time before we go on to training and other DMO issues.

**Senator MARK BISHOP**—This is in Dr Gumley's bailiwick. I want to try and wrap up this discussion on probity and integrity. We appreciate the frankness of your disclosures over the last hour and a half. At least one issue remains unresolved in my mind. The discussion we have been dancing around has been about allegations of improper financial inducements to unnamed officers formerly with the DMO who have now taken up employment elsewhere. I do not want their names, their ranks or anything of that nature. There certainly seem to be prima facie reasons for concern as to their behaviour and conduct.

If the suggestions that I have been making have some degree of validity on the part of the receiving officer, that also means that the contracting company, also unnamed, involved has been showing at best lack of integrity and lack of probity. The concern for the Commonwealth is about that company being involved in existing large contracts in this area with the Commonwealth and likely ongoing contracts in the future. That is why I have been pressing Mr Neumann and Mr Sharp as to the concerns of the DMO and the Commonwealth in this area and whether they are going to carry out any assessment of the integrity and the probity of the company. Do you have a response to that?

**Dr Gumley**—The integrity and the probity of the tendering, commercial and contracting practices from DMO as part of Defence are absolutely crucial for the trust of the market and the trust of our soldiers. Australia has the reputation of having one of the cleanest tendering environments in the world. When we make source selection decisions, other countries watch us very carefully because they know there is no graft or similar problems. We certainly intend to maintain that very positive reputation we already have. If I found that a company was in any way involved with paying off, directly or indirectly, any of our staff I would take every action available to us under the law, recognising that a criminal level of proof is required, of course. As far as I know, it is illegal in this country for companies to bribe officials. That is certainly the case. You are not allowed to bribe international officials and you are not allowed to bribe domestic officials. We know that. That is the law. Therefore, we would take every possible action to ensure that the integrity of the overall process is maintained.

**Senator MARK BISHOP**—They are fine sentiments. I am pleased to hear you put them on the record. Dr Gumley, you have sat through all the discussion on this issue with the committee today. Is there sufficient information for your agency to make further inquiries of the relevant company as to their conduct?

**Dr Gumley**—I will be inviting the chief executive of the company concerned for a chat and I will try and understand better the overall relationship with that company, because they are not involved with just one contract; they are involved with many. We will take that as far as we possibly can, because it is very much in my interest to have a very proper contracting regime for Defence in this country.

**Senator MARK BISHOP**—As far as I am concerned, that is an acceptable response. We might pursue the subset of the issue for a status report when we see you again in May or June.

**Dr Gumley**—Certainly.

**Mr Sharp**—I need to correct something that I told you before. Regarding the inspector-general's report, the member that we were talking about left Defence on 1 July. I said that he had worked with the company for a week. It was not stated in the report. I was told, I thought, that he had worked for the company for a week. In fact, it was for two months.

**Senator MARK BISHOP**—That is on the record. Thank you for that.

**Senator FAULKNER**—Could I ask a general question just so I am clear. We have had an opportunity to look at the RODUMs in the break. I must admit it was a very brief examination of them. I want to be clear on this. How long has the RODUM procedure been in place? It may be a very long time. If so, give just an approximate time.

**Lt Gen. Leahy**—I do not know. I will have to take it on notice. Just by recollection, it has been there for a very long time. It is standard procedure.

**Senator FAULKNER**—I thought that may be the case. I assume the mechanism has changed over the years.

**Lt Gen. Leahy**—I recall as a young officer that it was paper based; now it is computer based.

**Mr Sharp**—I can add that, when I joined the Army in 1975, my first job was to register RODUMs, so it has been in place since then.

**Senator FAULKNER**—I thought you were going to say that the first thing you did was put in a RODUM, a complaint, but knowing you, Mr Sharp, I would not say that.

**Mr Sharp**—Thank you.

**Senator FAULKNER**—Are RODUMs unique to the Army, or do the other services have them as well?

**Air Chief Marshal Houston**—The Air Force does not have a similar system. However, if there was a major defect with any form of equipment we would put in what is called a defect report. It is a similar thing, but it is different in the way it is done.

**Senator FAULKNER**—So the RODUM system is an Army system?

**Air Chief Marshal Houston**—Yes.

**Senator FAULKNER**—Do you keep a record, on either a financial year or a calendar year basis, of the number of RODUMs that are received from members of the Army?

**Lt Gen. Leahy**—I am sure that we do. I do not have the details; I will take that on notice if you want the numbers.

**Senator FAULKNER**—I would be interested. I do not want a massive historical analysis—just how it has progressed over recent years. I do not like asking make-work questions. I thought that might be an easy thing to identify. Numerically over the last nine or 10 years would be helpful.

**Lt Gen. Leahy**—I think it is a reasonable question. I will take 10 years, as it is an easier figure to work with.

**Senator FAULKNER**—When you give numbers of RODUMs to the committee about complaints, are these aggregated? Let us say you get three—or 23 or 103—RODUMs of a very similar if not identical form. In terms of the statistics that you have been presenting to the committee, do they count as one or as the actual number received? I know that this is an issue that has been raised before.

**Lt Gen. Leahy**—They are recorded individually. If you have the same documents that I have, you will see that they are registered individually. Where they come from is nominated, the date is given and a reply is given. So they are registered and dealt with individually.

**Senator FAULKNER**—I understood the inspector-general to have expressed some concerns about the grouping method of RODUMs. Is that right?

**Mr Neumann**—I do not recall making any such statement.

**Lt Gen. Leahy**—I am generally aware that there were some issues regarding RODUMs on the same item of equipment—a similar reply was provided on a number of occasions. I can recall, from reading one of the documents, a suggestion that they should have been dealt with individually.

**Senator FAULKNER**—All I want to be assured of is that the statistics that you are presenting to the committee represent individual RODUMs, not groups of RODUMs. That is all.

**Lt Gen. Leahy**—Individual RODUMs.

**Senator FAULKNER**—I just wanted to be clear on that broad point.

**Lt Gen. Leahy**—I might add that I have found a second one in here in relation to the issue of flammability; so, Senator Bishop, there were two.

**Senator FAULKNER**—I thought it was the inspector-general, but I thought the issue had been raised historically. I want to be clear that the statistics that we were getting related to individual RODUMs.

**Lt Gen. Leahy**—That is correct.

**Senator MARK BISHOP**—This RODUM system sounds like a fairly effective form of communication within the Army for you to be aware of issues, complaints, problems or whatever and attend to them. Are there any other formal processes available to ADF personnel regarding the assessment of clothing or equipment, or do they just go to their RSM and whinge?

**Air Chief Marshal Houston**—Air Force clothing would be handled with a defect report. The Chief of Navy confirms that the Navy would also handle the situation with a defect report.

**Senator MARK BISHOP**—So that is the only other mechanism for the rank and file to draw to your attention or to complain about equipment or—

**Air Chief Marshal Houston**—They would have the normal avenues of command. If there were a real issue with something, it would probably come up through the command chain. The commanders would say, 'Put a defect report in on it.' It is just reinforcing what General Leahy said earlier on. This is a system that we use to sort out all the defects that we have with clothing and equipment.

**Lt Gen. Leahy**—I would add that, in addition to the chain of command, for the CDF and me, as you have heard, and for all our senior commanders in the three services, this is an area of very great concern to us—that our soldiers are well equipped. We are always asking questions so there is that opportunity for formal and informal feedback. Most of this equipment is introduced after a very extensive series of trials and experimentation. I think I mentioned during my earlier statements that we are trialling in the 1st Battalion a new series of equipment, the latest technology and the latest designs. The soldiers will be given formal questionnaires, and they will be asked to comment on a whole range of issues in relation to the piece of equipment that they have trialled for its functionality, serviceability and safety. That goes back into the whole process.

Army also has ACPEC—the acronym Mr Neumann had trouble with. I am not sure what it stands for, but I think it is the Army Clothing and Personal Equipment Committee. That is a committee that is run in Army headquarters. It is run by a colonel at my headquarters. The RSM of the Army and Army's other two senior regimental sergeants major sit on that committee. They expend an enormous amount of time and effort to try to make sure that we come up with the right design and the right equipment. That committee has been in place for about two years now, and I am very happy with what they are doing. We are providing for soldiers many avenues to tell us what they need, and we then seek to provide it to them.

**Senator MARK BISHOP**—Was the former Mil-Kit Review website a useful tool or forum for troops to relay their concerns about clothing or equipment?

**Lt Gen. Leahy**—I do not believe it was. As you are aware, we were concerned with the Mil-Kit Review website, and in negotiation with the soldiers—

**Senator MARK BISHOP**—I have seen the press reports, but I do not think we discussed this last time.

**Lt Gen. Leahy**—We may not have discussed it here, but I am assuming that you are your normally very thoroughly well-prepared self. We had difficulties with soldiers making comment on their equipment in a public forum, and we asked them to close that site down. There are regulations about public comment, and they were not meeting those regulations. I believe that there are adequate means for soldiers to put their views forward, and the Mil-Kit website, I believe, continues to operate but not by the soldiers who initiated it.

**Senator MARK BISHOP**—Let us break up that argument of yours, General Leahy. I understand that if regulations prohibit serving personnel from engaging in that type of conduct or communication, the law has to be adhered to. I accept that argument without reservation, of course. But were you also critical of the utility or the merit of the content of the material posted on that website?

**Lt Gen. Leahy**—At the time I had some concerns as to the content, as to the commercial motivation of those who might have been involved in it, as to perhaps the sponsorship that might have been engaged in the website and, let me put it in broad terms, as to the impartiality of the website.

**Senator FAULKNER**—It was pretty popular with the soldiers, though, wasn't it?

**Lt Gen. Leahy**—It was. It was so popular that right now I have people in my headquarters designing a similar website for me.

**Senator MARK BISHOP**—So the idea was good?

**Lt Gen. Leahy**—I think the idea was fine, but it was an idea that was uncontrolled and against military and Public Service regulations. As I said, we were also concerned about the impartiality of it. What I am planning to do is introduce a website in addition to the RODUM so that soldiers can write directly to me through email and say, 'What do you reckon about this one?'

**Senator FAULKNER**—Right.

**Lt Gen. Leahy**—I did not mention before that another form of feedback is the Army newspaper. We quite often get letters to the editor in there.

**Senator FAULKNER**—Does this mean that you yourself perceive weaknesses in the RODUM system?

**Lt Gen. Leahy**—I am interested in giving as many avenues as possible to the soldiers for making their views felt.

**Senator FAULKNER**—But there are concerns in Army, aren't there, about the effectiveness of the RODUM system?

**Lt Gen. Leahy**—Certainly there are. One of the concerns is that it is a formal process and you need to get access to a computer. Someone needs to sponsor you to put that through. What I see now is that, in the way that soldiers live, either on barracks or off barracks, they nearly always have a computer at hand. They cannot get immediate access to the formal systems. What I am trying to provide is a parallel system or an adjunct, if you like. It is a less formal process where they can come straight to me and say, 'We're happy with this,' or 'We're not happy with this.'

**Senator FAULKNER**—I mentioned this material that has been provided—'provided' is the best word to use, I suppose—to the opposition. It obviously leaked out of Defence. It says: 'The chain of command and the soldiers believe that submitting RODUMs is a waste of time. The RODUM system is not functioning.' I cannot provide this material to you, but my colleagues and I believe that it looks pretty fair dinkum to us. But, whether it is or is not, it is the sentiment that is contained within this brief that is the reason I raise with you the issue of these sorts of concerns with the RODUM system. I have to say that it sounds to me as though you are going to establish a website yourself along the lines of the Mil-Kit website. That is probably a good thing to do and I would not argue with you. I would support you for doing so. But it sounds to me as though it is also at least a tacit acknowledgment that it needs to be done and that the RODUM system is not working.

**Lt Gen. Leahy**—I would say that the RODUM system is working. We have seen one small segment of it today. The RODUM system works for vehicles and military equipment across the broad spectrum of Army. This is one section that you have seen today. I want to make sure that soldiers have as many avenues as possible to put forward their points of view. I think that the addition of another website will meet them where they are talking. I keep looking at these blogs, and there are other websites out there through which people stay in touch. I want to harness the capabilities that we have through the web. That is the way that young people are communicating with each other. I think it is just another method of staying in touch with them.

**Senator HOGG**—Does that mean that the website you will install will have the feature of a chat room and so on?

**Lt Gen. Leahy**—I am looking at that. I have people trying to design it right now. I want it to be open. For example, it would have a Q store so that people can come in and talk about the equipment. It would have the orderly room, where people might want to make comments about administration.



**Senator HOGG**—It would seem to me that one of the features of the Mil-Kit Review was the fact that there was a chat facility available there, therefore there was an instant feedback for the people who were on the system. I just picked up from what you were saying—and I might be wrong—that you are not looking so much at an interactive site as at a fairly dumb site in the sense that it will not respond instantaneously to the issues that are being raised.

**Lt Gen. Leahy**—I think our ability to respond instantaneously and have that sort of chat system would be limited by the capacity of my staff and the cost to my office.

**Senator HOGG**—I accept that.

**Lt Gen. Leahy**—But I would like to make it as live as possible.

**Senator JOYCE**—Would it be fair to say that any staff sergeant at a Q store would be in the chain of command and, if there were any issues, they would be able to give a flow of information on possible dissent amongst the ranks about their kit? That would be a fair comment, wouldn't it?

**Lt Gen. Leahy**—I think it is a fair comment, but, at the same time, most of our soldiers do not have access to computers. It is not like working at our headquarters here in Russell.

**Senator MARK BISHOP**—You could send a text or an email.

**Senator JOYCE**—But every time someone turns up to—

**Lt Gen. Leahy**—It is just about different ways of providing information and getting feedback so that we are, as we say, making sure that they are as well equipped as we can make them.

**Senator HOGG**—Senator Bishop raises a good issue, about the capacity for people to SMS their difficulties.

**Lt Gen. Leahy**—Perhaps we can set up a system, and we are looking at the technological capabilities to do that. Perhaps you could give us your number, Senator, and we will let them SMS you.

**Senator MARK BISHOP**—General, we can put a text into the network—into your RODUM system or the planned system—from almost any phone in Australia. So whether soldiers have got computers or not does not really matter.

**Lt Gen. Leahy**—I am obviously not as technologically adept as you are, Senator, and if that is the case I will be looking to do it.

**Senator MARK BISHOP**—You gave three reasons for being dissatisfied with the mil-kit review. One was regulation, another was control and the third was lack of impartiality. I accept the issue of regulation. But in terms of control, if you are going to have an effective, functioning web where people provide information, exchange views and receive views in response, you are not going to be able to control that in any way. If a private out there is dissatisfied with clothing or equipment or his senior officers, or is aggrieved at a decision, and he wants to put it on the system, aren't you just going to have to cop it?

**Lt Gen. Leahy**—That is the idea. I will ask them to be polite. I will ask them to identify themselves, so we are not going to have a free-for-all.

**Senator MARK BISHOP**—What is wrong with a free-for-all?

**Lt Gen. Leahy**—I have looked at some sites on the web, and I do not want to be part of that. I think if we are going to set up something out of my office it will be a reasonable site.

**Senator MARK BISHOP**—Western civilisation has not ended because people say things in an unkind way or address topics that senior people are not comfortable addressing.

**Lt Gen. Leahy**—I think the sorts of rules you see on any site are about obscenities, personal abuse and so on. That is what I am talking about. They can say what they like.

**Senator MARK BISHOP**—But the complaint about obscenities and personal abuse: I am not aware that that was a feature of the Mil-Kit Review website.

**Lt Gen. Leahy**—No, I am not suggesting it was.

**Senator MARK BISHOP**—No, they were complaining about the adequacy of clothing, the appropriateness of material and those types of issues.

**Lt Gen. Leahy**—They were also making qualitative comments on equipment that was on issue to the military and also that might be purchased elsewhere, and we had some concerns about their personal liability.

**Senator MARK BISHOP**—Their personal liability?

**Lt Gen. Leahy**—Yes. If you make comments on someone else's clothing or apparel, they might be upset by it.

**Senator MARK BISHOP**—The law addresses that; isn't that a matter for the webmaster or the network to control?

**CHAIR**—Senator Bishop, you do not want to have service men or women being sued for adverse comment on a commercial basis, surely.

**Senator MARK BISHOP**—There is a responsibility attached to behaviour.

**CHAIR**—And I think the general has exercised his responsibility and shut it down.

**Senator MARK BISHOP**—He is shutting it down, but he is going to open up a variation on the theme. That is what I am hearing today.

**CHAIR**—It is internal.

**Senator JOYCE**—Regarding the 'free-for-all' mentioned by the senators, do you think that it could be a little bit dangerous to have on a website people raining in suggestions about what is currently wrong with their kit, such as the infrared capacity, when they are actually on active service in the Middle East?

**Lt Gen. Leahy**—It is certainly an area—and there are others, as we saw this morning—that we will be very reluctant to talk about, because of operational security. With clothing there are some issues of operational security. That would be one of those sorts of rules that we would establish in the use of this website. As I say, I have had some staff on this for about three weeks now and I am hopeful that in the next week or so we will have something that looks pretty good and that we will be able to put up. Senator, I will send you the www address and you can have a look at it yourself.

**Senator JOYCE**—In fact, to say to people that there is a possibility that some of their camouflage gear or DPCUs are not working as suggested could put their lives at threat in some instances—if it was to fall into the right hands, and no doubt anything on the internet does.

**Lt Gen. Leahy**—One of the things we are looking at is whether it is on the internet or the intranet. My concern with the intranet is that not all soldiers have access to it. They might be able to post either via SMS or from the internet, but they would not have visibility through the internet. They would have to come to the intranet to see that.

**Senator JOYCE**—You would not have had to have read Clausewitz's *On War* to realise that the morale of serving members of a defence force is an intrinsic part of an army and that therefore there must always be some form of discipline in monitoring issues that can run throughout the ranks. Would that be a fair comment? You have to keep some sort of lid on things. If you have a free-for-all, as has been suggested—

**Senator MARK BISHOP**—Like the Queensland Nationals! You should ask the minister to comment.

**Senator JOYCE**—it could actually work against the discipline of the army.

**Lt Gen. Leahy**—There is a requirement for discipline; there is a requirement for control. I would say that one feature of the ADF, and in particular of the army, is that it requires self-discipline and discipline as a group rather than a discipline that is imposed.

**Senator JOYCE**—Would it be fair to say that you would rely on the experience of a staff sergeant at the Q store—that you would rely on their advice if they had a range of complaints coming back to them?

**Lt Gen. Leahy**—Yes, Senator.

**Senator JOYCE**—So, apart from the RODUM system, which people are hanging every hat they can on, there are other mechanisms of control of the apparel that is currently issued to the Defence forces?

**Lt Gen. Leahy**—Yes, Senator.

**Senator FAULKNER**—There is one thing that does come through on reading the RODUMs that have been provided to the opposition. I have not read them absolutely thoroughly but I have had a chance over the break to have a look at them as closely as time allowed. In the 'action taken' area of these RODUMs—and I think you can confirm to the committee that there is an 'action taken' element of RODUMs—

**Lt Gen. Leahy**—That is right, Senator.

**Senator FAULKNER**—I notice something that is a matter of real concern. Very often they say, as this RODUM says, 'Action taken: I have purchased my own \$300 chest webbing.' Another says, 'bought my own chest webbing'. Another says, 'Action taken: purchased own chest webbing.' And again another says, 'purchased own chest webbing in Auscam'. The next one says, 'purchased own equipment'. Yet another says, 'purchased own webbing'. And so it goes on and on in these RODUMs. These are a clear indication that we have what appears to be ADF personnel replacing substandard kit, which has been issued by Army, at their own

expense. I think that is a fair pull-down of the documents that I have read, if they are accurate and actual copies of RODUMS, which I believe they are. What do you say about that?

**Lt Gen. Leahy**—I would disagree with you in your use of the word ‘substandard’. We discussed earlier today the issue of webbing and I said I would try to get back with some information on that. I do not have all of it but, to give you a sense of the scope of it, since mid-1999, in the vicinity of 78,000 sets of webbing have been issued. We are aware that there are 355 RODUMs. I have not done the analysis of that, although you are helping me with it, so thank you for that. I also said in my earlier statement that this was an area of the most intense personal preference. It depends very much on the type of job that you do. For example, a cavalryman will wish to wear a different type of webbing than an infantryman. Certainly in my experience, the way that I put the webbing that is issued to me together will be different from almost everybody else. It is about body shape, where you want to reach to of a night-time, where you are going to put your shaving cup and your cups canteen steel and a whole range of things like that. It is an area of personal preference. One of our RSMs, and I did not read this out this morning, says that ‘soldiers will buy equipment because they want to be different’. I would seek, through the equipment that we issue, for soldiers not to do that. I think we have said a couple of times that not everything is perfect. Part of that is personal preference, and I did characterise that, perhaps unkindly, as fashion over function.

**Senator FAULKNER**—Let us take a step back then, General. I hear what you say. Can you confirm to the committee that many of the RODUMs you have received do indicate that the action taken by the member of Army concerned has been to purchase their own equipment?

**Lt Gen. Leahy**—Not from my analysis of the RODUMs that you have in front of you, because I have not done it, but certainly from personal experience, yes. Many soldiers buy elements of webbing to suit their personal preferences and it is not issued by the Army.

**Senator FAULKNER**—This is a crucial distinction and I want to address it. I hear what you say and I accept what you say, but the RODUMs are reports on defective or unsatisfactory materiel. That is what they are, as you have explained to us. But the key point here is that in these RODUMs you have got members of the Australian Army regularly saying that they buy their own equipment. The RODUMs go through the described fault; the circumstances at the time of the fault, for example, the one I am looking at here, ‘UN ops’; and the probable cause—‘not suitable for patrolling through thick vegetation’ et cetera. Then there is the action taken, and it goes on: ‘purchased own equipment’. That is the way these things are formed and, while I hear your general point, the RODUMs relate to reports on defective or unsatisfactory materiel. That is why I believe this is not a matter of personal preference for putting your shaving cup where you want it to go or fashion; this is unsatisfactory materiel that these members of the Army are reporting on, surely.

**Lt Gen. Leahy**—It is also a personal view. We are talking about 355 over 78,000 and, as we saw with the packs this morning, they were too short or too long, too big or too small. I am sure that there would be many soldiers who would say that a particular arrangement on patrol order in close country for UN operations would be just hunky-dory for them, that it was exactly what they wanted, whereas a particular soldier has said that it is not adequate. That is the point that we are making. I think that we have a very solid foundation of equipment that

provides the vast majority of soldiers with what they need. Others who have a different view, a different desire, a personal preference, are providing by purchase what they want to wear.

**Senator FAULKNER**—I am surprised that an analysis has not been done in relation to the RODUMs. Faults are being identified in writing by soldiers and their reports include the action taken and their purchase of equipment to replace the issued equipment.

**Lt Gen. Leahy**—Certainly in the RODUMs that I have in front of me there is a section that talks about progress. One of them, which was acknowledged on 2 July 2004, was under investigation. It reported progress on 14 September and reported that the design was no longer being produced. ACPEC ‘tasked combat clothing to do something’. Progress was then reported on 21 December. So I think that they are analysed, progress is reported, they come before the ACPEC and the DMO look at them. I have my staff look at the RODUMs. I am not familiar with the format that you have got in front of you there and I ask you: does it have a progress section on that where what is being done is reported?

**Senator FAULKNER**—Yes, it does have progress reported at the back on all of them, under ‘Investigation’ in this case.

**Lt Gen. Leahy**—I think that is evidence, Senator, that we do look at these.

**Senator FAULKNER**—I am not going to go through all the details here but it does, I can acknowledge that. This is a double-sided document—I do not know what its original form is like and I do not want to get into its authenticity or not. I am absolutely satisfied that it is authentic. I know that it is authentic, but that is not the point. The point is the content. That is what I am going to.

**Lt Gen. Leahy**—Certainly, Senator. I accept that point and I say to you that we do acknowledge this and we are providing a very solid foundation of operationally effective, safe equipment. Some soldiers would prefer to use other equipment.

**Senator FAULKNER**—What about the situation with what are described as DPDU aircrew flying suits issued to C130 crews in the Middle East area?

**Lt Gen. Leahy**—As much as I would like to I do not oversee the 130s.

**Senator FAULKNER**—General, I would never direct such a question to you.

**Lt Gen. Leahy**—Thank you, Senator.

**Senator FERGUSON**—We have been going for six hours, and a couple of hours on RODUMs. The opposition senators have had a pretty fair rein for six hours. I know some government senators do have questions and issues that they want to raise. How much longer are we going to go on this particular issue? We are due to finish at nine o’clock. The way we are going we will still be talking about RODUMs at nine o’clock.

**Senator FAULKNER**—At least it is RODUMs and not rodents.

**Senator FERGUSON**—I knew you would get that in somewhere.

**Senator FAULKNER**—I do not think we have got much more on RODUMs. There are still some issues in relation to DMO.

**Senator FERGUSON**—We have some issues, too, on DMO.

**CHAIR**—There are DMO questions up here. Are you happy for us to—

**Senator FAULKNER**—You are chairing it. If you want the call to be ceded for a while to government senators that is okay, I just flag that I have some questions in this area to come back to.

**Senator FIERRAVANTI-WELLS**—Dr Gumley, I would like to take you to the material on financial statements and remediation plans. I think they have been discussed in the past. In the budget documents you can see the remediation plan that has been put together to deal with Defence's past accounts. It seems to me that some of the problems there are reflective of project management and effective project management. Having heard what we have heard this morning, I would like to get from you your assurances as to where you are going in that area.

**Mr Smith**—I will begin by responding to that question. Defence's financial statements have been my responsibility these three years. From this year onwards Dr Gumley will also have his own annual financial statements to worry about. The project management issues are reflected less in the financial statements than in performance audits. I think the problems of our financial statements have different origins, which the Auditor-General has referred to. I am not quite sure where you want to take the discussion of the financial statements but, as other senators will know, I am very willing to discuss those problems, and they are serious ones, very openly. I know there was a long discussion here with the Auditor-General on Monday night.

In short, in 2004-05 I again had to conclude that I could not include an opinion on all three of our financial statements. As I explained at estimates in November, that was very disappointing to me and to the organisation but we did nevertheless make some progress. We moved some way on from where we had been the previous year: reducing the volume of uncertainty, resolving one major qualification and resolving a number of specific findings.

I had to reiterate—and, as you and I have not had this discussion, let me do it again—that none of this relates to budget or cash management and it does not affect our military operations. Those are crucial points. The problems are largely a matter of how records are kept in relation to our assets, liabilities, assets under construction and so on and the challenges resolving some very difficult issues of methodology for such things as Senator Bishop and Senator Hogg hear about a lot—the sorts of records that are necessary to validate our computerised data. And there are a lot of issues of historical pricing and so on where there are some difficult questions of methodology.

There was a very solid discussion the other night with the Auditor-General about prioritising, and that is one of the key issues. The problems are very large; we are devoting a lot of people and a lot of money to their resolution. We cannot solve it all at once; it will take some years. We have to work through those challenges in a prioritised order. Mr McPhee, the Auditor-General, made some very constructive remarks here the other night which are typical of the very positive approach he has taken to helping us on this.

He referred as well to the impact of all the work that we are doing and the frustrations on our staff in not achieving all we want to. With that in mind, while I am heeding his clear statements about our shortcomings and our deficiencies, I did take out from his recent reports

all of the positive statements he has made about how much effort we are putting into it and I am happy to provide that to you if you wish.

We depend a lot on the Auditor-General's advice—we have to—and on the advice of some of the most respected audit accountants in Australia. We need their help because, frankly, the technical issues are very challenging. I mention particularly in that regard international financial reporting standards, which you will be aware of. A difficulty here for us is that there are no benchmarks or examples for us to learn from. As far as I can ascertain we are the only government in the world seeking to apply international financial reporting standards, so we are path breaking in that regard.

On the matter of standards, the Auditor-General does not set these; he simply audits against the standards he is given and he does not have much discretion. I am sure you have seen, or will see, his recent statement:

In light of the marked differences between the for-profit and public sectors, and the scale of public sector activities, I am strongly in favour of the AASB continuing to develop public sector standards.

Those remarks were welcomed by CPA Australia. On the matter of international comparisons, we are willing to go back over, if you wish, what we have said in the past about the very similar issues facing the UK, US and Canadian defence organisations but much of that is on the record and we are happy to provide that separately if you wish. In the meantime, I am happy to introduce Mr Phillip Prior. I do not think Senators Bishop and Hogg have met—

**Senator MARK BISHOP**—Why do you keep blaming us?

**Mr Smith**—I know you have a real interest in it—I have read the *Hansard* of the other night. We have recruited Mr Prior from the Department of Finance and Administration. We did that after our previous CFO, Mr Moore, advised me of his preference to retire. We are getting stuck into it again this year. That is a long answer.

**Senator FIERRAVANTI-WELLS**—Thank you, I appreciate the comments. With a lot of your major capital equipment projects, project management is so important in not only delivering those projects but also delivering them on time, on budget and at no risk to taxpayers. I guess I am picking up the comments that Dr Gumley made this morning when we were talking about the Seasprite and that sort of situation. I appreciate that that is past behaviour. I want to ensure that the standards put in place for those projects that have gone past your first process of assessment and now your second process of assessment will ensure that we are not going to see a repetition, if I can put it in broad terms.

**Mr Smith**—I was speaking to the financial statements because I thought that was your point. On the question of project management, Dr Gumley can speak. He is one of the best project managers in this country, incidentally. I would agree that project management skills and financial management skills are two of the two or three skills in most demand in government. Dr Gumley is doing as much as anyone in the Commonwealth to develop that.

**Senator FIERRAVANTI-WELLS**—I think Dr Gumley has a lot to juggle and he is probably very good at juggling.

**Mr Smith**—If he could spend more time project managing and less time fire fighting we would all be happy—but that is not life.

**Senator FERGUSON**—So would he.

**Dr Gumley**—Perhaps I could comment on project management.

**Senator MARK BISHOP**—You were asked to give an assurance that there would be no more mess-ups in the future. I think that was Senator Fierravanti-Wells's question.

**Senator FIERRAVANTI-WELLS**—I was going to come to some other questions.

**Dr Gumley**—I cannot give that assurance. What I can do is say that with controlled and organised project management we can reduce the risk significantly to government. When I got into DMO it became very clear to me—and it was clear even before I came in—that the biggest problem we had was the schedule: in other words, project delay. We heard that about the Seasprite this morning and we will hear it about the FFG if we go there this evening. It is by far the biggest cause of problems. In fact, you could almost correlate that 80 per cent of any cost expansion is caused by schedule delay. There is a very good reason for that. It is because the companies doing the work find every excuse they can to get extra fixed cost recovery out of you because the project is going for too long. So very quickly a schedule delay turns into a cost overrun, which magnifies itself through all the regime. So we changed the goalposts at DMO. We have said that the schedule is the most important thing and, since we have done that, we have noticed that the costs are increasingly coming under control.

Also, it is wrong to think that there are actual cost blowouts. We had a look at about 30 projects that closed in the two-year period up to last June and more came in under cost than came in over cost. In fact, the net cost expansion was 0.7 per cent of the total value of the projects.

**Senator MARK BISHOP**—Of the top 30?

**Dr Gumley**—You know how much a project has cost you only after it has closed. So, of the 30 projects that closed between about July 2003 and June 2005, there were almost as many cost underruns as there were overruns. The net effect of it, when you netted it all out, was about 0.7 per cent of the value of all the projects that closed. We all build houses or we build extensions to our houses, and how many of us have ever been able to build a house or an extension for 0.7 per cent over what we first thought it was going to cost us? So the cost performance of DMO and Defence is not actually that bad. I am happy for you to challenge me on that. The problem we really do have is the schedule, which leads to delayed capability for the war fighters.

**Senator FIERRAVANTI-WELLS**—I am just leading to that. Thank you for that answer. Recently, the government announced its air warfare destroyer project which was, in the words of the minister, 'a project worth up to \$6 billion'. I notice in the budget papers that, when you do a breakdown of that, it was a project with an approved project expenditure of \$460 million, and now there is a \$99 million extra expenditure estimate in 2005-06. That is obviously building into the sort of thing that you are now talking about. When you add that up, that is about \$5.6 billion. So up to \$6 billion gives you that scope.

**Dr Gumley**—The air warfare destroyer project has been announced by government as being a project costing up to \$6 billion. We have been purchasing long lead items early. Some of the project expenditure may be advanced a little bit because we are getting some long lead



times early. On the edge is the combat system. We do not want to go to the same position that we had with the submarine years ago, when the combat system came well behind the platform. We are trying to get the two systems aligned now so that we actually have a tested combat system ready to go, with long lead items, at about the time the platform is manufactured, so we do not get a sequential problem. They all come together and you could marry the two systems together probably in 2012, hopefully before the in service date of October 2013. We are deliberately doing this. In fact, it turns out that in a lot of projects, if you can advance expenditure a little bit on some of the long lead items and the high risk areas, you can actually de-risk the latter end of the project. We have been trying to do that.

**Senator FIERRAVANTI-WELLS**—When I read in the *Australian Defence Magazine* that this project is now at \$6.5 billion, that is either a misprint or somebody has been feeding perhaps wrong information to the press. That is the context of what I am asking. Given that the budget papers are talking about \$5.6 billion, I read that it is now \$6.5 billion. I would like to think that it is probably a misprint, but you could perhaps comment on that. In the context of the discussion that has been had this morning, perhaps give an assurance that a project that has just recently been announced as costing up to \$6 billion is now not \$6.5 billion.

**Dr Gumley**—We are evaluating two designs for these air warfare destroyers. This is following the Kinnaird process, where each time we go to government now we go with a military off-the-shelf solution, or a MOTS, and we also go with a design solution. In the case of the air warfare destroyer, we are working with the Spanish on their F100 design. That is the MOTS solution. The government has made the decision that the ships will be built in Adelaide by ASC. ASC now has the job of working with two separate designers, one being the Spanish firm Navantia and one being Gibbs and Cox from the United States. The Spanish design is existing. Therefore, a set of blueprints exists for it and it will be possible for ASC to work with the designer to cost that ship. The other one is an evolved design, which is an evolution of the American Arleigh Burke class. That would be a bigger ship and more expensive.

The commercial challenge—and we are maintaining competition in this process for as long as possible—is that the designers of the evolved ship have to work out a way of producing a ship that is manufacturable and gives the capability that they think they can deliver within the government's budget limits. We expect the existing ship to be cheaper than the evolved ship. We would certainly hope for the existing ship to come in under the \$6 billion limit. Should the evolved ship come in at greater than \$6 billion that would make an interesting decision for government as to whether there is a capability cost trade-off or whether to go for the smaller Spanish derived ship.

**Senator FIERRAVANTI-WELLS**—Can I take you back to the comment you made this morning on the Seasprite, which is why I am interested to see the paperwork that led to the various stages of the decision. My point comes from you now making those sorts of assessments. Obviously, governments make decisions and ministers make announcements, and a decision has been made along these grounds. What I am concerned about is that we are now talking about \$6.5 billion. I am asking you for an assurance that we are still at up to \$6 billion.

**Dr Gumley**—Perhaps my colleague Lieutenant General David Hurley can help you.

**Lt Gen. Hurley**—Neither my office nor the Air Warfare Destroyer Program Office has ever quoted a \$6.5 billion price for this project.

**Senator FIERRAVANTI-WELLS**—I am concerned, because this is quite a lengthy article. It appears to have been backgrounded quite well. That is why it concerns me that it is \$6.5 billion.

**Lt Gen. Hurley**—Our advice to government is still in the \$4.5 billion to \$6 billion bracket. That is what we are working to.

**Senator FIERRAVANTI-WELLS**—So anything that may be published is obviously wrong.

**Lt Gen. Hurley**—I am trying to find out right now who actually spoke to them.

**Senator FIERRAVANTI-WELLS**—Thank you.

**Senator MARK BISHOP**—General, the advice to government to date has been that the ballpark is \$4.5 billion to \$6 billion for the AWD project. Have those figures changed in recent times?

**Lt Gen. Hurley**—No.

**Senator MARK BISHOP**—That is still your advice to government.

**Lt Gen. Hurley**—Yes.

**Senator MARK BISHOP**—Have there been any project cost increases since the project was awarded to ASC, over in Adelaide?

**Dr Gumley**—Not that I am aware of.

**Lt Gen. Hurley**—We have reshaped the phases of the project from what might have been in the public DCP for 2004-14, but there has been no cost increase.

**Senator MARK BISHOP**—What is the lead time on the AWDs—about seven or eight years?

**Lt Gen. Hurley**—What do you mean by lead time?

**Senator MARK BISHOP**—From contract setting to conclusion.

**Lt Gen. Hurley**—We will take this to the second pass to government in the middle of next year and there will be a time frame after that for the contract to be negotiated. We will deliver in 2013.

**Senator MARK BISHOP**—So we are talking seven to eight years from now. Is the figure of \$4.5 billion to \$6 billion present costs or future costs?

**Dr Gumley**—I think that is the 2004 price. It is from the DCP in February 2004.

**Senator MARK BISHOP**—So if inflation continues at about three per cent per annum—

**Dr Gumley**—This might be where the journalist has worked out the \$6.5 billion. If you add inflation to February 2004 costs you probably do have an increase there.

**Senator MARK BISHOP**—Compounded, it is about three-tenths of 4½ billion.

**Senator FIERRAVANTI-WELLS**—That is why I was asking—because your budget papers talk about \$5.56 billion. That is why I thought the ‘up to \$6 billion’ included the inflation component. That was why I wanted a clarification from you, Dr Gumley.

**Lt Gen. Hurley**—We need to be careful about what year dollars we talk about.

**Senator FIERRAVANTI-WELLS**—I appreciate that.

**Senator MARK BISHOP**—So the figure that is bandied about of \$4½ billion to \$6 billion for the AWDs is from the 2004 unadjusted figures?

**Dr Gumley**—That came out of the February 2004 Defence capability plan.

**Senator MARK BISHOP**—So there has been no further update or inflation adjusted figure issued by government in the relevant AR or PBSs?

**Dr Gumley**—No.

**Senator MARK BISHOP**—In terms of the national interest, which shipbuilding project—the AWDs or the amphibs—has the higher strategic priority? I know that is a difficult question and they have different purposes—and Senator Johnston refers to ‘different operations’—but, if there is a cost blow-out of a significant amount on one it necessarily should have an impact on the allocation of funds for the other. So which is—

**Air Chief Marshal Houston**—I think the government has laid out its policy in the white paper, as modified by the strategic updates. They are both important capabilities for the ADF. To a large extent, they are very complementary. For example, if we have to take a joint force offshore somewhere out of range of land/air, we would need that package. Of course, the air warfare destroyer is vitally important in terms of controlling our air and sea approaches in a defence of Australia context. Both capabilities would also be very valuable in terms of the support of our wider interests. So they are both very important capabilities.

**Senator MARK BISHOP**—They are both critical. So you do not see them as being in a trade-off situation?

**Air Chief Marshal Houston**—No, I do not—not at all.

**Senator MARK BISHOP**—Are both essential?

**Air Chief Marshal Houston**—Absolutely. It is very important that we have the ability with the Navy to exercise sea control—and the air warfare destroyer is vital to that. Of course, it also has a role not only in terms of sea control but also air control. It is a vital asset in the joint environment. Also, in the environment that we live in, surrounded by a lot of islands out there in the Pacific and beyond, an amphibious capability is vital.

**Senator MARK BISHOP**—In that context, if the construction of both sets of ships should be awarded to domestic manufacturers in this country, is it your assessment to date that industry is capable of carrying out both jobs within the published time schedules, Dr Gumley?

**Dr Gumley**—I understand the Senate has an inquiry into exactly that question under way at the moment and public submissions are being taken. I am very happy that that inquiry is taking place, because we hear a lot of marketing statements from companies that, ‘We can do anything.’ I have said to them, ‘If you guys say that you can produce these ships, I want to know that you can give me objective evidence that you can and you can show me what skilled

workers you have, what engineers you have, and you have proper scheduling and proper project management and you can give us a guarantee that you can produce these ships. If, in fact, there is a major resource conflict, we want to know about it now and not by having two programs late in 2013.' I would hope that the Senate explores this very deeply because it affects not only the military capability but also employment and alternative resource use. These same people are, for example, in Western Australia fuelling the oil, gas and mining boom that is going on in Western Australia, and they cannot be doing two jobs at the same time. These are the questions we hope will come out during the inquiry over the next six months.

**Senator MARK BISHOP**—You are correct to identify that inquiry. Senator Johnston is involved in that as well. They are some of the issues that certainly motivated the inquiry at the beginning. That is a suitable answer.

**Dr Gumley**—Our preference is for the ships to be built in Australia, but not at any price and not at any scheduled delivery.

**Senator FERGUSON**—On a different issue: there is another inquiry about to take place, about air superiority, by the joint standing committee. I do not want to pre-empt what they might be discussing, but there are a couple of things that I would like to raise here in relation to that. Members of the Defence Subcommittee also went to the United States last year and we were provided with a certain amount of information, particularly by Lockheed Martin. This is the start of the decision-making years for the government when it comes to confirming whether or not we proceed with the JSF, having already put some investment into it. The question that I really want to ask is: do you have any contingency plan in place if there is a decision not to proceed with the JSF?

**Lt Gen. Hurley**—As you are aware, we will come up to first-pass approval for the new air combat capability project in December this year. That is coincident with a requirement to sign, with the other members of the system in the development and demonstration phase that we are currently in, a production, sustainment and follow-on development MOU. That is one of the first major decisions, obviously, that we are going to make about whether or not the aircraft is suitable for our needs or not.

The second pass will occur in the latter part of 2008. That is where we make a real decision as to whether the joint strike fighter is the aircraft for us and what investment procedure we will go through. So, in terms of what our options are, we have two decision points—one at the end of this year and the other at the end of 2008. We are aware of what is out on the market elsewhere and what other aircraft are available to fill the roles. We keep a watching brief on that. But we are not involved deeply in the sense that we are with the Joint Strike Fighter program in terms of examining cost and design development and so forth. Most of the other aircraft are already flying.

**Senator FERGUSON**—If you decide to proceed in December 2006 and you then get to 2008, it will be too difficult for you to make an alternative decision, won't it?

**Lt Gen. Hurley**—The decision we will make at first pass is really further exploring what the future arrangements will be to support and sustain the aircraft and things of that nature and, further, consideration of what level of capability we are going to get at a particular time.

If we make the decision anywhere between 2006 and 2008 as we go along through that process, it will still be about five to six years before we need to have an aircraft in the service.

**Air Chief Marshal Houston**—I do not think it is as grim as you say. There are options out there. But, at this stage, we are very confident that the Joint Strike Fighter will deliver the capability that we need for the Australian Defence Force into the future. The project is going very well at the moment and I have no reason to doubt that we will be looking at a very highly capable fifth generation stealth aircraft. Any other alternative would mean a lesser capability than that, noting that the F22—the other fifth generation aircraft—is not a multirole aircraft in the truest sense of the word. It is also unlikely to be available to any nation other than the United States. I have had those sorts of indications already. A lot of people run around saying, ‘We should buy the F22.’ But that is on the assumption that the F22 would be available to us. That is a highly suspect assumption, because the US likes to maintain a capability edge over everybody else.

**Senator FERGUSON**—It does, but I think it is also fair to say that, in recent times, our relationship with the United States has been pretty close and getting closer. There are those who would suggest that the two reasons we decided against the F22 were, firstly, the cost and, secondly, that we do not know if we can get it anyway. They have suggested to us, particularly in submissions that we are going to receive in this inquiry, that it is likely that we would be able to get it. You may be in a position to say that that is not the case; I do not know. But people are maintaining that we could get it, that the cost differential between the F22 and the Joint Strike Fighter is in fact closing and that, if you take into account the expense that has to go onto the F18s to make sure that we have a platform which can maintain and deliver our air superiority, then in fact the gap almost closes cost-wise. Is that a fact?

**Air Chief Marshal Houston**—No. I think that is very fanciful thinking. Looking at the number of F22s that are likely to be produced and the number of JSFs that are likely to be produced, you are talking about a very small package of aircraft. At this stage we are not quite sure how many, but it is not going to be a large number. Based on the information that is in the quadrennial review from the United States, at this stage there is no suggestion that there will be any cut in the numbers of the JSF. So we are probably talking about—and the Chief of Air Force may have a clearer idea of the numbers—a very small number of aircraft, which will be very expensive on a platform-by-platform basis against the Joint Strike Fighter, which, because of the large production run and the way it is being produced, is likely to be considerably cheaper. The other thing I would stress again is that the Joint Strike Fighter is a genuine multirole aircraft and will replace both the F111 and the FA18. In my view, the F22 would only replace the FA18. It would not be able to replace the F111.

**Senator FERGUSON**—I will save other operational questions until we get to the inquiry. I think it would be better to do that rather than doing it here. It is just that when it comes to cost arrangements, the F22 is in production now—I think there is already a squadron of F22s in the United States—and it might mean that there would not be the requirement to spend money on the upgrades of the F18s. The arguments that have been put to us are that it might be possible to get away with not spending the money on the F18s because F22s could be available at an earlier date than the JSF.

**Air Chief Marshal Houston**—I disagree with the argument. In fact, I would like to see the arguments that have been put to you, because I think we would disagree with those. I invite comment from my colleagues, because I think the Chief of Air Force is across some of the detail on the F22, the JSF and, of course, the upgraded F18.

**Air Marshal Shepherd**—In broad terms, there will be a very small production run of the F22. It is nearing the end of its production run now. There will be no Australian industry availability for participation, and many of the systems in the F22 are already becoming obsolete. They will need upgrading in the years to come. I also think that, with the time lines of when we could get the F22, if it were available—and I support what the chief has said, that all the indications that we have had from America are that it is not going to be made available—you would still need to upgrade the FA18. We are already spending money to upgrade the FA18 in order to allow us to withdraw the F111. Money is already being allocated for that. So it is a very optimistic view that we would be able to quickly stop spending that money and transfer it to the F22. I do not think the ducks would line up as easily as that.

**Senator FERGUSON**—I am just raising with you suggestions that have been made to us. As I think my father once said to me, forewarned is forearmed.

**Air Marshal Shepherd**—We will be more than happy to talk about that in further detail on 31 March.

**Senator FAULKNER**—I wanted to raise the issue, please, of the flying suits that were issued to Australian C130 Hercules crews in the Middle East area of operations. I believe they are called DPDU aircraft flying suits.

**Air Marshal Shepherd**—I am sure you are referring to, in part, the *Sydney Morning Herald* comment this morning. I can assure you that no-one in the Middle East or anywhere else in the Royal Australian Air Force is wearing flying suits that are unfit for purpose. It is true that our standard flying suit for many years, for many decades, has been a dark sage green. When we deployed to the Middle East in the original operations Bastille and Falconer we needed to get tan flying suits, and we could only get them from America. There was a worldwide shortage. The Brits were trying to buy them. The Americans were manufacturing more for themselves. Their normal flying suits are dark green as well. So we managed to equip our forces in that initial 2003 period with purchased American flying suits.

As we stayed longer in the gulf, the American manufacturers have not ramped up their production as quickly as we would have liked, and we developed our own DPDU flying suit. It was not as simple as taking the green material and turning it into a tan material. It is a special and unique material. It is not the same material that is used for our other DPDU ground uniforms. The material has to be dyed. It is true that that dyeing does not allow the material to breathe or to wick the perspiration away and cool down. What has happened to the Middle East is similar to, I suppose—

**Senator MARK BISHOP**—So it is a dyeing process?

**Air Marshal Shepherd**—It is a dyeing process to put the DPDU camouflage disruptive pattern on this tan material. The actual dye clogs up the weave of the material.

**Senator MARK BISHOP**—That is why the men cannot breathe.

**Air Marshal Shepherd**—That is why they cannot breathe and they cannot wick the perspiration away. This was brought to our attention through an operational hazard report and a defect report, quite correctly. It impacts on our Hercules crews more than our P3 crews. Our P3 crews in the Middle East spend most of their time at high altitude, and the aircraft is well airconditioned, whereas the Hercules crews are spending a lot of time at low level and often have cockpit temperatures of upwards of 50 degrees Celsius. A lot of the Hercules crews today have been wearing what we had left of the tan flying suits. When we became aware of the DPDU flying suit problem the Hercules detachment commander in the Middle East used his authority to stop his people wearing those flying suits. We have actually purchased additional tan flying suits so that currently the Hercules crews are wearing tan flying suits.

We have done some tests. We have had some other equipment produced through DMO—some flying suits that are half-dyed, that are using different material. There is a report inbound to me very soon on a range of options for flying suits for the Middle East. So it certainly was a defect. There were issues about stitching. There were issues about the wicking of the perspiration. Currently those flying suits are not being worn. It is not true that they refused to wear these flying suits. That is untrue. We have checked that this morning. I can assure you right now that no-one is wearing a not-fit-for-purpose flying suit in the Middle East.

**Senator MARK BISHOP**—But the dyed suits are not capable of being worn in the Hercules.

**Air Marshal Shepherd**—They are being worn by the P3 crews, but in the Middle East they are not being worn. When we first brought them in it was in the cooler time in the Middle East. Now it is into the heat. Last year in the heat was when the problems became apparent.

**Senator FAULKNER**—Thank you, Air Marshal, for describing the situation and giving us that status report. I understand the background in relation to the dyeing or screen-printing process. That is all helpful to have on the record. Did this problem with the dyeing of the camouflage patterns actually lead to certain medical consequences for those personnel who were wearing the suits?

**Air Marshal Shepherd**—Certainly the detachment doctor was involved in assessing the impact of these suits. Some crews complained of heat stress. Both the doctors at both our detachments in the Middle East, the P3 and the Hercules attachments, are very involved on a daily basis in monitoring heat stress through the very hot periods of the year, both in the aircraft and for our maintenance people working on the flight lines. In some areas over there we wear things like cool-down ice vests and cold water vests to allow them to work on the flight line, as an example of how they modify that heat. Certainly the doctor was instrumental, I understand, in giving information to the detachment commander to allow them to make that decision. I should stress that the detachment commander has that authority and he correctly used that authority, as we would expect our innovative people to do.

**Senator FAULKNER**—Is it fair to say, then, that the detachment doctor actually banned the use of these flying suits?

**Air Marshal Shepherd**—I think ‘ban’ is an emotive word, and it is not a word that I would use in this regard.

**Senator FAULKNER**—Well, ‘recommended the suits not be used’. I do not want to be emotive; I want to get right.

**Air Marshal Shepherd**—I have not seen the words that he used, but I would rather use the words ‘recommended against their continued use’ and ‘to look at alternative options’.

**Senator FAULKNER**—Have you got an idea of the time frame here?

**Air Marshal Shepherd**—I have not got the date on me.

**Senator FAULKNER**—Not precisely—you might take the precise date on notice.

**Air Marshal Shepherd**—It was the op hazard that formally alerted us to it—a parallel system to the RODUM, if you like. It is called an op hazard because it relates to flying safety; it is a defect record in a flying safety environment. That was released in August 2005.

**Senator FAULKNER**—On that issue of the op hazard, is that the Air Force equivalent to the RODUM that the Air Chief Marshal was referring to earlier?

**Air Marshal Shepherd**—The chief was correctly referring to defect reports, but we also have a hazard reporting process that is involved in an air safety environment. That is what they chose to put that under.

**Air Chief Marshal Houston**—‘Operational hazard report’ could apply to anything unsafe in the flying environment.

**Senator FAULKNER**—Thanks for that, CDF. Could I ask if you have any knowledge, Air Marshal, of the tests that were undertaken prior to the issue of this particular flying suit so an assessment could be made about the suitability or otherwise of its use in the conditions in the Middle East?

**Air Marshal Shepherd**—I have no detailed knowledge of the testing when they introduced the suit some years ago. Certainly, we have done considerable testing in recent times to see how we could solve this problem or whether we should just restrict ourselves to the tan flying suit, which has become more readily available now that the Middle East situation continues.

**Senator FAULKNER**—I assume these suits are suitable for conditions elsewhere? You have said they are suitable for use in the Orions; did I correctly hear say that?

**Air Marshal Shepherd**—Yes, in fact I got an email just this morning from our Orion detachment commander and all but one air crew member is wearing the DPDU flying suits in the Orion. The member who is not is over there on a repeat tour and he is wearing his tan flying suit from his earlier tours.

**Senator FAULKNER**—Was there any expectation that these DPDU aircraft flying suits were likely to prove unsuitable, before the deployment?

**Air Marshal Shepherd**—No, there was not. We wore them in good faith.

**Senator FAULKNER**—Sure, I know you would. I just wanted to be certain. Does this mean the testing was inadequate?



**Air Marshal Shepherd**—I have no details on the testing that was done when it was brought in, as I say.

**Senator FAULKNER**—It must have been inadequate, mustn't it, by definition?

**Air Marshal Shepherd**—You could draw that inference.

**Senator FAULKNER**—Yes, I could. And people every now and then accuse me of drawing inferences, so I would prefer to hear it from you. It is logical, obviously, that if the suit proves to be unsuitable for certain conditions then the testing appears not to have been adequate. But I would prefer to hear that from you than you saying to me that I can draw the inference.

**Air Marshal Shepherd**—I might ask my Army colleague on my right; I think he has more information on this. But I stress that throughout 2003 and early 2004 we had to equip our forces. There was a constraint availability of the American tan flying suit and we were not able to produce that suit in Australia.

**Brig. Welch**—The small amount of information that I can add relates to the middle of 2004, in areas that the Chief of Air Force has talked about but where there were a number of options available to Air Force for providing flying suits. Some of those providing tan suits had a lead time of close to four months, and a lead time of one month was producing a disruptive pattern desert uniform flying suit. That option was chosen and pursued. I do not have any information about what testing may have been done.

**Senator FAULKNER**—The issue I was canvassing with Air Marshal Shepherd goes to whether the testing was effective. Air Marshal Shepherd suggested that I draw my own conclusions on that. But can you help us with the testing and its adequacy?

**Brig. Welch**—I am afraid that I cannot.

**Air Marshal Shepherd**—Army and Air Force, and whoever else wears the DPDU in the Middle East, have been very satisfied with the performance of the DPDU pattern and cloth as worn on the ground. What had turned out to be the unique situation here was that the cloth we use for the flying suit is a fire retardant material. It is not Nomex any more, but Nomex is the name that sticks in people's minds. It seems that it is that material put together with the normal dye that has produced the problem.

**Senator FAULKNER**—Is it true in the circumstances of finding that these flying suits, the DPDU—

**Air Marshal Shepherd**—The desert uniform, as opposed to DPCU, which is the dark green-brown camouflage—

**Senator FAULKNER**—Disruptive pattern desert uniform—okay. After that was found to be unsatisfactory you have indicated that obviously you needed to find flying suits that were satisfactory. Is it true that they were purchased from the US Air Force clothing store?

**Air Marshal Shepherd**—I understand that they were purchased. There was some speculation about private purchase, but that was not the case. They were purchased by official funds when they were purchased, I understand, locally. We will now put into place a system whereby they will be provided. I stress again, we have done some tests now and there is a

report coming to me about another range of options and different dyeing techniques that we might choose to take.

**Senator FAULKNER**—Are you able to inform the committee what the cost of those purchases was?

**Air Marshal Shepherd**—No, I am not, but if you wish I can take that question on notice and provide a written answer.

**Senator FAULKNER**—Thanks for that. You have confirmed that the flying suits were purchased—the tan coloured suits. Is that right?

**Air Marshal Shepherd**—That is affirmative.

**Senator FAULKNER**—They were purchased from the US Air Force clothing store. Is there any other flying equipment, clothing or the like, that you found needed to be purchased from the US Air Force?

**Air Marshal Shepherd**—Not to my knowledge.

**Senator FAULKNER**—Is Brigadier Welch able to help us with that information?

**Brig. Welch**—No, not to my knowledge.

**Senator FAULKNER**—In the broad, has there been any other issue where you have found, Brigadier, that items of clothing or equipment that Australian personnel have taken with them to Iraq have proven to be unsuitable for local conditions—apart from the flying suits?

**Brig. Welch**—None come to mind.

**Senator FAULKNER**—Can you say, Air Marshal, whether one of the problems with the flying suits was the use of particular types of zippers, press-studs and the like?

**Air Marshal Shepherd**—I have got no information to indicate that there were any problems with any zippers or any studs.

**Senator FAULKNER**—I am interested in knowing whether the flying suits purchased from the US Air Force—

**Brig. Welch**—I may be able to answer this.

**Senator FAULKNER**—If you can answer it that would be very good, because I am struggling to describe a flying suit. So that would be a big help to me, and I will be sending you a Christmas card—that is, as long as someone in Defence, as they did at Christmas 1993, sends over all the Christmas cards to send out to people.

**Brig. Welch**—The Chief of Air Force has indicated that on 1 August last year a hazard report was received. Fourteen days later, on 15 August 2005, a RODUM was received. This is the only RODUM that I am aware of relating to these flying suits. It identified three issues. One was its effect on people in hot climates. One was that the zip was gold in colour and not black in colour. The third was that there was some chafing from some of the seams. As was covered by Chief of Army earlier today, that initiated a program of development of new flying suits which has led to the options that the Chief of Air Force has talked about. In conjunction with the Australian Wool Testing Authority, there has been testing of different types of fabrics,

all with the flame retardant properties required for a flying suit, with two different weights of cloth and different amount of dyeing of the disruptive pattern on the suit. There are now four options being presented to Air Force: heavyweight full-print; heavyweight half-print, which looks like it has faded; a lighter weight fabric; and the US tan. That is now with Air Force. When Air Force, as the capability manager, has made a decision, the clothing area will proceed to the procurement of whichever it is they wish to have.

**Senator FAULKNER**—That is helpful and I thank you for it. When was that RODUM received?

**Brig. Welch**—On 15 August 2005.

**Senator FAULKNER**—Did that come from a soldier in the Army? This is a follow-through from the Air Chief Marshal.

**Air Chief Marshal Houston**—I am just asking the same question. This would have come from, probably, an Air Force member through a joint headquarters where the staff were probably Army and they said, 'Rather than put the single service report in,' which would have been a defect report, 'we'll put a RODUM in.'

**Senator FAULKNER**—I just wondered how that related to Air Force. So that was August 2005. On something like this, I suppose, Brigadier, you would have to move pretty quickly because it has also got operational significance, hasn't it?

**Brig. Welch**—Yes, it does.

**Senator FAULKNER**—The RODUM was dated 15 August 2005, so I assume it was received around that time, because it is an electronic transmission. Were you able to move the appropriate action along quickly in this regard?

**Brig. Welch**—As you say, it was received on 15 August. On 16 August—the next day—a sample of that fabric was provided to the Australian Wool Testing Authority for testing. The testing program to understand the characteristics of the fabric commenced the next day.

**Senator FAULKNER**—So this is the testing of the disruptive pattern desert uniform—the one that has proved to be inadequate in certain conditions in certain aircraft in the Middle East?

**Brig. Welch**—My notes indicate that 12 sets of flying overalls were provided—five in the disruptive pattern desert uniform, five in the disruptive pattern combat uniform, five in the plain green and one in the US tan.

**Senator FAULKNER**—I appreciate that information, and I am sure that you, Air Marshal, appreciate my question about testing—which is absolutely proper. It sounds like very quick and appropriate action. The issue is, of course, whether that testing should have occurred at an earlier stage. That is the question I flag with you.

**Air Marshal Shepherd**—As I said, I am unaware of the testing that went on when we initially introduced the suit. There was a time pressure and a supply issue at that time. Without the details of why that decision was not made, I cannot answer any further.

**Senator FAULKNER**—We have heard that it is logical and appropriate that Defence move quickly on this because there are operational considerations—and they sound like very

serious operational considerations. I do not want to go into those, but I want to ask at least one question about it, and that is whether there were any operational sorties or the like that were affected. In other words, were there cancellations or postponements of any operational activity as a result of the need to sort out this problem with the flying suits?

**Air Marshal Shepherd**—I do not believe any sorties were cancelled.

**Senator FAULKNER**—That is helpful, but you say that you ‘do not believe’. Can you assure me of that? I just want to be clear on it.

**Air Marshal Shepherd**—I get weekly reports on all our sorties. To the best of my knowledge and the knowledge of my staff, no sorties have been cancelled due to heat from these flying suits. I should add that August is getting into the cooler time of the year over there. It is quite pleasant in the Middle East from August through to now. The problem was dealt with straightaway by purchasing the tan flying suits.

**Senator FAULKNER**—Does that mean ipso facto that these go ahead with perhaps uniforms or flying suits that are not best practice in the circumstances? That is the concern with your answer—if nothing was put on hold, were our flying crews wearing flying suits that did not fit the bill?

**Air Marshal Shepherd**—Clearly, the flying suit was not optimum for providing heat relief. Nevertheless, our crews have the authority to cancel sorties if they are in any danger or there is a safety issue. That has not happened; therefore, the suits were fit for purpose but possibly not optimum for purpose.

**Senator FAULKNER**—How does this fit with the action taken by the detachment doctor?

**Air Marshal Shepherd**—The detachment doctor does not have the authority to stop flights. He can provide data, assessments and information to the detachment commander, who has that authority and decision making power.

**Senator FAULKNER**—The detachment doctor has what sound like serious concerns, as I think you have reported to this committee, with it being business as usual, with flying crews wearing these, at best, inadequate—and I am not putting any spin on this—or impractical DPDU aircrew flying suits. That sounds like a pretty serious concern.

**Air Marshal Shepherd**—I can assure you that our crews would not have flown in these pieces of equipment if there were any doubt about the safety of the aircraft or their ability to conduct the operation.

**Senator FAULKNER**—Do all Australian aircrew now have the US Air Force purchased suits?

**Air Marshal Shepherd**—In 36 Squadron?

**Senator FAULKNER**—Yes.

**Air Marshal Shepherd**—I understand that is correct.

**Senator FAULKNER**—Thirty-six Squadron being the C130s.

**Air Marshal Shepherd**—The C130 detachment was the 36 Squadron—the squadron in place at the time. Our 37 Squadron is currently there.

**Senator FAULKNER**—In the C130s. In the P3C Orions, the other suits have proved adequate.

**Air Marshal Shepherd**—They are still wearing the DPDU. Once we get the trial results and make an assessment of the way ahead, we will seek to have a uniform flying suit across all our Middle East forces.

**Senator FAULKNER**—Air Chief Marshal, could I say that I am concerned that there is a bit of a pattern here. We have just heard about the flying suits, we have heard about combat jackets, combat boots, complaints about helmets, body armour, webbing, protective vests and packs. Isn't there a real pattern here? It strikes me that there are some very serious concerns about the sorts of uniforms and equipment that ADF personnel are using.

**Air Chief Marshal Houston**—No, I do not accept the fact that you have identified a pattern. What we have here is a system. Throughout the ADF we have a defect-reporting system: in Army it is RODUM; in Air Force and Navy it is defect reports. It has been working that way for years. We would expect to get feedback about equipment all the time, because it is from that feedback that we improve our equipment and make it as best as we can for purpose. So I do not accept the fact that there is a pattern here. What I do accept is the fact that you have identified a couple of problems in a couple of areas, but I would bring to your attention, for example, on the issue with the flying suits that has just been identified, that the Chief of Air Force has indicated to you that, as soon as the detachment commander was aware of the problem, action was taken straightaway. They went to the local store where flying suits, the tan suits, were available and those aircrew were equipped with the right suits—the tan suits. The point is that when we identify a problem we do something about it.

Let me give you another example. General Leahy was involved in a press conference the other day with a Sergeant Moriarty. We had an IED—improvised explosive device—attack in Baghdad and we became aware of the fact that there was a need to protect our soldiers' eyes more effectively. As you probably saw, if you watched the press conference the other day, Sergeant Moriarty told us that in two days everybody in the security detachment was equipped with the \$160 protective goggles. The point I want to make is that when a problem is identified we do something about it. I find it highly offensive that people keep questioning our concern about the safety of our troops. The fact of the matter is that—

**Senator FAULKNER**—I do not think I have done—

**Air Chief Marshal Houston**—Can I finish? As soon as something is identified, we take action to fix it. I would invite you again to talk to your colleagues who went to the Middle East. The feedback I got from the joint committee was that they did not find any problems with the equipment that our troops had been given, and that was across the board. I accept the fact that you have identified a little bit of a problem with flying suits, but any flying suit with a fire retardant in it is a very difficult piece of equipment: do you optimise it for fire protection or do you optimise it for comfort?

One of the difficulties we had when we first introduced the Nomex suits, which give you good fire protection, was the fact that people preferred the old cotton flying suits because they were more optimised for comfort. At the time, there was a big debate about which one we should go for. Some people said, 'Look I just want to be comfortable.' Other people said, 'I

want to be protected if I get involved in a fire.’ I suggest to you that this flying suit that was produced here in Australia was probably optimised for fire protection, but people had not thought, perhaps, about the 56 degrees that you get on the ground in a place like Iraq. What we found, through feedback from our people, was that the product was not as good as it should have been for those sorts of conditions, and instantly the commander on the spot did something about it. So in terms of the pattern, I do not accept it.

**Senator FAULKNER**—I do not know, CDF, whether your comments about finding matters offensive were directed at me or at the media, but let me assure you that my questioning here—as I hope you would appreciate—over many years has never been offensive to you or any other witness, and I hope you do not take it that way. But I do think it is appropriate, if your comments were directed at me—and you can say so—that these issues be properly dealt with at committees like this. There is nothing more important than accountability. I consider—and I have got to be honest with you about this—that accountability on safety is also a crucial issue. I do not have and do not pretend to have expertise in these areas, but I do like to ask those who have responsibility and who are professionals questions that allow me and, I am sure, other members of the public to be satisfied about those issues. So, if you have taken offence at something I have said, I think you have probably been grievously mistaken.

**Air Chief Marshal Houston**—No, I think there has been considerable speculation about clothing over the last week or so, and I think a lot of the information that is out there has suggested that we are putting the safety of our soldiers, in particular, at risk. There were particular references to the special forces. I can assure you, as was indicated by the email of General Leahy earlier—the email from the RSM who is with the special forces task group—that there are no problems with the combat equipment of the special forces in Afghanistan. As I indicated to you, I went around to all of my soldiers in my recent trip, and I did not get any of the sort of feedback that has been alleged in the media in recent times. I just wanted to make the point that General Leahy, Air Marshal Shepherd, Admiral Shalders and I and all our subordinate commanders are always deeply concerned about the equipment our people are issued with, and if it is not up to speed they do something about it.

**Senator FAULKNER**—I would expect nothing less, CDF, and I do not think you would expect me to respond in any other way. Much of the questioning I have engaged in in this committee today has been as a result of articles and other media publicity in the public arena. If I were at the witness table, if I felt that a lot of that publicity had been unfair, I would see this as a good opportunity to put my own case and, where I thought the statements were wrong, to correct the record—which you have taken the opportunity to do, and that is fair enough.

**CHAIR**—Can I go to Senator Fierravanti-Wells on this subject? She has one question.

**Senator FAULKNER**—I only have one more.

**CHAIR**—Go ahead.

**Senator FAULKNER**—I think I have only one more question. In your response, CDF, you talked about the issue of goggles. That is one thing that I do recall there was media coverage about. Let me just remind you of it. In early January—at some point during the cricket test in

Sydney; so very early in January—Mr Neil James of the Australian Defence Association was on the *7.30 Report* saying pretty clearly that the Australian Defence Association was getting reports from soldiers who were deployed forward in Iraq that they were, for instance, buying their own ballistic goggles.

So that is something that got reported in the media. I do not know whether it is right or wrong. You have actually addressed the issue of goggles. You might care to comment on that. Mr James, who has a responsible position as the secretary or chief executive of the Australian Defence Association, was saying that soldiers were purchasing ballistic goggles themselves and spending their own money because they felt they were better than the ones on issue. You have mentioned something about goggles.

**Air Chief Marshal Houston**—I have worn the goggles myself. I think they are a first-class form of eye protection. Everybody I have spoken to has basically been very complimentary about the protective quality of those goggles, and everybody in Iraq is wearing them. I have not had any feedback at all from anybody on those goggles. I invite General Leahy to make any additional comments that he might have about them, but certainly I have not had any negative comment—quite the contrary.

**Lt Gen. Leahy**—I think that, in the period you are referring to, there were goggles available for our soldiers and there were other types of goggles that were coming on the market which would have been worn by American forces. This is a technology that is moving very quickly. I think what we are seeing here is one of those examples where we purchased and provided very functional equipment which was perhaps at that stage larger than the fashion—I use the word ‘fashion’ but I do not use it in any pejorative sense. It looked different. Some of our soldiers were buying goggles that I think were called Wiley X, which were available in the stores round and about.

I distinctly recall a time in late 2003—when we had an IED attack on one of our armoured personnel carriers in Baghdad—when I visited the troop commander in a military hospital in Sydney who had been wearing the goggles. I cannot tell you which type they were, but he very clearly told me that his life was saved because he was wearing the goggles. I do not dispute that soldiers may have been buying their own goggles, but, where we could get them, they were being provided to them. As I say, this is an example of where they were perhaps purchasing something because they wanted something different or they thought they were more fashionable.

**Senator FAULKNER**—I have one last question on this. CDF, you have expressed some frustration—as has General Leahy—about publicity and media reports about the sorts of issues that I have been asking you questions about this afternoon. What is Defence’s policy if it feels aggrieved? Do you write a letter to a newspaper? Do you try to correct the record? Or do you let it go and wait until someone like me happens to ask you a question at a Senate estimates committee? That would be a very highly unsatisfactory response, it would seem to me. Is there a policy of getting out there and, if you feel aggrieved with what is being said, trying to ensure that your side of the story or a correction or more information is out there on the public record? Surely that must be a concern for you, given the sorts of frustrations you have expressed.

**Air Chief Marshal Houston**—All I would say is that, when the story broke in the *Australian* on Saturday, General Leahy held a press conference and, I think, covered the subject very well. I have written a letter to the editor of the *Canberra Times* about the issue with the special forces, because it seemed to suggest that we were putting the lives of our special forces in danger by neglecting their concerns about clothing. Nothing could be further from the truth, and I imagine my letter will be in the *Canberra Times* tomorrow morning. I take the opportunity here to indicate to you, as General Leahy has, that we think that we do a pretty good job of looking after the needs of our soldiers, sailors and airmen. Sure, there will be little issues that we have to deal with, but the equipment we have got deployed on operations at the moment is the best available in the world. In fact, most of our allies are very envious of the personal equipment and the armoured vehicles that we operate. They are very envious of the Australian light armoured vehicle, the Bushmaster and the weapons we carry. So I do not accept this campaign that has been around, mainly in the media, for the last few days. I think we do everything we can to look after the safety of our people. That is certainly my No. 1 priority, and I know it is the No. 1 priority of the service chiefs and of every single subordinate commander in the ADF. Again, I would invite you to talk to the members of the joint committee, who in the feedback I got were very impressed not only with the morale of our people but also with the equipment that they were using in the Middle East.

**Senator FIERRAVANTI-WELLS**—You mentioned trials; I think it would be worth while for the committee for you to elaborate. I understand that you have directorates of trials for the various services—the Army, the Navy and the Air Force—where you undertake rigorous evaluation of all sorts of equipment that is used throughout the services. I understand that you do that under different simulated conditions, and in the end you obviously make an evaluation based on the majority of people for the thousands and thousands of people in the field. So I think it would be worth while for you to tell us a little bit about some of the work that those trials units do.

**Air Chief Marshal Houston**—The Defence Science and Technology Organisation are not here today because we did not think they would be needed. However, DTRIALS, the Directorate of Trials, is a part of that organisation and I can confirm that they do a lot of testing and evaluation. I should mention that there has been a big focus on testing, but one thing that is relevant to operations is the fact that sometimes we will short-circuit the testing and evaluation process to rapidly acquire the equipment that is necessary to satisfy an operational need. That has happened on a couple of occasions in recent times. In terms of the broader role of the Directorate of Trials, I could talk about it extensively.

**Senator FIERRAVANTI-WELLS**—I just wanted to make the point that you do have this, and that before the equipment goes out through your supply lines it has gone through rigorous examination.

**Air Chief Marshal Houston**—Generally speaking in terms of items of clothing, which is something we have focused on today, we would generally do testing evaluation and then that would be followed by a user trial. We pick up the feedback from the user trial and we modify the clothing and equipment. Then it is issued in its final form. But of course that process takes time and when you suddenly find yourself on operations in a completely different environment from the one the clothing or equipment was designed for, sometimes you have to



take sensible decisions and sometimes that process has to be circumvented because there is an operational need out there that has to be satisfied urgently. That is all I will say about it tonight.

**CHAIR**—Before we go back to Senator Bishop, or whoever else wants to continue, could you just tell me if you or General Leahy have been consulted by the authors of the media articles criticising the supply of equipment and standard of clothing such that the allegations arising from those articles can actually be answered in the article? Or have they just appeared?

**Air Chief Marshal Houston**—I will start. No, I have not been consulted at all.

**CHAIR**—So the articles making the allegations have just appeared and the journalists concerned have failed to consult you to see if there is a legitimate answer to the allegations?

**Air Chief Marshal Houston**—I would be careful before I said that there was no contact. I have not spoken to our media organisation. They may well have been contacted, but I have not been contacted personally. I invite General Leahy to comment.

**Lt Gen. Leahy**—I was not contacted personally but I was aware that there was one staff-level inquiry into a very minor matter. But there was certainly no attempt to get the other side of the story. What I think we would have taken the opportunity to tell the journalists is largely what we have told you today. I would particularly say, in relation to the 147 RODUMs that he had available to him, only seven related to operational service. I think that underlines the point that we are making. Our forces deployed on operations have the best equipment available. There are some issues in relation to that, which is in general issue and use, and that is related to preparedness, but I think I would leave it with the point that you do not wear your Sunday best every day.

**Senator FAULKNER**—Can I say something on that; this is important. I have quoted from two articles. Far be it from me to defend journalists, but I have to say that both of them, for what it is worth, do quote a defence department spokesman. I assume they go to Defence PR and so forth. Whether they should have done more, who knows? But both of these articles do that. Interestingly, another one quotes the defence minister, which—you would appreciate, Chair—is a fairly logical place for journalists to go. In another committee in another inquiry we learned a hell of a lot about how the Defence public relations outfits work. I will not go through all the history of that. I have only quoted from two articles, and both quote defence department spokesmen—and in quoting those I think I have been very clear for the *Hansard* record.

**Air Marshal Shepherd**—I would like to read into the record the cost of those flying suits that you asked me to procure.

**Senator FAULKNER**—Thanks.

**Air Marshal Shepherd**—In August 2005, 39 flying suits were purchased from the US at a total cost of \$US4,288.05. From August until currently, a further 96 were purchased at a total cost of \$US10,278.75. And, as I said, they should do us until we put in place the permanent fix.

**Senator FAULKNER**—Thank you.

**Senator JOYCE**—You would currently also be in a process of testing and evaluation of new procurement for our overseas deployment—would that be correct? Are there currently requirements still in train for overseas?

**Air Chief Marshal Houston**—I am sorry, in terms of testing and evaluation for?

**Senator JOYCE**—You said you have to have a streamlined testing and evaluation process for new procurements. What I am basically angling at is that it is an ongoing process, that whenever we are on deployment there is an ongoing process of new procurements that are required to keep the operation streamlined and effective.

**Air Chief Marshal Houston**—Let me give you an example which confirms what you are getting at, which is on our C130Js. We decided we needed to change over the C130s. There was a need to fit the C130Js out in very short order with a self-protection system so that it could operate in a missile threat environment. So we took a rapid acquisition process to buy the necessary equipment. Of course, we then had to integrate it into the C130J. We then did some tests and evaluation. It was done very rapidly and, I might add, very completely. Then the aircraft were deployed. All of that was achieved in a few short months and the aircraft was deployed to the Middle East and operated. That is the sort of thing that sometimes you have to do to meet the needs of the operational environment. The same thing would apply in terms of personal equipment.

**Senator JOYCE**—With the cockpit temperature in the Hercules at 50 degrees, is there any chance of us getting any better conditioning for the cockpit of the Hercules?

**Air Chief Marshal Houston**—The flight deck of the C130 is fine when you are flying; it is just when you are on the ground. In circumstances where the ambient temperature on the ground is in excess of 50 degrees Celsius you are in a very extreme heat environment. Essentially, we think we operate in pretty hot conditions here in Australia, but it just does not compare to the sort of environment we face in Iraq in summertime.

**Air Marshal Shepherd**—I might add that the Hercules are now flying at more medium and high altitude levels in Iraq. The threat has allowed us to do that. Earlier assessments of the threat required us to fly at low levels risk reduction methods. When inside Iraq our Hercules crews are also wearing the full flak jacket while they are flying, which gives that extra protection from any hits when in the aeroplane. That adds to the heat situation.

**Senator JOYCE**—Does the Hercules have an auxiliary power unit to generate any internal airconditioning whilst stationary on the ground?

**Air Marshal Shepherd**—Yes, it does. On the cockpit deck it works relatively adequately because the cockpit is a fairly small, enclosed space. But you will understand that the whole back of a Hercules opens up when it is being loaded and things are moving in and out, so it is a difficult environment.

**CHAIR**—Dr Gumley, you wanted to correct some information?

**Dr Gumley**—Yes, there were two issues. Earlier I said we had looked at 30 DMO projects with cost increases and decreases. The exact figures were eight projects with real budget increases and 18 projects with real budget decreases. That adds up to 26 and not 30. Secondly, on the \$6.5 billion on the air warfare destroyer, it came from the *ADM* December edition. We

have contacted the journalist. He has told us that it was a slip of the pen. He has apologised and takes responsibility for the incorrect figure.

[5.53 pm]

### **Defence Intelligence Organisation**

**Senator FAULKNER**—Mr Carmody, it is true, isn't it, that DIO received sitreps, briefings and after-tour reports from Australians who served in the Iraq Survey Group?

**Mr Carmody**—Yes, that is correct. There has been a lot of previous Senate testimony to that effect.

**Senator FAULKNER**—Indeed. Did the ISG follow the money trail in Iraq in the allocation of moneys to finance research centres, WMD manufacture areas and all that sort of thing? Was that part of the ISG responsibility?

**Mr Carmody**—In Mr Duelfer's report—a public report of September 2004—I think there was reference to issues of that nature.

**Senator FAULKNER**—Do you know how deeply they went into that sort of issue?

**Mr Carmody**—It has been some time since I reviewed the Duelfer report, but I think there were a couple of chapters—so I would suspect quite deeply.

**Senator FAULKNER**—You are right to say that there has been a bit of history to all of this and it has been canvassed at committee hearings like this previously. Are you aware of any specific involvement of Australians in that money trail work?

**Mr Smith**—I think this is where we get to the point of saying that, while you are addressing questions of process in relation to the ISG and the money trail, it leads into the ground of the Cole commission and, as you know, I have a directive, as does Mr Carmody, in that respect. Also, as you know, we do not comment on intelligence matters in this committee—other than what we said at points last year on the ISG. We did talk a lot about the ISG then but, beyond that, today we do not cross into that ground that covers the matters that are being handled by the Cole commission.

**Senator FAULKNER**—With respect, Mr Smith, my questions are about the ISG.

**Mr Smith**—I think they lead to the sorts of issues we are concerned not to get into because we do not wish to create that tension between what is taking place in this committee and what has taken place or will take place in the Cole commission.

**Senator FAULKNER**—Could you share with the committee what directive you have?

**Mr Smith**—I have the directive which Senator Minchin read into the record here on Monday.

**Senator FAULKNER**—It was not read into the record here, with respect, Mr Smith, because this committee only convened today.

**Mr Smith**—That is my error then. With no disrespect to this committee, he read it into the record of another committee.

**Senator FAULKNER**—I do not believe my question is in any sense relevant to the directive that you are referring to, which was read into the *Hansard* record of another

committee by Senator Minchin. The minister at this committee did not read into the record any such directive. I note that at two previous committees I have attended, a minister has, but that has not occurred at this meeting. Even if it had, my question was about the ISG.

**Senator Ian Campbell**—The government's policy is to ensure that the Cole royal commission's inquiry takes place without having a parallel set of inquiries within these committees. I think the secretary has articulated the government's view. That is a directive that has gone to all people appearing before committees.

**Senator FAULKNER**—Could you explain how my question in relation to ISG might not be answered in relation to any such directive?

**Senator Ian Campbell**—The secretary has made it clear that questions in relation to work by the ISG on money trails lead, in his interpretation, to issues that are before the Cole royal commission. That is Mr Smith's judgment.

**Senator FAULKNER**—But of course this is not a judgment that Mr Smith should be making, is it, Minister? It is a judgment that you should be making. Wasn't that the import of Senator Minchin's statement to the Senate?

**CHAIR**—Isn't he making that judgment now?

**Senator FAULKNER**—No.

**Senator Ian Campbell**—Mr Smith has read this directive and, I think, has been given a directive by his minister in terms equivalent to those put before another committee by Minister Minchin. Mr Smith has interpreted that directive in a way that he has just explained to the committee.

**Senator FAULKNER**—You think he has been given a directive by Dr Nelson? That is what you said: you think that. Why do you think that?

**Senator Ian Campbell**—I think that Mr Smith is interpreting the directive that has been given, and he has put that very honestly before the committee. You do not like that. I suggest, Mr Chair, that we get onto the next question rather than having—

**Senator FAULKNER**—A moment ago you said that you think that Mr Smith has been directed by Dr Nelson. That may be the case, but let's be clear. Let's not think it; let's be absolutely clear. Can we establish if what you said is right?

**Senator Ian Campbell**—I think Senator Minchin explained all of this before another committee. We are now just sawing sawdust, quite frankly.

**Senator FAULKNER**—Can you inform the committee—

**Senator Ian Campbell**—I will inform the committee in exactly the same terms that Senator Minchin informed another committee, if you would like me to.

**CHAIR**—Please, Minister.

**Senator Ian Campbell**—But again, I think it is a waste of the committee's time. I have made quite clear the government's position on:

... matters before the commission of inquiry being conducted by the Hon. Terrence Cole into certain Australian companies in relation to the oil for food program. While examination of officials by the

committees might be appropriate in the future, the government considers that Mr Cole should be able to proceed with his inquiry and present his findings without parallel public questioning that would not assist consideration of complex issues.

It is quite clear.

**Senator FAULKNER**—How does a question about the Iraq—

**Senator Ian Campbell**—It is interesting: I have seen the press coverage and interpretations of that, and I see that some journalists and others are saying this is some sort of unprecedented action. But I remember very clearly sitting on the other side of this table, when we were in opposition discussing things like Centenary House, when the minister sitting on this side of the table said, ‘Well, that’s before a royal commission; I think we should leave it there and let’s not go into it.’ That is my recollection. So there are clear precedents and good public policy reasons to ensure that matters that are coming before the Cole royal commission are not canvassed in this jurisdiction. It will be entirely appropriate for them to be canvassed at length—and I am sure they will be—once Mr Cole has done his investigations, but there are very good reasons for this not to be gone into here while a royal commission established by this government is taking place elsewhere.

**CHAIR**—Senator, given what the minister has said, if you can confirm that the line of questioning bears no relationship to matters that are before the commission then that might be a different kettle of fish. But if you are unwilling to do that, and you are prepared to say that it might even bear on that, then I think the position of the government is very clear.

**Senator CHRIS EVANS**—That may be right, but that does not stop senators asking questions. Should we rule ourselves out of asking questions because the minister might not like it?

**CHAIR**—Correct. It is not a matter of whether the minister might not like it. It is a fact that the officials have received a directive from the government. You can ask the questions and they will simply answer in a way that ultimately, depending on any action you would take, resolves itself in the Senate.

**Senator CHRIS EVANS**—That is a matter of interpretation, Mr Chair, but if the government is saying that any questions about the ISG are ruled out by the—

**Senator Ian Campbell**—We have not said that. You were not here when we made that comment.

**Senator CHRIS EVANS**—But I am following it very closely, Senator Campbell. I am just making the point that it is a very broad-brush interpretation.

**Senator Ian Campbell**—You have not; you were outside the room. I think Mr Carmody had actually answered three questions about the ISG already, before you came here.

**Senator CHRIS EVANS**—Senator Hogg did me the courtesy of informing me of what had been said, Senator Campbell. But let’s not argue about that, shall we?

**Senator Ian Campbell**—He was not in the room either.

**Senator CHRIS EVANS**—Shall we move on?

**CHAIR**—Let’s move on.

**Senator CHRIS EVANS**—The point I am making—

**Senator Ian Campbell**—Mr Chair, let's just get to the next question and then we will be able to move ahead.

**Senator CHRIS EVANS**—Mr Chair, can I ask a question, or are you going to let the minister talk over the top all night?

**CHAIR**—You can ask a question—

**Senator CHRIS EVANS**—Thank you.

**CHAIR**—as long as you get to the question. I have sat here for 10 hours now and hardly had a decent question, I have to tell you.

**Senator CHRIS EVANS**—That is what we pay you the big bucks for.

**CHAIR**—Yes, I am sure you do. And I am earning them, I can tell you.

**Senator CHRIS EVANS**—The point is, Mr Chair, that whether you are interested or not is not the damned question, is it?

**CHAIR**—They are not interesting questions, Senator.

**Senator CHRIS EVANS**—Well, thank you for the editorial. If you do not like it, go off. Give the deputy chair the job.

**CHAIR**—Just ask a question. We have got all these good people sitting here for 10 hours waiting on decent questions, and I have had absolute rubbish from stem to stern. Would you like to ask a question?

**Senator CHRIS EVANS**—Mr Chair, I do not care if you are interested are not. Leave the room if you are not interested, and put the Deputy Chair in charge.

**CHAIR**—Ask a question.

**Senator CHRIS EVANS**—Have you finished?

**Senator JOYCE**—If you want, I will ask a question now.

**Senator Ian Campbell**—We are waiting for a question.

**Senator CHRIS EVANS**—The bloke from the peanut gallery can shut up too.

**CHAIR**—Senator, would you like to ask a question?

**Senator CHRIS EVANS**—I would like to. I would like to know whether or not the department are going to answer questions relating to the role of the ISG in Iraq.

**Mr Smith**—Up to a point, Senator.

**Senator CHRIS EVANS**—Up to a point.

**Mr Smith**—When the point comes to where it leads or could lead to matters that are before or likely to be before the Cole commission, then we are not able to answer.

**Senator CHRIS EVANS**—We covered some of this ground in the discussions about Abu Ghraib, but can you detail for me what debriefing occurred for officers serving with ISG or serving with the Australian consulate or Australian representatives in Iraq after the occupation? What were the debriefing reporting mechanisms?

**Mr Carmody**—The Iraq Survey Group, or the officers so assigned, were part of Joint Task Force 633 so they reported to Australia through that task force. At the same time, they were integrated within the Iraq Survey Group so they actually worked under the control of the Iraq Survey Group. This was, of course, run by the Defense Intelligence Agency. But, yes, they reported back to Australia, and there were weekly reports. I think that has been covered very well in previous testimony.

**Senator CHRIS EVANS**—Yes. I do not mean to go over old ground, but for the purposes of tonight's coverage I just thought we would get that clear.

**Senator FAULKNER**—In his report, did Mr Flood draw on those experiences? Has he made recommendations inasmuch as they relate to DIO?

**Mr Carmody**—Mr Flood's report made a number of recommendations—23, from memory—about the intelligence community in general. I do not actually recall specific reference to—

**Senator FAULKNER**—Were there none specific to DIO?

**Mr Carmody**—There were three recommendations specific to Defence. One was related to the Defence Imagery and Geospatial Organisation. I have some notes on the Flood inquiry if you will bear with me. There was one on the DIO mandate, which was the reporting responsibilities between the Joint Operations Intelligence Centre in Sydney and the Defence Intelligence Organisation. There was one on the way DIO produces its strategic military assessments and a bit of DIO's business processes, including recommendations relating to new IT and desktop environments for DIO. There was another direct Defence recommendation relating to the Defence Imagery and Geospatial Organisation's customer engagement strategy. The remainder of the recommendations had a lead with other government departments, but Defence had a role in some of them; for example, the establishment of the Foreign Intelligence Coordination Committee, which Defence is involved in—those sorts of things.

**Senator FAULKNER**—How is implementation of those recommendations going?

**Mr Carmody**—Quite well. As I said, we had the lead on three, but we had an involvement in many other recommendations. We have completed a range of activities since the report in July 2004. The Defence Imagery and Geospatial Organisation's customer engagement strategy is complete. We have created the deputy director position in DIO. There is another deputy in DSD, which fell into one of the other mandates. There is a revised mandate for DIO in terms of its organisation. The remaining action that is due for completion in the near future is in relation to the DIO desktop environment, which is due for completion in March 2006, and involves revising the IT environment in DIO. They are the direct actions we are responsible for, but of course we are contributing to some others.

**Senator CHRIS EVANS**—I will follow up on the Iraq Survey Group. You have had officers—I was going to use the word 'embedded' but I am not sure if that is right; that has been an overused term of late—

**Mr Smith**—'Embedded' referred to some others, but they were in the Iraq Survey Group.

**Senator CHRIS EVANS**—So they were using the two lines of reporting: one to the head of the Iraq Survey Group and the other back to Australia.

**Mr Carmody**—Back to the national commander in theatre, and everyone—all Australians—in the theatre in Iraq is under the command of Joint Task Force 633.

**Senator CHRIS EVANS**—But as we learnt at earlier hearings, in their day-to-day involvement with the ISG they provided weekly sit rep type of information to the commander in theatre, and he chose what to pass back to headquarters. Is that a fair assumption?

**Mr Smith**—Broadly that is correct.

**Senator CHRIS EVANS**—Were their functions inside the Iraq Survey Group determined by Australia or was the officers' expertise made available and they were directed by the head of the ISG as to what their functions were?

**Mr Carmody**—I am not 100 per cent certain. I should take that question on notice. I thought it was a bit of both. We were providing particular expertise at the time. I know the type of expertise we provided in the search for weapons of mass destruction, for example, and some of the scientific expertise, but I am not absolutely certain whether or not that expertise was that which was sought or whether we had particular expertise and they were able to move people around.

**Mr Smith**—I think another way of answering that is to say that we had some subject experts, as you know, who were there to do a particular job, and we had other general analysts whose services were directed by the head of the ISG.

**Senator CHRIS EVANS**—At least a couple of the officers came out of the old UN monitoring group under—

**Mr Smith**—Yes, they tended to be the specialists.

**Senator CHRIS EVANS**—And they were scientific sorts of specialities, weren't they?

**Mr Smith**—That is correct.

**Senator CHRIS EVANS**—You also sent some lawyers to the ISG.

**Mr Smith**—The lawyers were not in the ISG. They were in the Office of General Counsel of the Coalition Provisional Authority or in the Office of Judge Advocate of the coalition command.

**Senator CHRIS EVANS**—I will stick just with the ISG for the moment. What other special skills did we send, in terms of the people who went to the ISG?

**Mr Carmody**—Nuclear, biological and weapons skills and chemical skills—those particular areas of expertise—and some general analytic expertise.

**Senator CHRIS EVANS**—What do you mean by 'general analytic expertise'?

**Mr Carmody**—Analysts who had been working within the defence organisation on the Middle East. They would be, I suppose, Middle East experts or experts from those areas in the Defence Intelligence Organisation.

**Senator CHRIS EVANS**—So were they all out of DIO, or were some from the department or from Foreign Affairs?



**Mr Carmody**—The only ones I am referring to were out of the Defence Intelligence Organisation.

**Mr Smith**—They were civilians as well as uniformed people.

**Senator CHRIS EVANS**—So, apart from the nuclear chemical experts who went in particularly for the WMD search, we took a number of people off the Middle East desk in DIO and they joined the ISG?

**Mr Smith**—Probably more desks than just the Middle East desk. Some of the people with proven analytical skills who were available to be deployed came from Middle East related areas and some might not have—they might have come from other geographic areas.

**Senator CHRIS EVANS**—Did the people you sent have particular language skills or did you have to dig deeper than that in the sense of providing analysts who might not have had the local language skills?

**Mr Smith**—I do not know. I cannot tell you how many people had language skills but the focus was on people trained as analysts.

**Mr Carmody**—It was mainly intelligence analysis skills.

**Senator FAULKNER**—Has there been any enhancement of the Middle East desk in terms of resources or numbers? I thought that may have been an outcome even of the Flood inquiry.

**Mr Carmody**—I do not have the numbers to hand but there is certainly a lot more expertise in that area now than there was a couple of years ago.

**Mr Smith**—You will recall that one of the key points of Mr Flood's recommendations accepted by the government was that DIO should direct its analytical work more towards directly supporting Defence and the Defence Force and away from broader non-defence strategic issues. That has happened.

**Senator CHRIS EVANS**—We have identified broadly the people who went into the ISG; what about the people who went into the Coalition Provisional Authority? Did we have anyone go directly into that or was that more into the coalition—

**Mr Smith**—They were the embedded officers. CDF, is that correct?

**Air Chief Marshal Houston**—Yes.

**Mr Smith**—They were all military personnel—ADF personnel?

**Air Chief Marshal Houston**—I think we had a couple of civilian policy officers in the CPA. I would have to take the number of military people on notice.

**Senator CHRIS EVANS**—I am more interested in the skill base at the moment, CDF. What were the requirements of the military officers, or what sorts of people did you send?

**Air Chief Marshal Houston**—I would have to get back to you. At the time it was not my direct area of responsibility so I was not across the detail.

**Mr Smith**—But you are aware of the lawyers, of course. We have visited them.

**Senator CHRIS EVANS**—Yes. I can give you their birthdates if it is of any interest to you. What other expertise was there? Were we trying to provide other expertise or were we

just sending general officers to the provisional authority to keep up a presence? That is what I am trying to understand.

**Air Chief Marshal Houston**—I will have to come back to you on notice. I have an idea but I would prefer to be more precise.

**Senator CHRIS EVANS**—Mr Carmody, did DIO send anyone into the Coalition Provisional Authority?

**Mr Carmody**—Not to my knowledge. I think there were probably some people who had intelligence skills who worked there but I do not think we had any directly outposted people from DIO.

**Senator CHRIS EVANS**—Where did the people who had the intelligence skills come from?

**Mr Carmody**—Elsewhere within the ADF. People are posted in and out of particular postings. Not everyone who is intelligence trained works in the Defence Intelligence Organisation. Some have come in and come out and moved into other command and operational appointments. I am certain that there are people who had those skill sets and many others—transport and logistics and a range of others—who were involved in the CPA over a number of years.

**Mr Smith**—I should distinguish between two groups of people: those who were in the CPA and those who were embedded in General Sanchez's headquarters. There were two categories.

**Senator CHRIS EVANS**—The coalition joint headquarters?

**Mr Smith**—Yes. There were two categories of those embeds plus the ISG.

**Senator CHRIS EVANS**—Are you suggesting Mr Carmody might want to rephrase that, or is the answer still correct, Mr Carmody? At this stage I am asking about the provisional authority and I was going to come to the other. Did you answer the provisional authority question or did you answer a broader question?

**Mr Carmody**—I answered the provisional authority question but I think it would also apply broadly. We can certainly have a look at the numbers and skills and the background of the people who served in various postings.

**Senator CHRIS EVANS**—I am just trying to get a sense of it; I do not want to put you to a lot of work working out exactly who and what their qualifications are. I am trying to get a sense of who we sent there. You are saying that the coalition joint headquarters was much the same—no DIO staff but maybe some intelligence officers?

**Mr Carmody**—That is possible. I think that is right. The DIO focus at the time was on the Iraq Survey Group.

**Senator CHRIS EVANS**—You say that there was no DIO as part of the CPA or the coalition joint headquarters. Air Chief Marshal Houston, are you aware whether there were any Defence intelligence officers posted to the coalition joint headquarters?

**Air Chief Marshal Houston**—I have to take that on notice. As I say, I was not in this job at the time. I would like to come back to you.

**Mr Carmody**—I would like to clarify something. You are tending to use intelligence officers and DIO officers interchangeably. As I indicated before, not all intelligence qualified officers work in the Defence Intelligence Organisation. They work in other organisations in Defence. There is a bit of confusion between referring specifically to DIO officers and to Defence intelligence officers.

**Senator CHRIS EVANS**—It is not helped by the acronyms being the same.

**Mr Carmody**—Correct. My focus was on officers outposted directly from that organisation fulfilling a function for that organisation. That is still my understanding but I will check the facts and make sure I am correct.

**Senator CHRIS EVANS**—That is why I went to the CDF because I was trying to cover off on the other possibility—the non-DIO. I thought you had answered in the narrower terms, which is fine, but I was then asking the CDF whether there were intelligence officers from the other possible source, if you like. Can I get a sense of when we started to downscale the analysts involved with the ISG? I have a fair idea when the specialists came back.

**Mr Carmody**—The ISG was stood up in May 2003. For the first six-month tour of duty we had 14 personnel. For the second six-month tour of duty we had 10 and for the third six-month tour of duty we had 10. That coincided with the end of the Iraq Survey Group because that was the end of 2004.

**Senator CHRIS EVANS**—All of DIO's people came out at the end of 2004?

**Mr Carmody**—For those committed to the Iraq Survey Group, the commitment ended when the Iraq Survey Group finished.

**Senator CHRIS EVANS**—Did the personnel involved in that return home—or somewhere else—or did you leave them in Iraq? Did they all exit Iraq?

**Mr Carmody**—The personnel on that rotation exited Iraq but there are still personnel there on subsequent rotations. As you know, the Iraq Survey Group no longer exists but there are still subsequent rotations of intelligence personnel in Iraq.

**Senator CHRIS EVANS**—By intelligence personnel do you mean DIO?

**Mr Carmody**—Correct.

**Senator CHRIS EVANS**—Given the argument we had before I am picking up on you now. You continued the DIO presence after the ISG was disbanded or finished its work. What was their function post the ISG?

**Mr Smith**—I want Mr Carmody to be cautious about describing the functions of our intelligence officers. Discussing the functions of the ISG is fine but the functions of our intelligence officers is a matter which I think intrudes into the kind of territory we are sensitive about on the basis of not discussing intelligence issues.

**Senator CHRIS EVANS**—This is not the Cole defence; this is the security defence?

**Mr Smith**—That is right, yes. I would not characterise it that way.

**Senator CHRIS EVANS**—I am just trying to delineate between the two possible reasons for not wanting to discuss it.

**Senator Ian Campbell**—Or, as we call it, the ‘Centenary House defence’.

**Senator CHRIS EVANS**—Minister, you are so clever. What did those royal commissions find, by the way?

**Senator Ian Campbell**—The interesting hypocrisy in this is that Labor used to defend not answering questions about Centenary House and said, ‘We’ve set up a royal commission.’

**Senator CHRIS EVANS**—I thought that was set up under your government.

**Senator Ian Campbell**—We are saying, ‘Let’s have questions about AWB after the royal commission.’ Labor not only refused to answer questions about Centenary House during the royal commission; they have, as we all know, for 10 years since the royal commission still refused to answer questions about it.

**CHAIR**—I do not think Centenary House is on our agenda, thankfully.

**Senator CHRIS EVANS**—The ad break is over, is it?

**Senator JOYCE**—You are being sensitive.

**Senator CHRIS EVANS**—I am not at all sensitive. In fact, when the report was tabled I was the only one to debate it. No Liberal stood up and debated it, because they did not have the courage. We will have that argument some other day.

**CHAIR**—I am trying to get away from Centenary House as best I can.

**Senator CHRIS EVANS**—Mr Smith, I am happy not to go to the question of their ongoing function. Maybe the question is: have you maintained a presence of DIO inside Iraq? Is it a continuing presence?

**Mr Smith**—Wherever our ADF personnel are deployed, you can assume that there are intelligence elements.

**Senator CHRIS EVANS**—Mr Carmody, could I be clear about what the procedure was for debriefing DIO personnel when they returned to Australia?

**Mr Carmody**—I think that was covered in detail in the ISG testimony previously. I do not have it with me at the moment, but I understand that we went through that exhaustively in the past and it is on the public record.

**Senator CHRIS EVANS**—That is right. Just given today’s discussion, I want to get a sense of it. Those officers were all debriefed—is that fair to say? I do not want to take you through all that stuff, chapter and verse, but there was a formal process for debriefing the officers?

**Mr Carmody**—As I said, I think that was covered off before. I am not 100 per cent sure of the answer, but I know that it was covered in previous testimony.

**Senator CHRIS EVANS**—Even you cannot remember the testimony. That is why I was asking.

**Mr Smith**—He was not sufficiently involved.

**Mr Carmody**—It was not my testimony.

**Senator CHRIS EVANS**—Then you probably should not make any great claims about it. As a matter of course, I assume you debrief officers on return from postings.

**Mr Carmody**—That is a reasonable assumption.

**Senator CHRIS EVANS**—That would have been true of all the officers who served in the Coalition Provisional Authority and the ISG? Sorry, we established that they were not any from DIO in the Coalition Provisional Authority, but that would have been true of all who served in the ISG?

**Mr Carmody**—As I said, that would be my assumption, as far as that goes and as long as it does not conflict with our previous testimony.

**Senator CHRIS EVANS**—Mr Smith, that would be true of all other Defence personnel as well?

**Mr Smith**—Sorry, what would be true?

**Senator CHRIS EVANS**—That people who had served in Iraq would have been debriefed.

**Mr Smith**—I expect so. CDF would have a better understanding, and it would probably happen differently from one work area or unit to another.

**Air Chief Marshal Houston**—Again, I would like to take it on notice because I was not in this position at that time. And, again, I would give a similar answer to Mr Smith, and I would like to come back to you on that.

**Mr Smith**—Bear in mind that we have had several thousand people in Iraq over that time.

**Senator CHRIS EVANS**—Yes. I was thinking more of the intelligence people. You did the survey of all the other personnel following their return, on the matter of concern about other issues. Apart from the military involvement of our own forces, what elements are currently involved in the more central coalition—I am not sure that I have the terminology right—

**Air Chief Marshal Houston**—Embedded.

**Senator CHRIS EVANS**—Yes. It seems to have changed as we have gone through different phases. What sort of Australian military representation is in those areas now?

**Air Chief Marshal Houston**—We have about 70 people who are embedded. They are involved in all manner of things to do with, I suppose, the development of the Iraqi security forces and the building of ability to do command and control. We have one officer who is involved with the development of the Iraqi joint headquarters. We have other people who are involved with explosive exploitation—a very dangerous business—and they are a little entity that is in the centre. We have a number of people who are involved in activities to do with the transition of security from the coalition to the Iraqi security forces, and that really involves a staff training function. We have other people who are involved in the development of the logistics capability. They are all in staff functions, and they all contribute substantially to ensuring that the Iraqis can develop their own capability to look after themselves. I think that is it. I could give you a much more detailed response on notice, but that is the sorts of things they do.

**Senator CHRIS EVANS**—That is the sort of breadth of functions I wanted to know about. What are the command structures now in that regard? Are they all reporting to the Australian commander or is it the same sort of dual reporting?

**Air Chief Marshal Houston**—Mr Smith and I have really tightened up the arrangements in terms of the preparation of people who go over there. They do a very comprehensive preparation for their deployment. They are told in very direct terms that they are to report on a regular basis to the commander of JTF633. That process works very well, and the commander there takes a very active interest in what they are all doing. When they come home they get debriefed.

**Senator CHRIS EVANS**—What sort of reporting comes back to Australia from those personnel there?

**Air Chief Marshal Houston**—Everything that the individuals have briefed on which is relevant, and anything that the commander would consider important to notify back here. The point is we know what they are doing.

**Senator CHRIS EVANS**—I know the old arrangements about reporting, but who do they report to? Do they all report directly to Australia or do they go through—

**Air Chief Marshal Houston**—No. They all report—every single one of them—to the headquarters JTF633, and the commander is Brigadier Paul Symon. As I indicated earlier on today, I was there quite recently and I met with all the embedded officers, and the process is working very well.

**Senator CHRIS EVANS**—So is it still the same situation where Brigadier Symon would provide a weekly sit rep type of report?

**Air Chief Marshal Houston**—Brigadier Symon would report back on anything that is relevant.

**Senator CHRIS EVANS**—Is it normally still done as a weekly sit rep or is it more open communication now that things are less—

**Air Chief Marshal Houston**—In routine terms, it would be a weekly sit rep, but in circumstances where there is something that we need to know it would be done by exception and more urgently.

**Senator CHRIS EVANS**—Are there any intelligence officers or analysts as part of that contribution to the coalition currently there?

**Air Chief Marshal Houston**—I think you have been briefed on that already. Yes, that does include the intelligence officers who have, I suppose, a more direct link. They have a link to the commander but they also have a link back to Mr Carmody's organisation.

**Senator CHRIS EVANS**—I was trying to pick up the Carmody delineation. Apart from the DIO personnel I was trying to pick up whether Defence more broadly had intelligence or analysts.

**Air Chief Marshal Houston**—No, our intelligence people are the people who work for Mr Carmody, and he basically answered your question earlier. There are other intelligence people

in Iraq but they are all with our people and obviously provide a very vital function in the conduct of operations.

**Senator CHRIS EVANS**—Those personnel with the troops are your intelligence officers, though.

**Air Chief Marshal Houston**—Absolutely. They are vital—

**Senator CHRIS EVANS**—I was just checking that you are referring to your military intelligence officers.

**Air Chief Marshal Houston**—Yes. They are with an Australian unit that is deployed over there.

#### **Proceedings suspended from 6.36 pm to 7.35 pm**

**CHAIR**—Senator Bishop, before we go back to the DIO, can you briefly indicate—if you can—what approximate areas you would like to cover in the remaining hour and a half such that we might send some of the personnel home. I know that Senator Adams has a question for Admiral Shalders. What would you like to cover?

**Senator MARK BISHOP**—The progress of the evening will be along the following lines: my colleagues, Senators Faulkner and Evans, need about 10 minutes to finish off what they are doing—that should take us through to about 7.45; and then I will concentrate on recruitment and retention personnel issues within the three areas, which I think will be about an hour and a half's worth of work. So that will take us through to 9.00 pm and use up the time allocated to this department. In terms of my other stuff on DMO, that will keep for another day, Dr Gumley. I do not know if government senators have procurement issues.

**CHAIR**—The only one that I have that has not been covered is the question from Senator Adams. Thank you very much for that. We can say with confidence that people who are not involved in the areas that we have just enumerated may go. Are we happy with that, senators?

**Mr Smith**—So that is finishing those questions, plus—

**CHAIR**—When we have finished the intelligence questions, we will move on to recruitment and—

**Mr Smith**—And personnel.

**CHAIR**—And Senator Adams's matter—it is a drug matter for Admiral Shalders. I hope that is of assistance to you.

**Air Chief Marshal Houston**—Air Marshal Shepherd needs to correct the record.

**Air Marshal Shepherd**—I want to correct for the record my statement earlier. You will excuse me for getting flustered, but I am very new at this process. When I got that Christmas card I was a very young officer, and it was a while ago, and I did get you confused, Senator. I am sorry, but in truth the card was from Bronwyn Bishop. Seekers of the truth that we are, I thought I had better correct the record.

**Senator FAULKNER**—I appreciate the correction to the record. It is nevertheless very hurtful because the air marshal is the only person who has ever mistaken me for Bronwyn Bishop and I want to say to him that he now really has offended me! That is why I responded

when you suggested that I had sent you a Christmas card, Air Marshal, with the idea that Defence must have sent a whole lot of Christmas cards, because I could not remember ever sending you one. I certainly could not remember ever receiving one from you either, I would have to say.

**Air Marshal Shepherd**—The ball is in my court. I promise to send you one this Christmas.

**Senator FAULKNER**—It will be mutual.

**CHAIR**—I thank those members of the Defence Intelligence Organisation who unfortunately we kept waiting for an extra hour. I will now go to Senator Faulkner on the DIO matter.

**Senator FAULKNER**—Whether it be a DIO matter or not, it is a matter that relates to the issue that Mr Smith was concerned about: the issue of the ruling that the minister read into the *Hansard* record before the break. I want to be clear about this: I do not accept the ruling that was made; I have made that clear at a number of committees. However, as I have done at some other committees, I want to ask some process questions in the first instance about the matter. I do not want anyone to misinterpret my asking those questions as me accepting that questions beyond process questions should not be answered. There is no suggestion that they cannot be asked; the issue is whether the questions are answered. I do not accept the ruling, but we will move on from that. I want to ask some process questions.

**Senator Ian Campbell**—For the record, I do not think it is a ruling. The government has made a decision that is identical to the decision that the previous Labor government, in which Senator Faulkner served, made in relation to answering questions about Centenary House before estimates committees.

**CHAIR**—It relates to royal commission practice and procedure to some extent, doesn't it?

**Senator Ian Campbell**—It does. There was a royal commission into Centenary House and, as I recall, back in 1994 and 1995 at Senate estimates committees that I was at—sitting on the other side of the table—the ministers said that we could ask questions about the funding of the royal commission or costs that the departments had in relation to QCs but not about the material before the commission. I will find the *Hansard* references, and they show that some of the media that are talking about this confrontation between the Labor Party and the government have not done their homework.

I have a very clear recollection of that. I am happy to be proven wrong, but my recollection from when I was a senator asking questions about Centenary House when a royal commission was on was that I was told that it was before the commission and that those matters should stay there. I could ask questions about the funding of the royal commission and the process but not about matters before the commission. The difference is that we abided by that. We also continued to ask questions after the royal commission. Labor chose not to answer questions during the royal commission but also chose for 10 years not to answer questions after the royal commission, so it is pretty cute of the Labor Party now.

**Senator FAULKNER**—I have indicated that I am not going to get into a debate about this. The Clerk of the Senate has provided written advice to Senate committees, which has been



made public, about the unprecedented nature of the directive—and it is better to use the word ‘directive’ because—

**Senator Ian Campbell**—It is not a ruling.

**Senator FAULKNER**—It is a directive to officials.

**CHAIR**—Let us not get into a debate about that.

**Senator FAULKNER**—It was described by Senator Minchin as a government directive. That is better terminology.

**Senator Ian Campbell**—I refer the Clerk of the Senate to Centenary House. I do not—

**Senator FAULKNER**—You can refer him all you like. Let me now ask some questions about—

**Senator Ian Campbell**—I have great respect for the Clerk, but he should go have a look at Centenary House.

**Senator FAULKNER**—You are wrong, but I am not going to have a debate about Centenary House now.

**CHAIR**—That argument is for another day.

**Senator FAULKNER**—I simply say that that is not right.

**Senator Ian Campbell**—One of your former ministerial colleagues will discuss it over a *Hansard* tomorrow.

**Senator FAULKNER**—Good. My questions go to, as I flagged informally to the minister and the secretary, some process issues—which I ask without accepting the directive to witnesses. Mr Smith, could you inform the committee whether Defence has been asked to provide documents that might be relevant to matters before the Cole royal commission to any agency of government or outside body?

**Mr Smith**—We asked the Department of the Prime Minister and Cabinet to whom we should pass any documents that we thought might be relevant and were advised that we should pass them to the Department of Foreign Affairs and Trade and that they would pass them to the Cole commission. To my knowledge, we have not been approached directly by the Cole commission.

**Senator FAULKNER**—So you decided on your own initiative to approach the Department of the Prime Minister and Cabinet?

**Mr Smith**—Yes.

**Senator FAULKNER**—Did that involve a search and collation of material?

**Mr Smith**—We had noted the commentary in the press about intelligence and we thought that Justice Cole might well have an interest in that matter and in ascertaining whether there was anything in our databases. We therefore asked our agencies to check their databases, and that was the result.

**Senator FAULKNER**—To save time, my questions to you—and let us be very clear about it, and I am sure you accept this—are going to Defence as a whole. I am talking about ADF

and the department, and I am sure your answers reflect both. Could you confirm that for the record.

**Mr Smith**—Yes.

**Senator FAULKNER**—Thank you. You have also said that the department has coordinated material from any possibly relevant agency within the Defence portfolio. Is that right?

**Mr Smith**—Correct—consistent with what we wanted to do, which was to cooperate fully with the inquiry to the extent that we had anything to add.

**Senator FAULKNER**—You said it was at your own initiative, and I appreciate that. When did you take that action?

**Mr Smith**—In the last couple of weeks.

**Senator FAULKNER**—So quite recently; in this calendar month?

**Mr Smith**—Yes.

**Senator FAULKNER**—I see.

**Mr Smith**—We forwarded information this calendar month.

**Senator FAULKNER**—It was forwarded this month?

**Mr Smith**—To DFAT.

**Senator FAULKNER**—The question I had intended to ask was this: when did you take the initiative to commence the document search?

**Mr Smith**—We first took the initiative before Christmas and then we renewed it in January.

**Senator FAULKNER**—Did you authorise a senior officer to undertake these activities?

**Mr Smith**—Yes, I did. There were two separate senior officers.

**Senator FAULKNER**—One in the department and one in the ADF?

**Mr Smith**—No, they were in the agencies and their work was assisted by our chief of staff.

**Senator FAULKNER**—Chief of staff? That is new terminology.

**Mr Smith**—That was Mr Pezzullo's position. It is now Mr Jennings's position.

**Senator FAULKNER**—Mr Pezzullo has since been promoted, hasn't he?

**Mr Smith**—Correct.

**Senator FAULKNER**—He is not here, but pass on our congratulations to him. He is a regular, like the rest of us. Which two agencies were concerned?

**Mr Smith**—Two of the intelligence agencies. As Mr Varghese has said, there were no intelligence reports held by them which linked the AWB to the payment of any kickbacks.

**Senator FAULKNER**—Thank you for that. I did ask you to identify the two agencies. It is pretty obvious, but is there a problem with you naming the two agencies?

**Mr Smith**—DIO and DSD.

**Senator FAULKNER**—Most people would have assumed that anyway. Thank you for that. Do you feel comfortable in saying to this committee that you believe the document search in the department and its agencies was a very thorough one?

**Mr Smith**—In those agencies, it was. I can also say that we made other inquiries, although not of the same exhaustive kind, in a couple of other parts of the organisation which might have had some knowledge of the subject—bearing in mind that we do not have and have never had much to do with AWB. The result was that CDF and I have been advised that any documents held by us in our database on matters relevant to Justice Cole’s inquiry have been passed through DFAT to his commission.

**Senator FAULKNER**—Is there any activity continuing to try and nail anything down that might still be floating around out there?

**Mr Smith**—I have asked our people to remain alert and told them that if they see anything to bring it to my attention. In that sense, they are.

**Senator FAULKNER**—The document search includes looking at a range of types of records. Other agencies have informed me that, for example, there are electronic records, cables, written briefs and written records. The full gamut, if you like, of reporting and recording has been the subject of the search. Can you confirm that has been the same for Defence, too?

**Mr Smith**—I believe I can. We focused on what is exclusive to Defence. We would have, for instance, DFAT’s cables, but it is for them to deal with those cables. It is not up to us to find those cables for them.

**Senator FAULKNER**—If you received a DFAT cable—and I think this is perfectly reasonable—if you were an addressee on a DFAT cable, you would not give a high priority to that. Logically, that is something that is a primary record of DFAT. That is the point you are making?

**Mr Smith**—That is correct.

**Senator FAULKNER**—That material was passed on to the Department of Foreign Affairs and Trade earlier this month?

**Mr Smith**—Correct.

**Senator FAULKNER**—Were copies or inventories of that material passed anywhere else, apart from Foreign Affairs and Trade?

**Mr Smith**—I believe we would have given copies to the Department of the Prime Minister and Cabinet and I know that DFAT have forwarded them to the Cole commission.

**Senator FAULKNER**—So DFAT have acknowledged—

**Mr Smith**—DFAT have acknowledged to me that they passed them on.

**Senator FAULKNER**—Did they say whether that was in their entirety or not—the whole package of documentation?

**Mr Smith**—They did not say that; I had no reason to believe otherwise.

**Senator FAULKNER**—You assume that, and that is fair enough. And Defence itself passed copies of that material to the Department of the Prime Minister and Cabinet?

**Mr Smith**—Yes.

**Senator FAULKNER**—Was that done at your own initiative, without request from PM&C?

**Mr Smith**—Yes.

**Senator FAULKNER**—Are PM&C and DFAT the limit of where that material was communicated?

**Mr Smith**—It also went to our minister's office. They were aware of what we were doing, as was the minister himself.

**Senator MARK BISHOP**—In the last few months, there have been a set of almost serial announcements by relevant officials or, as is more often the case, by government ministers, on recruitment and retention issues. In no particular order, there have been: different rules for recruitment of women; some suggestion at one stage that we bring over people from various Pacific islands to be put into the defence forces; different marketing attractions such as computer games; recruitment overseas from the United Kingdom as well as Fiji; retention bonuses; ideas floated by various personnel about what has been described to me as a reduction in health standards and weight limits, and allowing people with, traditionally, physical shortcomings to join the forces; a proposal by one minister for the reduction of the recruiting age down to 14 years of age; HECS fees and scholarships; and, CDF, did you get the old furphy the other week about national service, which I think one of the chiefs rejected? In light of that and previous discussions about problems in attracting personnel, declining retention rates, particular problems in trade and technical areas and all of those sorts of things, are we currently facing a crisis situation in recruitment and retention in the ADF?

**Air Chief Marshal Houston**—Perhaps I could start by giving you an overview of the situation as I see it and then I will answer your question directly. Right now we are in circumstances where we have the lowest unemployment rate for 28 years—down at 5.1 per cent. We also have a national skills shortage across the board. You talk to any CEO around the country and he will tell you that the biggest problem he faces is a shortage of skilled people.

We also have changing demographics and, whilst those demographics have not had the full impact yet, what we are seeing is a shrinking pool of younger people, the people that we traditionally recruit, the 18- to 24-year-olds. So the labour market out there is a very competitive market. Everybody is after the young people, particularly the young educated people who will provide the skills that industry and the ADF need into the future. We obviously have to compete in that market and it is imperative that we retain as many people as possible and that we recruit our share of the people available.

In terms of retention, we are addressing that with a total package approach. You talked about some of the retention benefits and so on but it is much more than that. It needs to be a comprehensive package similar to what we put in place for the naval engineers, marine engineers and Navy electrical engineers. We have put in place something similar for electronics technicians for Navy. In terms of retention, the separation rate we have got at the

moment is not at crisis level. In fact we are running along at the moment at 11.4 per cent, and if you look at the historical average over the last 10 years it is 11.4 per cent. So with respect to separation rates we are tracking along as we have been for many years.

The issue is that we are losing those people who have very marketable skills in this very competitive labour market we have in Australia at the moment. The sorts of people I am talking about are electronics technicians; engineers; health professionals, particularly doctors; air traffic controllers; and a few others. The problem is that the separation rates we face are much higher in those sorts of groupings. That is where our total package initiatives are being used to remediate the problem.

If we have a look at recruiting, we have taken very strong action to improve our recruiting performance. We have appointed a recruiting supremo—and he is sitting over here on my left—Brigadier Simon Gould, who is available for you to question after I have given you this broad overview. He and his staff have done a total scan of the external environment and the internal environment and have come up with a plan that includes 27 separate initiatives to improve our recruiting performance. Our annual recruiting target this year, by the way, is 8,741. That is a large number of people from quite a small pool of available people.

In terms of our recent performance on recruiting, I am pleased to report that there are some good signs out there and we need to ensure that we sustain our performance. I think that the impact of Brigadier Gould is already starting to show in that we may have turned the corner in a couple of areas. Let me just give you one example with regard to officer recruiting. In terms of direct entry officers for Army, we had a very pleasing outcome. We got 96 per cent of our target this year and we have over 100 people out at the Royal Military College at the moment. That compares with the recruiting performance of 12 months ago of 83 per cent. So you can see that there has been a substantial turnaround there.

At the defence academy, ADFA, we also had very pleasing results. I think we got 106 of 109—98 per cent achievement, as compared to 86 per cent 12 months ago. We overachieved in direct entry Air Force: 108 per cent, versus 91 per cent 12 months ago. The figure for direct entry officers Navy was unfortunately not quite as spectacular but still a significant improvement. We had 78 per cent this year versus 73 per cent 12 months ago. As you know, we also have an external review, a ministerially directed review, running, which will probably look at some of the more lateral ideas. I think it will come up with some good recommendations as to other things that we might look at to lift our recruiting.

Do we have a major crisis on our hands? I think our separation rate demonstrates that we can manage our separation. The area that we are most challenged by is recruiting sufficient people to get up to the 8,700 a year figure. That is where most of our effort has to go. Given the recent very pleasing results in officer recruitment, I would say we do not have a crisis. Rather, we have a strategic challenge. In terms of the strategic challenges facing the ADF, the area I am most concerned about is recruiting the people we need to take the Australian Defence Force into the future. It certainly has my attention, it has the attention of the chiefs and of course it has the very urgent attention of General Evans and his team of staff officers who worry about recruitment and retention. It also is a very high priority for the government as well.

**Senator MARK BISHOP**—You gave us those improved figures across the three services for officer ranks and you made some references to priority engineering and technical areas, high-qualification areas. But, of that figure of 8,700 that you need to meet, those figures that you have provided so far would be less than 10 per cent, would they not?

**Air Chief Marshal Houston**—Certainly. The majority of the 8,700 are the young people we recruit into the technical areas and the soldier, sailor, airman and airwoman area.

**Senator MARK BISHOP**—How should I describe that group that is 90 per cent, that is not officer level and is not highly skilled technical people?

**Air Chief Marshal Houston**—The group I just spoke about?

**Senator MARK BISHOP**—Yes.

**Air Chief Marshal Houston**—That is direct entry officer recruitment.

**Senator MARK BISHOP**—Sorry. You said your annual target this year was 8,741. Then you gave us some break-up on very high figures of officer recruitment and you made some comments about specific plans in a range of high-skill areas—air traffic control and the like. Putting those three groups aside, you still have to recruit almost 8,000 of the 8,700. Do you have any advice for us on your intention or plans in that other area?

**Air Chief Marshal Houston**—I will hand over to my experts. I presume you want to focus on recruitment in the first instance—or both?

**Senator MARK BISHOP**—Recruitment then retention.

**Air Chief Marshal Houston**—Then I will ask General Evans and Brigadier Gould to address the detail of recruitment.

**Major Gen. Evans**—I will turn to the recruiting aspects first. Over the last 10 years we have had different recruiting methodologies and over that time we have never actually achieved the targets that have been set. The current method we are using is in the third year of a four-year contract. From a total recruiting figure, in the first year we achieved 84 per cent; in the second year—that is, last year—we achieved 77 per cent; and this year, at this point, we are tracking a figure of 85 per cent for full time and 68 per cent for reserves.

**Senator MARK BISHOP**—Do you do it in financial years or calendar years?

**Major Gen. Evans**—That is financial years. Our major challenges, as the CDF has alluded to, are our officer recruitment—and you have already heard of some promising results there—our critical trades, of which we have 24 and actually one we would class as perilous, which is quite concerning for us, reserves and health professionals. Those are our key target areas that we have to focus on.

**Senator MARK BISHOP**—Do those figures that you gave us of 84 per cent, 77 per cent and currently, year to date, 85 per cent and 68 per cent represent recruitment rates in what I call ‘all other categories’?

**Major Gen. Evans**—That is across the board.

**Senator MARK BISHOP**—We know from the figures given to us by the CDF that you had very high rates in officer recruitment and some of the higher skill areas, so that means, by

definition, the recruitment rate in the ‘all others’ is not tracking anywhere near as well as it is for the officer class.

**Air Chief Marshal Houston**—I was talking about the recruitment of officers. The mention of those other high-skill trades was with regard to retention.

**Senator MARK BISHOP**—So we had very high officer recruitment rates. The figures just given now by General Evans were significantly lower—in the order of 20 per cent lower. That suggests to me that we still have continuing serious problems in all areas excluding officer.

**Major Gen. Evans**—We have challenges, for sure. As the CDF alluded to, some of our issues in terms of recruitment are in our critical trades area. In more general skill areas we do not have the same challenges. What I can best say is that what we are after is a sustainable strategy here that is devoid of gimmicks, and we are aiming at a long-term plan to attain much better recruitment achievements.

**Senator MARK BISHOP**—I understand that as an strategic objective—no-one would quarrel with that. But we have some complicating factors up on the horizon already, haven’t we? Minister Hill, in his last moments in the post, outlined the need to recruit an extra 2,500 men into an extra battalion for the hardening and networking of the Army over the next 10 years?

**Air Chief Marshal Houston**—That is 1,485 additional people associated with hardening and networking the Army. By the way, that is not right now; that is over the next few years, out to about 2012.

**Senator MARK BISHOP**—I was going to say 10 years but you say it out to 2012. So an extra 1,485 people are needed over the next 10 years to be associated with the HNA initiative. The recruitment rate to date has been unsatisfactory and has not shifted yet, and the government is making extra demands upon the services to fully staff an extra battalion. Is that right?

**Air Chief Marshal Houston**—The 1,485 additional people associated with hardening and networking the army are people like soldiers, drivers and those sorts of people. We are confident that we will be able to recruit those sorts of people. Right now the labour market is such that those sorts of people are available out there in the marketplace. The problem really relates to the higher skill areas where we need a certain level of education before people can undertake very demanding technical training or education—

**Senator MARK BISHOP**—For skilled work?

**Air Chief Marshal Houston**—Yes, training to become highly skilled in electronics or information technology or an area such as that.

**Senator MARK BISHOP**—Let me understand you. In private industry we tend to generically run on unskilled, semiskilled and skilled labour. They were the three broad generalisations when I was in another place. What you are saying to me is that you have particularly major problems in the skilled areas. Correct me if I am wrong, but I hear you saying that, at the moment, in what I would consider to be either unskilled or semiskilled entry level areas—private drivers, labourers and those sorts of areas—you are not having any trouble recruiting at the moment?

**Air Chief Marshal Houston**—I would put it this way: I think there is less trouble at the lower end; the higher end is where we have the biggest challenge. But I would ask my experts to perhaps elaborate on your question.

**Senator MARK BISHOP**—Brigadier Gould, that question is in the context that the Chief of Army said that the bulk of the extra 1,485 people to be recruited over the next 10 years were more trending towards the bottom level in terms of skill sets.

**Brig. Gould**—Yes. The additional numbers for Army will be gained by a combination of better retention across army and increasing our recruiting performance for Army. As we sit today, our ability to recruit people for the full-time part of the Army is running at 94 per cent, which is an increase on what we have been doing recently. Our plan would see us pursue the 27 initiatives that sit inside the strategic plan. As I am sure you would appreciate, some of those initiatives will take some time to bite. But we will get them in place so that they can bite and support the larger army that is required for Chief of Army's hardened, networked army and the other capabilities that Navy and Air Force have coming down the line. So this is not a knee-jerk thing. We are not saying, 'Let's throw a lot of money at the problem,' or 'Let's lower our standards and get a lot of people through the door.' As Major General Evans said, we need to build a sustainable capability. Again, we have not hit our targets in the last 10 years for the ADF, even though we have had at some times three times more people doing recruiting than what we have now. Clearly we need to come up with a new and better system. That is what we are pursuing in the next 18 months.

**Senator MARK BISHOP**—Brigadier Gould, is it you or Major General Evans who is the supremo?

**Brig. Gould**—If I am successful I might make it to general, but at the moment I am a brigadier.

**Senator MARK BISHOP**—But you are the one that CDF referred to as the supremo, are you, Brigadier Gould?

**Brig. Gould**—That is right.

**Senator MARK BISHOP**—So your head is on the block?

**Brig. Gould**—Yes, firmly.

**Senator MARK BISHOP**—Our recruitment rates and retention rates at officer level, technical level and ordinary level have been less than wonderful for a number of years now. You have identified generalised problems across the community. I do not quarrel with much of your analysis. You have been given the job of heading up and implementing change that makes recruitment and retention more attractive. What are your specific plans to achieve that end? We all understand the problem, but what are the different plans that you are going to bring that will keep your head on your shoulders?

**Brig. Gould**—Firstly, I am looking after recruiting. There is a separate director-general who looks after work force planning, research and retention in particular.

**Senator MARK BISHOP**—Who is that?



**Brig. Gould**—That is Brigadier Fogarty, who works in the office next to mine. We are peas in a pod. We go around Russell as B1 and B2 sorting recruiting and retention out. I would add that it is not squarely and only our task. The services have a very key role in ensuring that retention is a focus and that we get good results. Those of us in the recruiting game rely heavily on the policy—that is, the standards—that the services set, the targets that they set us. Of course, all our people who come through the recruiting system then have to go through the training system. Unless we have joined-up procedures between the recruiting effort and the various training places that the services own, we will not get the capability that the ADF needs. So, by my appointment, I am the person who will attempt to do all that coordination between the three services—Army, Navy, Air Force. There is the recruiting piece, which is commonly known as Defence Force Recruiting, but there is also the way we brand and market the ADF in the wider Australian community.

**Senator MARK BISHOP**—That branding and marketing is a critical part of the job, isn't it?

**Brig. Gould**—Yes.

**Senator MARK BISHOP**—Have you concluded your research yet as to perceptions of deficiency or shortcomings in the brand that we call the Australian Defence Force?

**Brig. Gould**—You would be aware that some research was conducted—not by us but by an organisation that I cannot recall at the moment—that actually said that the ADF is one of the most respected organisations in the Australian community. That was in the *Courier-Mail* and other papers I think in October-November. So that is a good start. On a quarterly basis we research trends in the Australian community—parents and young Australians—about their acceptance of the ADF, their various attitudes to military service and whether they would be prepared to come and join us once they have finished their schooling. That goes ahead and informs our marketing. I suppose we have to work harder nowadays because people in the Australian community perhaps do not know the ADF as well as they should, because a lot of the ADF has moved north, east and west.

**Senator MARK BISHOP**—Not south.

**Brig. Gould**—Yes, not south essentially. So we do need to get out and brand the organisation. How we do that is by making sure that we get into things like the 2,700 high schools in Australia and we get out and speak to things like the Steps to the Future forum, which you may have heard about, where kids get together on a regional basis. There are 25,000 ADF cadets—that is, young Australians—in Army, Navy and Air Force. We need to be better at making sure they understand ADF career options and the like. That is how we get out and brand what we do. In terms of making our marketing better, remembering that we already have four companies doing research for us on the marketing piece, we have just recently hired a new national marketing manager to go into Defence Force Recruiting, with a very strong background in youth products—Foxtel, Coca-Cola—and he is certainly gripping up the responsibilities there on how to better sell ADF careers to the wider community. The short answer is that we do a lot of research. It is probably a tougher job now than it was perhaps 10 years ago, but we have the wherewithal to do this and we might have to throw some more resources at the part of making recruitment and retention better.

**Senator MARK BISHOP**—The reason I want to pursue this is—we have discussed the 1,485 involved in hardening and networking the Army—if, as I think Dr Gumley told us earlier, both of the ship projects are going to come on board on time, we will need hundreds and hundreds of extra personnel for the AWDs and the amphibs, won't we?

**Brig. Gould**—In recruiting, we will respond to Chief of Navy's demand for personnel. He will set the targets. I am sure Chief of Navy has a plan on capability and how he will manage that capability. At the moment we will respond to the targets that he gives us.

**Senator MARK BISHOP**—So when CDF referred to you as 'supremo', is that only in respect of Army, not the three services?

**Brig. Gould**—No, not at all. I am the Director General, Defence Force Recruiting, but the services own the standards and policy for recruiting and they set the targets.

**Senator MARK BISHOP**—I see.

**Brig. Gould**—We are therefore a service delivery organisation, in essence. But, as I pointed out, the services have a role and we have a role and there is a brand marketing role. It all has to be joined up and coordinated to be effective, and it is fundamentally my job to do that.

**Senator PAYNE**—I have a question on the marketing role within your team, Brigadier. Is that the first time you have done that? Is the national marketing manager a new appointment in the recruiting context?

**Brig. Gould**—We had a national marketing manager when the contract was first let, on 1 July 2003. So this is the second person to take on that appointment. The ADF, with its recruiting operations, has always had a marketing piece but sometimes it might have been a military person and sometimes it might have been solely contracted out to an agency. This is truly integrated within the recruiting framework. It is a team of about 13 people who do the marketing piece. As you are probably aware, all our marketing campaigns go through the Ministerial Committee on Government Communications for approval and a sense of scrutiny, I suppose, but also through the service chiefs, to whom we are fundamentally providing this service. We are about to roll out a new campaign for the Army Reserve, which is a key part for hardened, networked Army. All that conceptual work and the final approval goes through the Chief of Army.

**Senator PAYNE**—So the new national marketing manager has experience in the appropriate markets to which you have referred. You left out McDonald's. I understand he is experienced there too.

**Brig. Gould**—Yes.

**Senator PAYNE**—Does that person work with all three services to develop market messages apposite to each?

**Brig. Gould**—Yes.

**Senator PAYNE**—What is the time frame for the sort of roll-out you are talking about?

**Brig. Gould**—We have probably been working on the Reserve campaign, for example, for four months now. It will start to appear around April-May. That is about the amount of time it

takes. As I am sure people in this room would know, if you want good marketing it takes quite a deal of effort. The research is important. The next lot of Duntroon, or RMC, ads should be out in about August-September. We started that just before Christmas.

**Senator MARK BISHOP**—Brigadier, how long have you been appointed for this job?

**Brig. Gould**—I was appointed for this job on 25 July last year.

**Senator MARK BISHOP**—How long is your term of appointment?

**Brig. Gould**—Probably until I get the problem fixed.

**Senator MARK BISHOP**—Senator Hogg has been on this committee for the best part of 10 years, I have been on it for three or four, and we have different people come and give us a pretty similar message on this issue every four or five months.

**Brig. Gould**—We have not had a director-general since 1996-97.

**Senator MARK BISHOP**—I want to know whether you have been given this job for four or five years, until the problem is fixed, or am I going to be talking to another brigadier in six months time?

**Air Chief Marshal Houston**—I think Brigadier Gould got it right. When he has fixed the problem we might look at where he goes next. The whole idea here is to appoint a senior person, a very competent person—he is an infantryman by trade—and essentially to address all of the issues, fix the problems and deliver us a better result in recruitment. We talk about hardening a network in the Army. We need permanent people, we need reservists and we need resources to ensure that we have the right recruiting and retention package supporting Simon in his endeavours.

**Senator MARK BISHOP**—When you say ‘resources’, do you mean extra resources from government?

**Air Chief Marshal Houston**—Yes. There might be a need to resource particular initiatives and perhaps look at attraction retention benefits and so forth.

**Senator MARK BISHOP**—Brigadier, you made mention of four companies doing research for you.

**Brig. Gould**—That is correct.

**Senator MARK BISHOP**—Who are the four companies, and why do you retain four different companies to do your research on recruitment and retention? Would not one company concentrating on this area bring a higher level of expertise?

**Brig. Gould**—That is not the view. Certainly the Ministerial Committee on Government Communications like you to have not only their approved people but also people with a couple of alternative views. We have Woolcott providing the segmented research, which is done on a quarterly basis. They are the ones surveying mums and dads, aunts and uncles and those sorts of people. That is a niche task that they are good at. We have Open Mind and Horizon, who talk to young men and women about concepts, asking things like: ‘Will this concept sell Defence to you?’ It depends on what sorts of careers we might be trying to sell at that time.

**Senator MARK BISHOP**—Is that young focus group work?

**Brig. Gould**—Yes. They will also take on particular activities. For example, we are concerned about the number of women in the ADF. You raised that point in your opening remarks. So we have asked one of those groups—either Open Mind or Horizons—to conduct some hard research on what we need to do to attract a greater proportion of women to join the ADF. Essentially, the research companies are out there doing different pieces of research for us, against different tasks that we might want for them.

**Senator MARK BISHOP**—You have been appointed to this task; you have analysed problems in a branding and marketing sense and you know where you want to go. It seems to me, from the outside, that the government has got this ministerial review running in tandem with your work at the moment. What is that ministerial review doing? Who is it staffed by and how will its outcomes fit with the work you are now putting into place?

**Brig. Gould**—Thank you for that question. We are building a sustainable recruiting capability based on four key activities. The first one is the strategic plan, which is a solid document that maps out what we want to achieve in the next five years and is what you would expect from an organisation that is looking forward. It is characterised by getting the fundamentals right. The next piece is a ministerial directed review. That is actually reporting to the Minister Assisting the Minister for Defence.

**Senator MARK BISHOP**—Is that Mr Billson?

**CHAIR**—Yes.

**Major Gen. Evans**—If I could just correct that. In fact that ministerial directed review will now report to the Minister for Defence.

**Brig. Gould**—The review is headed by Avril Henry. She is supported by Mark Thompson from ASPI; Penny Burke, who is a marketing expert; and a chap called Sheehan, who is a generation Y expert. I would characterise their piece as a blue-sky-thinking piece. We are talking left field: what could the ADF be doing better than someone else, either in Australia or around the world, is doing and doing well regard to recruiting and retention? They are looking at both pieces. Those results are due to the minister in May, and they will help us with the third plank of building the sustainable capability. That is an evaluation of our current operational capability, which is Defence Force recruiting in its third year of operations. That will be conducted by an independent evaluator, and we are going through the process now to select that independent evaluator. They will report in October this year, which allows us in November to make a decision on the shape of the next recruiting capability so that, when our contract finishes with our current contractor on 30 June 2007, we can have, by 1 July 2007, the new capability in place. That is the third plank.

The fourth plank is the reserve remuneration review. As you would be aware, the Australian public are tending to part-time work more than they have in the past and we need to make sure that the part-time Air Force, Army and Navy is as attractive as other part-time work out there. I understand the government has that report and is considering it now. That is the fourth plank. They all mesh together to provide that capability. I would expect Avril Henry's review to help me with my next iteration of the strategic plan, and it will also help us decide on how we build the next capability between October of this year and June 2007.

**Senator MARK BISHOP**—I understand your strategy and the way the different things will, you hope, mesh together and perhaps bring some change in the middle of next year and thereafter. Senator Hogg has reminded me that Defence have done, previously, some seven or eight other recruitment, retention and personnel type reviews internally. Why should we have any more faith in this new approach and the plans you have been outlining than in the results of the last six or seven internal reviews which have brought us to the problem area, not to a solution phase?

**Brig. Gould**—I have tried to demonstrate that our initiatives on those four planks are a combination of internal and external working together. I am not sure that we have had a blue sky piece like an Avril Henry piece before. Certainly, we have had independent evaluations of the DFRO, which was the previous recruiting capability. When I came to the job we did not have a strategic plan and we did not necessarily have a recruiting strategy. So I would argue that that is a new piece. Whether there was one of those in 1997 I do not know. Reviews of Reserve remuneration occur periodically but this is a far-reaching review for government to consider. Yes, we have had reviews, but my argument is that these are internal and external and they are based on a sound strategic plan. My task also is to win the extra resources required to make these plans work. Again, someone else can decide whether we have had adequate resourcing in the past.

**Senator MARK BISHOP**—As well as those sorts of positive plans and hopes for the future, the press in the last three or four years has had some fairly critical comment on some practices in some parts of ADF. I will mention them now and ask you to respond as to whether these have featured in your research and whether you have plans to attend to them: service pressures from within, length of operational deployments and high rotation of families from base to base. I understand them to be negatives in terms of retention within the services. Does your research show that or is that wrong?

**Brig. Gould**—I will talk to recruiting as opposed to retention at this stage. Perhaps someone either side of me can look at retention. As I said, there has been some independent work done to say that the ADF is a highly regarded, highly respected organisation. It is first or second in Australia at the moment. Straightaway I would say: how about that as an answer? Secondly, our Woolcott research has not shown any dip of any significance that mums and dads do not want their kids to come to join the ADF or that young Australians are any less interested in joining the ADF.

**Senator MARK BISHOP**—I was talking about pressure from within—length of operational deployments and high rotation of families from base to base. That is a retention issue not a recruitment issue. Is the research showing those two things to be a problem?

**Air Chief Marshal Houston**—I will not talk about the professional research; I will talk about the research done by the chiefs and me. We go around meeting the people of the ADF. When I go around the ADF I usually get lobbied hard by all the people who have not been away on operations wanting to go on operations. In fact, the chiefs have the same issue. Everybody wants to go on our operations. They are all deeply committed people; they are all very keen to enhance their experience and gain background for being a more professional soldier, sailor or airman in the future. I throw that in. If you remember, earlier today General Leahy made the same point.

**Senator MARK BISHOP**—Yes, he did.

**Air Chief Marshal Houston**—We do put a lot of demands on our families. General Evans can speak to this. We are looking at better ways to support our families. The way the Defence Community Organisation is doing business at the moment, in addition to some other initiatives that we have taken, shows we are very focused on reducing any sorts of negative effects that might be associated with partners being away for extended periods of time. I invite General Evans to give you the detail of that.

**Senator MARK BISHOP**—I am inclined to accept what you say about the desire of members of the ADF to engage in operations. That is why they join the services. Intuitively it sounds right to me. My question went more to the high rotation rate of families from base to base. What might have been attractive to a 23- or 24-year-old young man or woman joining up is not so attractive to their partner six years down the track when they have a couple of kids and they have to shift from state to state.

**Air Chief Marshal Houston**—I will address that. One of the reasons General Leahy has proposed the HNA proposal is to move people to Adelaide. We have done the research and people want to live in Adelaide. That will be a plus for us in retention terms.

**Senator MARK BISHOP**—Out of the north?

**Air Chief Marshal Houston**—There are a number of locations around Australia. We have those that are very favoured and those that are not favoured. For example, if you send anyone in the Air Force to Amberley in Brisbane they are delighted. I can ask the Chief of Air Force to talk about that. The point is that we are addressing some of those locational issues. For example, the Defence Headquarters Joint Operations Command at Bungendore will mean people can have back-to-back postings in Canberra. For families that is a plus. I will ask General Evans to talk about some of the other steps we are taking to improve the lot of the family and reduce the turbulence associated with those big moves state to state.

**Senator HOGG**—Does that include the important issue of education? One of the sticking points over a long period of time has been the different education systems that exist in different states. No-one has ever come up with the solution to it; I am not asking you to but I am wondering whether that is one of the areas in which you are hoping to make progress?

**Major Gen. Evans**—Indeed it is. The question brings me back to say that recruiting and retention are two sides of the same coin. It is very important to us that not only are we recruiting and attracting good people but also we are retaining these people. Senator Bishop raised the issue of locational stability. He is quite right; it is a concern for people. Obviously, retention is controlled more by the service chiefs and how they manage their organisations. But, for instance, across the board over 60 per cent of ADF people suggest that more locational stability is a good thing. We have put in train a number of policies that will support the service person. Obviously, it is important to us that we have a mobile ADF that can move about.

I have to turn to our housing and rental assistance scheme. We provide removals assistance; support to ADF members unaccompanied on posting; locality allowances for people, particularly up in our more remote areas; and recreational leave travel. I would ask Mr Sharp to talk a little about our initiatives inside the Defence Community Organisation—

**Senator MARK BISHOP**—With respect, I simply wanted to know whether the locational issue was an issue. You are telling me it is an issue for 60 per cent.

**Major Gen. Evans**—It is an issue.

**Senator MARK BISHOP**—That is fine.

**Senator TROOD**—I have a couple of questions about the expansion of the Army. I realise this is a long-term plan, but does the annual target you have set of 8,741 include any of the 1,485 for the expansion of the Army?

**Air Chief Marshal Houston**—If we look at where we are at right now, the ADF permanent force is just under 51,000 people. It varies a little, but the last figure I got was in the order of 50,700. If we look forward to 2016, we are looking at an ADF of 54,737. We need to chart out what sorts of targets we need in order to achieve that figure by 2016. Of course, that 2016 figure includes the 1,485 associated with hardening the network in the Army. That is the permanent members.

**Senator TROOD**—I understood from the answers that Brigadier Gould gave a short time ago that, if there were to be a respectable increase in retention within the Army, you would hope to retrieve most of those people who you want for the expansion of the Army. Is that right?

**Brig. Gould**—It would be a combination of recruiting and retention action. But I think there is already evidence within the Army that we are looking to retrain some people. They may have started as riflemen in the Army and are heading towards the end of their initial four-year minimum period of service. We are asking them if they would perhaps like to look at a trade or something else in the Army rather than leaving us. Those are the sorts of initiatives that the Chief of Army's organisation is helping out with.

**Lt Gen. Leahy**—Brigadier Gould is right. We are looking for soldiers who, rather than going and getting another job, will stay in the Army and get another job. We have over 250 different jobs in the Army, and we find that a lot of people like the Army but do not understand how many different opportunities there are for them in different trades—perhaps trades that are not as wearing on the body as they get a little older and that might prepare them for life when they do eventually leave the Army. So we are running a quite extensive program called Stay Army. That is run through the webpage. We make available the sorts of jobs and the locations they are in, and people use that.

We are currently actively recruiting from overseas. You have heard today that there have been problems with the flow of soldiers into the Army over the last 10 years. That creates some rank imbalances at corporal, sergeant and other levels. We are recruiting quite successfully from the United Kingdom at the moment. They have an enlistment scheme there where NCOs are required to leave the Army at about 22 years. For me, they are a good market. We are working with the British Army. It brings some benefits for them and for us. So we are looking at a really broad range of areas to see how we can get people and, more particularly, how we can keep them.

**Senator TROOD**—In your view, is this 1,485 a realistic target, given what you understand to be the market?

**Lt Gen. Leahy**—Just look at it. It is over a 10-year period. It is 150 people a year. When you consider that we are taking in 8,000, I think it is very realistic—and, as CDF very correctly pointed out, it tends to be in the infantry, armour and combat trades, where, frankly, we do not have a lot of trouble recruiting.

**Senator FIERRAVANTI-WELLS**—I would like to ask about cadet recruitment. Before Christmas a report was published which said that about 25 per cent of cadets do join the military. I think that was the figure, but do correct me if I am wrong. It is really good to see a figure put on it, but what numbers are we actually talking about? Could you tell me a little about the number of cadet units that we have. You hear anecdotal evidence about cadet units in schools closing down. Brigadier Gould, is that one of your 27 strategies? Can you tell me a little bit more about that?

**Brig. Gould**—The cadets are a great source of potential recruits, and currently about 10 per cent of them come into the ADF. In various areas and in various concentrations that can differ. If you head out to ADFA, down the road there, between 40 per cent and 50 per cent of any class would be ex-ADF cadets. The general has already explained that our two key priorities are officers and technical trades. If we are getting 40 per cent or 50 per cent of the people entering ADFA in any one year—and about 307 out of 320 are joining ADFA this year—that is a significant area for us to be concentrating on. I do not know how many units there are around Australia. I am happy to take that on notice for you.

**Senator FIERRAVANTI-WELLS**—Thank you.

**Brig. Gould**—But I can tell you that there are about 93 different Navy little cadet units around the place. Army is pretty well organised now along a brigade type of structure. Air Force has a system in between that. There are two air training organisations currently in Canberra, for example. We can certainly find that information out for you.

**Senator FIERRAVANTI-WELLS**—As part of that, could you tell me where the cadet units are in the different schools. As I said, you do hear anecdotal evidence about cadet units closing. Given the findings in this report, what additional support can be given, or is that part of one of your strategies in terms of boosting, if I can put it like that, the cadet presence in schools?

**Brig. Gould**—The Chief of Air Force can answer the question on the Air Force piece.

**Air Marshal Shepherd**—As of last week, the Australian Air Force cadets had a total strength of 5,802—921 officers and instructors—with a queue of people waiting to join of 144 staff and 230 youths. We are formed in the virtual national headquarters with eight wings, consisting of 155 units—that is an increase of 14 units since 2000. We have great recruiting benefit from the Air Force cadets. In fact, you should note that the Air Force cadets joining the service go in equal thirds to Army, Air Force and Navy, which is a quirky figure.

**Vice Adm. Shalders**—I will complete the answer. There are 2,600 Navy cadets and 500 staff, and they are spread across 94 training ships in each state of Australia.

**Brig. Gould**—I will just complete my answer. You asked if there was a specific task, and, yes, there is. There is an action plan that says, 'Develop an ADF cadet specific recruiting process and promotion plan and then implement that plan.' We have started that already. We



had a session last Saturday with the senior Air Force cadets, and they came from all around Australia to Canberra. We spent three hours with them, asking them what they expected out of a recruiting process. The recruiting process needs to recognise what they have completed as cadets in the air training organisation, which I think is called the Australian Air Force Cadets, or words to that effect. We have another weekend coming up in Melbourne this weekend with the Army cadets, and on the first Saturday in March we have the Navy cadets. So, having done that consultation with young cadet leadership, the plan is to grab those ideas and roll them into a coherent plan to make the transition from being an ADF cadet who has an interest in the ADF to joining the ADF a very simple one, and we are calling it a smooth transition.

**Senator FIERRAVANTI-WELLS**—Could that possibly look at options for the expansion of cadet units in schools?

**Brig. Gould**—That is not my area. There is a two-star officer who looks after cadets.

**Senator FIERRAVANTI-WELLS**—Could you take that on notice to see what options could be available in that area?

**Brig. Gould**—Sure.

**Senator FIERRAVANTI-WELLS**—On the question of recruitment and retention, what is the retirement age now in the Defence Force?

**Air Chief Marshal Houston**—We have a bit more flexibility in the retirement age now. Now you will see that some of our reservists, for example, particularly the specialists, we keep into their sixties.

**Senator FIERRAVANTI-WELLS**—That is my point.

**Air Chief Marshal Houston**—I think that is a very positive step. For example, reserve lawyers and doctors and in fact our reserve doctor surgeons are mostly towards that end of the spectrum. I will not call them old because they might be offended and I would hate to lose them—

**Senator FIERRAVANTI-WELLS**—They are experienced.

**Air Chief Marshal Houston**—because they are a very valuable part of our team. So we are much more flexible now with our specialists. I would also point out that there has to be a bit of a balance there because, when you have a look at the demands of some of the things we do, particularly in the Army and the Airfield Defence Guards, it is a young man's game. So we are probably not so willing to keep people into their more experienced years in those circumstances. I think we have a pretty sensible approach to it now. If you want any specifics I could ask General Evans to give you a bit of detail.

**Senator FIERRAVANTI-WELLS**—No, that is fine—thank you.

**Senator JOYCE**—I really want to continue the line of questioning that Senator Fierravanti-Wells was following, which was on cadet units. It is obviously one of the best mechanisms for actually getting people at inception, to bring them into the culture of the Defence Force and encourage them along. You said that about 25 per cent of people in cadet units go on to another form of activity in the Defence Force. Is that correct?

**Air Chief Marshal Houston**—It is 10 per cent.

**Senator JOYCE**—Is there a strong career process? Once we catch people in cadets, is there a strong support mechanism of encouragement, especially once they start to look like leaving school? Do we get careers officers out there to do our very best to try to bring them on board?

**Air Chief Marshal Houston**—One of the things that was not mentioned was that, if you look at, for example, the senior officers in the Air Force, about 40 per cent of them came out of the cadets. I do not know what the figures are for the other two services, but I am familiar with the Air Force figure. We have a great relationship with the cadets and I think the initiatives that Brigadier Gould has put in place will enhance what we are already doing. We do get a lot of them into the Defence Force—we would just like more. I think that the initiatives we have in our strategic plan will assist in that endeavour. I will ask Brigadier Gould to elaborate on that if he wishes to.

**Brig. Gould**—What I think we would acknowledge is that we have a good system to recruit ADF recruits into the ADF, but we need an excellent system. My task is to ramp it up. That is part of what we are doing now. There is a whole range of initiatives, but a lot of them surround making sure that we get good quality recruiters talking to ADF cadets progressively throughout their time in the cadet experience and even doing some skilling for senior staff—the adult staff—so that they can provide some sort of advice, perhaps from our website and things like that, to ensure that they are also part of the solution in getting that smooth transition.

**Senator JOYCE**—Do we have a contact mechanism with people who were formerly in the defence services? I always see them as the most appropriate people to be in charge of a cadet unit because they know the culture. Even for assistance in simple things such as drill, they know what is involved rather than having to do a one-week course in it. Do we keep in contact with them and try to keep them involved so that it is not the end of their career but rather a continuation of their involvement in the defence forces? Is there encouragement for them to have a further role as instructors in a cadet unit at the end of their career?

**Air Chief Marshal Houston**—I would like the assistance of the chiefs here, but certainly I know that in the Air Force people go into the Reserve. When they resign or when they retire, they transfer into the Reserve and thereby we stay in touch with them. An awful lot of them come back and assist us. The officers will come back on the Reserve to help with a project or something like that. A lot of them will willingly transfer into the Reserve squadrons and come back and do Reserve service. That is very useful, as you have already indicated. I will ask the Chief of Navy to inform you about what happens in the Navy.

**Vice Adm. Shalders**—Exactly the same thing happens in the Navy. A large proportion of the 500 staff I mentioned who support and instruct our cadets are ex-Navy. We encourage people leaving the Navy to become involved in either the reserves or the cadets.

**Air Chief Marshal Houston**—It is exactly the same in the Army. In effect, we keep in touch with the people who have left and, where necessary, we call them back on Reserve service.

**Senator JOYCE**—I have had a period of time with the reserves and have tried to assist with the cadets in my local town. But the thing that is quite obvious with these young people

is that they do not get much of a chance to drill with weapons. I know that there are occupational health and safety issues, but that is the enticement that gets them started. When they do not have the capacity to drill with a weapon, half the excitement goes. As anybody knows who has had any involvement with the defence forces, you can only get so excited about drill. Are there any moves—even disarming weapons—to give them some way of going through their basic training with weapons before we wheel them down to Greenbank to a range?

**Air Chief Marshal Houston**—I can reassure you that we now use innocuous weapons and all of the cadets regularly participate in range shoots and the like. So that issue, I think, has gone away. There was some suggestion a few years ago that perhaps we should not expose young people to weapons, but the current approach is to allow them to use the weapons and to drill with the weapons.

**Senator ADAMS**—I have a couple of questions regarding the employment of contractors and civilians working in Royal Australian Navy establishments and drug policy. Firstly, who is responsible for the employment of contractors and civilians working in Royal Australian Navy establishments? This continues from the questions I asked last November in the estimates.

**Vice Adm. Shalders**—Broadly speaking, the DMO, the Corporate Services Infrastructure Group or, in some cases, Navy will be responsible for employing contractors.

**Senator ADAMS**—Can you explain the screening process which is undertaken when employing contractors and civilians who work in Royal Australian Navy establishments?

**Mr Henderson**—The approach differs with the nature of the work that the contractor might be doing—for example, whether they work in grounds maintenance, as a security guard or as a catering contractor. It depends on whether they are doing a maintenance job for less than three months or whether the job is for longer. It depends also on whether it is a low-security cadet facility or whether it includes assets that are of higher security. I think we indicated last time that there is no one size fits all. For example, if they are employed by an access security contractor they would be subjected to more than just a reference check; they would be subjected to police checks for their criminal record, if they have one. Could you be a little more specific? Is there a particular base that is of concern?

**Senator ADAMS**—Yes, there is. I am just getting to it really. The next question was: what screening of personnel takes place in terms of criminal checks prior to contracts being signed or tenders being let? What I am trying to get at is that some of the bases have Navy personnel, contractors and also civilians. I am working on to the drug and alcohol testing policy. I asked a question last time and was told that at HMAS *Albatross* only the Navy were under the Navy drug and alcohol testing regime. We were unsure about what was happening to contractors, because I did not have a chance to ask corporate services about that, so this is what I am working up to. You could use HMAS *Albatross* as an example.

**Mr Henderson**—For civilian APS staff or for civilian contract staff, there are no breathalysers or routine drug testing. On the other hand, if you are drunk on the job, like in any situation you are in trouble, but we do not have breathalysers or routine drug testing.

**Senator ADAMS**—That means you could have anyone on that base who may be under the influence of drugs or alcohol and there are no tests at all. Don't the contractors have to have some sort of regime, as far as a drug policy goes, for their employees before they bring them to you?

**Mr Henderson**—There is no routine testing. Just as the secretary and I come to work each day we are not subjected to a breathalyser. If you are on the roads or if you want to climb on the Sydney Harbour Bridge, you have a breathalyser before you go on, but in most workplaces—and it is the same for Defence civilians or civilian contractors—there are no routine breathalysers or drug testing.

**Senator ADAMS**—And yet you subject your Navy personnel to that on the same base but not the others. I will give you some of my background. I am a West Australian and I have had a lot to do with the resources sector and, as far as the mining companies go, I have travelled around many sites where they have very dangerous equipment, which you have as well. You have people working with dangerous equipment there. Everyone who visits the site must have a safety briefing and must sign a form to say that they will be randomly tested for alcohol or drugs. It results in instant dismissal or removal from the property. I was a member of the Australian Defence Force Parliamentary Program and, as I went around each of the establishments, these were the questions that I was asking. So I was really trying to work it out. HMAS *Albatross* was probably one of the greater examples because of the number of people there and the fact that the Navy had to comply with the drug and alcohol testing and no-one else did. This is really why I am trying to work through it. As a parliamentarian, I am quite concerned about the safety aspect of it.

**Mr Henderson**—I indicated before in relation to police checks that it is a case-by-case issue. Clearly, if we have construction contractors building buildings and operating huge cranes, for example, that situation is a little different to the situation for catering staff or people mowing lawns. We have to be a little more specific as to the situation that people work in.

**Senator ADAMS**—I will discontinue, because I know my time is very limited.

**CHAIR**—It is, Senator. I see Mr Henderson has some documents that he would like to put before the committee. If you think they are relevant, please do that. Unfortunately, Senator Adams, we have the Department of Veterans' Affairs here and waiting to go on—nine o'clock is the scheduled commencement time.

**Senator ADAMS**—I have two more questions.

**CHAIR**—If you could make them very concise, I would be obliged.

**Senator ADAMS**—Can you be certain that all work carried out on these establishments has been done by individuals operating at their full potential and unaffected by drugs or alcohol? Obviously not.

**Mr Henderson**—Let me read from the brief. As a contractual condition, contractor staff are employed on the basis that they refrain from inappropriate behaviour while at work, which includes contractor staff operating under the influence of drugs and alcohol. Contractors are

obliged to perform their duties within the guidelines of local, state and federal legislation and Defence instructions.

**Senator ADAMS**—Good. That is great.

**Mr Henderson**—But that does not mean that there is routine breathalysing or drug testing. If people arrived at a normal workplace under the influence of alcohol they would be in trouble.

**Mr Smith**—If it was noticed.

**Mr Henderson**—Is the question whether there is routine drug testing of civilians? Is that the question you are asking?

**Senator ADAMS**—I know that the Navy have random drug and alcohol testing. I was concerned about the civilians and trying to work it out. I gave you an example of the way that the mining companies work. They have contractors, and civilians and everyone are subject to that—it does not matter who you are. That is to ensure that they have a safe workplace. This is really what I am trying to get to, but I am running out of time.

**Mr Henderson**—With people involved in very high-risk activities or being in charge of items of plant worth tens of millions of dollars, it may well be that construction contractors building facilities for Defence have similar arrangements. If you want us to check on that, we can.

**Senator ADAMS**—Yes, I do. I would like to place a question on notice. It is: what do you estimate the cost to be in lost working hours in the Royal Australian Navy establishments caused through personnel being affected by drugs and alcohol?

**Vice Adm. Shalders**—To clarify: is that uniformed personnel or contracted personnel?

**Senator ADAMS**—That is anyone who is on your establishment who is off work, because it must be a cost.

**Vice Adm. Shalders**—So that is uniformed personnel and contractors.

**Mr Smith**—And civilians?

**Senator ADAMS**—And civilians, yes.

**Vice Adm. Shalders**—We will take that on notice.

**Senator ADAMS**—Just to finish on a nice note, I was very impressed with the article in the *Navy News* which was published on 9 February about the rehabilitation of people who are found with drug and alcohol problems. That is great. Thank you very much.

**CHAIR**—Air Chief Marshal Houston, you want to make some comments.

**Air Chief Marshal Houston**—I want to read one little thing into the record, and then General Evans will follow me. This morning we talked about Sea King replacement. I understand that, despite the fact that it was not mentioned, there is a lot of confusion out in the media about when we are going to replace the Sea King. I want to clarify that the government will take the second pass at consideration of the Sea King replacement in April this year. So the actual replacement of the helicopter will be some time after that—probably at least two years after that.

**Major Gen. Evans**—Just to make this correction: when CA spoke about Manpower conducting special forces training, it is not Manpower but DFR—Defence Force Recruiting.

**CHAIR**—Thank you, gentlemen. That concludes today's estimates with respect to Defence. I thank you for your patience and for your participation and look forward to seeing you all again in May.

**Proceedings suspended from 9.10 pm to 9.18 pm**

**Department of Veterans' Affairs**

**CHAIR**—I welcome Mr Mark Sullivan, Mr Ed Killesteyn and Senator Sandy Macdonald to the table. We will commence questions to the Department of Veterans' Affairs.

**Senator MARK BISHOP**—Could the relevant officers in the compensation section come forward? I want to ask a couple of questions about compensation arising out of the accident up in Indonesia.

**Mr Sullivan**—I can answer them for you.

**Senator MARK BISHOP**—Thank you. There was the unfortunate accident with the helicopter in Indonesia. From memory, nine personnel were killed and two survived the accident. I want to ask some questions about compensation, firstly for wives, partners and children—my memory is that is all regulated by the new act that came into force from 1 July 2004—and, secondly for parents who might have been economically dependent on persons who are now deceased. In terms of compensation payments to wives, partners and children—the immediate dependants of personnel who died in the accident—I presume all of those people have been paid out and the issues are resolved, or is that not the case?

**Mr Sullivan**—We have dealt with most compensation claims from the Sea King tragedy. Claims have been determined for five wholly dependent partners, plus, in respect of one of the victims, two dependent children. Lump sum payments, where determined, have been paid and pensions are in pay where people are on the pension.

**Senator MARK BISHOP**—Consistent with the military compact.

**Mr Sullivan**—Yes, although this was one of the first times that the new act came into play. I think it has gone well in respect of the capacity of the Defence Community Organisation to be the first and front contact with victims, victims' dependants and other parties. The new act gave a lot more time for people to determine what form of compensation they would like and gave them further advice on that. I think that has worked well. There were two deaths which were accepted as being related to defence service but where it was determined that no compensation was payable as no-one was economically dependent. We still have an outstanding claim for economic dependency from a godchild of a victim. We have ongoing processes for the two survivors.

**Senator MARK BISHOP**—So you have five wholly dependent partners resolved and two deaths accepted as being deaths in service but they had no dependants. That is seven. We will rule a line under them. There were nine personnel killed. You have one outstanding claim concerning a godchild. What about the ninth person? Did he have dependants?

**Mr Sullivan**—Of the nine cases, the first case is a wholly dependent partner. The next case is a wholly dependent partner. The third, fourth and fifth cases had wholly dependent partners. The sixth case was accepted as defence related but there was no compensation payable. In the seventh case there was no compensation payable. The eighth case was accepted as defence related but there was no compensation payable. So there were three of those. Then there is one case where further extensions of time to gather evidence have been granted.

**Senator MARK BISHOP**—So the only one that is still in the process of negotiation is No. 9, involving the godchild.

**Mr Sullivan**—Yes. I will check that and if there is a change in that at all I will let you know.

**Senator MARK BISHOP**—Were there any cases involving parental economic dependence?

**Mr Sullivan**—Yes. There was a case where a parent claimed economic dependency.

**Senator MARK BISHOP**—How was that resolved?

**Mr Sullivan**—That was rejected.

**Senator MARK BISHOP**—Is that decided by an assessor in DVA?

**Mr Sullivan**—Yes, and there is an appeal mechanism available under the act.

**Senator MARK BISHOP**—Where do you go—to the AAT?

**Mr Sullivan**—Eventually.

**Senator MARK BISHOP**—Where do you go at first instance?

**Mr Sullivan**—To internal review.

**Senator MARK BISHOP**—Has the aggrieved complainant initiated the beginnings of that appeal process?

**Mr Sullivan**—One has. I will introduce Barry Telford, Division Head, Compensation and Support.

**Senator MARK BISHOP**—Mr Telford, is that the person that Mr Sullivan is referring to?

**Mr Telford**—No. One of the rejected cases is subject to internal review. They have requested an extension of time to prepare their internal review.

**Senator MARK BISHOP**—And that is the one that is alleging parental—

**Mr Telford**—No.

**Senator MARK BISHOP**—I am sorry, I am a bit confused here. You said you had five cases with wholly dependent partners which were resolved. You then had three cases regarding death related to service but there were no dependants. Then you had one outstanding claim relating to a godchild claiming economic dependence. And Mr Telford now tells us that a person has initiated internal review processes. Which person are they?

**Mr Telford**—That is one of the rejected claims.

**Mr Sullivan**—That is in respect of a marriage-like relationship.

**Senator MARK BISHOP**—I did not understand any to have been rejected.

**Mr Sullivan**—I am only telling you what we have done, and we have rejected a claim on the basis of a relationship.

**Senator MARK BISHOP**—Is he one of the five or one of the three?

**Mr Sullivan**—What do you mean?

**Senator MARK BISHOP**—There were nine deaths. You said that in five cases there were wholly dependent partners.

**Mr Sullivan**—Obviously if we have rejected a partner it is not one of those.

**Senator MARK BISHOP**—Okay. There are three deaths accepted where you said there was no economic dependence. That is eight of the nine.

**Mr Sullivan**—Yes, it is one of those.

**Senator MARK BISHOP**—It is one of those three.

**Mr Sullivan**—Yes. If we have concluded that there is no economic dependence, that lines up with the rejection of any claim for economic dependence.

**Senator MARK BISHOP**—I did not understand that. So you have rejected economic dependence for one of those three, and that is going through the appeal mechanism?

**Mr Sullivan**—Through an internal review process.

**Senator MARK BISHOP**—Is that the only one of the nine that is in dispute?

**Mr Sullivan**—Only if you define ‘dispute’ as someone exercising their right to an internal review.

**Senator MARK BISHOP**—Is there any other way?

**Mr Sullivan**—You can dispute something and not do anything about it, but I do not know about them. You may on advice say, ‘There’s nothing to proceed.’ I am not sure that that does not say a person is not in dispute. You are right regarding formal disputes.

**Senator MARK BISHOP**—Thank you. I have missed you, Mr Sullivan. Is any consideration being given by government to an ex gratia payment to any of the dependants of the men who died in the crash?

**Mr Sullivan**—No.

**CHAIR**—I do not think that is an appropriate question given that some of these matters are ongoing. Ultimately, there may be litigation. There is a potential for litigation. To discuss whether the government is giving consideration to ex gratia payments is not helpful.

**Senator MARK BISHOP**—With due respect, I have been raising these issues in this committee under successive chairs and ministers for five years. I know the lines as to how far I can go. I did not ask for the detail, the names or the amount. I simply asked whether there was consideration. That has been constantly ruled in order by previous chairman and ministers—one of them being Senator Macdonald.

**CHAIR**—With great respect, it clearly is a problem. I will tell you why it is a problem so we understand this.



**Senator MARK BISHOP**—But I have the answer. The answer is ‘no’. There is no consideration by government of an ex gratia payment. The secretary of the department has answered it—consistent with previous advice by the previous chairman, who is sitting at the table.

**CHAIR**—You really should know better than to ask a question that puts the Commonwealth in such a prejudicial position in the face of potential litigation. It is obvious.

**Senator MARK BISHOP**—I asked, ‘Was there consideration?’ and I got an answer.

**Senator HURLEY**—I would like to get an update on the Anzac Cove constructions.

**Mr Sullivan**—What would you like to know?

**Senator HURLEY**—On 26 April the Turkish Prime Minister announced in a press conference with his Turkish counterparts that there would be a full archaeological and historical survey of the Anzac area of Gallipoli and a full engineering review of the Anzac Cove works, including measures to control erosion and ensure that they are dealt with sensitively. What is the progress of the archaeological and historical survey?

**Mr Sullivan**—The Turkish government requested the Australian and New Zealand governments to forward nominations to participate in that review. From the Australian side we determined that, from a historical perspective, the resources of the Department of Veterans’ Affairs would be used—that is, one of our historians, Richard Reid. We went in a limited tender to Australian universities for archaeological input into that review. The tender is at the point now where we are negotiating with the preferred applicant. We will be going to Turkey very shortly with the Australian nominations for the review.

**Senator HURLEY**—So we are on the verge of appointing people for the review.

**Mr Sullivan**—No, we are nominating them. The Turks appoint those on that review. It is a Turkish review.

**Senator HURLEY**—Has there been an agreement to follow through the Australian and Turkish prime ministers’ plans to have the review?

**Mr Sullivan**—I think the Turkish government is completely committed to the review. It said that the first stage was for Australia and New Zealand to put forward their nominations. We are both now very close to a position to do that.

**Senator HURLEY**—It will be close to a year later when we start the review, but nothing physically has started yet—we are just at the stage of nominating people?

**Mr Sullivan**—We have followed the direction of the Turkish government. I do not think the Turkish government ever saw this as being a very fast review. They have put in place a number of measures to ensure that, while a full range of reviews that they have initiated are in place, the conservation of the park remains.

**Senator HURLEY**—Do you have any idea of when it will formally start?

**Mr Sullivan**—I would expect that we will be discussing with the Turkish authorities in the next month how it will start. I would expect that the Australian experts will be there in the next few months.

**Senator HURLEY**—You were saying that there is no sense of urgency from the Turkish government about it, but is there any proposed time line for the—

**Mr Sullivan**—I do not think I ever said there was not a sense of urgency. I said they have always had a view that this task is a long and ongoing task. I would expect that, once we have met the Turkish request to nominate people, we will get from the Turkish government quickly now a time line and we will have a fuller exchange in respect of the terms of reference and the processes of the review group. I expected it to be something that probably quite a large group will undertake.

**Senator HURLEY**—It will be a large group?

**Mr Sullivan**—I think there will be quite a number of the Turkish historians and archaeological experts involved in the review.

**Senator HURLEY**—And how many Australians?

**Mr Sullivan**—There will be an Australian archaeological team of one or two individuals plus the Australian historian.

**Senator HURLEY**—What about the joint engineering review, which was the other part of the announcement?

**Mr Sullivan**—I think since that announcement by the two prime ministers there have been several significant episodes of engineering cooperation and review by Australian engineers of works and proposed works. That will continue. That has been largely carried out by an engineering firm called Arup Australia, with the assistance of another branch of Arup in Turkey.

**Senator HURLEY**—So you are saying it will not be a discrete review as such but, rather, just an ongoing work?

**Mr Sullivan**—It is an ongoing piece of work. Where this is all heading and where clearly the Turkish government wants to head is to update their master plan for the area to ensure that there is consistency with that master plan and that primarily the park, with all of its values, is conserved.

**Senator HURLEY**—You were saying that Arup has done some work already. What kind of work is that?

**Mr Sullivan**—Arup has done some work in terms of the roadworks that were in progress last year. They have done some work in respect of the protection—

**Senator HURLEY**—They have completed some roadworks?

**Mr Sullivan**—No, I would not say they have completed roadworks. There has been some involvement of Arup in the roadworks that were in progress, even to the point of suggested modifications to those roadworks. Arup have been involved in the protection of the sea face, particularly around Anzac Cove—there has been some work by Arup on that. And there has also been some preliminary work by Arup around Ridge Road and possible options to protect the values of Ridge Road, which are very sensitive in terms of military history.

**Senator HURLEY**—I am not sure what you mean by ‘involvement’. Are they making recommendations or is there any physical work going on?

**Mr Sullivan**—It is physical. They can only do their work by being there. They are contracted by us; they make recommendations to us. They provide reports from time to time, including reports which I think we passed on to you after last estimates. From that, we pass on material to the Turkish government. From time to time, Arup have been engaged in briefings to Turkish government officials, including the Turkish Minister of Environment and Forests.

**Senator HURLEY**—You mentioned some involvement in the roadworks that have been done. Will it need to be redone, or is it just a matter of some modifications?

**Mr Sullivan**—The Turkish government is conducting its own review of those roadworks. The roadworks in Gallipoli have been suspended for some time, and they are reviewing the roadworks in respect of their compliance with the master plan. It will be the Turkish government which determines whether or not there is modification to the roadworks as a result of that review.

**Senator HURLEY**—Could we turn now to some recommendations of the Senate report. I think you talked about some erosion, and the Senate report on the Gallipoli constructions recommended that a rock wall be built along the Anzac Cove road to safeguard against further erosion. The secretary of the DVA told—

**Mr Sullivan**—That is me.

**Senator HURLEY**—Yes, you told the Senate committee that there was a fairly compelling argument that the road would require some form of shore protection and that the Prime Minister wrote to the Turkish government on this subject last year. Can you tell me a bit more about progress on the seawall?

**Mr Sullivan**—Australia has part of that engineering advice. I think I mentioned earlier that Arup was giving some attention to protection of the sea face, particularly around Anzac Cove. We have put a number of engineering proposals to the Turkish government about how such a seawall could be built and what our preferences would be for that seawall. In its review of the road, the Turkish government will determine what is built in respect of a seawall.

**Senator HURLEY**—So it is just at the stage of discussion and recommendation? There is no question of construction work starting?

**Mr Sullivan**—Australia continues to provide its advice and expertise to the Turkish government, but at the moment all works in the Gallipoli National Park are suspended pending a Turkish government review and inquiry into their compliance with the master plan for the national park. That is something properly being conducted by the Turkish government and we are awaiting its outcome.

**Senator HURLEY**—You obviously talk all the time with the Turkish government. Do you have any indication of when they might start?

**Mr Sullivan**—I think they are little bit like we are sometimes. They keep saying ‘as soon as possible’ and ‘shortly’. There is evidence that the review has been ongoing. The review involves a number of the ministries in Turkey and the office of the President. We are waiting.

**Senator HURLEY**—We will move on to some of the other recommendations. One is that the committee strongly recommended remedial action to stabilise and restore the vegetation at

Anzac Cove. That was one of the key recommendations of the committee. What is the current progress of that revegetation recommendation?

**Mr Sullivan**—The committee recommended to the Australian government that revegetation of a place in Turkey take place. The Turkish government are aware of the committee's recommendations. There is no evidence of revegetation. It was a difficult recommendation. In respect of the cuttings themselves, I do not think it was physically possible to vegetate those cuttings. In respect of the beach, I think it is dependent upon the decisions regarding the seawall.

**Senator FIERRAVANTI-WELLS**—I just want to clarify. Mr Sullivan, as you know, I was part of that inquiry in Gallipoli. I would like to remind this committee that two reports were delivered: one was the majority report and one was the minority report. There were clearly different recommendations and different suggestions made. I think it is important to note—and this was a point that was made by both reports—that we are talking about Turkish sovereignty; we are talking about a site in a foreign country, where Turkey has sovereignty over that land. Senator, I would appreciate it if you could preface your comments by that assertion that was part of both the majority report and the minority report—that is, that these recommendations were purely recommendations of a group of senators to the Australian government, noting that Turkey has sovereign rights over the Gallipoli Peninsula. Mr Sullivan, if you are referring to recommendations or assertions, I would be grateful if you could put them on the basis of the majority and the minority report.

**Mr Sullivan**—Thank you. I will.

**Senator HURLEY**—You were saying that the Turkish government is aware of the recommendation. Was there a formal approach by the Australian government?

**Mr Sullivan**—No, the Australian government is yet to respond to that Senate committee report. There is not an Australian government position in respect of the report until a formal response to both reports comes from the government.

**Senator HURLEY**—Right.

**Mr Sullivan**—As you are aware, there was a Turkish government representative at all hearings of the committee. I know personally that they have the reports of the committee.

**Senator HURLEY**—Yes. I was merely asking if there had been a formal approach following that. Going through the recommendations—and bearing Senator Fierravanti-Wells's comments in mind—one of the other recommendations was that the committee recommended clearer guidelines for the future management, recovery, reburial and storage of human remains at Gallipoli. The comment was that the current arrangements are not clearly understood and their effectiveness is doubtful. Have clearer guidelines now been drafted in response to that Senate recommendation for the management, recovery, reburial or storage of human remains at Gallipoli?

**Mr Sullivan**—Again, in respect of that recommendation in the majority report, we are dealing of course with the Commonwealth War Graves Commission, who are responsible for graves on the peninsula. They have produced a document which is entitled *Discovery of remains in the Gallipoli battlefield—guidance notes for visitors*. That is on the department's

internet site and we have provided a copy of that document to the committee secretariat, so I thought you would probably have it.

**Senator HURLEY**—That is updated from—

**Mr Sullivan**—It was sent to this committee's secretariat in February. It was a response from the War Graves Commission. I think in the evidence provided at the hearing we talked a fair bit about the guidance for people in respect of the discovery of human remains. My view, which was given in evidence, was that there was clear guidance which some had ignored. Clearly, some senators viewed that there was confusion in those guidelines. We referred that to the Commonwealth War Graves Commission, which issued this document.

**Senator HURLEY**—In another recommendation, the committee recommended a full military historical audit of the entire battlefield area at Gallipoli with Australian priority for the Anzac area. Part of the recommendation was that the survey should be public information and should be continually updated. Has that audit been conducted?

**Mr Sullivan**—No, the Turkish government have determined that there will be an archaeological and historical study of the peninsula. That is their prerogative and that is what they are proceeding with. We have no authority to conduct a military history audit of the peninsula. We are participating with the Turkish government in respect of their review. But, as we also said, there have been considerable past audits of sites of significant military and conservation history, including those passed on to the committee and you in respect of the international contest for the park and the Turkish master plan for the park. A lot of good work has been done in the past in respect of understanding the sites of military significance inside that national park.

**Senator HURLEY**—Is that information public?

**Mr Sullivan**—Yes.

**Senator HURLEY**—So that recommendation really—

**Mr Sullivan**—This occurred well before any recommendation of a majority or a minority report of the Senate committee. That recommendation was again a recommendation which could only be directed at the Turkish government. It was a recommendation to the Australian government. When the Australian government responds to the report, that will be it. But Turkey has initiated, before the Senate inquiry and in agreement with the Australian government, a full archaeological and historical review of the park.

**Senator HURLEY**—So the recommendation was unnecessary?

**Mr Sullivan**—I am not going to say that any recommendation was unnecessary; I am saying that the Australian government has not responded to that report.

**Senator HURLEY**—Another recommendation was that a working group be established by the government to advise it on the coordination of conservation management planning of the Gallipoli site and that the group should include key government departments, the Returned Services League, the Australian War Memorial and historians and archaeologists with specialist knowledge of Gallipoli.

**Mr Sullivan**—The government will respond to that recommendation. I cannot make any further comment on that.

**Senator HURLEY**—Do we have any idea of when the government might respond?

**Mr Sullivan**—No, I do not. We have been until recent times still sending material to the secretariat.

**Senator HURLEY**—What kind of material?

**Mr Sullivan**—The conservation management guidelines, the copy of Dr Cameron's grant proposal and a few other things continue to be relayed to the committee secretariat on request.

**Senator HURLEY**—Another recommendation is that there be a joint standing military commemorations committee and that the commemorations committee would exercise bipartisan oversight over all commemorative programs including the management of all sites of Australian military heritage, thereby removing the risk of political exploitation of commemorative events by the government of the day. Is the department aware of any plans to form such a committee?

**Mr Sullivan**—That again is a recommendation of the majority view of the committee and the government will respond when it responds to the committee's report.

**Senator HURLEY**—So you are not aware of any plans along those lines?

**Mr Sullivan**—That would be up to government to announce.

**Senator HURLEY**—The committee also recommended that the Australian government should maintain a dialogue with the Turkish government on the symbolic recognition of Gallipoli, with the express objective of a management plan for the protection of Australian military heritage at Gallipoli. Has that dialogue opened?

**Mr Sullivan**—That dialogue opened a long time ago. It was formalised in recent times with the prime ministers meeting at Istanbul on 26 April last year, and that dialogue has continued, including with the visit to Australia of the Prime Minister of Turkey. That is an ongoing dialogue, and the Turkish government continue to assure the Australian government at every level that they are sensitive to, and wish to consult with, the Australian government and Australia on issues of significance to Australia and Gallipoli. Their record on that is very good.

**Senator HURLEY**—Briefly, just going back to roadworks and issues around that, apparently there have been some reports that there has been some subsidence in the road and around the VIP car park.

**Mr Sullivan**—The road was concluded to its current state on around 21 or 22 April 2005. It had one layer of asphalt across it, and it has not been progressed since. Our reporting on the condition of the road is that, after a Turkish winter, it is in fair condition and poses no threat to the 2006 Anzac Day commemorations. But there is evidence that the noncompletion of the road has seen it suffer somewhat in the conditions. In the car park near the Ari Burnu cemetery there is certainly evidence of some subsidence.

**Senator HURLEY**—Is that one of the things that Arup has reported on?

**Mr Sullivan**—We have not had Arup look at the subsidence of the car park. I expect that we will do that shortly.

**Senator HURLEY**—Is there something of greater priority that Arup is working on?

**Mr Sullivan**—No. The work that Arup has largely done has been in assisting Australia come up with our advice to the Turkish government on long-term issues. I see the fact that there has been some deterioration in a half-completed road over a Turkish winter as not surprising. We wait for the Turkish government review of those roadworks. We anticipate that, when the Turkish government conclude that review, they will make decisions with respect to repair, modification or whatever other option they determine, and it will be done well. I think to see these works done and then stopped, it does not surprise me that we are seeing some deterioration in both the car parks, where I think it was evident to some non-engineers that if you turn some fill into a car park rapidly you may expect some subsidence to occur. It is certainly not the issue that we are using Arup for in respect of our advice. Our advice to the Turkish authorities is really on ideas for long-term issues around the park, including things like the seawall, possible modification to the roadworks and the protection of other roads, particularly Ridge Road.

**Senator HURLEY**—You obviously have the advantage of having been to Gallipoli, whereas I have not. I am not aware of the general conditions of the road. Are there any other problems with the roads apart from that, that people could pick up on?

**Mr Sullivan**—A lot of the roads around the Gallipoli National Park are Turkish provincial roads. The road that we are talking about in terms of some subsidence in the car park would remain, and will continue to remain, as one of the better Turkish provincial roads that I have seen. That is no criticism; it is just a fact that Turkish provincial roads can be reasonably rough.

So, yes, there are concerns about almost every section of road in respect of the peninsula. There is concern about the road from Istanbul to Canakkale. It continues to improve each year but it is not an A-grade highway and we look at that road as being the basis of a road where several thousands of Australians travel down and up each year. So roads are an issue for Turkey. Turkey has spent a lot of resources in improving its road network. If you drive on the freeways between Istanbul and Ankara you will have seen tremendous improvement in respect of Turkish roads as compared to what they were 10 or 20 years ago. But there are roads of concern in provincial Turkey.

**Senator FERGUSON**—How long is it since you have been to the area concerned?

**Mr Sullivan**—I was there in October-November and I will be there again in the next month. Importantly, we have a DVA officer full time in Turkey and part of his duties is to be at that site providing us reports regularly, which he does well.

**Senator FERGUSON**—I was there at the end of October with a delegation and most of the roads that I drove on were a lot better than the ones I drive on at home in country South Australia. As for the work that was done along the road towards Anzac Cove up to Ari Burnu, I did not even know where the new road started and the old road finished. Admittedly, we were not looking that closely to find out where it started, but it was not noticeable.

I have never read the report that the Senate put down in relation to the issue—it is a report with a minority report—but having heard the recommendations that Senator Hurley read out tonight prior to asking her questions, I think it is very presumptuous of the Australian Senate when we are dealing with land that is Turkish land, Turkish sovereignty. I had a meeting with the Minister of Conservation and Forestry and they were very sensitive about all of the decisions that they were making. They have included the Australian government, I think, to a far greater degree than we might have had we been invaded by a foreign country and lost a lot of our own soldiers—some 80,000 Turks died on the Gallipoli peninsula as well as 15,000 or 20,000 Australians. I do not know that I would have been as generous towards the people that had invaded my country as the Turks have been to us. So I think that that it is very presumptuous of us to even suggest to them what they ought to be doing. The cooperation they have shown with the Australian government to this point has been beyond reproach, I think, and we as a country ought to be very grateful for their attitude, not critical of any work that they might do as a country that is not nearly as developed as ours and one for whom only in recent times has the Gallipoli peninsula taken such a prominent place in their history. I think those words ought to be on record.

**Senator HURLEY**—I am very grateful for the advice I am getting from Senator Fierravanti-Wells and Senator Ferguson. But I ask: has any of the erosion of the roads caused further damage to any of the historical sites?

**Mr Sullivan**—No. We are not seeing significant erosion of the road; we are seeing some deterioration in the road itself. Our major concern, and the thing that we have been monitoring most, is the impact on Anzac Cove itself of the road, particularly during a time when there is no seawall in place, and we are satisfied that that is not a significant problem. I think that the committee did canvass reasonably well the fact that the roadworks did cause some damage to some places of significance. My view and the department's view put to the committee was that that was not significant. Certainly, the winter since then has not seen erosion or further damage. In fact, what we have seen since then is, for instance, repairs to one of the pathways, in particular, which suffered with the cutting through of the beach cemetery area.

**Senator HURLEY**—Would it be possible for the committee to get copies of the report since the DVA employee has been at the site?

**Mr Sullivan**—We are sending a delegation to Turkey this week and I think I would be in a very good position to give the committee a report on the state of the roads after that. I think it will be within the time lines of the questions on notice anyway. That might be a better report than the assessments to date from Turkey.

**Senator HURLEY**—Thank you.

**CHAIR**—We are obliged to you, Mr Sullivan.

**Senator FORSHAW**—Unlike Senator Ferguson I have read the Senate Finance and Public Administration References Committee report. In fact, as most people know, I had a large part in writing the majority report as chair of the committee.

**Senator FERGUSON**—That is not why I did not read it!



**Senator FORSHAW**—Without going into a long debate, I was interested in Senator Ferguson's comments, some of which I do not disagree with but I think you have to tell the full story. We all recognise and respect that it is Turkish sovereignty but there are also obligations on various countries who are parties to international treaties with regard to the protection and management of war graves and memorial sites. Let us leave that issue aside. Another person who has read the report of the Senate Finance and Public Administration References Committee is Lord Faulkner, who is the chairman of the House of Lords All-Party Parliamentary War Graves and Battlefields Heritage Group of the British parliament. Are you aware of the correspondence that has been received by the Senate Finance and Public Administration Refs Committee and made public from Lord Faulkner on behalf of his committee?

**Mr Sullivan**—I am aware of it. I am not able to describe it or remember what it said. I am not acquainted with it like that.

**Senator FORSHAW**—I do not want to ask you questions if you are not familiar with it. It was made public last week, I think, by the committee. This letter was sent directly to me as chair of the committee; at least I recall that that was the case but certainly it came to the committee. I want to draw your attention to this statement in Lord Faulkner's correspondence: 'I am convinced that the summary recommendations achieved by your inquiry are highly appropriate in order to safeguard the Anzac and indeed other battlefields of the Gallipoli peninsula.' At least he and his committee thought our report was pretty good. Has the department thought to follow up with this all-party committee in the UK parliament?

**Mr Sullivan**—No.

**Senator FORSHAW**—That may be a matter of time. Would it be something that the department would do or consider?

**Mr Sullivan**—I think it would be something for the Australian government to consider. We are certainly providing advice to the government in respect of its response to the report. It would not be something that we would do. As a matter of course we generally do not communicate with other governments about issues in Australia.

**Senator FORSHAW**—I thought that would be your answer. Has the department been requested to provide any advice to your minister, any other minister or the government in respect of this correspondence? I am not asking what that advice might have been but whether a request has been made.

**Mr Sullivan**—We are in the process of briefing our minister on a range of Gallipoli issues, including the Senate report.

**Senator FORSHAW**—I am asking specifically—

**Mr Sullivan**—No, we have not been asked to and we have not provided advice to communicate with another government over the committee's report.

**Senator FORSHAW**—Whilst Lord Faulkner's committee is a committee of the UK parliament, we are dealing with a commemorative site and battlefields that involve not just Australian and New Zealand soldiers but also soldiers from many other countries who were

part of the forces at that time. Of course, the Commonwealth War Graves Commission has a major role in administering the interests of the many nations on the site. That is correct?

**Mr Sullivan**—The Commonwealth War Graves Commission is a committee of the Commonwealth.

**Senator FORSHAW**—It is for that reason I specifically asked whether the department had been asked for advice. I will leave it at that. I am sure that one day we will get the response of the government to our report. I am sure that will be read by Lord Faulkner and his committee as well.

**Senator FIERRAVANTI-WELLS**—Where is the DVA officer located?

**Mr Sullivan**—He is based in Ankara with the Australian embassy. Australia has announced the establishment of a consulate office in Canakkale and I would expect that our officer will spend some of his time in Canakkale and some in Ankara. At the moment he does that but he has no Australian government office down there to operate out of. He is based in Ankara.

**Senator HURLEY**—I have some questions in outcome 2 about dioxins on Navy ships during the Vietnam War. Some information has come through. There were a couple of articles in the Vietnam Veterans Federation newsletter regarding the use of water, in particular distilled and desalinated water, on ships that were in Vung Tau harbour during the Vietnam War. A study was undertaken by the National Research Centre for Environmental Toxicology at Queensland university in 2002 and it was found that the distillation processes used to produce drinking water by ships of the Royal Australian Navy during the war did not remove contaminants in the water and in some cases the toxicology actually increased due to the procedure used to purify drinking water. The study was based on one ship, the HMAS *Sydney*, which took water from Vung Tau harbour. It is believed that this water was contaminated with herbicides like Agent Orange. It is said that the water supplies came from harbours which had run-off from land which was contaminated by Agent Orange during the war.

The Queensland university experiments show that this water contained biologically significant levels of dioxins, some of which are known to cause cancer. We know that soldiers and airmen can claim for similar cancers already. With this study now out, it is possible that sailors can claim through the DVA as well. Also, deceased sailors' wives may be able to claim for war widows pensions if the veteran died of the relevant cancer. The Vietnam Veterans Federation article was calling for investigations on all Australian Navy ships involved in the Vietnam War to determine whether they might have been similarly exposed through the water distillation process. Is the DVA aware of which Navy ships had similar processes and which of these ships took on water in possibly contaminated areas?

**Mr Sullivan**—As you said, the docks and water contamination report by the National Research Centre for Environmental Toxicology was first made available to the Repatriation Medical Authority, the RMA, in May 2003. Since that time, the Repatriation Medical Authority has been considering its statement of principles, and that has been an ongoing process. It has already amended a number of the statements of principles by including a Vietnam related factor of consuming potable water that had been produced by the evaporative distillation of estuarine Vietnamese waters. Those statements of principles cover non-Hodgkin's lymphoma, myeloma, Hodgkin's lymphoma and malignant neoplasm of the

prostate. It has also considered potable water factors in the SOPs for diabetes, myelitis, chronic lymphoid leukaemia or chronic myeloid leukaemia but has not included those in the statements of principles. And it is still considering the medical and scientific evidence for the inclusion of a potable water factor in the investigations for malignant neoplasm of the lung, soft tissue, sarcoma, malignant neoplasm of the larynx and acute myeloid leukaemia. We are expecting those reviews to be completed midyear this year.

We are not the people to know where defence ships took water. We get involved in that if a claim is made. On the basis of their military service we will then investigate whether that illness may have been caused by water, and then we will rely on the RMA in respect of its statements of principles for an assessment to determine the linkage. But we do not hold records of what naval ships did where. That is something you would have to ask Defence or Navy about.

**Senator HURLEY**—So you are not aware of how many veterans could have been contaminated. You just wait for some claim. Is that what you are saying?

**Mr Sullivan**—No. We are investigating what the issues associated with water and water taken from Vietnamese waters are, and the RMA have made some progress in that in terms of providing some linkages in their statements of principles. They have also made some progress in not providing some linkages. They also have some further work to do. If we have a sailor or another service person of any sort for whom part of the investigation is whether or not the intake of water was a factor in the development of disease, clearly we pursue it. We understand in a general way how water was taken in in Vietnam, but we are not getting down to the specifics that you were asking in respect of what ships did what. That is something that is outside our domain.

**Senator HURLEY**—I understand that. But that is a wide range of possible diseases that you outlined—

**Mr Sullivan**—Some linked, and some proven not to have any linkage.

**Senator HURLEY**—Some proven not to have any linkage?

**Mr Sullivan**—Where the RMA has decided not to include them in statements of principles.

**Senator HURLEY**—But that is not a proved nonlinkage; it is just where the decision has been made that they are not.

**Mr Sullivan**—That is where our scientific adviser has considered and determined there not to be, in the statements of principles, a potable water factor. Some they have, and some they are still considering.

**Senator HURLEY**—But there is an understanding that contaminated water is a factor, and there may be hundreds, maybe thousands, of sailors who served on ships during the Vietnam War who are possibly now wondering if they might have been involved. Has there been some sort of information campaign about this factor?

**Mr Sullivan**—The information campaign to veterans is the same one. Whatever issue we talk about, we do not ever require a veteran to know that their condition is the result of an intake of water on a ship. What we encourage all veterans to do, if they are unwell or have a condition or disease and they have any suspicion that that condition is related to their service,

is to put in a claim. We will investigate it. The advisers that are available through the veterans organisations and other places have the information available about a whole range of potential issues.

The issue of beryllium was a classic. The fear of beryllium and poisoning by beryllium was raised and it certainly did cause a lot of concern and anxiety amongst a population which should not have had concern and anxiety about their exposure to beryllium. Our information campaign does not say ‘if you drank water on a Navy ship in Vietnam, watch out’; it is about the fact that if you are unwell, you have a disease or a condition and you believe that it is connected to your service then talk to us. We are not requiring that someone says, ‘My condition is related to my taking of water.’ We will investigate that.

**Senator HURLEY**—I do not think I am asking that veterans diagnose themselves and make the toxicological link to contaminated water, but I am wondering if perhaps there might be some information about the kinds of signs and symptoms that veterans should be aware of. It may not occur to them. If they did not have direct exposure to Agent Orange in Vietnam and they just sailed in and out, they may not be sufficiently aware that they should note those diseases, make further inquiries about them and just check whether they may have been related to their service in Vietnam.

**Mr Sullivan**—I think the Vietnam veteran community and the Vietnam veteran organisation community are very well aware that, if you like, there was no such thing as innocent service in Vietnam—they were exposed to a number of dangers. If you have a condition of any sort now, it is very difficult—I do not think there is a symptom in a Vietnam veteran in 2006 relating to the intake of water 35 years ago which we could describe. This is what we are talking about. We are talking about a group of veterans who, 35 years ago, took water. I do not think it is possible to describe that. What you are saying to people and to, for instance, almost any male of the age of a Vietnam veteran, ‘If you have an irritated bowel, you should be going to your doctor and having it investigated.’ The last thing I want to say to someone is, ‘If you remember drinking water 35 years ago and you have an irritated bowel, that may be related to the water so think about that.’

It is clearly good medical advice for all veterans, like the general population when they reach the age that Vietnam veterans are now at, to have regular health check-ups. That is promoted heavily across the veteran population. Where doctors detect conditions, a doctor’s first instinct is to start looking for a background that may concern him or her about where this came from. Doctors are very experienced. If you disclose that you are a veteran and you served in Vietnam they will at least query the connection and advise people to come to us. I think that is the sort of campaign it is—ensuring that veterans look after their health and have health check-ups and making sure that health professionals, in looking at them and at their health, understand their background as a veteran. That is where most of our cases come from. A doctor may say to a veteran, ‘You know, this could be related to your service.’ A Vietnam veteran will often say, ‘That was 35 years ago—how could that be the case?’ It takes a doctor to say, ‘This condition or disease I found could have been latent for a long time.’

**Senator HURLEY**—Is there any proposal then to have some kind of health study or further investigation of this so that perhaps you can inform those doctors more fully on what kinds of linkages they may be looking for?

**Mr Sullivan**—A major health study of Vietnam veterans, which looked at cancer incidence, mortality rates and other health issues, will be released this year. At the same time, the Repatriation Medical Authority is continually updating and reviewing the statement of principles relating to factors apparent in Vietnam that could be related to Agent Orange and water and all sorts of other factors that were present in Vietnam.

**Senator HURLEY**—I appreciate what you are saying about not alarming people unduly, but if these people have symptoms of leukaemia, Hodgkin's or non-Hodgkin's lymphoma, or anything like that, then they are going to be alarmed anyway. Certainly we would not want to have people unduly concerned; I appreciate that. I think that was something that was echoed in the Vietnam veterans' newsletter, but veterans still want to know more about the risks they may have been exposed to, the kinds of symptoms they might have and, I suppose, the exposure they might have had to these kinds of things.

**Mr Sullivan**—We are dependent upon the Repatriation Medical Authority in respect of our understanding of that scientific linkage. As I said, they commenced their work on this from the time they received the report of the National Research Centre for Environmental Toxicology. It is ongoing, and we are expecting the potable water factor consideration against a number of diseases to be determined by the RMA mid this year. We, in our processes, are dependent upon that advice. We will not step outside, except in the most urgent situations, and say that we will make a determination prior to getting such advice. One of the concerns that some Vietnam veterans organisations have had is that in some way this advice is being delayed. All I can say is I can assure you there is no delay. The RMA are working hard on this and will meet their timetable.

**Senator HURLEY**—What about those who have had a prior claim for cancer rejected? Should they be going back to have a look at that claim perhaps?

**Mr Sullivan**—If a statement of principles is amended, and they believe that that change in the statement of principles will see an acceptance of a disease or a condition, they should come back. At the time, if someone put a claim in and it was rejected on scientific medical evidence, and if that scientific medical evidence has changed, yes, they should be encouraged to resubmit their claim.

**Senator HURLEY**—Who will encourage them—the Vietnam Veterans Association?

**Mr Sullivan**—When statements of principles are altered, particularly in a significant way—for instance, with the potable water factor—we do not hide that. We will make it clear through the advocacy networks and in our outreach to veterans generally that a statement of principle, if it has changed, has changed.

**Senator HURLEY**—I am sorry, but I do not know what the advocacy networks are.

**Mr Sullivan**—Through the department, the government funds veterans advocates, trains them and assists them in their task of advising veterans around claims. It is making sure that we have got, if you like, an independent group out there who are providing advice and it is ensuring that the advice they give is as good as we can make it. That forms for us a very important network, because they would handle the bulk of all claims coming to us. In reaching out to a pensions advocate who may have 150 cases running, you can be assured that

the veteran population is finding out, generally. When statements of principles change, we certainly do not hide it in a big report or anything like that.

**Senator HURLEY**—What about past applications for war widow pensions where they may have been assessed as not qualifying? Is there any ability to go back over those?

**Mr Sullivan**—Again, if you wish to submit new evidence as to whether or not the death of your husband or wife was from war related causes, you may submit that new evidence—and certainly Legacy and other advocates will assist you to do that.

**Senator HURLEY**—And that same advocates network would have been advised to—

**Mr Sullivan**—Yes. They watch the statements of principles very closely.

**Senator HURLEY**—I want to move on to the question of servicemen missing in action and presumed dead whose bodies were not recovered during the war or subsequently.

**Mr Sullivan**—Is this the Vietnam War?

**Senator HURLEY**—Yes.

**Mr Sullivan**—That really is a matter for Defence.

**Senator HURLEY**—Really? So you have no involvement in—

**Mr Sullivan**—We have an involvement in respect of the Office of Australian War Graves, once it is determined that remains are the remains of an Australian service person. In respect of the search for remains and finding that the balance of evidence supports the remains, or doing a full investigation of the remains, it is largely with Defence. Some of the confusion is because it is something that my minister is largely responsible for in his role as Minister Assisting the Minister for Defence.

**Senator HURLEY**—So the funding for the group looking for the graves of people missing in action is a Defence related matter, not a matter for the Department of Veterans' Affairs?

**Mr Sullivan**—Defence are the responsible authority. They certainly take some advice from us and they use our historians, but it is a Defence matter.

**CHAIR**—It is a jurisdictional issue.

**Mr Sullivan**—Yes, Chair.

**Senator HURLEY**—I would to talk about the Vietnam Veterans Counselling Service, the service that assists veterans and their families to address problems. I understand that this counselling service is normally open to veterans' children if they are 35 years old or younger and that this was temporarily opened up to all children, regardless of age, of Vietnam veterans, from 1 July 2001 to 30 June 2006. Obviously this extension to all children will end in June this year. I understand that there are calls from the veterans community to keep it open to all children of veterans, whereas I understand that the cut-off age is 26 for children of veterans of other conflicts. It is a particularly sensitive issue. I understand that there is a high rate of suicide and problems among children of Vietnam veterans and that the government has been very sensitive to this—hence the extension that was made. Has any decision been made by the DVA to continue the extension of the age limit after June 2006?

**Mr Sullivan**—I will ask Mr Douglas to answer this. No decision has yet been made, but we note the fact that the cut-off date has not been reached, so there is still room for a decision to be made.

**Mr Douglas**—As Mr Sullivan has commented, that date has not yet been reached. The former minister and the current minister have both been approached about the impending nature of that date and its effect. The former minister had asked for advice to come from the National Mental Health and Wellbeing Forum, which is a body chaired by Major General Bill Crews, retired, who is the President of the RSL. The department will be obtaining advice from that forum and passing it on to the minister. The minister and the government will contemplate what action they wish to take, obviously closer to the date.

**Senator HURLEY**—We are now in February. We have a few months to decide. Obviously the decision will be made well in advance to advise people of whether their counselling will be continued.

**Mr Douglas**—I cannot answer that question. That is a matter for the government to decide.

**Senator HURLEY**—How many children of Vietnam veterans over the age of 36 have taken advantage of this extension period?

**Mr Douglas**—In 2004-05, approximately 360.

**Senator HURLEY**—Is that roughly the same for all of the five-year period or for the previous years?

**Mr Douglas**—I do not know the answer to that. I would have to take that on notice.

**Senator HURLEY**—Thank you, if you could. What was the cost to provide services for those additional clients?

**Mr Douglas**—I would have to take that on notice.

**Senator HURLEY**—You cannot give me a rough estimate?

**Mr Douglas**—We do not cost down to the individual client level. We have the total cost of the VVCS and it sees a total group of clients subject to availability and demand.

**Senator HURLEY**—So in making the decision about whether to continue, cost is not an issue?

**Mr Douglas**—No, that is not the point. I think that is a matter for the government to consider. It will consider the cost of continuing to provide those services and the opportunity of cost available if services were offered to other groups, or more availability of services could be taken up by the existing network.

**Senator HURLEY**—The decision will be made on the basis of, obviously, the recommendations of the National—

**Mr Douglas**—Mental Health and Wellbeing Forum.

**Senator HURLEY**—And there will be some consideration of the cost. Are there any other factors that could be considered?

**Mr Douglas**—I would imagine that government would consider a broad array of factors. It is a matter for government. It is a government decision, not one for the department.

**Senator HURLEY**—Still on health issues, I go to the atomic veterans health study. There is—I think I discussed this at last estimates—a cancer and mortality study by the Department of Defence of Australian participants in the British atomic testing program. Those tests were conducted at Monte Bello, Maralinga and Emu Field during the fifties and sixties. I understand it was completed in June 2001. In August 2001, the minister said:

The cancer incidence and mortality study is expected to commence as soon as the nominal roll of Australian participants in the British Atomic Tests program is finalised. The final version of the nominal roll is expected to be published by October 2001. Results of the study are expected to become available in the second half of 2002.

This is obviously way overdue and I understand from the estimates in November last year that there was some delay in finalising those reports. I think that Dr Horsley said that there was a Scientific Advisory Committee tentatively scheduled for early December 2005, and he went on to say:

We are hopeful that all three volumes will be signed off by the Scientific Advisory Committee at that time.

Can you advise me on the progress of that report and whether it has been finalised?

**Mr Sullivan**—It is very close to finalisation. I think that you could say it has practically been finalised but there is still some work to be done. The process then is that the Repatriation Commission will consider the report and provide some advice to government. I would expect that we will be advising our minister of the report, its outcomes and policy options for the government within the next month. I think that your chronology in suggesting that it is now five years late is very wrong. It is not that long. It was anticipated—and I think there was some hope—that this report would be finalised about midyear last year. It has proven to be a very complex issue for the Scientific Advisory Committee, and most of that delay was the Scientific Advisory Committee wishing to do more scientific work on it, particularly around dissymmetry testing and things like that of nuclear test participants.

**Senator HURLEY**—Will the report be made public?

**Mr Sullivan**—That will be up to government. Reports of this nature are generally made public but it is up to government to decide.

**Senator HURLEY**—We can wait until next month, I guess. There will presumably be some policy coming out of the study. I suppose it is just a bit concerning in terms of delay that obviously these tests were conducted in the 1950s and 1960s and a number of people are dying from cancer year by year as we go along. There is therefore some—

**Mr Sullivan**—I hope that you are not suggesting that nothing has been done in respect of nuclear testing participants, including treaties with Britain 40 years ago. This is a modern study. They were charged with examining the linkages between radiation and illnesses connected with radiation. It is—as I anticipate the release of the report will make clear—a very complex issue.

**Senator HURLEY**—I think you mentioned previously a health study into sons and daughters of Vietnam veterans. It was in August 2004, I think, that the government announced it would examine the feasibility of conducting such a study. The feasibility study is being led



by the Scientific Advisory Committee. Has the minister's office received the report of the feasibility study?

**Mr Sullivan**—It is not the health study that I mentioned before. The health study that I mentioned before was a cancer and mortality study of Vietnam veterans. This, as you correctly describe it, was a commitment by the government to a feasibility study and, no, the minister has not seen that report. The Repatriation Commission has considered it once, has asked for some further work and, again, that will be a report which we expect to go to the minister and therefore to government very shortly in respect of the Scientific Advisory Committee report, the consultative forum's view of the report and our options in respect of the government response to the report.

**Senator HURLEY**—You are saying that it should be dealt with shortly?

**Mr Sullivan**—No, what I have said is that we will be passing advice to the minister shortly.

**Senator HURLEY**—If that study indicates that such a study is feasible, I am presuming that the decision should be made in time for the next budget round?

**Mr Sullivan**—I think that the government will consider its report. The commitment of government was to commission a feasibility study. That feasibility study was commissioned. It is now ready to report. The department is ready to provide policy options. What the government does with that is up to the government.

**Senator HURLEY**—I want to ask about the study you did mention, which was the Vietnam veterans mortality study and the cancer incidence study, which, as you have said, would update the mortality figures for Vietnam veterans. The previous study was published in 1997. I understood that it was expected to be completed late last year or possibly early this year. Can you advise me of the progress of that study?

**Mr Sullivan**—The study will produce four reports. The first is the Cancer Incidence in Vietnam Veterans Study. That report has been completed, but it will be released in conjunction with the other reports that I will talk about. The second report is the Third Vietnam Veterans' Mortality Study. That report has now been signed off by the scientific advisory committee, so it will be completed shortly. The third report is a mortality and cancer incidence study of national servicemen who served in Vietnam compared with national servicemen who served in Australia. That report is not yet completed. It is nearing completion. The Repatriation Commission wants the three reports to be released together because they present a picture. In their individual elements it is hard, because you could get a different picture.

There is a fourth report which is going to discuss the findings on the effect of dapsons, which is an antimalarial, on cancer incidence and mortality among Army veterans. We do not need the fourth report before we release the other three. All of these health studies we have talked about will be with government in the first quarter of this year. Possibly the Vietnam mortality one will be a bit later, but not much later.

**Senator HURLEY**—Would any of those studies include the problem or possible problem with drinking water exposure that has been identified?

**Mr Sullivan**—I do not know whether it examines the drinking water exposure. What it is really looking at, without looking for cause, is what the incidence of cancers is in Vietnam veterans and what the mortality issues are amongst Vietnam veterans, and then again to look at this comparison between national servicemen in Vietnam versus national servicemen who never served in Vietnam, particularly in respect of cancer incidence. It is not looking for the cause. It is looking for a connection rather than a cause.

**Senator HURLEY**—When you are looking at the incidence of cancer, it is any kind of cancer—it does not necessarily have to be linked to war service?

**Mr Sullivan**—Yes.

**Senator HURLEY**—I want to briefly go back to the Vietnam Veterans Counselling Service. We were talking previously about the extension of the counselling service to children of Vietnam veterans over the age of 36. I appreciate that you said previously that you just have an overall cost, not an individual cost, but can you tell me the numbers of people accessing those counselling services under the age of 36? We have gone through the numbers of those over the age of 36, which you said was 360 in 2004-05.

**Mr Douglas**—The total number of sons and daughters of Vietnam veterans assisted in 2004-05 was 2,180, 83 per cent of whom were under 35; 17 per cent were over 35. Hence my approximate 360, because 17 per cent of 2,180 is roughly 360.

**Senator HURLEY**—I will take your word for it. What about children of veterans other than Vietnam veterans who are accessing this service?

**Mr Douglas**—I would have to take that on notice.

**Senator HURLEY**—I will move on to pre-paid travel for those veterans who want to appeal a decision by the Department of Veterans' Affairs to the Veterans Review Board. As I understand it, the practice has been that where veterans apply before they travel they are paid the claim in advance, presumably so the funds are available in advance to cover the cost of travel up front and they do not have to wait for reimbursement. There was an article in the *Vietnam Veterans Federation of Australia Magazine* saying that these advance payments of pre-paid travel was stopped in February 2005 and then later reinstated in November. This article stated that the minister admitted it was illegal to not make the payments and the department reinstated the payments. I believe that it is clearly stated in the act that these payments are allowed for. Are those reports correct? Was there a period when those advance payments were suspended?

**Mr Douglas**—I understand that to be the case. My recollection is—and I do not claim to be a total expert on this—that the issue of confusion arose in relation to transport arrangements for those in receipt of compensation as opposed to transport arrangements for those seeking access to compensation. For those who are in receipt of compensation, the provision exists for travel for treatment. Attending a VRB hearing or an AAT treatment could not fit the definition of treatment. My understanding is that there was a period of time during which there was a hiatus when people thought that we did not have the right to be paying for this treatment. It has now been resolved that there is a right for that transport to be paid for, and it was reinstated, as the newsletter suggests.

**Senator HURLEY**—Who made the decision that it should be suspended?

**Mr Douglas**—My recollection is that this was a matter that occurred in Queensland. I believe it may have been a decision of the deputy commissioner, but I would have to take this on notice. I recall the instance, but the detail of it is not before me.

**Senator HURLEY**—Thank you. And could you also tell me on notice when they were reinstated.

**Mr Douglas**—Yes, we will include that in the answer.

**Senator HURLEY**—During that nine months that the payments were not being made, how many applications were received and then refused?

**Mr Douglas**—We will take that on notice.

**Senator HURLEY**—You have mentioned that the prepayments cover treatment. There have been some reports from veterans that they cannot receive advance payments to visit a specialist clinic if they do not specifically see the specialist. Is that right?

**Mr Douglas**—The department requires a statement, generally signed off by the treating physician, that the travel is for treatment. In most cases there is no difficulty with getting access to that. We have a standard form most health professionals are aware of and sign off on, and that is provided in advance of the travel in many cases.

**Mr Sullivan**—I can stand corrected, but I do not think the act provides a prepayment. It provides for payment—whether that is a payment in advance or a payment on receipt of dockets et cetera. We do in some instances approve and pay in advance. In other instances we rely on a person paying for their travel and seeking reimbursement from us. If it is wrong, I will correct it, but there is nothing in the act which says that we will prepay travel. It says that we will pay for travel.

**Mr Douglas**—The model is predominantly a reimbursement model.

**Senator HURLEY**—I will be happy to get advice, and I could well be wrong about the sections here, but section 170C of the act, which talks about the advance of travelling expenses, says:

If the Commission is satisfied that:

(a) it is reasonable to expect that a person may become entitled to travelling expenses under section 170B; and

(b) it is appropriate, in all the circumstances, that the person should be paid an advance on account of those expenses;

the Commission may authorise the payment of that advance to the person.

**Mr Sullivan**—According to my eminent legal adviser, in respect of the VRB that section is right. In respect of most other travel, we do not mention payment in advance. I think we will build it into a comprehensive answer for you.

**Senator HURLEY**—In fact, it was those appeals to the VRB where it was most wrong, but perhaps it might not apply to a visit to the specialist.

**Mr Sullivan**—I think we should now rely on going on notice and making sure that we are right.

**Senator HURLEY**—I look forward to that. I move on to the RPBS—the prescription services. Starting from 1 January 2006, the safety net threshold for veterans increased from 52 prescriptions per year to 54 and will increase by two extra prescriptions per year until it reaches 60. This will mean veterans will have to pay for eight more scripts before they reach the safety net. In a speech at the opening of the annual congress of the Vietnam Veterans Association of Australia on 27 May 2005, Ms De-Anne Kelly said:

An important measure affecting veterans involves changes to the Repatriation Pharmaceutical Benefits Scheme. From January 2006, the threshold for the Pharmaceutical Benefits Scheme, which also applies to the RPBS, will be increased by two prescriptions each calendar year for the next four years.

She is saying that the RPBS is equivalent to the PBS. She also said:

Eligible veterans and war widows will continue to benefit from concessional rates on prescription medicines and the provision of the pharmaceutical allowance.

Is it necessarily true that whatever happens to the PBS will happen to the RPBS? Are they exactly linked?

**Mr Sullivan**—If the government determines that the same thing happens, then yes. If the government determines that the same thing will not happen, then no. But in that measure it determined that for both PBS and RPBS it would change.

**Senator HURLEY**—I wonder if there was an attempt then to exclude the RPBS from these increases.

**Mr Sullivan**—You are asking me to delve into government policy decision making; I am not going to do that.

**Senator HURLEY**—Perhaps Senator Macdonald would like to venture a comment.

**Senator Ian Macdonald**—I will not be, Senator Hurley. Thank you for the opportunity.

**Senator HURLEY**—Can we go into the increased maximum cost to veterans. When we reach the 60 prescriptions in 2009, what will be the increased cost when it is fully implemented?

**Mr Douglas**—Six times \$4.70.

**Senator HURLEY**—I will not ask you to do the maths for me again. What is the cost to veterans in increasing the copayment?

**Mr Douglas**—The copayment is \$4.70 per prescription. In addition they are paid a pharmaceutical allowance, which is currently \$5.80 per fortnight for each family unit.

**Senator HURLEY**—Is this to be the pattern of things to come? Is this where veterans who are eligible for the RPBS will find themselves? The government has said many times that it is under pressure from escalating costs under the PBS. Is this going to be reflected in the RPBS?

**Mr Sullivan**—Now you are moving from delving into past decisions to delving into what decisions may happen in the future, and that is not for us to answer.

**Senator HURLEY**—While we are still on this issue, the government has removed calcium tablets from the PBS, effective 1 December 2005. This is a drug which is frequently used, obviously, to treat osteoporosis. Its removal means that pensioners with osteoporosis must now pay around \$13 a bottle for tablets that previously cost them \$4.60. When calcium tablets were struck off the PBS they seemed to be automatically taken off the RPBS as well. In the estimates of June 2005 it was suggested that the Repatriation Pharmaceutical Reference Committee would review this decision, with a possible aim of placing calcium tablets back on the RPBS. Why were calcium tablets taken off the schedule in the first place?

**Dr Killer**—The calcium tablets were on the PBS, not on the RPBS. So they were not taken off the RPBS. Veterans had access, as all other Australians do, to the PBS, so there was no actual removal.

**Senator HURLEY**—They were on the PBS and veterans, like other people, either do or do not have access to that.

**Dr Killer**—The PBS provides pharmaceuticals for veterans and non-veterans. The RPBS provides additional items. If an item comes off the PBS, it applies to both veterans and non-veterans.

**Senator HURLEY**—Is there any proposal to put those calcium tablets on the RPBS as an extra item?

**Mr Sullivan**—There is no proposal to do that, but we have certainly listened to people's views on it and will provide some advice to our minister in respect of it.

**Senator HURLEY**—I think there was some hint that that might occur. Do we know how many individual veterans were receiving calcium tablets before it was delisted?

**Mr Douglas**—We would have to take that on notice. We do not have that figure.

**Senator HURLEY**—In the Senate estimates of June 2005, in answer to a question from Senator Bishop about calcium tablets—he asked the same question, about why calcium tablets were being deleted from the RPBS—Dr Killer said:

It is an interesting question. Primarily we take our direction from the PBS, as you know, for commonly prescribed items, and calcium is one of those. But, if an item is deleted from the PBS, the RPBS then has to make a decision, based on the treatment needs of the veteran population, about whether or not that particular medication should be listed specifically for veterans.

I think that is pretty much the answer you just gave. Dr Killer went on to say:

It is an ageing population. It has increasing feminisation. Many of the war widows, and in fact many of the males also, have osteoporosis.

He then said:

... it is up to the pharmaceutical manufacturer who manufactures calcium to approach the RPRC, our reference committee, with an argument that this particular medication should be listed on the RPBS. That is the process involved.

Has that process begun? Has there been an application?

**Dr Killer**—An application has been received, but it is still in the process of examination. That application is in the process of examination.

**Senator HURLEY**—Yet I think it was explained quite clearly in those estimates the importance of those tablets for many people. It was explained how essential it is that there be treatment for osteoporosis and how essential calcium tablets are in that process. Would it not be a fairly quick process? We are dealing with a fairly ageing population here —veterans, probably much more clearly than the general population, would be in need of treatment for osteoporosis along the lines described.

**Dr Killer**—It is a considered process where an application is put forward by the pharmaceutical company and then the application is considered by expert members of our Repatriation Pharmaceutical Reference Committee. Then a recommendation would be made by the reference committee. The recommendation then goes through the department to the Repatriation Commission. Then, if the commission sees fit, a recommendation goes through the minister. So there is a formal process. With all of the checks and balances, it does take time. It does not happen immediately.

In relation to the management of osteoporosis, it is not just calcium that is important; it is physical exercise and a number of other components that are equally if not more important than calcium itself. Osteoporosis is a condition we are well aware of in the veteran population and the possible listing of calcium on the RPBS is currently going through the process.

**Senator HURLEY**—I have one last question to follow up a question I asked at the estimates in November, and that concerns the director of the Office of Australian War Graves. I asked questions about Gary Beck, who was appointed as director in January 1998 and reappointed in January 2001. He was reappointed for a third term in January 2003 for a term of three years ending in January 2006. However, following some contention about Anzac Cove and Hellfire Pass Mr Beck went on leave. He was on leave for four months ending on 18 January 2006 and it was estimated that that leave cost \$50,000. What was the final cost of Air Vice Marshal Beck's extended leave ending on 18 January 2006 and granted by the then minister?

**Mr Sullivan**—There is no change in the estimate of \$50,000. If you want it down to dollars and cents I will have to take it on notice. Nothing has changed since I gave you that estimate. His term expired on 18 January and that is when his leave expired.

**Senator HURLEY**—What about other costs such as the cost of putting in an acting director in his position and then temporary—

**Mr Sullivan**—The additional cost is the leave. If we had not put in an acting director there would have been no additional cost of Mr Beck being on leave. The additional cost of having that acting director was \$50,000 paid to Air Vice Marshal Beck while he was on miscellaneous leave.

**Senator HURLEY**—The cost for the acting director was exactly the same as for his substantive—

**Mr Sullivan**—It is a statutory appointment so his remuneration is determined by the Remuneration Tribunal and that is what he was paid.

**Senator HURLEY**—What progress has been made in finding a new director?

**Mr Sullivan**—We advertised the position. We used an executive search agency which put forward a number of names to the previous minister, who was close to finalising the appointment. The current minister is reviewing those names and I think he will be moving to the finalisation of the appointment soon.

**Senator HURLEY**—I have another question on Gallipoli and the roads and car parks there. There is another report of problems with the drainage system on that same road. Is that correct?

**Mr Sullivan**—I am not clear what you mean by that. There are a number of issues. The drainage system is not complete on the road. The drain on the road is quite some centimetres above the level of the road because the level of the road is not yet concluded. There have certainly been some problems in some of the drainage culverts, if that is what you refer to. The drainage system is doing as well as you would expect for an incomplete road.

**Senator HURLEY**—In view of that and the problems of the road, does that involve any flooding?

**Mr Sullivan**—No. The road is a much improved road in respect of drainage in its current state compared to how it was. It has come through the Turkish winter, which is not yet over but is substantially over, in reasonably good condition. When people go to Gallipoli this year they will see, as Senator Ferguson would have seen, that the sharpness of the cutting has dampened quite considerably. A purely personal observation from my several trips to Gallipoli, where I run into many Australians, is that their observation is: ‘What’s the fuss about this road?’ The road needs conclusion. That is something the Turkish government understands and the Turkish government has processes in place to achieve.

**Senator HURLEY**—Will that mean a rebuilding of the road?

**Mr Sullivan**—The road will have to be concluded. Whether that is just the completion of the servicing of the road, whether any of the deterioration of the road would suggest that there has to be further base work done to the road and whether the Turkish government decides that the road needs to be modified in any way is up to them. We would like to see the road concluded, but we are very supportive of the fact that the Turkish review of the road is about the conservation of the park. We are very satisfied that the road does not offer impairment to the safe conduct of the 2006 Gallipoli commemorations.

**CHAIR**—Thank you, Mr Sullivan, Senator Sandy Macdonald and all the officers for attending at such a late hour.

**Committee adjourned at 11.12 pm**