



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

Consideration of Additional Estimates

WEDNESDAY, 21 FEBRUARY 2001

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Wednesday, 21 February 2001

Members: Senator Sandy Macdonald (*Chair*), Senator Hogg (*Deputy Chair*), Senators Bourne, Ferguson, Payne and Schacht

Senators in attendance: Senators Calvert, Faulkner, Ferguson, Harradine, Hogg, Lundy, Sandy Macdonald, Mason, Schacht and West

Committee met at 9.03 a.m.

DEFENCE PORTFOLIO

In Attendance

Senator Ian Macdonald, Minister for Regional Services, Territories and Local Government

DEPARTMENT OF DEFENCE

Portfolio overview and major corporate issues

Portfolio overview – White Paper

Lieutenant General Des Mueller AO, Vice Chief of the Defence Force

Mr Greg Harper, Chief Finance Officer

Dr Richard Brabin-Smith AO, Deputy Secretary, Strategy

Major General Simon Willis CSC, Head, Defence Personnel Executive

Colonel Doug Stedman, Deputy Head, Reserve Policy

Budget summary

Mr Greg Harper, Chief Finance Officer

Mr Ken Moore, First Assistant Secretary Business and Finance Services

Mr Rick Martin, Assistant Secretary Budget Management

Financial statements

Mr Greg Harper, Chief Finance Officer

Mr Ken Moore, First Assistant Secretary, Business and Finance Services

Mr Rick Martin, Assistant Secretary, Budget Management

Defence Reform Program/Competitive Tendering and Contracting

Commodore Syd Lemon, Director General, Organisational Effectiveness

Personnel

Defence Personnel Executive

Major General Simon Willis CSC, Head, Defence Personnel Executive

Brigadier Bob Brown CSC, Director General, Personnel Plans

Ms Dianne Clarke, Director General, Resource Management- Personnel Executive

Mr Adrian Wellspring, Acting Director-General, Personnel Policy and Employment
Conditions

Brigadier Wayne Ramsey AM, CSC, Director General Defence Health Service

Ms Bronwen Grey, Director Defence, Equity Organisation

Defence Legal office

Commodore Michael Smith, Director General, Defence Legal Office

Capital investment: Major capital equipment projects and major capital facilities projects**Defence Materiel Organisation**

Major General Peter Haddad AM, Commander, Joint Logistics

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

Dr Ian Williams, Head, Land Systems

Air Vice Marshal Ray Conroy AM, Head, Aerospace Systems

Dr Graham Kearns, Head, Industry Division

Ms Shireane McKinnie, Head, Electronic Systems

Air Commodore Jon Pike, Director General, Aerospace Materiel Management

Major General Peter Dunn AO, Head, Change Management Materiel

Air Vice Marshal Norman Gray AM, Head, Airborne Early Warning and Control

Defence Estate Organisation

Mr Jeff Whalan, Deputy Secretary, Corporate Services

Mr Rod Corey, Head, Defence Estate

Mr Ross Bain, Assistant Secretary, Property Management

Other Portfolio Issues**Outputs****Output 1: Defence operations**

Air Vice Marshal Robert Treloar AO, Commander, Australian Theatre

Mr Kevin Pippard, Director, Business Management, Headquarters Australian Theatre

Output 2: Navy capabilities

Rear Admiral Brian Adams AM, RAN, Deputy Chief of Navy (representing Chief of Navy)

Mr Les Wallace, Director General, Navy Business Management

Rear Admiral Kevin Scarce CSC, RAN, Head, Maritime Systems, Defence Materiel Organisation

Commodore Paul Greenfield, RAN, Director General, Underwater Weapon Systems

Commodore Peter Clarke, RAN, Commander, Australian Navy Submarine Group

Output 3: Army capabilities

Lieutenant General Peter Cosgrove AC, MC, Chief of Army

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

Dr Ian Williams, Head, Land Systems Division

Output 4: Air Force capabilities

Air Marshal Errol McCormack AO, Chief of Air Force

Mr George Veitch, Assistant Secretary, Resources Planning-Air Force

Air Vice Marshal Ray Conroy AM, Head, Aerospace Systems

Output 5: Policy advice

Lieutenant General Des Meuller AO, Vice Chief of the Defence Force

Dr Richard Brabin-Smith AO, Deputy Secretary, Strategy

Mr Greg Harper, Chief Finance Officer

Mr Martin Brady AO, Chairman of Defence Intelligence Board

Mr Ken Moore, First Assistant Secretary, Business and Finance Services

Mr Shane Carmody, Head, International Policy
Rear Admiral Christopher Ritchie AO, Head, Capability Systems
Air Vice Marshal Peter Nicholson AO, Chief Knowledge Officer

Owner Support Groups**Public Affairs and Corporate Communications Group**

Ms Jenny McKenry, Head, Public Affairs and Corporate Communications

Inspector General Group

Mr Claude Neumann, Inspector-General
Mr Jason Brown, Assistant Secretary, Security

Enabling Groups**Corporate Services Group**

Mr Jeff Whalan, Deputy Secretary, Corporate Services
Mr Patrick Hannan, Head, Defence Information Systems
Mr Peter Sharp, Head, Corporate Support

Outcome 1**Output 1.1**

Ms Jeanette Ricketts, Branch Head, Income Support, Compensation and Support

Output 1.2

Mr Neil Bayles, Acting Branch Head, Disability Compensation, Compensation and Support

Output 1.3

Mr Bruce Topperwien, Executive Officer, VRB

Output 1.4

Mr Barry Telford Branch Head, Housing and Aged Care, Health

Outcome 2

Mr Geoff Stonehouse, Division Head, Health
Ms Narelle Hohnke, Branch Head, Health Services, Health
Ms Kay Grimsley, Branch Head, Younger Veterans and Health Support, Health
Mr Chris Harding, Branch Head, Specialist Business Advisor, Health

Output 2.1

Ms Narelle Hohnke, Branch Head, Health Services, Health
Ms Kay Grimsley, Branch Head, Younger Veterans and Health Support, Health
Mr Barry Telford Branch Head, Housing and Aged Care, Health

Output 2.2

Ms Narelle Hohnke, Branch Head, Health Services, Health
Ms Kay Grimsley, Branch Head, Younger Veterans and Health Support, Health
Mr Chris Harding, Branch Head, Specialist Business Advisor, Health

Outcome 3

Air Vice Marshal Gary Beck AO, Director, Office of Australian War Graves
Ms Kerry Blackburn, Branch Head, Commemorations, Corporate Development

Output 3.1

Ms Kerry Blackburn, Branch Head, Commemorations, Corporate Development

Output 3.2

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

Outcome 4

Mr Geoff Stonehouse, Division Head, Health

Output 4.1

Mr Barry Telford, Branch Head, Housing and Aged Care, Health

Output Group 5

Dr Neil Johnston, Secretary, DVA

Mr Ian Campbell, Deputy President, DVA

Dr Graeme Killer, Principal Medical Adviser, DVA

Mr David Mackrell, Division Head, Corporate Development

Mr Murray Harrison, Manager, Information Management, Compensation and Support

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

Mr Michael Guilfoyle, Director, Budgets, Resources Branch, Corporate Development

AUSTRALIAN WAR MEMORIAL**Outcome 1**

Major General Steve Gower, Director

Mr Mark Dawes, Assistant Director, Corporate Services

Department of Defence

CHAIR—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. We will first consider the particulars of proposed expenditure for the Department of Defence and then mid-evening the Department of Veterans' Affairs. I welcome Senator Ian Macdonald, the minister representing the Minister for Defence, and officers of the Department of Defence. The committee will first put questions of a general nature under the portfolio overview and major corporate issues. We will then consider outputs and groups in numerical sequence. The committee has before it the particulars of proposed additional expenditure for the service of the year ending 30 June 2001, documents A and B, the Portfolio Additional Estimates Statements for Defence and the statement of savings and the department's annual report. As the committee considers each output and group, questions may be asked about any of these documents. The committee has resolved that answers to questions on notice are to be lodged with the committee by Thursday, 22 March 2001. Minister, would you like to make an opening statement?

Senator Ian Macdonald—Only to say how delighted I am to be here. I am not sure I will be able to contribute a great deal to the information and knowledge of the committee but I look forward to learning, along with the rest of us, a little more about Australia's defences.

CHAIR—Thank you, Minister.

Mr Harper—Mr Chair, I would like to make an apology to Senator West. In one of our responses to a question on notice from the November budget supplementary estimates hearing we provided incomplete information. That relates to question No. 35 from those hearings concerning security alarms. Apparently, due to a breakdown in communication between two divisions within Defence, we provided an incorrect answer. We have now investigated more thoroughly the matter that Senator West raised and I understand that the committee has been provided with a brief on the monitoring of security alarms at some Defence armouries. Mr Corey, Head, Defence Estate, is ready to take any questions you may have on that matter when Defence Estate appears later in the portfolio overview.

Senator WEST—Can I say thank you for finally providing me with the brief. This was a question placed on notice several times. The first time it was placed on notice I also had an off

the record conversation with a Defence official to state the areas that I was actually looking at and what I was looking for. Each time the answer ‘no’ has come back very dismissively—a blanket no—or that ‘none of these sites utilises the analog network’. When I was asking something in the past tense they were using the current tense. On occasions this is the sort of thing that has happened when we have asked questions of Defence: there has been this smart, slick footwork. Because we have not precisely worded a question and used the exact terminology that is used within Defence, there is a bit of a sleight of nimble footwork to get around it.

I will read this brief in more detail and more closely and think about it. But if it keeps happening, before I end up out of this place, I will seriously consider making one of these sorts of difficulties a matter of privilege in the Senate, because I am just getting sick and tired on occasions of having to fight hard to get an answer, or to have a question answered but only in the very strict wording in which we have asked the question. We do not have the Department of Defence’s or the ADF’s knowledge of the accurate and complete terms, and it is a little bit annoying to find this sort of treatment. I thank you very much for this brief and I will certainly be asking Mr Corey some more questions about it at a later time.

CHAIR—Thank you, Senator West. We now move to the portfolio overview and the white paper. For those people listening to this on broadcast, this section of questions will involve, of course, the portfolio overview and also the budget summary, financial statements, Defence reform program, competitive tendering and contracting, personnel, all questions for the Defence personnel executive at this time and also questions on military justice. They will be followed by capital investment, major capital equipment projects and major capital facilities projects, all questions for the Defence Materiel Organisation, all questions for the Defence Estate Organisation, and other portfolio issues that might arise. So we will proceed now with the general overview, and I call Senator Hogg.

Senator HOGG—Before commencing, I must put on record my thanks to the department for the informal brief that we had a couple of weeks ago. That was a most useful exercise for both officers of the department and for me and other senators who were in attendance. It was very helpful indeed. There is no specific order to the issues I am going to raise to start off with, but first I want to catch up on the meeting that would have been held, I believe, within about the last fortnight—I think it was of one star and above—

Senator WEST—The love-in?

Senator HOGG—We have euphemistically called it the love-in. It was held at Wollongong the previous year, then it came back to Canberra. Can we get some update as to the latest meeting—when it was held, who attended, a broad outline of the agenda and also an idea of the costs associated with the meeting.

Mr Harper—The senior leadership summit was held on 11 and 12 February in Canberra and included all available star-ranked officers of the military and all available SES band 1 officers and above in Defence. That amounted to about 200 people. The summit considered the organisation’s renewal agenda, how we might implement the government’s white paper in the most efficient fashion and other matters relating to leadership within the organisation.

Senator HOGG—When you say ‘renewal agenda’, are you able to elaborate on that in any way?

Mr Harper—There is a broad front of organisational renewal taking place within Defence that goes to our business management, our people leadership and a number of issues relating to how Defence behaves in its non-operational affairs in a more business-like way. This goes to managing our finances on an output focus, on an accruals basis, to aligning internal accountability for resources with the internal accountability for delivering certain products, if I can use that business type of jargon, to an increasing focus on becoming a results focused, values based organisation, improving the governance of our committees so they are focused on the ends which are to be achieved and perhaps the constraints within which they must be achieved rather than the rules by which we might achieve certain results, the theory behind that being that, if one prescribes how something is to be done, it constrains initiative and the ability of people to use their experience, skills and background in delivering the required product in the best way possible and that it is better to indicate what is to be achieved and what means of achieving it are not on.

Senator HOGG—That is helpful, but if I might interrupt you there I would like to ask what assessment is made post the weekend to measure the effectiveness of the weekend. We are bringing together some 200 top personnel from within Defence.

Mr Harper—It is probably early to measure that. A key part of the weekend was how we can communicate the renewal agenda with our large—in numbers—and geographically dispersed organisation. There was considerable work undertaken on how we might use the technology which is available in 2001 to distribute via our intranet the story of where we have been, where we are at and where we are trying to go—and in particular to distribute information which we are progressively populating into a version of the balanced scorecard, which we call the Defence Matters scorecard, so that people can see what results we are trying to achieve—in our language, for the government as our customer and for the government as owner of the enterprise in our model. We are trying to indicate the targets that are being sought and the results on the way through the year.

Some considerable feedback was amassed from the large number of people there, which occasionally broke into smaller working groups. That is being assessed and digested at the moment. We will be following through on a number of the issues that were raised there over the next few weeks.

Senator HOGG—What sorts of issues were raised?

Mr Harper—We are a large and complex organisation. It is important for us to recognise that and to transmit information in a way which is best received by members of our—without getting too sociological—different cultural groups within the organisation. Different work streams within the organisation have started work so that they can better distribute to their own people an idea of where they have been, where they are, how they fit into Defence as a whole and the government's desire for us to become an organisation that sets the standard.

For example, people within my group, at one of the sessions at the workshop, spent time together looking at how we might use the technology—we describe it as a 'graphic plan', which is a pictorial representation—to augment the verbal presentations that we make in writing to our people, so that we could better communicate with the people in my group, how we can contribute to the improvement of Defence's non-operational performance, how we can interact with other groups in the organisation and how they might understand what we are trying to achieve in our complex organisation. It is possible, in an organisation as complex

and as large as ours, for people to be confused by what, say, my group is trying to achieve. If it lacks context and reason, people in other groups can feel that we are perhaps seeking to impose on them unreasonable requests and demands for information.

Senator HOGG—What sort of cost was involved? I am not wanting an exact figure, but a ballpark figure.

Mr Harper—Direct costs were revealed of \$130,000. There would have been some additional costs, which I do not have captured in front of me, which would relate to the travel of some of our people who would have moved from interstate. That expenditure would have come from their own budgets. I do not have an estimate of that in front of me.

Senator HOGG—It is not a big issue but it is, nonetheless, an important issue. These are held twice a year, are they not?

Mr Harper—I do not have an extensive history in Defence myself. One was held on 23 June last year for a day, in Canberra. Prior to that there had been one in February of 2000, as you indicated in Wollongong, and there had been one in February of the year before, also in Wollongong.

Senator HOGG—What I am trying to look at is this: that there is some purpose to the whole exercise, that there is some assessment being made of the process to ensure that it is not just a matter of people coming together for a weekend—whilst that might be good for some people—that there is also a real purpose to it and that, at the end of the day, Defence is getting value for money.

Senator WEST—Did spouses or partners attend this weekend as well?

Mr Harper—No, Senator. It was actually a Sunday and a Monday. It was attended only by Defence officials.

Senator WEST—There were no functions on the Sunday evening, the Saturday evening or the Monday evening that spouses went to as well?

Mr Harper—No. In the evenings we had addresses from external speakers.

Senator HOGG—I turn to the address by Admiral Barrie to the whole of the Defence Force. Can we have some comment about how that has been received? Have there been any responses to the very important issues that he raised in that address, even though it may well be early days yet?

Lt Gen. Mueller—I take it you are referring to the much publicised stand-down period with reference to military justice within the Defence Force. I think the person who is best placed to offer comment on what may be described as feedback would be the Director General of the Defence Legal Office who would be able to phrase that in terms of the feedback which has been provided to the Burchett inquiry as a result of Admiral Barrie's address.

Senator HOGG—If that person is not available now we will take the answer later in the day. Undoubtedly we will come back to it.

Lt Gen. Mueller—I think he can provide some insight into it.

Senator HOGG—I raised it up-front because it was such a prominent and important issue that had been raised by Admiral Barrie. I thought it might be appropriate now. Turning to the white paper, can you give us the total cost of the development and the production of the white paper?

Mr Harper—I don't think we can now, Senator. We would have to take that one on notice.

Senator HOGG—If you are going to take that on notice—and I accept there are a number of costs involved—when you are giving the breakdown, can you look at the personnel, consultancy, printing, administrative, advertising and marketing costs? I do not want to put you to an onerous exercise. If you have some permutation or combination of that which you think might suit, just let me know and I will see if that is satisfactory. I would like a breakdown of those costs. Can we also have the total costs, and a breakdown of costs, of the community consultation process and the production of the report? Again, I will understand if you have to take that on notice.

Mr Harper—Certainly, Senator.

Senator WEST—Do you have any interim estimates as to what the costs are to date?

Mr Moore—We have some figures for the community consultative process but not for our own internal costs—what it cost Hugh White and his team to put the white paper together.

Senator WEST—What were the community consultative costs?

Mr Moore—The figure I have is \$317,000.

Senator WEST—How was that made up?

Mr Moore—I have no breakup. Again we will have to take that on notice and provide you with the detail.

Senator WEST—How many consultations took place for that \$317,000?

Mr Moore—There were 64 meetings held by the consultative team with some 6,000 attending those meetings and they received over 300 written submissions.

Senator WEST—So that is roughly \$4,900, just under \$500 per meeting, unless my calculator is wrong.

Senator HOGG—Is the \$317,000 you mentioned simply a meeting cost or an advertising cost?

Mr Moore—As I said, Senator, I have no breakdown of that figure. We will have to take that on notice.

Senator HOGG—Yes, please.

Senator WEST—I would be interested to know whether that includes the salaries and whether the payments made to the consulting group are included in that. With the cost of halls and hire at just on \$5,000 a pop, I think you would be struggling to get transport, accommodation and TA—if you could break it down please.

Mr Moore—I suspect the figure I read out excludes a lot of the defence support costs which Hugh White would have picked up as part of his budget, rather than the additional cost directly attributable to the consultative process, but we will make that clear in the answer.

Senator HOGG—All right, and if they are costs that have been picked up by Hugh White's section, will his section be supplemented for those in any way?

Mr Moore—He was given a budget. That team was set up specifically to develop and produce the white paper and has since disbanded. If I could correct part of my answer: there were two processes involved. There was external consultation and internal consultation. The figures I read out were the internal consultation process.

Senator WEST—Thank you.

Mr Moore—We also have the statistics for the external consultation process: 2,000 attended the community meetings, there were over 5,000 emails, 3,500 telephone calls and voice messages, 1,150 submissions, and 25 public meetings were held with attendances ranging from 15 to over 250.

Senator WEST—But you do not have the dollar figure for that?

Mr Moore—No. I would prefer to take that on notice.

Senator WEST—Thank you.

Senator HOGG—Would you outline for us the funding details contained in the white paper and provide a breakdown of the extra \$23.5 billion over the next 10 years?

Mr Moore—Yes, Senator. The funding increase of \$23.5 billion works out at about three per cent per annum for the next 10 years, starting in 2001-02. I have the figure per year if you would like it.

Senator HOGG—Yes, please. It might be easier if you tabled that, rather than read it.

Mr Moore—I could table that.

Senator HOGG—Could you give us the salient figures?

Mr Moore—It starts next year at \$500 million, which is made very clear in the white paper. The year after that it is \$1,000 million and the year after that it is \$1,375 million. It keeps growing until year 10, which is 2010-11, when it becomes \$4,670 million. Those figures are cash figures in December 2000 price and exchange rates. We are currently updating that figure as part of our budget development process for the 2001-02 budget. The figure that we will put in the portfolio budget statement for next year will be an update of that. When we turn the cash into accruals, we add things like the capital use charge and we update it for price and foreign exchange. The figure you will see in the portfolio budget statement will be quite a lot higher than the \$23½ billion that was announced.

I should also point out that, before you get to that \$23½ billion over 10 years, the government also agreed to the retention of some of the East Timor supplementation we have been provided. That was provided as a non-base adjustment—in other words, we were given it originally only while we were in East Timor and were required to generate additional forces for that deployment. In particular, we raised two additional Army infantry battalions to help support that deployment and, as part of the white paper process, the government has agreed that those two additional battalions and an increase in the Air Force of some 555 personnel, plus the 3,000 in Army in those two battalions, we will retain long term. So there is an amount of about \$415 million that we have also had related to some of that East Timor supplementation becoming a long-term base line adjustment. That happened first, and then the three per cent per annum increase was added on top of that, but I will make that clear in the tabled details.

Senator HOGG—Will that be contained in the material that you will table?

Mr Moore—Yes, I will make that clear.

Senator WEST—Regarding the three per cent or the \$23.5 billion, in the white paper there are number of pieces of kit and equipment to be purchased and there are dollar figures put on those. I presume that those are rather rubbery, given the exchange rate and the drop in the exchange rate? Can you give me some indication of what level of exchange rate this \$23.5 billion was based on?

Mr Moore—Yes, it was built on the Australian dollar being worth US57½¢. It is worth considerably less than that now, as you would appreciate.

Senator WEST—You are dead right. When was it last 57½¢?

Mr Moore—That was the rate used by government generally for the Midyear Economic and Fiscal Outlook back in November.

Senator WEST—So that was dictated to Defence by the figure that the government works on?

Mr Moore—That is right, Senator. That has subsequently been updated as part of the 2001-02 budget process. We have been advised of revised parameters, both for exchange and price, and those will be built into our budget estimates for next year.

Senator WEST—So the \$23.5 billion is somewhat rubbery—flexible?

Senator Ian Macdonald—‘Rubbery’ is not the right term.

Senator WEST—I do not say that with any nasty connotation. It is flexible in that there is an exchange rate component in there that has got to be taken account of.

Mr Moore—That is right, Senator.

Senator Ian Macdonald—It is always difficult, as you would understand. I attended a meeting with some senior economists recently where they were suggesting that the value of the Australian dollar would be up to 65¢ this year. I cannot believe it myself.

Senator WEST—I think I am with you, Minister.

Senator Ian Macdonald—But this was said by someone who should know, so it is always very difficult.

Senator WEST—It is flexible, yes. That is fine, thank you.

Senator HOGG—I notice that Senator Faulkner was asking some questions of the Department of the Prime Minister and Cabinet on Monday in respect of the basis of the \$23½ billion. An article in the *Australian* on Tuesday said:

The Government made much in its white paper of its pledge to spend an extra \$23.5 billion on defence over the next decade compared with this year’s spending.

The article then goes on:

It promised to lift spending an average of about 3 per cent a year over the next decade from this year’s figure of \$12.2 billion.

But if it had not shifted \$400 million of spending into last year’s Budget, the starting point would be higher and the increase over the decade would be \$4 billion less than claimed.

I am sure you are familiar with the *Hansard* of Monday and the minute that Senator Faulkner referred to. Can you shed light on the figures that claim that the base has been distorted and, if so, how can you correct that?

Senator Ian Macdonald—I will get the officers to answer that but, as is very often the case in our business, the newspaper article is entirely wrong, and Senator Faulkner’s assumptions are equally incorrect.

Senator HOGG—I will assist the committee by reading some of the minute, which I am sure—

Senator Ian Macdonald—It is your committee, you do what to you like.

Senator HOGG—I am sure that that might assist the officers.

Senator Ian Macdonald—I doubt that it would. The officers will give you the factual situation—

Senator HOGG—I am sure they will.

Senator Ian Macdonald—which will establish my opening comments that the newspaper article is incorrect.

Senator HOGG—If I can take you to something which is quite factual, for the officers' sake—

Senator Ian Macdonald—I thought you might have liked to hear the facts, but it is your day.

Senator HOGG—I am giving them an opportunity to respond to the facts. The minute, as I understood it, said:

At the request of the Prime Minister's Office, PM&C requested urgent advice on Defence's capacity to bring forward expenditure from 2000/01 to the current year. Our understanding is that assistance in the order of several hundred million dollars was desired.

Any such measures will need to be reflected in the Additional Estimates which we understand are due to be tabled this week.

That was back on 22 November 1999. It continues:

While of little material benefit to Defence, and making no contribution to reducing future Defence cost pressures, supporting this initiative may assist in future Budget negotiations.

Senator Ian Macdonald—We do have a copy of this from the previous estimates committee.

Senator HOGG—It goes on:

By exercising contractual early payment clauses in major equipment projects (effectively moving payments from July to June), and bringing forward productive expenditure in logistics support, information systems, facilities maintenance and some smaller scale measures, a total of \$400m can be brought forward.

In another paragraph it goes on:

The principal difficulty will be explaining consequential reduction of the base level Defence expenditure in 2000/01.

So the question quite reasonably is: has bringing forward that money reduced the base, which has reduced the effectiveness of the white paper in the longer term?

Senator Ian Macdonald—We will get the answer which, as I say, will demonstrate what I was saying.

Mr Harper—Perhaps I will use my language rather than try to respond to the question in the terms in which you put it. That sum of \$400 million was not brought forward. An amount of \$150 million was moved between the 2000-01 budget and the preceding year and is incorporated in a table on page 9 of the portfolio additional estimates statements, which were foreshadowed in the statements you were reading into the *Hansard* just then. The point mentioned in the article in the *Australian* to which you referred was based on the assumption that the increase in funding in respect of the white paper was on a base which had been reduced by \$400 million. I have just suggested that \$400 million did not ever move—\$150 million did, but that movement occurred in the year prior to the base that the white paper is

predicated on. So, in short, there is a bringing forward of projected expenditure from 2000-01 to 1999-2000. The white paper is based on the budget year which is in prospect and, in common with similar budget proposals, is based on the figures that are in the forward estimates for those years.

Senator HOGG—So you are saying the three per cent is a real three per cent.

Mr Harper—Yes.

Senator HOGG—So the \$150 million—even if one accepts the figure, and I am not doubting your figure there—has not in any way diminished the projected outcome, the effect, that the white paper was supposed to have.

Mr Harper—No. Just to clarify again, a sum of projected expenditure was moved from one year to the preceding year. The white paper increment, in the terms that Mr Moore was describing earlier, summing to \$23.5 billion is on the base that commences the year after the years that we are talking about.

Senator Ian Macdonald—If I can make that more clear, perhaps: there are three years; it went from year 2 to year 1; the base was year 3.

Senator HOGG—Time alone will prove that, so I am not going to pursue that any more at this stage.

Senator Ian Macdonald—Time alone will not—they are the figures; they are all there for everyone to see.

Senator HOGG—I am not going to say I am convinced at this stage, but that is my prerogative. Are you able to provide the committee with a table outlining what the Defence budget would be on current estimates for each year over the next 10 years if maintained in real terms and how that compares to each year over the next 10 years with the extra money?

Mr Moore—We have an agreed Defence funding base with the Department of Finance and Administration, which is updated annually in the budget development process. So we are in the process of doing that through the 2001-02 budget both right now with the Department of Finance and Administration and in March with the expenditure review committee of cabinet. So the figures that I have got currently for the Defence funding base really are built on the 2000-01 budget as negotiated right now, rather than what might happen as a result of ERC deliberations in March.

Senator HOGG—Could I just clarify one thing. You are saying that the white paper figures are based on next year's budget and not this year's budget.

Mr Moore—No, I am not saying that at all. You might recall that the white paper was announced in December and the figures that we were using then were the budget base across not just his year but 10 years based on this budget. But, as Mr Harper has explained, the adjustment for the funding for the white paper starts in 2001-02.

Senator HOGG—I understand that.

Mr Moore—And the \$150 million, if you like, was not touched in that year, so the base for the white paper funding was clearly not affected by that \$150 million.

Senator HOGG—Coming back to my question, though, do you have a table which does show the current estimates for each year over the next 10 years you have maintained in real terms?

Mr Moore—Yes, I do. I could also table that.

Senator HOGG—If you can table that as well we will not go through it in microscopic—

Mr Moore—I will put it in the one table with the white paper figures so that you can see the base—which was built on zero per cent real growth, as you might recall from previous hearings—and I can show that over the 10-year period, the additional money for those two additional battalions that were generated for Timor and then the three per cent on top of that, so you can see what the new funding base becomes.

Senator Ian Macdonald—Is that the table you talked about earlier and have tabled?

Mr Moore—I have not tabled it yet, Minister. I read out some of the numbers but I agree with the senator that we will table the complete set.

Senator Ian Macdonald—So that is the same set of figures?

Mr Moore—Yes.

Senator HOGG—Can you provide us with a list of capabilities and acquisitions that the white paper capability plan has listed, the year it is expected to come into service, and the expected cost of the acquisition?

Lt Gen. Mueller—The detailed Defence Capability Plan is a classified document. What would be possible, with the minister's agreement, would be to provide an indication of what is foreshadowed but with the excision of any aspects of it which must remain classified.

Senator HOGG—I would accept that if there are good reasons for this to be classified, as we always have at this committee, that that would take place.

Senator WEST—There is a whole list of capabilities and acquisitions in this document, surely to goodness providing a list of all of those is not going to be classified, because they are in a public document.

Lt Gen. Mueller—Yes. The comprehensive Defence Capability Plan is not a public document. Although it does relate intimately and is derived from what is contained in chapter 8 of the white paper and such a list can be provided to the committee.

Senator HOGG—And also the other list that you spoke about, can that be provided as well? I presume they are one and the same?

Lt Gen. Mueller—Yes, they are. I was not speaking of two lists.

Senator HOGG—You were speaking of one list which will excise those bits that need to be excised.

Senator Ian Macdonald—Just let me understand that: you are going to summarise what is in chapter 8 into a table?

Lt Gen. Mueller—Yes.

Senator Ian Macdonald—It is publicly available and therefore not secret.

Senator HOGG—What changes have occurred or will occur to the projects listed in the pink and white acquisition books as a result of the white paper?

Lt Gen. Mueller—When you say changes, in what context?

Senator HOGG—Additions or deletions.

Lt Gen. Mueller—The capital investment program—and I am referring here to that part which is as yet not approved by government—is being significantly revised as a result of what is contained in the white paper and in particular what is foreshadowed under chapter 8, the

Defence Capability Plan. If you look at the back of that chapter, it makes it quite clear that, as a result of the white paper, government will be pursuing significant enhancements to capabilities in the Defence Force.

Senator HOGG—Thank you. Are there any projects that were delayed pending the release of the white paper that subsequently will proceed as a result of the release of the white paper? I am talking here about major acquisition projects.

Lt Gen. Mueller—I will invite the representative from the Defence Materiel Organisation to talk on this.

Major Gen. Dunn—There were some projects that were held pending the release of the white paper—for example, Air 87, the armed reconnaissance helicopter for employment in the Army. That RFT has now been released and progress is under way.

Senator HOGG—Are there any others? Did the AWACS fall into that category?

Major Gen. Dunn—We will happily provide a list. The airborne early warning control aircraft and the replacement patrol boats are all now progressing, so if you like we will take it on notice to provide you with a list of all those projects that are now progressing as a result of the white paper.

Senator HOGG—All right—and where they are at currently. You said that there is one where the RFT has been released. Are the others at that stage?

Major Gen. Dunn—In terms of the airborne early warning control aircraft, we are progressing with that, but we are not yet progressing with the replacement patrol boats. All the activity that is necessary to prepare us for that is now under way at full speed, given the release of the white paper.

Senator HOGG—How much of the extra \$500 million for next year and the \$1 billion for the year after will be spent on the capital budget, how much on personnel and how much on admin costs? Are you aware of that?

Mr Moore—The bulk of the funding in the white paper—the \$2½ billion—is for capability and for the net difference in personnel and operating costs as a result of phasing out one type of capability and replacing it with another. In the early years, virtually all the additional funding is for capital, and it will be dedicated to the acquisition of particular project platforms and so on as they are delivered. There is money for, as I say, the net difference in personnel and operating costs as a result of replacing the current patrol boats—which is an example—with a new type of patrol boat.

Later on, from about 2004-05, the white paper also provides for a two per cent per annum funding increase for our personnel, both civilian and military. Before that period, Defence has already made allowance from its existing funding base for sufficient funds to cover the agreements we have in place with both our military and civilian personnel. The government recognises the importance of attracting and retaining the right type of people and has provided Defence with funding as part of the \$2½ billion from, as I say, 2004-05 so that we can sustain an average of a two per cent per annum funding increase in salaries for both service and civilian personnel.

Senator WEST—So that funding on personnel will be on salaries?

Mr Moore—And salary related allowance and conditions of services.

Senator WEST—Right. It is not to actually get more personnel?

Mr Moore—No, Senator. The white paper announced that the military side would be held at about 53,500 to 54,000 people, from memory, which is the authorised strength. The fact is, as I am sure the Defence Personnel Executive could point out, we are having difficulty keeping that number.

Senator WEST—We will have one or two questions about that later.

Senator HOGG—Why wasn't the Defence deflator used in calculating the funding requirements in the white paper, considering that it has been used for 20 years or so? Doesn't it mean that, in real terms, the budget will not be maintained?

Mr Moore—There has not been a single Defence deflator, in my memory, at least—which goes back about a decade. We have been using a basket of deflators developed by Treasury, and that is just for price movements. As you will appreciate, we have had separate arrangements to cover us for our foreign exchange risk.

What the government decided in the white paper was to move us from this basket of deflators to a single deflator, the non-farm GDP deflator. Even though we have been using a basket, about 95 per cent of the Defence budget has been covered by two deflators, a running cost deflator and the capital deflator. The actual deflators themselves are highly protected by Treasury and are not publicly released, for obvious reasons, but we have done a comparison between staying on the old deflators and moving to the new ones, and our estimate is that we will not be any worse off by this change to the use of a single deflator.

Senator HOGG—You say that is your estimate. How accurate is that? Are you marginally worse off or marginally better off?

Mr Moore—My estimate is that we are about the same.

Senator HOGG—About the same.

Mr Moore—Yes, Senator.

Senator WEST—In the white paper, on pages 73 and 74 it talks about extra funding for cadets. It is talking about \$30 million by 2002. I would like to know how that is going to be spent—a breakdown, please.

Mr Moore—We do not have the details with us. We could take that until we could get somebody—

Senator WEST—I see a hand being waved at the back.

Major Gen. Willis—The figure of \$30 million for cadets is made up effectively of about \$24 million that is spent on cadets at the moment which is embedded in the service programs, so in fact it is an extra \$6 million. For the details of how that extra \$6 million will be spent, I have got Colonel Stedman here, who is in the new cadet organisation that is being set up in Defence, who is working with the review to bring the outcomes to fruition. There is some discussion about differences between \$15 million and \$24 million, but effectively it is about \$24 million that is currently spent.

Col. Stedman—The extra \$6 million is essentially intended to allow us to implement recommendations from the report *Cadets: the future*, which was publicly released in December last year. The report was prepared by a review team headed up by Mr John Topley. Recommendations in that report included establishing a directorate of cadets and a regional management structure for the cadet organisation, at a cost of approximately \$1.8 million; rolling out an information technology network in cadet units, at a cost of approximately \$2 million; and undertaking an indigenous cadet pilot program, at a cost of about \$845,000—those figures are in the order of. Those costs do not equate totally to \$6 million but essentially

the majority of the \$6 million is intended to be able to implement those recommendations from the *Cadets: the future* report.

Senator WEST—What is the IT roll-out?

Col. Stedman—It is essentially intended to be able to provide some form of IT support in cadet units, be that laptops or something similar, so that officers of cadets are provided with technology to enable them to more easily provide administrative support to generate reports and so forth, thus minimising the amount of time they have to spend doing that and allowing them more time to actually run the activities of their cadets units.

Senator WEST—I find those things make more work. How many cadet units are freestanding community cadet units?

Col. Stedman—We can give you the exact figure very shortly. My understanding is that we have 430-odd cadet units, of which I think in the order of 130 to 150 are in schools. So on a quick calculation—

Senator WEST—At least 300.

Col. Stedman—Yes, I think in the order of 280 to 300. But I will confirm those figures for you very quickly.

Senator WEST—That can come on notice. Whenever you install IT, it brings with it its own security needs. The flying training corps and those sorts of units that I see are usually in little wooden huts in a park or somewhere that can be used as a parade ground. I think the Air Training Corps at Bathurst is actually at the airport. The security in those places is negligible, to say the least, because they are isolated and have everything that makes them a security risk in terms of break and enter. What is going to happen about that? Is that aspect being addressed.

Major Gen. Willis—I do not know the precise detail but, in a general sense, all those aspects are always assessed when we are setting up new stations. Of course, we not only have access to these educational and training and reports online but also have CD based activities: for instance, the electronic library services where we have a lot of training programs on CDs that are much easier to secure. Also, a lot of these cadet camps are held adjacent to major bases where there would be a more secure area where the appropriate pro formas or reports could be accessed and sent from there and downloaded and taken out to the camp as appropriate. I am confident that all those sorts of activities would be addressed.

Senator WEST—Does this include additional money for additional cadet camp exercises?

Col. Stedman—The *Cadets: the future* report was a very complex and comprehensive report with a large number of recommendations—10 core recommendations and 38 enabling recommendations, a number of which had subrecommendations. We are still in the review stage of working out the implementation planning for that report as to which recommendations or how the recommendations will be implemented, and perhaps we are not yet at the position of being able to go into detail about the particular issues you are talking about. There is certainly no specific funding item in any of the recommendations related to an increase in cadet activities.

Senator HOGG—When do you expect to be in a position?

Col. Stedman—We would hope to have the implementation plan prepared and submitted to government for consideration by mid to late April, early May. They are the timings that we are aiming towards.

Senator WEST—How many cadets have you got within the 430 units at present?

Major Gen. Willis—It is in the order of 27,000. I will get you the exact figure.

Senator WEST—You state in the white paper the following figures:

... 22% of full time ADF personnel and 25% of Reservists were once cadets.

I am interested to know how many of those 27,000, say, from 10 years ago, went into the ADF. That is a lot of people. If you have got only a couple of hundred recruits coming through each year to the officer corps, you have a lot of cadets who are not going to go near furthering a defence career.

Major Gen. Willis—That is true, but I have not got the figures over a 10-year—

Senator WEST—If you can get the figures for me, that would be fine. I would appreciate that.

Major Gen. Willis—I am not sure if we have the exact figures of how many cadets we have had over 10 years, but we will certainly look into it. We have lots of data. If we have got them, we will certainly send them.

Senator WEST—You always trot out the 22 per cent and the 25 per cent. I want to know what the converse is.

Senator HOGG—Whilst we are on cadets, we might as well deal with this issue. Who holds the responsibility for cadets?

Major Gen. Willis—The duty of care for occupational health and safety is held with the department through the position of the secretary. They are not members of the ADF as such. They are deemed to be employees of the Department of Defence for occupational health and safety reasons.

Senator HOGG—That was reported in your annual report. There have been a number of unfortunate incidents where young people have died in the pursuit of operations as cadets. So the issue of health and safety for those people, the protection of those people and the duty of care, is very important. What assurances have we got that there is a tightening of the responsibilities being exercised over these young people?

Cdre Smith—It is clear, at law, that the Defence organisation does owe a strong duty of care to these young Australians who participate in the Australian cadet movement. There is no doubt about that. That is at common law. In particular, for those under 18 years of age—the minors, at law—there is a special duty of care analogous to perhaps a school, and it is a high order of responsibility. The reserve cadet instructions, as I understand it—and I would defer to the colonel—do contain strong guidelines as to this responsibility, and there is also training in place to ensure that the adults in these supervisory situations do discharge that duty.

Senator HOGG—I note in the annual report on page 295:

The Minister's declaration, gazetted on 15 December 1999, imposed a clear 'duty of care' obligation on the Department of Defence for all members of the Australian Services Cadet Scheme.

It goes on:

In response, the Defence Safety Management Agency has worked with the Services to develop a cadet safety program for members of the scheme.

It outlines what the program should involve:

The program incorporates a review of the safety and risk management elements of cadet scheme training, the establishment of safety committees, clarification of notification and reporting systems, safety audits of cadet facilities and a safety awareness program.

That is very comprehensive. Whilst that was a response to a declaration of the minister in 1999, unfortunately there has been a tragedy in my state since then. How much of the Defence Safety Management Agency worked with the services to implement that program and where do we see the results of the safety and risk management analysis, the establishment of safety committees, clarification of notification and reporting systems, how well the reporting system is operating, what safety audits have taken place and what safety awareness programs have been conducted?

Major Gen. Willis—We have engaged an external consultant to conduct a comprehensive audit of defence arrangements for cadet safety through the DSMA. The scoping study of that audit is expected shortly, and we expect the results of that study in March this year. I have not got much to add until that stage of the game, and I would prefer not to have to go in this forum into the recent accident, as it is subject to a board of inquiry.

Senator HOGG—No, that was never my intention and I think that you know me well enough to know that I am not going to go down that path. I am just trying to find out what the department is doing. We have this focus in the white paper on cadets, with the \$30 million and the extra \$6 million; it is not insignificant. I am not singling out any specific incident as such, but I do note that it is clearly reported in the annual report. There are issues raised there, such as the safety audit. I think you have answered that part of it. What about a safety awareness program and the establishment of safety committees: is there a system for notifying and reporting incidents? These are the sorts of issues that will give people confidence in the system. Given that this was a response to the minister's gazettal of 15 September 1999, a bit of water has flowed under the bridge since then. So I am just trying to get a fairly good update as to where we are at.

Major Gen. Willis—In addition to what I stated about the audit, the secretary in CDF, in May of last year, issued an ADO safety policy statement which made quite clear to all members of the ADO the importance of safety—how it is the supreme law, so to speak. As well as that, the services have extended this release through their own chains of command down to those responsible for cadets in their area. There have also been some safety courses—in fact, a pilot three-day course on safety management for 21 officer instructors in North Queensland has been conducted. After some minor changes to the course it is hoped that it will be released on a national basis for all cadets—for delivery to cadet staff. Duty of care got a very high profile recently at the leadership summit, as well as safety. A safety bulletin titled 'Managing young people at work' has been prepared and is on our web site. So a lot of things are ongoing in this regard.

Senator HOGG—I do have an interest in this area and I have asked questions about it before. I think you can rest assured that I will be looking forward to the outcome of your audit, even though it is a scoping study at this stage, when we get to the full estimates in May this year.

Major Gen. Willis—Certainly, Senator, and I will keep you informed on an off-line basis on these matters, if you so wish.

Senator HOGG—Yes. Particularly as it involves young people, I would be interested in organising some briefing if we can.

Major Gen. Willis—Certainly, Senator.

Senator HOGG—May I just raise, out of the white paper, a couple of other issues. The white paper, in my perusal of it, unless I have missed it, seemed to focus on the Pacific, more than the Indian Ocean. Is there a reason for that, or is it just that I have missed something, Dr Brabin-Smith?

Dr Brabin-Smith—I think that you have made a perceptive observation there, Senator Hogg.

Senator HOGG—I do not know if I am perceptive.

Senator WEST—You know that he reads every clause and adds up every column of figures—

Senator HOGG—Please, stop picking on me. I know that I'm a Queenslander! But is there a reason for that?

Dr Brabin-Smith—I think it just reflects our strategic geography. There is some reference to India and Pakistan in the document.

Senator HOGG—Yes, there is, and that is why I am interested. India has a very large—

Senator WEST—It is the world's second largest population, isn't it?

Senator HOGG—And it has a large navy, as I understand it.

Dr Brabin-Smith—And the Indians are quick to remind us that they are the world's biggest democracy, too. I think it is fair to say that our defence relations with India have not been extensive in quite a few years. There was the interruption to our defence relationship with both India and Pakistan at the time that they both conducted their nuclear tests. Since then we have had the military coup in Pakistan, thus continuing to restrict our defence interaction with that country. We continue to look for ways to develop the defence relationship with India, but in practice this has happened only slowly.

Senator HOGG—Have we re-established our links with India and Pakistan?

Dr Brabin-Smith—Not Pakistan, no. With respect to Pakistan, the government's concerns are that there was the military coup in Pakistan and that Pakistan still has a military government. With respect to India, we resumed our defence adviser in the High Commission in New Delhi in January this year and we expect India to resume their defence adviser in their High Commission here in Canberra later this year.

Senator SCHACHT—Following on from Senator Hogg's point, it is not just India and Pakistan. Sri Lanka has a civil war at various levels and there is an authoritarian regime in Burma that is at various stages fighting what it would call insurgency groups, et cetera—all adding to instability in South Asia. They all have a potential to continue to provide instability. Would that not have required—as in Senator Hogg's perceptive comment—more detailed analysis?

Dr Brabin-Smith—I think that the white paper would have been a longer document had we done that.

Senator HOGG—That is obvious, but it does not make it any less valuable.

Dr Brabin-Smith—Some of the issues that you raise, Senator Schacht, trespass—if that is the word—into foreign policy matters and might better be raised with the Department of Foreign Affairs and Trade.

Senator SCHACHT—I see. So tomorrow, when Foreign Affairs turns up, these questions should be referred to them. Their contribution to the white paper lacks emphasis on the Indian Ocean and South Asia.

Dr Brabin-Smith—I believe that, if you want an exposition of Australian foreign policy towards Burma, the Department of Foreign and Affairs and Trade is the place to go.

Senator SCHACHT—I have directed plenty of questions on Burma to the Department of Foreign Affairs and Trade for a decade or more now. I just wondered why, given the instability of the region for various reasons, South Asia did not attract more attention, as Senator Hogg has said, in regard to defence implications.

Dr Brabin-Smith—Clearly there have been complications in the relationship between Sri Lanka and India that the civil war in Sri Lanka has caused. But that does not engage Defence's interest other than in a passing way.

Senator SCHACHT—As Senator Hogg has said, we know that the Indian defence force is of a reasonably large size. They have previously provided some intervention into Sri Lanka, which some people say led to the tragic assassination of Rajiv Gandhi because the Indians provided troops to Sri Lanka—I think it is now over a decade ago. India does not have good relations with Burma. What is the potential for the Indian defence force to intervene in Sri Lanka and/or Burma?

Dr Brabin-Smith—I think we would react to that at the time.

Senator SCHACHT—Senator Hogg has raised the naval capacity of the Indian navy. In the 1980s I think they purchased one or maybe two aircraft carriers, one from Great Britain, which gave them some offensive capacity. Does the Indian navy still hold an offensive capacity with the operation of its aircraft carriers or aircraft carrier?

Dr Brabin-Smith—I believe it has one aircraft carrier that is operational. Frankly, I do not subscribe to the view that India is 'a threat'. It is fair to say that India—

Senator SCHACHT—It is not the threat to us. It is the capacity to use it to intervene elsewhere. An aircraft carrier is an offensive weapon. You can sail it off someone else's land if you want to and use it as the basis of at least a threat of intervention.

Dr Brabin-Smith—I have difficulty in understanding the line of your argument here.

Senator SCHACHT—You acknowledged Senator Hogg's perceptive comment about the lack of detailed coverage of the Indian Ocean. Does the Indian navy, of all the navies in not just South Asia but South-East Asia, because it has an aircraft carrier, have more of an offensive capability than any other of our South-East Asian or South Asian neighbours? Is that true?

Dr Brabin-Smith—In a technical sense, yes.

Senator SCHACHT—You say yes in a technical sense but you have a view that in a non-technical sense, for other reasons, they might have the equipment but it might not work as well when it comes to the crunch.

Dr Brabin-Smith—More to the point, I think we expect India to conduct its foreign policy very responsibly with respect to areas in which we have an interest.

Senator HOGG—If I can just follow on, the reason I raised the issue was in respect of our naval forces that we have now situated in the southern part of Western Australia. I am wondering how that ties in with the lack of focus on the Indian Ocean.

Dr Brabin-Smith—In some respects, it depends on what you define as the Indian Ocean. We take a keen interest in the countries of South-East Asia. Where does the Indian Ocean end and the Bay of Bengal begin? You could in some senses say that parts of Indonesia are contiguous with the Indian Ocean. Maybe focusing on the Indian Ocean as a piece of shorthand is in that sense a bit misleading. Clearly we take a keen interest in Indonesia itself, and in Singapore, but I think I would be stretching your indulgence if I were to say that Singapore, Malaysia or Thailand were Indian Ocean states.

If I can go back to India for a moment, in my perception India has tended in a physical rather than a political sense to look west rather than east. There is some evidence that India is heightening its interest from a trade and foreign policy point of view in countries to its east, and, to the extent that it does that, we might find a greater basis for developing further our defence relationships with India.

Senator SCHACHT—What about the long-term relationship between India and China? There has been at least one border war, nearly 30 years ago. Does the role of India and its relationship with China have a bearing on our relations with China?

Dr Brabin-Smith—We would encourage both those countries to handle their relationship with care. My sense is that they will do that even in the absence of our encouragement, and in that sense any encouragement by us would be a bit gratuitous.

Senator SCHACHT—And we treat both of them the same. Both have had nuclear weapons testing and I think neither has signed a nuclear non-proliferation treaty. Do we have an even-handed attitude to India and China in expressing our disappointment at their attitude towards such issues?

Dr Brabin-Smith—Again, I think the Department of Foreign Affairs and Trade takes the lead within the bureaucracy for government when it comes to nuclear matters.

Senator SCHACHT—Do either of these countries having access to nuclear weapons come into consideration for the strategic environment of defence?

Dr Brabin-Smith—Clearly, the fact that they both have nuclear weapons affects the strategic dynamic of Asia Pacific and South Asia. That is something that we factor into our reading of the crystal ball or our attempts to read the tea leaves and it is very important. It does not, in a material sense beyond that, affect the more day-to-day aspects of defence relationships.

Senator SCHACHT—We now know that China has a missile capacity. Does India have a similar missile capacity or potential missile capacity?

Dr Brabin-Smith—I think it is fair to say that China's missile capability is greater than that of India.

Senator SCHACHT—Does India have a program, under a civilian guise, of developing subintercontinental and continental ballistic missiles?

Dr Brabin-Smith—India certainly has a program for developing ballistic missiles. I suspect that further information is classified.

CHAIR—We shall take a short break.

Proceedings suspended from 10.28 a.m. to 10.46 a.m.

Senator HOGG—Dr Brabin-Smith, I think this is your area. I refer to the executive summary once again. The document makes reference to ‘Southeast Asia remains an area of great promise’ at page ix. It goes on to say:

Political and social evolution is strengthening the robustness, legitimacy and resilience of the political systems in many countries.

Then it refers to ASEAN. It says:

ASEAN continues to provide a focus for the sense of shared interests and common goals which has been so important to Southeast Asia over the past several decades.

One of the difficulties we as a nation have is getting membership of ASEAN. How important is membership of ASEAN in a strategic sense, as opposed to a diplomatic sense, for our future defence?

Dr Brabin-Smith—I think that in the immediate term it is not that important. We are a member of the ASEAN Regional Forum, and that allows us to have a strategic level interaction with ASEAN led by the Minister for Foreign Affairs. ASEAN itself is not primarily a security organisation, hence my comments about it not being a matter of strategic concern for us in the immediate term that we are not a member. As for the future, it will depend on the extent to which ASEAN itself evolves and takes on a greater security role or the extent to which there might be other mechanisms developed within the Asia Pacific to carry strategic issues forward. I went to the ASEAN Regional Forum accompanying Minister Downer in July last year. It is fair to say that defence issues were not central to the agenda, but we believe that there is potential for defence aspects of security to be taken further in that forum.

Senator HOGG—I am glad you said that because I am anxious to find out how important that forum will be, given that page viii lists a number of non-military threats to our national life. The paragraph in the second column talks about the non-military threats being things such as a cyber attack, organised crime, terrorism, illegal immigration, the drug trade, illegal fishing, piracy, quarantine infringement and so on.

Piracy is thrown into the non-military issues there. Undoubtedly the ADF have played a role, for example, in quarantine, in Customs areas and so on through the patrol boats, but is there a role for the ADF in the future with issues such as piracy, protecting our sea lanes and making sure that our trade does have safe passage to parts of Asia where we have a number of major trading partners? Therefore, how important will ASEAN become as a forum for us in which to raise these seemingly non-military issues as they are related in this report?

Dr Brabin-Smith—At the ASEAN Regional Forum there was a recognition that many nations face some of these transnational issues that affect security in the non-defence sense and that, because these challenges are themselves transnational, the likely solutions or counters to them would also be transnational and therefore require, or would benefit from, more collaboration between interested nations. It is early days to say how quickly ASEAN will become a highly effective forum for this, but it is possible, even likely, that over the next few years ASEAN in one form or another—maybe the ASEAN Regional Forum or ASEAN plus three—will prove to be a very useful mechanism for getting these kinds of issues addressed. With respect to the use of the Defence Force, the protection of sea lines of communication is one of the traditional roles for maritime forces. What that would mean in

practice—that is to say, which sea lines of communication would need to be protected and be protected against what—is difficult to answer at this stage.

Senator HOGG—Was that envisaged within the white paper in any way?

Dr Brabin-Smith—The answer is: probably. But I cannot think of the page that it is addressed on.

Senator HOGG—I am not asking you to be as precise as that, just in the more general sense.

Dr Brabin-Smith—It is something that is in the back of our minds and sometimes moving towards the front of our minds as part of our month by month work in Defence in considering the kinds of responses that the government might require the ADF to make. But in the immediate term we do not see a need for some kind of post-Cold War analog of the transatlantic convoys, for example.

Senator HOGG—I accept that but, given the area of sophistication that we are going into in terms of weaponry, computer systems and the ability of externals to interfere with computer systems—

Dr Brabin-Smith—Cyberattack is a different matter. This is a complex issue and its very nature makes it highly sensitive from a technological and security point of view. The government has mechanisms in place to address this and to attend to its concerns.

Senator HOGG—I have only two other questions that I need to raise on the white paper. The first is at page 81, on the issue of sustainment and rotation, where there is the statement:

The Government believes that service personnel should not be required to serve on operations for longer than six to 12 months at a time, and that they should be given a substantial period of recuperation before being deployed again.

Are there any existing standards and what are the standards that are being aimed for under the proposal in the white paper?

Lt Gen. Mueller—The observations that you quoted are probably best addressed when in particular we get to the Army output, and they can provide advice on the measures that they have in place—

Senator HOGG—There is nothing across the defence forces as such?

Lt Gen. Mueller—Not that I am aware of, other than the general policy which is outlined in the white paper.

Senator HOGG—I do not know whether you want to deal with that now; I am quite easy. It is just that it is an important issue and it really gets to the issue of the defence forces that we need to be able to sustain to allow the rotations to take place that should take place. I am wondering what a substantial period of recuperation might be.

Lt Gen. Mueller—I think that is probably best left until we get to the service outputs.

Senator HOGG—All right. The last question that I have on the white paper goes to page 121. It looks there at future reforms and efficiency savings and it mentions savings that had been made in 1991-92 of \$30 million and more than \$1,200 million in 2000-01. It goes on to say that further efficiency measures are under way which are expected to deliver additional savings of at least \$200 million per year by 2003-04. Are those savings part of the Defence Reform Program? Are they new savings? If they are new savings, where are the new savings being made?

Mr Harper—Senator, as you would be aware, the Defence Reform Program has been wound up under that badge for accounting purposes with effect from 30 June last year.

Senator HOGG—In other words, all the mature savings have been realised under the Defence Reform Program?

Mr Harper—No, some of those savings have a tail.

Senator WEST—A lot of them might have a tale as well!

Mr Harper—Commodore Lemon may wish to speak about that subsequently. We are moving towards a continuous improvement program for the future which would focus on improving both our results and the way in which we deliver those. Some of the initiatives being pursued there would be savings programs.

Cdre Lemon—What we call the closure of the DRP was ruling a line under it. We have accounted for the savings that we have realised, and the savings that are still expected to be realised from the initiatives are still in progress but will be managed under the future program.

Senator HOGG—The point I am getting to is that these are not new savings; these are existing savings that were in the pipeline through the DRP.

Cdre Lemon—No, the savings that are factored into the white paper, that have been referred to, the additional \$200 million savings, are additional efficiency targets which have been set by government for us to pursue above and beyond those savings in the DRP.

Senator HOGG—So they are targets that have been set by government, not by the department? The government have said that they are seeking \$200 million additional savings. Is that what you are saying?

Cdre Lemon—That is my understanding.

Senator HOGG—Are you able to identify the areas where you hope to make those savings? It says that they are expected to deliver additional savings of at least \$200 million per year by 2003-04. One can assume that there will be no additional savings in 2001-02 or 2002-03.

Cdre Lemon—We are targeting \$50 million. We have identified a potential for \$42 million currently and we have a significant number of other opportunities we are investigating to see whether we can make savings.

Senator HOGG—Can you tell me what areas you are targeting.

Mr Harper—Consideration of that is tied up with the government's consideration of our budget submission for the 2001-02 budget.

Senator HOGG—So you are saying that these additional savings will be manifested in the 2001-02 budget.

Mr Harper—The government is expecting us to achieve the first tranche of those in the 2001-02 budget.

Senator HOGG—So they will be clearly identifiable?

Mr Harper—Yes.

Senator HOGG—I will leave that there and pursue it when we get to budget estimates. Thank you. I have no further questions on the white paper.

CHAIR—No further questions on the overview?

Senator HOGG—Oh, yes.

CHAIR—Do you have any more questions on the white paper, Senator West?

Senator WEST—No.

CHAIR—The next general comment in the overview is ‘Budget summary’. Do you wish to proceed on that, Senator Hogg?

Senator HOGG—Can I just clarify something with the officers at the table. My running list says ‘Budget summary, financial statements’. I presume I deal with the financial statements—the annual report. Is that what we are referring to there?

Mr Harper—I agree with you.

Senator HOGG—And the budget summary is the PAES?

Mr Harper—Yes.

Senator HOGG—Can you please outline to the committee the changes in the Defence budget for this financial year as outlined in the PAES, as compared to the original budget estimates statement this financial year.

Mr Moore—If you refer to the table on page 11 of the PAES, table 1.1, it summarises the revised estimated Defence funding for 2001. You will notice at the bottom right-hand corner of that table the figure of \$806 million. That represents the net change in Defence funding from the budget. That figure comprises two major items. One is a \$358 million increase in our capital use charge. The other item is a \$445 million increase for military superannuation benefits. Let me take the first increase first, and that is identified on page 10 at the first dot point, the \$358 million. The \$445 million is in the paragraph above it. They really are the two items that affected total Defence funding. Part of the process of calculating the capital use charge is that in doing our annual financial statements, which of course are audited by the Australian National Audit Office, we do an annual revaluation of our balance sheet in accordance with Australian accounting standards. This is a cyclical revaluation where we are required to revalue everything on the balance sheet every three years. That results generally in a net increase generally of the value of the assets on the balance sheet, and that occurred in 1999-2000; if you turn over to the more detailed statements in the PAES, you will see that net assets increased by about \$3 billion. That net increase in the balance sheet attracts a higher capital use charge under the new government funding framework and, as the annual financial statements are completed after we submit the portfolio budget statements, it gets picked up in the PAES. So that \$358 million is associated with the revaluation of assets exercise that we undertook with the National Audit Office for the close of the 1999-2000 financial statements that were not reflected in the portfolio budget statements.

Senator HOGG—Will that swing take place next year as well? It is an annual event, is it?

Mr Moore—Yes, and that is the net change. Of course, some assets go down in value. But, generally speaking, our asset base has been increasing. Of course, with so much capability related funding in the white paper, you would expect a continuing increase in our balance sheet over the next 10 years as we replace old equipment with new. I think you will see this as an annual event, if you like, in our PAES where we actually reflect those new asset valuations.

Senator HOGG—So we should expect that amount to grow in real terms?

Mr Moore—I would expect so. The other one, the \$445 million for military superannuation, is an administered item by Defence, and it is a calculation of what we expect to have to spend on military superannuation benefits to retired personnel. That is the net change, which I think is probably the quick answer to your question. There are other things going on within that net change. The major one—again in that top table—is the revenue from government for departmental outputs. It has increased by over \$1 billion. The reason for that increase—and I referred you before to page 10 and the heading halfway down the page ‘Revenue for Outputs’—is the \$358 million. You will also notice that we needed to cover a further \$699 million for increased operating expenses. How we did that is briefly explained there. I can go into more detail if you want, but the important thing to point out is that a lot of these are accounting changes. You can see, as a result of the asset revaluations, for example, our depreciation amortisation expenses increased by \$241 million in the additional estimates. We wrote down some assets. Again, as I understand it, it was as a part of our 1999-2000 financial statements process where a number of assets on the balance sheet had to be written down because their value was overstated, and so it goes for those other explanations.

Senator HOGG—At the top of page 11, the second dot point there, there is the \$37 million for the acquisition of the ASC.

Mr Moore—The Defence budget actually funded the purchase of the shares from Kockums so the Australian government regained total control, I think, of the Australian Submarine Corporation. The Defence materiel organisation were involved in doing that.

Senator HOGG—So that \$37 million has come out of the bottom line of Defence?

Mr Moore—That is right. When ASC is sold to the private sector, that \$37 million is to be reimbursed to the Defence budget.

Senator HOGG—Plus interest?

Mr Moore—Hopefully.

Senator HOGG—I do not want you to miss out. It would be sad to see that.

Mr Moore—I understand, Senator.

Mr Harper—On page 15 of the PAES, there is a little elaboration of that, indicating that we provided the funds to the AIDC and that enabled the AIDC to pick up the Commonwealth’s interest in that corporation.

Senator HOGG—And one would expect that you would get some form of dividend as a result of that outlay to your bottom line of \$37 million. That is all I am saying. I am just protecting your interests, as I always do. Thanks for that, Mr Moore. As I understand it, branches and divisions of the department are given individual budgets. Can you tell us which branches or divisions of the department have had or are expecting overspends this financial year compared with their original budget estimate for this financial year?

Mr Moore—The Defence budget is allocated to what we call group managers rather than to branches or divisions, and we have 12 of them. They range from the three service chiefs, who are group managers for budgets that they control, right through to service delivery groups, such as the deputy secretary of corporate services and the under secretary of Defence management.

Senator HOGG—Can I just stop you there, because it may assist you. I understood that there was a more detailed micro handling of the budgets down the line now.

Mr Moore—Not by the chief finance officer. What we do is give the budgets to the top level budget holders, who are the group managers. They internally have arrangements in place to manage those budgets and they provide suballocations down through their various levels of organisation. Some go down deeper than others—there is no prescription, if you like, from the centre about how they should manage those individual group budgets.

Senator HOGG—In terms of the group budgets, are you able to tell us who has overspent against their original budget estimate for this financial year and who has underspent? It is interesting to look at it both ways: who has underspent and who has overspent.

Mr Harper—We are part way through this financial year, and in fact tomorrow the Defence committee will be considering how people are tracking against their budgets. Some may be ahead of pro rata and some may be behind. There may be a good reason for that or there may be a situation where they are in danger of exceeding their budget. It is probably difficult to form a conclusion from this distance in the year, with any hard predictive validity, as to whether somebody is likely to exceed their budget at the end of the year.

Senator HOGG—Could we get a snapshot of what it is like now or as of tomorrow just so we have some idea of what is going on in the bowels of Defence?

Senator Ian Macdonald—I think we would have to take your question on notice.

Senator HOGG—This question could be taken on notice.

Senator Ian Macdonald—I mean taken on notice to see if an answer can appropriately be given as part of this committee's legitimate inquiries or whether it is involved in the process which forms part of the government's deliberations on the budget. Regrettably I have not been paying as much attention to the exchange as I should have. That is why we will take on notice your request and see whether it is appropriate to give that information to you. If it is appropriate and available, it will be given.

Senator HOGG—No, this is not this budget coming; this is the previous budget. In other words, in the previous budget there must have been an allocation through the various group managers as to what their estimated expenditure for the year would be within that. We are not seeking information on the next financial year.

Senator Ian Macdonald—You are after the department's internal budgeting arrangements?

Senator HOGG—Yes, and essentially where, at this point in time in the year, those budgets are either over budget or under budget. I am not looking for a huge document or a complex document. There must be a simple analysis which the department have available to them just so I can get some appreciation of how the various submanagers within the department are proceeding. I am not asking in any way to interfere with or become involved in the process that involves putting down the markers for the next budget. I am not asking that at all.

Senator Ian Macdonald—Okay; we will have a look at it.

Senator HOGG—I am sure that, if the officers are a little uncertain, they can see me afterwards and we will clarify it even further for them. I would just like to get some idea of where the individual groups that make up the big figure we see are heading. That is all. Is it possible, when we are looking at those group managers, to do the same for acquisitions—to see how their acquisitions are tracking for the 12 months? We are not looking again at the out years; we are looking at how the projects are tracking in this financial year.

Mr Harper—I would suggest that we consider that in the same context.

Senator HOGG—Yes, that is fine. If we can get that, it would be helpful indeed. Was there \$60 million or so taken out of the budget this year because of savings that Defence would achieve under the new tax system? Do I have that figure right?

Mr Moore—I think the figure you are referring to relates to anticipated savings through wholesale sales tax being abolished under the new tax scheme. The figure was \$138 million.

Senator HOGG—How is that tracking, at this stage?

Mr Moore—We have just completed a validation process. This was raised in the last hearings. You might recall that we intended to do a validation exercise. I am not an expert in this, so I can give you only a very basic answer. If you want any further details—

Senator HOGG—A very basic answer would be very nice.

Mr Moore—Tracking indicates that the \$138 million is a solid assessment of what we would save.

Senator HOGG—That is fine. I have no other specific questions on the front section of the PAES, but I will ask a brief question about page 63. My question that applies to page 63 probably applies to some of the other outputs, as well. On that page are a number of tables giving revised performance targets. How are we to measure those revised performance targets?

Mr Harper—If the committee prefers, it might be best to deal with those as the output managers enter the proceedings through the day.

Senator HOGG—Mine is a general question. How do we measure it? It is the question that I am going to ask you in relation to what is in the annual report, as opposed to the previous PBS for the year 1999-2000. I am just curious about the measurement of some of those so-called targets. It makes it very difficult for members of the committee. This is an issue that we have discussed at our private meeting and I have expressed concerns about it before. I understand this is probably a matter for the Department of Finance and Administration in some senses but, unless we keep raising the concerns in these forums, they might lose sight of our concerns.

Mr Harper—It is one where I am having some difficulty answering in the general sense.

Senator HOGG—I am glad you are because it shows the difficulty that we all have in this area.

Mr Harper—I suspect it may be something that can be more easily come to grips with if it is looked at target by target. In particular, we were expecting our output managers to be making an opening statement that might address those points. Because the targets vary in their nature, some will be measured in one particular way, which may be relatively easy, and others are intrinsically more difficult and qualitative.

Senator HOGG—Looking at the revised target on page 79—it does not matter which output you pick—and looking at the original target in the PBS at page 100, it is very hard for us to make a judgment as to how the target has changed. The descriptions have changed—I will concede that to you—but it becomes a very esoteric exercise to try to work out, looking from output 5 in the PBS to output 5 in the PAES, where it says that there are revised targets. Just what is the revision? How are we to assess what the revision is about? I understand the difficulties in doing this in Defence and I do have a degree of sympathy for the problems that

you are confronted with, because they are the problems that I am confronted with as well. In the broad sense, do you have a comment?

Mr Harper—In the broad sense, I recognise that there are at least two strands of difficulty, in that in some cases our product—if I can use that term—is intrinsically difficult to measure. In other cases the target and measurement may be classified and it is difficult for us to put it into a publicly available document. We are working on improving the definitions of our targets and the ways in which we capture information that helps us know how successful we are in achieving those. I am not sure that I can add a lot more than that. If it would assist the committee, you may wish to hear from each of our output managers. If you still have general questions persisting after that, we can try to field them then.

Senator HOGG—This is not an issue that I want to take to that level because it is an issue that I have highlighted since we have gone to accrual accounting. Other portfolios, such as Family Services or Health or whatever, have some vastly measurable quantities that they can put in and people can readily determine whether the output is being achieved and whether value for money is being achieved by the portfolio.

If we look at output 5—and I am not trying to get down to the specifics of output 5, other than to say that in the budget there was nearly \$679 million allocated to output 5—that is a substantial amount of money. Given the basis on which we are to judge the outputs—by using performance targets and the details that you supplied to us—it becomes difficult. I will make reference to that again when I get to the annual report. It is a handy discussion that we continue to have because it is a problem that needs to be resolved in the Defence area in fairness to yourselves and in fairness to the committee who have the responsibility to scrutinise the accounts.

Mr Harper—Part of the organisational renewal and reform process to which I referred earlier involves our becoming better internally at defining and measuring our performance. Then there is an issue about how much of that is suitable for publication in this sort of document. So it is an area where I expect we may increasingly make things a little easier for the committee.

Lt Gen. Mueller—You will recall that earlier this morning Mr Harper alluded to the Defence Matters balance scorecard, which is the Defence adaptation of what is now an instrument that is used widely within both the public and private sectors. One of the quadrants in that balance scorecard which is currently being developed is titled ‘Government as customer’. Among other things, it will have at a corporate level a comprehensive range of performance measures for the five Defence outputs. Those performance measures will be articulated, where it is feasible to do so, into quality, quantity, cost and time. Those measures will in turn be consistent with performance levels that will be reflected, for example, in customer provider agreements which will be struck between some of the principals within Defence as part of the next budget process. What one would see through the PBS and other documents, some of which would be internal Defence documents, would be performance measures which are consistent with those contained in the defence matters balance scorecard. I might summarise those measures where, in particular, the service outputs are concerned by saying that they will deal essentially with readiness, preparedness and, in some cases, activity levels.

Senator HOGG—We have a problem there, though. Some of those directives are classified.

Lt Gen. Mueller—Yes, they are, and I think Mr Harper made the point that one of the difficulties that is faced by the people who draft these documents is to translate those measures into a form which is suitable for the public domain but which also informs, to the degree appropriate, committees such as this and of course the wider public.

Senator HOGG—That is right, that is the real challenge. I am pleased to hear what you have said. I will have some questions later on the scorecard, so I will pursue those matters then. To turn to the financial statements, one of the difficulties I had was trying to relate the PBS and the PAES to the report of the output in the annual report. I suppose you will give me the same comforting words you have just given me.

Mr Harper—With the same sincerity. We are seeking to get to a position where there is a much clearer read-through from the PBS and PAES through to the annual report, and we would be seeking to inform readers of the annual report, particularly the committee, of how we have achieved against our financial and non-financial performance targets.

Senator HOGG—I take you to one case in the PBS for 1999-2000. The reporting of the output on page 213 of the annual report, the performance indicator—and I presume the target for 1999-2000—was across both the first two dot points at page 91 in the PBS. It refers to:

- 2 brigades at higher readiness levels, capable of conducting light infantry operations (Ready Deployment Force) and mechanised operations (1st Brigade)
- 7 brigades at lower readiness levels ...

In respect of the two brigades at higher readiness—that is, at 28 days notice—the annual report says ‘achieved’—I understand that. Then you go to the seven brigades at lower readiness, which include the 7th Task Force. Do you still refer to that as the 7th Task Force?

Lt Gen. Mueller—I understand that it is now referred to as 7 Brigade.

Senator HOGG—I thought it was 7 Brigade. The PBS says ‘fully achieved’ and then it says ‘partially achieved’. I have no idea what ‘partially achieved’ means. There is a footnote, which I will take you to in a moment. And then there is the ‘minimum level of capability’, ‘fully achieved’, and the outcome performance says ‘partially achieved’. I can relate to the first item, which says ‘28 days readiness’. We know that they have achieved 28 days readiness. We know that is right. You then look at training—the next item down—100 per cent, and it has achieved 59 per cent, and then flying hours and so on. Some of those things are easily quantifiable but there are some that cannot be quantified and become very difficult to report. The first footnote, which is on the 7 Brigade’s lower readiness, says:

Reserve legislation has restricted the employment of part-time personnel on operations, except on a volunteer basis. This has a significant influence on the Army’s ability to generate and sustain required force levels. Changes in Reserve Force legislation will enable the Reserve Force to provide sustainment and strategic depth for the ADF. Shortfalls in Army Reserve numbers constrain the output’s ability to provide reinforcements, rotations, and round-out personnel for high-readiness operations.

I can understand that to a certain extent, but the way in which it is reported here does not really get to the point of explaining the difficulties in ‘partially achieved’. Can you give me some assistance?

Lt Gen. Mueller—Again, this might be a useful issue for you to raise with the appropriate output executive later today, but suffice it to say that for a force element in the combat force, particularly when one is talking of readiness, the four principal measures are, firstly, the availability of personnel and the level of individual training that they have been able to sustain; secondly, the level of collective training of the combat force element; thirdly, the availability and serviceability of major platforms, combat systems and ancillaries; and, finally,

the availability of a range of consumables which would include, for example, things like spare parts, repairable items, ammunition and so on. They collectively are the things that are used to measure readiness in both a quantitative and qualitative sense. I suppose the challenge for people who have to draft such documents is how best those quite complex measures can be aggregated in a way which achieves the outcomes that you and I mentioned a moment ago.

Senator HOGG—No, I accept that, General. But you can see the difficulty that people such as I have in trying to make reasonable sense—not being unrealistic about it—of what all of this means. Note 2, for example, refers to:

Manning levels are generally greater than 70% achievement against full-time established positions. Part-time numbers continue to be an issue.

But it really does not explain to me what the problem is with the part-time numbers, whilst that is helpful. If the explanation is there, it then saves me coming along to this sort of forum to ask those questions. I did not want to get down to the individual outputs other than to use that as an example of the difficulties that are being confronted by people such as me. While I have the annual report open, let me refer to page 151, 'Remuneration of Executives'. I found that a very fascinating page. I note that there are three fewer executives this year than was reported in the previous year, but I also note that there seems to be a marked shift in the wage distribution. As reported under 1998-99, the top two executive positions received remuneration of between \$280,000 to \$289,999. In the 1999-2000 period, the top remuneration, which was received by one person, has jumped to between \$370,000 to \$379,000.

Mr Harper—Part of the explanation may be over the page at page 152 where it says:

Some movement between salary bands can be attributed to the inclusion of rental subsidies for executives in 1999-2000.

Senator HOGG—What were the rental subsidies?

Senator WEST—They must have been whacking great subsidies!

Senator HOGG—I do want some analysis of this. I will tell you why. I have got the cumulative figures starting from the bottom. If you look at the \$129,000, cumulatively in 1999-2000 there were 62, and in 1998-99 there were 66. Then you go down to the \$169,000 mark and the cumulative figure in 1999-2000 is 143, yet in 1998-99 there were 180. So, whilst there are, relatively speaking, about the same numbers overall for the two-year period, more have been moved out of that lower bracket—if I can call it that—than there were in the previous year. The push has been down the other end. Although you have explained the rental as being part of that, the bracket seems to have pushed—if I can use a broad bracket—to between \$179,999 and \$239,999, which is a bracket of about \$60,000. There seems to be a push there and a push at the other end, taking the bracket \$299,000 up to \$379,000, which is a push of \$80,000. There was no-one in the last bracket at all in the previous year. I am sure that rental does not account for \$80,000.

Ms Clarke—I do not have all of the figures that you have there, but for the remuneration we have shown this year we have used the Department of Finance and Administration guidelines, and that includes more than housing rental subsidies; it includes contribution for superannuation, other allowances that people get and things like their SES cars.

Senator HOGG—So you are telling me that the basis of reporting in last year's annual report is different from the previous year by a number of factors.

Ms Clarke—Yes.

Senator HOGG—I do not expect you to give me the answer to this now; I understand that you would need to take it on notice. Can you identify who were the bodies that were attached to, let us say, the figures in the 1998-99 year, starting at the line \$179,999, where there was one person, going through to the top of the salary scale? I do not necessarily want the individual names; I am more interested in the positions. I am not trying to look at any individual. I am looking at the positions that were attached to those various allocations, what the salary was and any other component of it. Then can you do the same exercise for those positions and tell me where they fit on the chart for the year 1999-2000?

Ms Clarke—We will take them on notice.

Senator HOGG—I would suspect that those people have basically moved into the band from \$240,000 up to \$379,999. Can you give me a break-up of what the component of rent was, the component of super and any other things such that we have got some idea as to how the wages and salaries of those people are moving, as opposed to other emoluments which might be included in that chart? If you see me afterwards, I can give you my rough workings, which might help you out in getting an answer back to me.

Ms Clarke—Certainly.

Senator HOGG—There are some other questions on the financial statements, the additional estimates 2000-01. Going to the PAES, page 47, why has the FBT cost increased by \$92.056 million since the budget? It is a whopping great increase.

Mr Moore—It certainly is. Part of the answer is that the budget estimate was incorrect—it was too low. We discovered that after the event, so we have corrected it. Plus, we have undertaken, as we are required to, a rebaselining of rental subsidy to the ADF, which has also impacted on the total FBT bill. Unfortunately, I do not have with me a break-up of those dynamics, but I could provide that to you.

Senator HOGG—That would be helpful.

Senator WEST—The next one is on page 53 of the PAES and relates to note 15, the revised figures on unfunded military superannuation liability. That is a huge variation. Is this due to the DFRDB scheme or a proportion of the MSBS scheme? What is the reason for what would appear to be a blow-out?

Ms Clarke—The change is due to a revaluation of the liabilities by the Australian Government Actuary, which we are required to do every two years. The Australian Government Actuary works out the value of our superannuation liabilities.

Senator WEST—Was this additional nearly \$1 billion an appropriation to you from Finance? You did not have to come up with this out of your budget somehow?

Ms Clarke—No. It is an administered item rather than a departmental one.

Mr Harper—Just to clarify for the committee, most of the Defence budget is held within our departmental accounts and we are occasionally required to effect savings. The administered items are matters which are administered by Defence on behalf of the government and, because they are beyond our control, any additional funding required there turns up. It is not something that would normally be taken from the departmental appropriations used to deliver military capability.

Senator WEST—Thank you. I did not want your other line budgets somewhere else being short \$1 billion. Has any one particular scheme contributed to this or has it been across all?

Ms Clarke—I do not think I have that information. I will take it on notice.

Senator WEST—Thank you.

Senator HOGG—Those are all the questions I have on the budget summary. There is something I should clarify for the committee and the officers of the department now. I meant to do it at the outset. A colleague of mine, Senator Lundy, has indicated that she wants to come along and ask some questions on IT. She asked me for a spot where I was prepared to slot her in. I had originally given her 7.30 tonight after dinner, but it appears that that might not be appropriate, so we will advise you as the day goes on. That had been my intention and I certainly want to let you know.

CHAIR—Thank you, Senator Hogg. I think we are all on tenterhooks as to whether Senator Lundy might appear.

Senator HOGG—I thought you might be, Senator. The other thing I wanted to comment on, which was remiss of me, came out of the informal discussions that we had with the officers of the department, which is pleasing. In my four years of coming to estimates—4½ years now, or nearly five—I have never ceased to be amazed by the number of Defence personnel who have turned up to estimates, for what reason I could never work out. We made a suggestion that the number could be limited and I must commend Defence on the restraint and constraint they have showed in the number of people attending. It makes it far more manageable and worth while.

I move on to the Defence Reform Program. I refer to the document that I was given at the briefing. I think that will be the easy way for me to ask a few questions that I have here. I am looking at table 1, 'Defence Reform Program: cumulative resources available for reinvestment' in the document 'Defence Reform Program, summary tables 1997 to 2001'. Under 'logistics', the actual 1999-2000 to the revised estimate to the budget estimate is substantially lower. Is there a reason for that? The budget was \$107.2 million. The revised estimate was \$102.2 million. Yet the actual achieved was \$88.5 million.

Cdre Lemon—I am sorry, Senator. Which figure were you referring to?

Senator HOGG—The total for the 1999-2000 budget. The cumulative amount for reinvestment was \$107 million. The revised estimate was down to around \$102 million, but the actual reinvestment in logistics was \$88.5 million. What happened?

Cdre Lemon—We made an underestimate of the per capita salary saving, which resulted in a correction of \$41 million. There were slippages in when some of the market testing programs came to account. The ADF explosive ordnance and the army engineering activity both slipped later in the year than was expected. The DIDS original program date, the Defence Integrated Distribution System, had slipped as well. These savings were all expected to be realised earlier in the year.

Senator HOGG—Thank you. I must say that the statistics we are now getting through are very good, or seem to be good. In the explanatory notes, table 1, there is an explanation about capital facilities. It says: 'However, the sale of Torrens Parade Ground, \$2.5 million, has slipped into 2000-01 as a result of protracted negotiations with the South Australian government.' Is that right?

Cdre Lemon—That is my understanding. The actual detail on the event would be best discussed with the Defence estate program.

Senator HOGG—I will discuss it with them when they come; I was just curious. The other item that caught my attention was at the bottom of the page, concerning personnel

initiatives: 'an additional bid for pilot retention bonuses of 1.32 is included in 2000-01'. This is all part of the \$125 million savings initiative. Is that correct?

Cdre Lemon—That is my understanding.

Senator HOGG—I just thought the pilot retention bonus had lost a bit of favour.

Cdre Lemon—It may well have.

Senator HOGG—The other issue I need to raise with you concerns the audit program you went through on the DRP. Where is the audit program at, has it now been completed and, if so, what are the outcomes?

Cdre Lemon—The quality assurance report has been completed and is in draft form. It will be considered by the Defence executive tomorrow. Subject to their consideration, it is then required to go to the minister's office for consideration by government.

Senator HOGG—I accept all of that. One of the issues I raised, however, was the availability of that report to the committee. I believe that will either give credibility to or take away from the outcomes that have been predicted under the DRP. As those who have attended these estimates over a long period of time will know, I have paid very close attention to the progress that has been made under the DRP. If there is an independent verification of the outcomes in the DRP, I think that will be helpful indeed.

Mr Harper—I missed some of that but, in terms of the committee having access to it, I think it would be better if it went through the normal process internal to government and then we checked with the minister.

Senator HOGG—I accept all that. If I do not flag these things at this committee, some of them get lost. There is a genuine interest to ensure that the audit process has taken place and there is validation of the results of the DRP. I think that is important.

Cdre Lemon—Yes, and that interest has been flagged in the draft report to make sure that it is brought to the attention of those concerned.

Senator HOGG—Is there any independent audit taking place of the DRP that we know of or have you relied solely on your own internal audit?

Cdre Lemon—The ANAO have been consulting with my office and accessing documents for a preliminary view. In part they are forming an assessment of whether they consider our review adequate.

Senator HOGG—So the ANAO have shown an interest?

Cdre Lemon—Yes.

[11.59 a.m.]

Senator HOGG—That is the end of the Defence Reform Program. We will move on to 'Competitive tendering and contracting'. In the annual report and again in the PAES mention is made of a number of programs that were being market tested. In particular, I refer to page 91 of the annual report where it lists the Avionics Workshop at Amberley, the F111 Weapons System at Amberley, the 503 Wing Avionics and a number of others in table 1.24, as well as some in table 1.23. Do you have an up-to-date assessment of where they are at? Can you tell me, for example, which are still incomplete?

Cdre Lemon—501 Wing (RAAF Amberley)—F111 Engines has been announced; it was won by the in-house option. The Army Engineering Agency Engineering Manufacturing Unit has been announced; that was an in-house option.

Senator HOGG—Which of those are in the annual report? Is that the Army Engineering Agency Laboratories/Ranges? I do not think it is.

Senator WEST—501 Wing (RAAF Amberley) in the PAES is the F111 Engines, and in the annual report it is the Avionics Workshop and the F111 Weapons Systems. Are we measuring apples with apples?

Cdre Lemon—501 Wing was broken down into several activities, all of which have now been completed.

Senator WEST—So Avionics Workshop, Weapons System and Engines are all in-house?

Cdre Lemon—No. The Engines are in-house and the others were won by Boeing.

Senator HOGG—The Avionics is Boeing?

Senator WEST—And the Weapons System is Boeing, too, isn't it?

Cdre Lemon—Yes.

Senator HOGG—Can you tell me, therefore, how the Army Engineering Agency Engineering Manufacturing Unit relates to table 1.24 in the annual report?

Cdre Lemon—Major General Haddad is the responsible officer for that.

Senator HOGG—I am always pleased to see Major General Haddad. There is no hidden agenda here. I am just trying to relate what is in the PAES with what is in the annual report so that I can get some sort of appreciation of what the outstanding projects are.

Major Gen. Haddad—The only project that is still outstanding is the Defence Integrated Distribution System.

Senator HOGG—So the rest of those that are listed in table 1.24 in the annual report are covered at page 29 of the PAES. Is that correct?

Major Gen. Haddad—Without going through the list, the projects are either at a stage where a preferred tenderer has been selected and the outcome announced and they are currently in contract negotiation, or contracts have been signed for all of them other than the Defence Integrated Distribution System project.

Senator HOGG—You can see my difficulty: you call it one thing in one place and another thing in another place. Can you call it the same name in both places and make it easier for all of us?

Major Gen. Haddad—Yes, Senator.

Senator HOGG—Can you give me a shorthand list based on table 1.24 in the annual report of who the preferred tenderer has been, when the tender was let and so on?

Senator WEST—I would also like it for 1.14 in the PBS, because I am interested in the Victorian Health Services one.

Senator HOGG—That is not in the annual report.

Senator WEST—It is not in the PBS and it is not in the annual report. There are several different groups there because there is also the Woomera Support Services—

Senator HOGG—Victorian Health Services is in table 1.25, down the bottom.

Major Gen. Haddad—My comments are in relation to the logistics ones. We would have to come back to you on the ones—

Senator HOGG—All right, the department can take it on notice. It is a little confusing for us to try to work out what is achieved and what is not achieved. What have you done with the Defence Integrated Distribution System ? I think the last time we met in November we had a discussion about this.

Major Gen. Haddad—That is correct.

Senator HOGG—What stage are we at?

Major Gen. Haddad—The status of the project still is that we have completed our evaluations and gone forward to government with a recommendation and that is currently being considered by government in the context of the rural and regional Australia policy.

Senator HOGG—When did that recommendation go?

Major Gen. Haddad—It went forward at the start of September 2000

Senator HOGG—So we are awaiting the outcome?

Senator WEST—In November, you told me that a recommendation on the way ahead is with the minister

Major Gen. Haddad—That is correct.

Senator WEST—At that stage you had not selected a tenderer to go forward to the minister?

Major Gen. Haddad—No, we had not, but we have now done an evaluation and come to a conclusion, which is commercial-in-confidence, and put a recommendation to government. That is what I mean by talking about the way ahead.

Senator WEST—Okay, and that went to the minister in September?

Major Gen. Haddad—Yes.

Senator WEST—It is now February 21—so we are talking about nearly six months that this has been with the government.

Major Gen. Haddad—With government, yes.

Senator WEST—Minister, can you undertake to find out why this is taking so long?

Senator Ian Macdonald—Yes, I can take the question. I understand it is to be considered by government in the not too distant future. These things take time.

Senator WEST—Yes. I hate to think what would happen if we had a war, if it is to take this long! Did some of the tenders expire on 1 December?

Major Gen. Haddad—Yes, we went for an extension through to 1 March and we are now in the process of going to our bidders to seek a further extension through to 1 May.

Senator HOGG—How many bidders are there?

Major Gen. Haddad—There are five. They are a consortium and I can give you the details of who the bid teams are, if you would like.

Senator WEST—Yes. That would be good.

Senator HOGG—In response to a question I asked last time as to how many bidders there were I think you said there were six.

Major Gen. Haddad—I would have to check.

Senator HOGG—I am not trying to be smart, I am just trying to work out whether any have dropped out of the race.

Major Gen. Haddad—No bidder has dropped out as a result of our requests for an extension and my understanding, in speaking to the bidders, is that they all still remain interested.

Senator WEST—Has the evaluation process that has taken place enabled you to understand or work out what has caused the slippage?

Major Gen. Haddad—The evaluation process was in response to the tender bids. I have just been given the information that there were five commercial bidders and one in-house bid for this project.

Senator HOGG—Those are the six bidders?

Major Gen. Haddad—Yes. The evaluation was against the bids received. We identified a way ahead, which was the terminology I used before, and that is the recommendation that went forward to government.

Senator WEST—So the RFTs closed on 1 March last year. They are now seeking an agreement with the tenderers—the people who lodged the tenders—for an extension to 1 May?

Major Gen. Haddad—Yes, Senator.

Senator WEST—What is proving so difficult with this proposal that we have seen a 14-month deferment of the RFTs?

Senator Ian Macdonald—That is not a fair question to the officer.

Senator WEST—You might like to take it.

Senator Ian Macdonald—I will take it. The government wants to assess these matters very fully and carefully and that is what it is doing.

Senator WEST—Is this because there are some areas that would lose employment under this proposal—that you would perhaps see some concentration of the distribution system away from some of the regional and rural areas where there would be elements of it at present?

Senator Ian Macdonald—I am not personally aware of what is in the report. I suspect it is a matter that is dealt with by the security committee of cabinet. There are sensitive issues involved in it. All I can say to you, Senator, is that obviously it has been publicly reported that a lot of the very good members who represent electorates around Australia have expressed the concern of their communities. The government will take that into account as well as the requirements of the defence forces. That is a matter for government decision. That decision will be made as soon as the government is able to consider the matter fully enough and make a decision.

Senator WEST—The current employees are still expressing concerns?

Major Gen. Haddad—Of course they are concerned, Senator, because they have not been given a decision on their future employment.

Senator HOGG—I had a meeting with a number of those employees who expressed concerns to me. Initially, apparently, there was a management review team set up which was a good initiative—and this is the only way one can describe it—because it was a consultative process. I have the minutes of that meeting before me. Unfortunately, there is only one

problem. There was only one meeting held of that committee and that was back on 10 November 1999. The employees that I met with were genuinely concerned about their future, but they also expressed a very positive outlook on what they could do within the operation and so on. Has there been any thought of reconstituting this committee, given that you have now passed on a recommendation to government, or has there been some other sort of consultative process which you have undertaken with these employees? Initially they thought that there was a great benefit in this consultative process, but it fell flat on its face.

Major Gen. Haddad—The management review team has a role to play in assisting us in developing the statement of requirement because they are the people who understand what is going on at the local level. The involvement by the group you referred to was consistent with the timetable we were working to. Having done the statement of requirement, we then have an obligation to keep them informed about progress, and that is all the workers, including the one or two who are on the management review team. We have been using the military chain of command to achieve that. In addition to messages going out on a frequent basis on this particular activity, I have personally been to south Queensland and spoken to the people about what is going on with this project. But the formal process of a team sitting there adding information is not necessary at this stage. If the in-house bid were successful on this, there would be a role for them to come back in and assist in developing how business is implemented on that site.

Senator HOGG—Something that was put to me by them was that there have been substantial savings that have been made as a result of initiatives that have already been taken. I do not know whether these have been translated into the recommendation. I am not asking you to tell me the recommendation, but have those initiatives that have come to fruition been translated into the recommendation that you have taken to government, or is there really another stage now where changes that have taken place will need to be carried forward to government such that they can reassess the position?

Major Gen. Haddad—Those initiatives, as I said, were reflected in the statement of requirement, which gave some sense to how business needed to be done for our purposes. But more directly they came to play in the in-house bid being put together where members from all affected sides had the opportunity to participate in the proposal that went forward. So changes in business practice that were internally generated would be reflected in the in-house bid.

Senator HOGG—So when was that meeting held?

Major Gen. Haddad—Those meetings have gone over the process of formulating of the in-house bid, which was submitted in March of last year. So the in-house option team comprises a lead team from Moorebank but representatives from each of the affected sites and those representatives had the opportunity to reflect improved business practices they were aware of in the in-house option proposal.

Senator WEST—The evaluation tool that you used was TF2. You said that one of the downsides of that was that it had taken us a bit longer than we originally planned, I am presuming because of the evaluation tool. What has happened to the evaluation tool TF2? Has that gone out the window not to be used any further?

Major Gen. Haddad—The evaluation tool that I referred to last time, TF2, was the one we used, and the use of that particular tool caused a short delay in our internal processes in Defence. The reason that we chose TF2 as our evaluation tool is that it continues to be used as

you go into contract negotiation and subsequent updates of the contract. So it is still there and it will continue to be used for this particular project.

Senator WEST—Minister, is government committed to proceeding with the DIDS project, or is one of the options to not proceed with it?

Senator Ian Macdonald—I suspect all options are on the table. The government will have to consider the assessments and then consider general government policy and make a decision.

Senator HOGG—On the issue of contracting, can you please provide the committee was a full list of the contracts that went to tender but were not awarded to the lowest bid, and an explanation for why the lowest bid did not win, as well as the price difference between the winning bid and the lowest bid? There is a bit of work in that, we understand, but can you take that on notice?

Major Gen. Haddad—Are you referring to competitive tendering contracts only in that context? Defence would have numerous contracts—

Senator HOGG—I am looking at major contracts. I do not want to weigh you down with looking at every contract you make for pens or pencils, something like that.

Senator WEST—It would certainly be under the CSP program.

Senator HOGG—Can I come back to you and clarify that?

Senator Ian Macdonald—I was going to suggest you might put the question in writing at your convenience, within reason.

Senator HOGG—It is on notice, Minister. I will clarify it in the form of words I give to you, Major General.

Senator Ian Macdonald—I appreciate your concern and thank you for having that concern. It is a matter, of course, for Mr Reith, but you would appreciate that sometimes the effort in going through huge volumes just means that a line has to be drawn. That is why you are thinking and hesitating. Within reason, we will try to get you whatever you want.

Senator WEST—And we will clarify what we want, too. Thank you. I understand that Defence has introduced an original equipment manufacturer contracting out policy recently for many things. Is that correct?

Lt Gen. Mueller—Senator, are you referring to the inclusion of through-life support contracts put in place in parallel with an acquisition contract for a major platform and combat system?

Senator WEST—We are talking about smaller pieces of equipment. Do you have an original equipment manufacturer contracting out policy? We have had concerns expressed to us that, because of this policy, smaller Australian companies are not getting work that they used to get.

Lt Gen. Mueller—This question is probably best handled by the Defence Materiel Organisation.

Major Gen. Dunn—No, we do not have that policy in place.

Senator WEST—So there is no policy change that would be detrimental to Australian manufacturers or smaller companies which used to do a lot of this work?

Major Gen. Dunn—No.

Senator WEST—What is happening then in servicing and maintenance of Defence vehicles in Townsville?

Major Gen. Dunn—The policy in relation to maintenance, particularly of repairable items, was recently re-examined. It was found that items were being repaired in Townsville. We thought they were being repaired in Brisbane. No change has been made to that situation while we review the overall policy. We are well aware of the concern that that created. Nothing will change until such time as we have examined exactly what items are being repaired in Townsville and the quality and cost-effectiveness of that work.

Senator WEST—So the local Toyota dealer is still being used to do the servicing and maintenance?

Major Gen. Dunn—I cannot comment on a particular aspect of the contract but I can assure you that we are looking at the whole circumstance and there will be no changes made that would cause disadvantage if indeed we are achieving the quality and timeliness that we require.

Senator WEST—You may want to look at that particular case and get back to me with some information.

Senator Ian Macdonald—I think he has given you the information, Senator. There will be no change.

Major Gen. Dunn—Senator, we are looking at that and there will be no change to that policy until such time as the overall work on repairable items is re-examined.

Senator WEST—Are you aware of the particular Townsville case with the local Toyota dealer?

Major Gen. Dunn—I am aware of the concern in Townsville in a couple of areas, the Toyota dealer not specifically.

Senator WEST—That is what I am trying to ascertain. Is service and maintenance going to go back to them? Would you like to take that particular question on notice?

Senator Ian Macdonald—What are you saying—it was taken away? You are asking the officer whether he knows the background; he might, but I do not think I do. Can you tell me briefly?

Senator WEST—I understand that the local dealership used to do the servicing and maintenance. A number of those vehicles are now being transported out of Townsville for maintenance, but now some of the work has come back. It appears that the work was there, it went away and now some of it has come back.

Senator Ian Macdonald—I am obviously interested in this myself. We have a little report here on the table; well, I do not know whether it is little but I am suggesting that it will be precise and concise.

Senator WEST—I am sure Minister Macdonald is very interested, given his interest in Townsville.

Major Gen. Haddad—The concern was raised about a proposal to relocate work from Townsville to Bandiana for the deeper level maintenance of army vehicles. The particular incident you are referring to relates to repairable items which may have followed the deeper level rebuild of vehicles. No repairable items have been relocated to Bandiana and the work that is currently planned to be done in Townsville and which was previously scheduled to be

done is continuing to be done. There are significant fluctuations in the level of that work, due to the activities of 3 Brigade so the local community has experienced quite a bit of variation in the dollar outlays by Defence in that area.

Senator WEST—I suspect that is the issue that has been brought to our attention.

Major Gen. Haddad—There were two variations: one was when we were preparing vehicles to deploy with 3 Brigade units to Timor and there was a spike in work when units returned from Timor and remediation of those vehicles was conducted. The steady state in Townsville has not changed.

Senator Ian Macdonald—The unsteady state is a huge increase before and after—

Senator WEST—And then a drop.

Major Gen. Haddad—Yes.

Senator WEST—What is going to Bandiana?

Major Gen. Haddad—Bandiana is the location where we do rebuilds of vehicles. Previously that work was done in Brisbane, not in Townsville, and we have consolidated that into a single location which is the designated unit for deeper level repair. We have a contract in place to do that work. Bandiana was designated for that work which had previously been shared between Bandiana and Brisbane; we have consolidated that work into one location. That work was not done in Townsville.

Senator WEST—How many of the vehicles coming back from East Timor have needed to go to Bandiana for a full rebuild?

Major Gen. Haddad—I cannot give you the number, but most of the work for the remediation of vehicles back from Timor has been done in the area where those units are located.

Senator WEST—That is, therefore, Townsville?

Major Gen. Haddad—Townsville or Brisbane or Sydney.

Senator WEST—Could you just check that out? That may also be having an impact too. People have heard that things are going to Bandiana and the difference between repairs and rebuilds might not be clear either. That, combined with the spike, could certainly be causing perceptions in certain people's minds.

CHAIR—Thank you. The committee will now break for lunch.

Proceedings suspended from 12.29 p.m. to 1.36 p.m.

Senator FAULKNER—Minister, my questions go to the issue of VIP aircraft. Could it be confirmed whether a major contract or major contracts have been signed in relation to the provision of new aircraft in recent times but not made public?

Senator Ian Macdonald—I would say, if they were not made public, they are not likely to be made public here.

Senator FAULKNER—There may have been none.

Air Vice Marshal Conroy—The contracts for the replacement SP aircraft will be three in number. One will be a series of five operating leases for the aircraft themselves. Another will be what we call the project management agreement with Qantas Defence Services to accept the aircraft and put them through the fitout centre. The third one is a maintenance support agreement, which will cover the maintenance, provision and operation of the aircraft, in all

except air crew, through the 12 to 14 years of the lease. Last week, we concluded and signed the operating leases and the project management agreement. We have yet to negotiate the maintenance support agreement, so it is not appropriate to make any public statement until we have the whole deal stitched together. That was our rationale.

Senator FAULKNER—So my shot in the dark wasn't that far off the target. You have to get it right some time, I suppose.

Senator Ian Macdonald—Can I just clarify something. This is a routine Air Force issue. Do you usually issue public statements about contracts you sign?

Air Vice Marshal Conroy—Minister, I do not think there is any standard process one way or the other. It was just a matter of judgment that there was not a great deal of point in making a public announcement until we stitched the entire deal together, and we hope to do that before midyear.

Senator FAULKNER—That is useful information. At what level was that decision made?

Senator Ian Macdonald—Which decision?

Senator FAULKNER—Not to make a public announcement about the signing of the operating leases last week and the signing of the project management agreement last week.

Air Vice Marshal Conroy—My recollection is that we suggested that that would be the best way to treat it and the minister, or the minister's office, noted that. They were aware that that was the way we intended to proceed.

Senator FAULKNER—How was that suggestion communicated to the minister's office?

Air Vice Marshal Conroy—Prior to entering into the contract for the operating leases and the project management agreement, we naturally sent a note to the minister's office asking that he note our intention to enter into contracts.

Senator Ian Macdonald—There is no requirement of you to indicate internal advice to the government. You sent him a note.

Senator FAULKNER—What was the method of communication—a note, was it?

Air Vice Marshal Conroy—Yes.

Senator Ian Macdonald—A briefing, was it, a minute?

Air Vice Marshal Conroy—A ministerial submission—a standard piece of correspondence.

Senator FAULKNER—Under whose signature would that have gone to the minister's office?

Senator Ian Macdonald—I do not know that that is a matter for this committee.

Senator FAULKNER—Senator Macdonald, these are standard questions that are asked in all committees and hitherto have been answered in this and every other committee.

Senator Ian Macdonald—They are internal advices from the department to the government and the department is a corporate unit. Particular people who sign—

Senator FAULKNER—Look, we know there is a cover-up here. Why don't you assist the committee and let us get on with it?

Senator Ian Macdonald—You are full of conspiracy theories. You were wrong on Monday with the last Defence involvement you had—completely and foolishly wrong.

Senator FAULKNER—I don't know what you are talking about. All I know is that operating leases and the project management agreement for the VIP aircraft were signed last week and it has not been made public. I am asking a few process questions that are ordinarily asked at committees. Frankly, I can't be bothered to have an argument with a junior minister like you about whether these sorts of questions should or should not be answered.

Senator Ian Macdonald—You can be assured, Senator, that I have no interest in having an argument with a Labor senator.

Senator FAULKNER—These questions are asked and answered at every single estimates committee that is held. It is, frankly, a standard question. It requires a standard process answer and then we can move on.

Senator Ian Macdonald—It is not a standard situation. It does not happen at every estimates committee, because it does not happen in mine. They are the only ones I can speak of. They are, in fact, advices from the department to the government. Individual officers should not be embarrassed or otherwise by having to be named for the advice they give.

Senator FAULKNER—Can I ask, Air Vice Marshal, at what level the ministerial brief was cleared in Defence.

Air Vice Marshal Conroy—Under Secretary, Defence Materiel.

Senator FAULKNER—Thank you for that. What an agony. Would you be able to indicate, for the benefit of the committee, the dates the operating leases and the project management agreement were signed?

Air Vice Marshal Conroy—Friday, 16 February.

Senator FAULKNER—What is your current planning in terms of finalising or signing the maintenance support agreement?

Air Vice Marshal Conroy—We hope to have that finalised in the May time frame, but the negotiations to date have been difficult and protracted and, from my point of view, they are not complete. That is why we regard them as a continuum rather than as discrete events.

Senator FAULKNER—But when it is finalised there will be an agreement signed—that is the process, I assume. You will have a final agreement and that will be signed by the provider and Defence.

Air Vice Marshal Conroy—That is correct.

Senator FAULKNER—I appreciate that we are talking about a couple of months—that you cannot necessarily nail this down to the last day or the last hour, and I would not ask you to—but are you saying that you expect this to happen around May?

Air Vice Marshal Conroy—That is our current plan.

Senator FAULKNER—Do the operating leases and the project management agreement go to the whole VIP fleet, which, as I understand it, comprises the two 737 jets and the three Challenger 604s? That is the plan for the new fleet. Are we talking about the whole fleet or part of the fleet?

Air Vice Marshal Conroy—The whole fleet.

Senator FAULKNER—So the five aircraft that I have identified?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—You will have to excuse my descriptions—I am sure you can do a better job—but I think we both know what we are talking about. Who has Defence contracted with in terms of the operating leases?

Air Vice Marshal Conroy—A consortium headed by Qantas Defence Services and consisting also of GE Finance and the Commonwealth Bank of Australia.

Senator FAULKNER—And in relation to the project management agreement?

Air Vice Marshal Conroy—That is an arrangement with Qantas Defence Services.

Senator FAULKNER—So there is no consortium with the project management agreement—or is that the name of the consortium?

Air Vice Marshal Conroy—No, the project management agreement is with Qantas Defence Services.

Senator FAULKNER—Are you able to provide us with information about the dollar value of the operating leases?

Air Vice Marshal Conroy—Not at this stage. The dollar value will be determined on the day of delivery of the aircraft.

Senator FAULKNER—What about in relation to the project management agreement?

Air Vice Marshal Conroy—That does have a value, but I do not have it with me.

Senator FAULKNER—Do you think someone might be able to provide that?

Senator Ian Macdonald—We will take that on notice for you.

Senator FAULKNER—I appreciate that. I wonder whether, Air Vice Marshal Conroy, given that normally over there in Defence someone listens to these—it is not very exciting, I admit, having to do this job but someone listens along, and you never know they might be listening as we speak—you might be able to provide that information to the committee as a matter of urgency.

Senator Ian Macdonald—We will take that on notice and get a response to you as soon as we can.

Senator FAULKNER—In relation to the signing of the operating leases and the project management agreement, is the plan to publicise that some time around May when the maintenance support agreement is finalised?

Air Vice Marshal Conroy—That was my intention.

Senator FAULKNER—In relation to the operating leases—and I do appreciate you have made the point that the dollar value will be finalised on delivery of the aircraft; that is helpful information—would you be able to advise the committee what the length of the leasing arrangement is?

Air Vice Marshal Conroy—It is 12 years for each aircraft.

Senator FAULKNER—Thank you. In relation to the project management agreement, what period does that contract run to?

Air Vice Marshal Conroy—It runs from now until when the aircraft are delivered.

Senator FAULKNER—Does the project management agreement effectively end with the delivery of the last of those five aircraft? Would that be, effectively, the way it works?

Air Vice Marshal Conroy—That is a reasonable explanation, yes.

Senator FAULKNER—You know more about this than I do. I am guessing and your confirmation is helpful. At this stage no doubt there are plans in the broad or a general understanding of the sort of timetable we are working to in relation to the provision of the five aircraft. I expect that you will be telling us there is a certain level of uncertainty about this, but I imagine that key delivery dates have been established and I wonder whether you could share those with the committee.

Air Vice Marshal Conroy—If we do not encounter any delays in the fitout centres, which I cannot guarantee at the moment, the aircraft are intended to be in service from mid-2002 to late 2002.

Senator FAULKNER—You mentioned, of course, the possibility of delays in the fitout centre. What is your expectation of when the aircraft would be delivered to the fitout centre?

Senator Ian Macdonald—I do not think he said the ‘possibility of delays’. He said ‘provided there were no delays’, which is different.

Senator FAULKNER—As I understand it, the Air Vice Marshal has qualified his answer—in my view, quite properly—by indicating there may be a delay on those delivery dates because of delays in the fitout centre, which is quite understandable. My question is about when the aircraft go to the fitout centre as they come off the production line.

Air Vice Marshal Conroy—That is a matter for the prime contractor, Qantas Defence Services, to arrange, but they are currently in Seattle doing acceptance checks of the two Boeing business jets, and the aircraft could be expected to move to the fitout centre later. But they have yet to let the particular contracts for the fitout centre, so I cannot give you the precise date.

Senator FAULKNER—You do not have any direct contractual relationship with the fitout centre; your contractual relationship is with the prime contract. Would that be right?

Air Vice Marshal Conroy—That is correct, Senator.

Senator FAULKNER—Do you keep a weather eye at all on the fitout centre or is this something from which Defence remains at arm’s length and you rely totally on the prime contractor? I wondered whether you had any liaison people or the like working with the prime contractor around the fitout question.

Air Vice Marshal Conroy—We will be checking on them. We do not have a plan for a permanent on-site representative, but Qantas Defence Services is going to have a permanent on-site project manager for the two BBJs.

Senator FAULKNER—Understanding that—you said you would be checking on them—how does the checking take place?

Air Vice Marshal Conroy—By visits from my project office.

Senator FAULKNER—That is, the Defence project officers—

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—going to the fitout centre and, from time to time, eyeballing progress. Would that be the sort of thing?

Air Vice Marshal Conroy—That is the plan, as I understand it, yes.

Senator FAULKNER—But you would know what the plan is, because I assume that you are across the details of the plan.

Air Vice Marshal Conroy—I know my project staff are planning to head to the fitout centre as soon as it is selected and the contracts put in place by Qantas Defence Services.

Senator FAULKNER—They have got their passports in order, have they?

Air Vice Marshal Conroy—Yes, and I am busily cutting the number of people travelling.

Senator FAULKNER—I was not going to ask you that. But I think I might know the answer to this question, hence I asked if they have got their passports in order. You had better tell us where the fitout centre is, I suppose.

Air Vice Marshal Conroy—It is not selected yet.

Senator FAULKNER—So they might not need passports.

Air Vice Marshal Conroy—The fitout centre is either in Arkansas or in Texas, I believe. Qantas is down to the finalist of two.

Senator FAULKNER—They will need their passports; I thought so. Have you finalised detail of the actual fitout itself?

Air Vice Marshal Conroy—We have finalised the fitout of the Bombardier small domestic aeroplanes. We have been unable to finalise the BBJ fitout until we know who Qantas has selected as the fitout contractor.

Senator FAULKNER—For the three Challengers, has the fitout centre been determined?

Air Vice Marshal Conroy—Bombardier do their own fitout.

Senator FAULKNER—Where do they do that?

Air Vice Marshal Conroy—Somewhere in Canada.

Senator FAULKNER—You probably would not be aware of this but we have heard from the Department of the Prime Minister and Cabinet about their somewhat limited involvement in discussions with Defence about requirements and so forth. So they were able to provide some information to us earlier in the week about the fitout, but they were very keen to point me in your direction, Air Vice Marshal, about the fitout. So I took the hint and I thought I had better ask you. So can you tell us a little bit about the final plans for the fitout for both the BBJ and the Challenger aircraft?

Senator Ian Macdonald—You said that you finalised the arrangements for the Bombardiers but not for the others.

Air Vice Marshal Conroy—Not for the BBJs, no.

Senator Ian Macdonald—So I guess—

Senator FAULKNER—No, that is who is undertaking the fitout. That is a different issue, Senator Macdonald.

Senator Ian Macdonald—Is that right? I thought you said you have finalised the fitout arrangements for all aircraft.

Air Vice Marshal Conroy—Only for the three small ones.

Senator FAULKNER—What you have finalised, as I understand it, Air Vice Marshal, is that in relation to the three small ones—the three Challengers, as I have been calling them; am I using the right term; aren't they Challenger 604s—

Air Vice Marshal Conroy—I think that is what they are, yes.

Senator FAULKNER—Is it not true that they effectively do their own fitout? This is what you have told us, isn't it?

Air Vice Marshal Conroy—Bombardier do not subcontract.

Senator FAULKNER—They do not subcontract the fitout. But with the 737s, the BBJs, that is going to be done at one of two fitout centres, as you have explained to us.

Air Vice Marshal Conroy—That is correct.

Senator FAULKNER—And that is a matter, as you have indicated, for the prime contractor. But before you go there you in Defence, having consulted with users and other relevant government departments and agencies, provide to the contractors your requirements, and you finalise that, don't you?

Air Vice Marshal Conroy—Yes, we do. And in the broadest terms those requirements have been settled.

Senator FAULKNER—Yes—I am just trying to bring Senator Macdonald into the loop—that is right. So my question—I will state it again but I will ask it through Senator Macdonald so he is clear—goes to Defence's requirements of the contractors for the fitout, not who is doing it. Over to you, Air Vice Marshal.

Air Vice Marshal Conroy—The Bombardier aircraft have an eight-seat fitout—pretty standard. It is something that is offered by Bombardier. They advise us that our selections are in the bottom 10 per cent of the price range of the work they do. Besides that, it is unacceptable—

Senator FAULKNER—Can you tell us what that price range is?

Air Vice Marshal Conroy—No, I will take it on notice.

Senator FAULKNER—There are eight seats. What else is there? I did make the assumption that there would be some seats, I have to say, Air Vice Marshal. Even I thought there would be some seats in these aircraft.

Air Vice Marshal Conroy—A toilet, a galley.

Senator FAULKNER—Any other bathroom facilities?

Air Vice Marshal Conroy—No.

Senator FAULKNER—What about fabrics and all that sort of thing? Have you finalised that sort of thing?

Air Vice Marshal Conroy—Yes, we have.

Senator FAULKNER—What are you using?

Air Vice Marshal Conroy—The side walls will be covered in a fabric called 'seashell'. The carpet will be W22284A.

Senator FAULKNER—Do you mean it is the colour of seashells or it actually comprises seashells?

Air Vice Marshal Conroy—I suppose it evokes the colour of seashells.

Senator WEST—Is it wool, synthetic, cotton or linen fabric?

Air Vice Marshal Conroy—I will take that on notice.

Senator FAULKNER—Suede?

Air Vice Marshal Conroy—No, it is not suede.

Senator HOGG—Terracotta tiles?

Senator FAULKNER—I think that is unlikely, Senator Hogg, it might echo a bit. I think I read in a newspaper article a suggestion that it might be suede. Is that right?

Air Vice Marshal Conroy—I doubt that very much.

Senator FAULKNER—You are not sure?

Air Vice Marshal Conroy—It is not anything I have been briefed on.

Senator FAULKNER—Will you take on notice the question that Senator West asked: what type of fabric is being used in the upholstery of the seats, the wall coverings and the floor covering? You do not have that information with you?

Air Vice Marshal Conroy—I just have the names of the particular products.

Senator FAULKNER—It looks as though they may mean as much to you as they do to me. Please take that on notice for both the 737 BBJs and the Challenger 604s.

Air Vice Marshal Conroy—I cannot give you the details for the 737 BBJs at this stage.

Senator FAULKNER—Those issues in relation to the fitout for the BBJs have not been decided yet?

Air Vice Marshal Conroy—They cannot be decided in that detail until we have selected the fitout centre, because they have their own supplies.

Senator FAULKNER—I see.

Senator Ian Macdonald—As he explained some time ago, Senator.

Senator FAULKNER—Would you be able to say in relation to the Challenger aircraft whether local Australian material is being used? That is the other part of that question on notice. You may know that now.

Air Vice Marshal Conroy—I do not know it, but I think it unlikely.

Senator FAULKNER—Could you check that, please. Just to focus on this for a moment, can you let me know as precisely as possible when you think that level of detail in relation to the fitout for the BBJs will be determined? Do you have a time line on that?

Air Vice Marshal Conroy—It should be within the next couple of months.

Senator FAULKNER—I appreciate that; I wondered whether you could nail it down a bit more.

Air Vice Marshal Conroy—Qantas have a request for proposals on the street. They could not do a down-select until they knew they were on contract. They now know they are on contract. They will now be in a down-select process, which is their process, not mine, and they will let me know. Then we will start talking in precise detail. Everyone knows the seating configuration we want, et cetera.

Senator FAULKNER—Of course, you also know the seating configuration for the BBJs. It is only a question of materials and so forth that is still up in the air?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—I think you have given us the broad internal design features of the Challenger 604s—the eight seats, a galley and a toilet. Are there any other internal design features for the Challengers, before we move off to the 737s?

Senator Ian Macdonald—That you are aware of.

Air Vice Marshal Conroy—No. Everything else is unexceptional for executive.

Senator FAULKNER—What unexceptional things are there?

Air Vice Marshal Conroy—There are video players.

Senator FAULKNER—I asked this earlier in the week and no-one from PM&C could provide me with that information. So there are video players—plural? Is there more than one?

Air Vice Marshal Conroy—No, there is one video cassette player, two 15 inch flat screen LCD displays—

Senator FAULKNER—Playing two different movies at the same time!

Air Vice Marshal Conroy—and one compact disc player. They will not have in-seat monitors; they will just have a forward and an aft monitor on the walls.

Senator FAULKNER—There is one video player and one compact CD player. Is there any other electronic equipment?

Air Vice Marshal Conroy—A security system.

Senator FAULKNER—Fair enough.

Air Vice Marshal Conroy—A SATCOM system.

Senator FAULKNER—That is a satellite telephone, effectively, is it?

Air Vice Marshal Conroy—It has a six-channel capability. It can take faxes or handsets, and has email of course.

Senator FAULKNER—When I said a satellite telephone, it is more diversified than that. Is that a general satellite communications system?

Air Vice Marshal Conroy—Yes, but it is not as secured as a military type one.

Senator FAULKNER—It is a non-secure one. It has phone, fax, email, et cetera. Is there anything else?

Air Vice Marshal Conroy—Two pilots up front.

Senator FAULKNER—That is a relief, I am sure, to the passengers! I assume the passenger capacity—but I might be wrong here—is eight seats. Would that be right?

Air Vice Marshal Conroy—The intention is for eight passengers maximum and the crew and the cabin crew have fold-down seats for take-off and landing.

Senator FAULKNER—Thank you for that. What can you tell us about the internal fitout of the 737 BBJs?

Air Vice Marshal Conroy—We have a general configuration that we have given to Qantas Defence Services to send to the fitout centres.

Senator FAULKNER—You are at the general configuration stage?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—Could you share that with us, please?

Air Vice Marshal Conroy—We would like to see three passenger carrying capacities: one that takes 30 total with six crew, another that takes 36 with six crew and another that takes 44

with six crew. Each of those configurations has the four first-class sleeper VIP module seats up front.

Senator FAULKNER—Did you say four?

Air Vice Marshal Conroy—Four seats.

Senator FAULKNER—I may have misheard, but I thought that the Department of the Prime Minister and Cabinet—I may be being unfair to them—suggested that it was two.

Senator Ian Macdonald—We cannot comment on what some other committee may have said.

Senator FAULKNER—That is why I am asking the question about ‘four’.

Senator Ian Macdonald—The officer said ‘four’.

Senator FAULKNER—Others do listen to these sorts of things, Senator Macdonald, even if you do not. So there are four VIP seats?

Air Vice Marshal Conroy—Yes, in a module.

Senator FAULKNER—That will be standard, whether it be the 30, 36 or 44 seat configuration?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—Those numbers are included in the 36 and 44?

Air Vice Marshal Conroy—In a 30-seat configuration there will be a staff work area around a table. The remainder of the seats are then business class seats in a two-by-two arrangement. The 36-seat configuration simply takes out the staff work area, the conference area, and replaces it with business class seating. The 44-seat configuration takes out the back end of the aircraft and puts in 24 tourist class seats, three by three.

Senator FAULKNER—So you are effectively using the same space but they are not business class seats; you are fitting the same number of seats into the same space?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—When you talk about the ‘staff work area’, just to conceptualise that, it would be something like the existing table and area, say, in the Falcons?

Air Vice Marshal Conroy—Something like that.

Senator FAULKNER—I appreciate that it might be quite different, but along those sorts of lines. And what else? You have not told us about the shower yet.

Air Vice Marshal Conroy—There is an ensuite shower arrangement attached to the VIP module.

Senator FAULKNER—So that is part of the VIP module.

Air Vice Marshal Conroy—That is the VIP module.

Senator FAULKNER—So when you say ‘module’, that is bathroom plus—

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—So there is effectively, if you like, another toilet or something down the back of the plane?

Air Vice Marshal Conroy—It is a four toilet operation, this one.

Senator FAULKNER—That means that the lucky VIP does not have to share their toilet. I am sure they will be relieved to hear that.

Senator Ian Macdonald—This is similar to the ordinary 737s, is it? They have four toilets, as far as you know?

Air Vice Marshal Conroy—There is nothing unusual about this.

Senator FAULKNER—In relation to the VIP module, that is four seats plus an ensuite bathroom. Is that basically its composition?

Air Vice Marshal Conroy—That's it.

Senator FAULKNER—And the ensuite bathroom has what in it? We know it does not have a spa. I was assured by the Department of the Prime Minister and Cabinet that there is no spa—which, again, I am sure will upset many of the passengers.

Air Vice Marshal Conroy—It has a shower, a changing area, a wardrobe closet, a vanity sink, toilet and closet and a total duration of 40 minutes under the shower—maximum duration.

Senator FAULKNER—That should satisfy most people.

Senator Ian Macdonald—Not if you are going to London, it wouldn't, I would think.

Senator WEST—40 minutes?

Senator FAULKNER—A 40-minute shower going to London?

Senator Ian Macdonald—There are 44 people on the plane.

Senator FAULKNER—The ones up the back won't be getting into the shower, I will tell you.

Senator Ian Macdonald—They might not under your government, Senator. We have heard the legends about your government and the VIP usage and the Grange Hermitage and the Krug. We are not like your government.

Air Vice Marshal Conroy—I hasten to add, Senator, that they were not our specifications. It is a standard executive—

Senator FAULKNER—And you can, of course, assure me that there will not be gold-plated fittings in this ensuite bathroom. Again, there was some speculation that I read in the press—you probably did too—that that was the case.

Air Vice Marshal Conroy—That is not our intention at all, Senator. The indication we have from the two fitout centres that are on the final list with QDS is that our specifications are at the low to mid range of the market.

Senator Ian Macdonald—Did you say—Senator Faulkner might not have heard you—that these are standard for the business class jets?

Air Vice Marshal Conroy—The type of thing we are talking about here is standard for the executive jet market, yes.

Senator FAULKNER—So, regardless of fitout, there are six crew on these flights, are there? Is that the plan?

Air Vice Marshal Conroy—That is the plan, yes.

Senator FAULKNER—I gather what you are saying is that this will be some sort of interchangeable fitout, a bit like the 707 now. Is that the way it will work?

Air Vice Marshal Conroy—Yes, depending on the tasking. There will be a lead time to change over the configurations.

Senator FAULKNER—Do you look at that question of lead times for changeover of fitout as you look at the appropriate aircraft for the Air Force's needs in relation to the VIP fleet? Is that one of the criteria that you use?

Air Vice Marshal Conroy—I would imagine that we looked at that during the tender evaluation, but it was not a discriminating factor. Neither of the finalists offered us any problems in that area.

Senator FAULKNER—Finally, are these normal first-class seats in the VIP module? They recline into beds and that sort of thing? Is that how it works?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—What about electronic equipment in the 737 BBJ? What have you got planned there? Is it similar to what you have outlined to me for the Challengers?

Air Vice Marshal Conroy—Somewhat similar, I think. Each seat in the VIP compartment, the staff office and business class will have a colour, flat-panel personal monitor that plays videos from the available channels—much like business class or first-class on an airliner. That is different to the domestic aircraft: we are not putting that in the smaller domestic one.

Senator FAULKNER—What do you mean by 'the available channels'? What are the available channels? I do not understand what that means, that is all.

Air Vice Marshal Conroy—As in a normal commercial aircraft.

Senator FAULKNER—Are you going to use a normal commercial aircraft's in-flight entertainment service?

Air Vice Marshal Conroy—There will be an in-flight entertainment arrangement, because there are a video cassette player, DVD players and CD players.

Senator FAULKNER—The reason that I am expressing surprise is because you say, 'like a normal commercial aircraft'. The major airlines have their own in-flight entertainment services, but I was not aware that the Royal Australian Air Force had its own in-flight entertainment service. That is why I am asking you. But if you are telling me you have got it, that is terrific!

Air Vice Marshal Conroy—I am sure Qantas—

Senator FAULKNER—Qantas is going to provide it, is it?

Air Vice Marshal Conroy—The programming?

Senator FAULKNER—The in-flight entertainment service that is going to be on everybody's console on their recliner seat.

Air Vice Marshal Conroy—The hardware will come as a result of the fitout.

Senator FAULKNER—Yes, but what about the actual software—the tapes, the entertainment itself?

Air Vice Marshal Conroy—We would expect a contractor to provide that.

Senator Ian Macdonald—Has it been determined yet, or will you leave that to the contractor?

Air Vice Marshal Conroy—We would leave it to the contractor.

Senator FAULKNER—So there could be plenty of movies, eh? You do not know?

Senator Ian Macdonald—I cannot think of anyone who would want to see them, but—

Senator FAULKNER—If no one wants to see them, was is it doing on the aircraft?

Senator Ian Macdonald—I do not know.

Senator FAULKNER—No, you would not know. I know you would not know.

Senator Ian Macdonald—You would have to ask Qantas, Senator.

Senator FAULKNER—I am actually asking those who are responsible for the fitout. Thank you very much for that, Air Vice Marshal, I appreciate it.

CHAIR—Before you leave, Air Vice Marshal, what is the range of the Challenger and the BBJs.

Air Vice Marshal Conroy—The range for the BBJs is to be able to get to the US in two hops.

CHAIR—One hop from Canberra-Sydney? It cannot go Sydney-Los Angeles without stopping?

Air Vice Marshal Conroy—No, it will have to stop.

CHAIR—What about the Challenger?

Air Vice Marshal Conroy—I will have to give you those figures. I have just forgotten them.

CHAIR—But at least as far as the present Falcon 900s?

Air Vice Marshal Conroy—The requirement was to be able to go transcontinental in Australia.

CHAIR—What will the cabin crew for the Challenger be?

Air Vice Marshal Conroy—Three, by the looks of this.

CHAIR—That is two flight crew and an attendant, is it?

Air Vice Marshal Conroy—Yes.

CHAIR—One suggestion before you leave, Air Vice Marshal. The names of the pilots, the first officer and the cabin crew are provided in the present VIP aircraft, and I think it would be appropriate if their rank was also given.

Senator WEST—Not everybody understands what the bars mean and what rank that is.

CHAIR—Certainly, Senator West. But, if someone holds a rank in the Royal Australian Air Force, I think they would like to be called that rank or at least let people know what rank they are. I know that ranks change and perhaps there is some difficulty in getting new nameplates made up but I think it would be appropriate.

Air Vice Marshal Conroy—This is the name tags they have on their chest?

CHAIR—No, the ones at the front of the aircraft that identify the pilot, the first officer and the cabin crew. It is something that has happened since I have been in the Senate but I think it would be appropriate if their ranks were provided as well.

Air Vice Marshal Conroy—I will pass that on to air command.

Senator Ian Macdonald—So instead of it being Bill Jones it would be Squadron Leader Bill Jones.

Senator HOGG—I would like to move on to personnel. What are the recruitment targets for each of the services for this year?

Brig. Brown—The target for 2001 for Navy—I am talking here about full-time staff—is 1,699, for Army it is 3,521 and for Air Force it is 1,357. That gives us a total of 6,577. Would you like the part-time figure as well?

Senator HOGG—Before you get onto that, what does that comprise? Is that officers and everything?

Brig. Brown—Yes.

Senator HOGG—Do you have a break-up there?

Brig. Brown—I do not think I have the break-up. I can take that on notice.

Senator HOGG—What else did you want to say?

Brig. Brown—Do you want the part-time target?

Senator HOGG—Yes.

Brig. Brown—That is 5,194.

Senator HOGG—Have you got that break-up across the services?

Brig. Brown—For Navy 139; for Army 4,778, and for Air Force 277.

Senator HOGG—The first set of figures you gave were 1,699, 3,521 and 1,357.

Brig. Brown—That is right.

Senator HOGG—And the total?

Brig. Brown—Was 6,577.

Senator HOGG—How far on track are you for the targets you have set?

Brig. Brown—Overall, we are running at about 70 per cent, as a percentage to date. But, as a percentage of the overall achievement, we are still only at 44 per cent.

Senator HOGG—Does that 70 per cent hold solidly across the full-time and the part-time?

Brig. Brown—Not really. I will break that down by service and it might make it a bit clearer. With respect to full-time, Navy is running at 63 per cent, Army at 67 per cent and Air Force at 85 per cent. I do not think I have the part-time percentages here. I can get that for you.

Senator HOGG—Based on the annual report last year, it is my recollection that it was about 70 per cent for full-time and about 31 per cent for part-time. Is that correct?

Brig. Brown—It was 76 per cent for full-time and 33 per cent for part-time.

Senator WEST—So we have had a drop in full-timers and you do not know for part-timers.

Brig. Brown—This is tracking achievement to this date.

Senator HOGG—The figures you gave me for last year were 76 per cent and 33 per cent. That is a little different from the annual report, but I believe you. What were the recruitment targets for each of the services last year? Were they actually achieved?

Brig. Brown—For 1999-2000: Navy, 1,496, and they achieved 57 per cent; Army, 2,622, and they achieved 83 per cent; Air Force, 1,209, and they achieved 83 per cent.

Senator WEST—So both Army and RAAF achieved 83 per cent?

Brig. Brown—Yes, Senator.

Senator HOGG—What went wrong with Navy?

Brig. Brown—We are doing some market research to try and get some more detailed understanding of that, but it has been a trend for the last couple of years that we have had difficulty recruiting to Navy. We are getting some market research so that we can target our marketing accordingly.

Senator HOGG—When is that market research likely to be concluded?

Brig. Brown—I think it will be about the middle of this year.

Senator HOGG—That will be post estimates.

Brig. Brown—I will check the exact date.

Senator HOGG—It would be helpful if that sort of information were available. If you can give us a reasonable guesstimate of what the outcome will be by that stage, it would be helpful.

Brig. Brown—All right, Senator.

Senator HOGG—The results that you have achieved are a little disappointing in view of the marketing processes that have been undertaken by the department.

Brig. Brown—I think we are trending in the right direction. I should make the point that even last year, in terms of full-time achievement, we did recruit 1,000 more people, but our targets have been progressively getting bigger and, of course, we did have a surge of requirement for Timor of over 3,000. Whilst we are getting more people through the doors, the targets are increasing. I would have to agree that we certainly want to do a lot better. It is a very tough recruiting market at the moment. The other thing is, in terms of marketing, to achieve some sort of brand recovery does take some time. It requires a sustained effort over a number of years, and that is what we are doing at the moment.

Senator HOGG—I am glad you raised that because one of the concerns I have is when I turn to the annual report, page 308, and look at the consultants that are being used by the department—specifically in the area of recruitment. You might explain something to me. There is no list attached to the annual report which explains exactly who the advertising agencies are—their full names. We just have, for example, BOAC. I am not in the advertising game; I do not know who they are. I note AIS Media. There is a substantial amount of money spent with BOAC by various elements of the defence forces—\$2.299 million for the Royal Military College; \$2.897 million for the Army Reserve; \$3.442 million for RAAF; \$4.059 million for Navy; \$5.034 for general entry; and \$9.731 for ADFA. They are substantial amounts of money by any stretch of the imagination, and yet, in spite of Navy having more money spent on it than RAAF, Navy still laboured down at 57 per cent of the target.

Brig. Brown—As I said, we did suffer from the fact that we reduced our advertising for a number of years between 1995 and 1997. It became apparent from research that we have lost our market position, and it was the clear view, supported by Mitchell's agency, that we would need to redress that and it would require a lot of resources to do it. So we are in the middle of

the process at the moment, and a lot of that money is for television advertising, which is at the top end to get the greatest reach. It is an expensive business.

CHAIR—Time to bring back the press gang, Brigadier.

Senator HOGG—Senator Macdonald might suggest that. There is a substantial amount of money. What is it costing this year as opposed to last year for advertising? Are those amounts that were reported in the annual report likely to be eclipsed by the advertising campaign figures for this year, and can you give us some idea of what those figures might be, and the agencies with whom the money is being placed?

Brig. Brown—I have not got a list of the agencies, but the amount of money is comparable. It is approximately \$32 million overall for the full range of advertising and recruiting marketing.

Senator WEST—It has not increased at all?

Brig. Brown—I will get the exact figures for you, but I think it is in the general area. We have still got some supplementation for specific recruiting for the Timor surge which has enabled us to increase the base of our advertising.

Senator WEST—You said you did not spend as much in 1995 to 1997. How were we going in actually getting bodies through the front door in recruiting agencies?

Brig. Brown—I think we were getting close to 100 per cent in the 1990s up until 1997, and then progressively we dropped off. In 1997-98 we got 96 per cent, in 1998-99, 80 per cent and then 76 per cent last year. These are full-time figures. That is a global figure across the three services.

Senator WEST—There were some changes in that period as well in how we undertook recruiting, weren't there?

Brig. Brown—We did rationalise the whole recruiting function. We centralised it.

Senator WEST—Does that tell you something about centralising and rationalising the recruiting function, that we actually were doing better when we had people out there?

Major Gen. Willis—It tells us a lot of things. We did rationalise, and in the process of rationalisation we cut probably a few too many people out. We did not have as many out in the field as we should have had. We have acknowledged that and we are moving back in that direction. It also taught us a lot of things—that if we work together as a triservice organisation we can make significant advances in that area as well. Overall, I would say it taught us a lot but it taught us more on the positive side and we learnt a couple of other lessons that we would have preferred not to have learnt.

Senator WEST—What were the lessons we learnt that we would have preferred not to have learnt?

Major Gen. Willis—If you take money out of advertising and there goes your market presence on television et cetera, you lose market presence and people do not know you are around. That was a significant lesson. So we are putting money back into that, as Brigadier Brown has alluded to.

Senator HOGG—Is there anything to show that the current strategy is working?

Major Gen. Willis—Yes, there is. The inquiry rates are up, and Brigadier Brown may have those results. Some of the processes that we are now introducing seem to be showing positive signs in a very difficult environment.

Senator HOGG—Brigadier, we are waiting with interest to hear from you.

Brig. Brown—I will give you the inquiry rates from 1998-99. I think it was 67,000 then, and in 1999-2000 it was 99,000. The year-to-date figure is 47,000. So we have had an increase in interest as a result of the advertising.

Senator WEST—When is that year-to-date figure until?

Brig. Brown—Until 16 January, but let me check that.

Senator WEST—Is that 16 January or 16 February?

Brig. Brown—Actually, I have a more up-to-date figure, Senator: 54,000.

Senator WEST—And that was up to which date?

Brig. Brown—Up to 16 February.

Senator WEST—Just doing a quick calculation, how much do you think you are going to be up this year on last year? You were just under 100,000 last year. You are now nearly eight months into this year and, if you do an extrapolation, you are not going to be having the same jump that you had in the previous year, that jump from 67,000 to 99,000, are you?

Brig. Brown—I think it is going to be difficult to achieve the targets; I would concede that, Senator.

Senator WEST—General Willis, you said that you were putting more bodies back in the field. How are you doing that?

Major Gen. Willis—The services are assisting us and themselves greatly. Army, for instance, have allocated 80 over the peak recruiting period to go out and to be the face of the army—whether it be at schools, shows, universities, et cetera—to assist in the recruiting function.

Senator WEST—Can I make a comment on something I noticed. I thought you must have been after a lot of fast bowlers and good leggies during the summertime, because every time there was a cricket match on television all we saw were ADF ads; we did not see many anywhere else. My colleague wondered how many fast bowlers you had recruited. That ad seemed to be saying, 'Look, we're just normal, average people.' Is that the impression I should have got from that ad—'we're like you; we're normal, average people'?

Brig. Brown—Again, very detailed market research indicated for a number of years that the target audience was ignorant of what employment and life in the ADF were about. Two years ago we embarked on a lifestyle campaign, where the focus was on those very things, to explain what life in the military is about, to explain the benefits in terms of education, training, et cetera but also to make it clear that it is a very enjoyable life which has got lots of challenges and lots of adventure, because there were a lot of misconceptions within the target audience. That was the idea of the lifestyle campaign.

Senator WEST—When I saw those ads and when I read the white paper, I came away with two different messages. The white paper is playing up the adventure side: 'We're different; we're not the same as anybody else. We're elite, we're special, we're all of this.' Then you had that advertising campaign which was saying, 'We're really run-of-the mill, regular guys and girls.' I was getting two conflicting messages. Granted, those that you are targeting have probably not read the white paper; but some of us have read parts of it, and I was getting two conflicting messages.

Major Gen. Willis—Certainly, there was the lifestyle campaign, and that eased off towards the end of last year. For instance, the ads that I saw, watching the cricket, were emphasising a difference: there was a naval person being an electrician with a difference—doing electrical work that he could not do anywhere else—and there was a NORFORCE soldier up in Northern Australia driving a vehicle, doing surveillance work. I think you will note that the trend of the advertisement has swung to what you are discussing—that is, we are different. We do have jobs that are available in normal civilian life but there is a different slant on them; there is a lot more responsibility and a lot more interest and perhaps adventure.

Senator WEST—As I say, at one particular stage there I found I was getting a different message out of the ads from what you were trying to sell me in the white paper. You are giving me—and I guess my colleagues—as one of those who has to be involved in the policy debates in parliament, a mixed message.

Major Gen. Willis—There may well have been a crossover period. I can only judge from what I have heard from the market research organisation at the one extreme and from my children at the other extreme. They are both fairly convincing in their support of the new ads—the ‘ordinary people doing extraordinary things’ type approach. I think they are very good. I am not saying anything about the previous ads, because, as Brigadier Brown pointed out, they were attacking a particular audience at a time when society in general needed to be informed about what military life was all about—that we all were not locked behind doors and that you can do normal things as well as extraordinary things.

Senator WEST—It is just that that does not seem to be reflected in the increase in inquiries this year to date in comparison with the two previous years.

Brig. Brown—That is self-evident.

Senator HOGG—My concern in this area is that, when you look at the cricket season, I presume you are looking at a fairly expensive time to be advertising. I am wondering what high profile area you are going to go into next with the advertising. I presume it will be in the football season, so when one is watching the various football codes one will see ads as well. I can understand that; I am not knocking that. I am just concerned about value for money and that, at the end of the day, you are reaching the target audience you are seeking to reach. Of course this does not get to the issue of whether you are getting the quality of recruit you require. You may well be getting the number of inquiries—and that is questionable at this stage—but you may not be getting the type of recruit that you require for the services or for officer entry—or for any other ranks for that matter. That is another issue as well.

Major Gen. Willis—I can only say that the market research we do indicates that the recruiting organisation targeting the primary audience is doing a good job—the awareness of 17- to 24-year-olds is increasing. They also have improved perceptions about lifestyle expectations within the military, so that is important. But to think it is only advertising on TV that affects recruiting is probably a narrow view. We have the demographics out there, we have the booming economy, et cetera—all these things also affect it as well.

Senator Ian Macdonald—Is there a correlation between a progressing economy and low rates of unemployment, and your recruitment?

Major Gen. Willis—There is complete correlation between the two. If you have a good economy, recruitment is generally low. If you have an economy that is verging towards recession, you do not generally have a problem with recruiting. There is a direct correlation.

Senator WEST—Recruiting will start to pick up then.

Senator HOGG—What about areas where there are specialist needs? How are you handling that?

Major Gen. Willis—Specialist needs?

Senator WEST—Specialist technical needs and technical qualifications.

Brig. Brown—There are a number of different targeted campaigns. Are you asking what we are achieving in those particular areas?

Senator HOGG—Yes.

Brig. Brown—There are a number of areas where we are having some difficulty—nursing, for example, as Senator West would be aware.

Senator WEST—I think I prophesied this several years ago. Can I say I told you so?

Brig. Brown—I think we are not the only ones suffering there. It is an Australia wide problem.

Senator WEST—It is an international problem, which I also think was an issue several years ago.

Brig. Brown—It is more difficult to get some of the more specialist categories. We have to put specific campaigns towards them, which we are doing.

Senator HOGG—What evaluation is being made of those campaigns?

Brig. Brown—Every campaign is validated. If they do not work we cease them.

Senator HOGG—I would hope so.

Brig. Brown—They seem to be going all right.

Senator WEST—What are you doing to overcome this nursing shortage?

Brig. Brown—We have some targeted campaigns, but I might get the Director General, Defence Health Service, to answer that question.

Brig. Ramsey—We have discussed, as you have said, the issue of recruiting nurses.

Senator WEST—With you and your predecessor and probably his predecessor.

Brig. Ramsey—That is right. One of the initiatives that we have been seeking to pursue out of Defence health is to recruit more nursing undergraduates rather than direct entry nurses. That is one of the thrusts that we are taking now. Army and Air Force have agreed to fund undergraduate positions to begin to overcome the shortfall in that area. That is one approach. We are continuing to target the direct entry nurses.

Senator WEST—You could also put a nursing school at ADFA, couldn't you?

Brig. Ramsey—For the numbers we need?

Senator WEST—Yes.

Brig. Ramsey—They are significant numbers.

Senator WEST—You could have a class out at ADFA.

Brig. Ramsey—What you are still talking about is undergraduates.

Senator WEST—Yes, undergraduate training.

Brig. Ramsey—And whether we train our own or outsource that undergraduate training to other universities. From that perspective we support the concept of increasing undergraduates.

We can see that that is a very sound way to gain a captive group of nurses, particularly in the areas where we need them—that is, the young nurses—because, again, our problem is one of retaining our junior nurses. The more senior nurses stay on. We do not have shortfalls in the senior ranks. It is at the junior rank level where we have problems.

Other initiatives that we are looking at putting in place include broadening the employability of nurses. The ADF is participating in the nurse practitioner trial in the ACT. We have one of the four nurses participating in that trial under the aegis of the ADF. We see that in the future there is a significant role for nurse practitioners in the Defence Force to complement our other allied health workers, the experienced medics that we have—they can perform a complementary role. Again, that will assist us in overcoming the shortages that we have of medical officers.

Senator WEST—New South Wales is also going into nurse practitioners, so you might like to talk to them. As a comment, I think the undergraduate one has probably got potential as well because the complaints I receive from a lot of people who would like to study nursing is that they cannot afford it or cannot access the HECS very well during their university days. You might well find that is a particular niche that you can tap into.

Brig. Ramsey—Senator, you are quite right. What is being demonstrated today is exactly the same problem that we have had with our medical officers for many years. The most common form of recruiting medical officers has been through the undergraduate scheme. Up until two or three years ago we had no difficulty recruiting direct entry nurses. But, as you have quite rightly pointed out, there has been a shift in demographics in the nursing profession in Australia and overseas. It is up to the Defence Force to understand that shifting demographic and to look at alternative ways of recruiting nurses into our system.

Senator WEST—And a nursing school at ADFA is not as silly as it sounds. You would inculcate them with a defence culture, as well as giving them the nursing skills.

Senator HOGG—The other side of the coin is the retention rates. What were retention rates for the services last year? Can you give us an idea of the separation rates for each rank?

Major Gen. Willis—The Australian Defence Force separation rate for last year, 1999-2000, averaged out at 12.74. This was a marginal increase from 12.55 for 1998-99.

Senator WEST—Does that mean 12.74 per cent?

Major Gen. Willis—It is per cent. The expected separation rates for this year, based on current figures, by the services are as follows: Navy, 14 per cent; Army, 13.4; and Air Force, 12.3.

Senator WEST—You really have a problem with Navy, haven't you? Recruitment is down, retention is down and separations are up. Am I reading those figures correctly?

Major Gen. Willis—There is a problem with Navy, certainly. We are aware of that. We are working very closely with Navy and have targeted ads to try to address that problem.

Senator WEST—Are you doing any separation consultations, reviews or interviews to understand what is going on? Is it the fact that the ship to shore ratio has become so tight and people are spending so much time at sea that it is a case of, 'Come home and get out of the Navy or you will be divorced'?

Major Gen. Willis—I would hesitate to speak for Navy, but on the first point, certainly, we do conduct exit surveys. I do not have the details in front of me, but every soldier, sailor or airman who leaves the Defence Force is surveyed. We gather that information and feed it in.

We also do a biennial ADF survey, which is to go out in March this year, which asks questions across a whole spectrum of areas to identify where we can improve.

Senator WEST—Are there any gender differences in the separations?

Major Gen. Willis—Yes, Senator, there are separation rates by gender. I can give you the 10-year rate, if you like.

Senator WEST—If you have it in a tabulated form, it might be just as easy to give it to us on notice because I also want to ask about by rank as well.

Major Gen. Willis—We have it by Navy, Army, Airforce, by gender, and we certainly can get it by rank.

Senator WEST—That is fine—that is on notice.

Senator HOGG—If you can table that for us, that would save time.

Senator WEST—Do you have any questions in the exit surveys about sexual harassment and inappropriate behaviour that might have been experienced, as being a reason?

Brig. Brown—We do not specifically ask, ‘Was that a reason that you left?’ We ask, ‘Why did you leave?’ and there is an analysis done. In the attitude survey, there is a lot of emphasis on the whole question of harassment and adversity—whether people are subject to it, whether they understand how they can handle it, reporting procedures, et cetera. You would have seen the big campaigns we had recently in relation to that. There is definitely no trend that people are leaving because of harassment. We have not detected that.

Senator WEST—Or they are not telling you that they are leaving because of harassment. Is that what you mean?

Major Gen. Willis—If they were, there are plenty of opportunities for them to raise that, as Brigadier Brown has pointed out. I would believe the figures we are getting in a general sense. There may be the odd one or two, but I would support Brigadier Brown and say that, if they were leaving for those reasons, we would find out about it one way or another.

Senator WEST—Yes. We all live in hope, but having sat at this table for a number of years and on a number of inquiries, it has not always happened, as you well know. I am just wanting to make sure that there are mechanisms in place for you to at least try to identify trends about harassment, inappropriate behaviour or something like that—I do not know what form of words you would use. I would like it to be watched because it still has not gone away and it is seven years since the *Swan* inquiry.

Major Gen. Willis—Certainly, Senator. It will never go away. It is keeping awareness of the problem and accepting command responsibility to look after those activities and ensure that appropriate supervision is undertaken that will keep it away, but if you slacken off, undoubtedly it will come back. We have processes and procedures in train now, which were not there five years ago, which give me confidence that, provided everyone accepts their responsibility and understands what their responsibilities are at all levels, I think we pretty well have it cut.

Senator WEST—I will move to ADFA recruitment, targets and results. What is the target for recruitment for each service?

Brig. Brown—I will have to take that on notice; I do not have it with me at the moment. Globally, the figure was approximately 360 and I think we got about 270; I will get those figures for you.

Senator WEST—So you are 90 down. What is the retention rate for ADFA students? Say you put 360 in at the beginning of this session, how many would you expect, three years later, to come out and graduate?

Brig. Brown—I will have to get those figures for you.

Senator WEST—So you do know what they are but you do not happen to have them with you?

Major Gen. Willis—That is right. We do have them; we do have the percentages and figures, as well.

Senator WEST—Do you know how that 270 breaks up into triservice?

Major Gen. Willis—Roughly, it would be about 40:30:30 or probably 50:30:20. The greater percentage would be Army.

Brig. Brown—I think Army has approximately 135 and Navy 67, but I will get those figures.

Senator WEST—I am interested to know that, and I am interested to know what the target is. I want to know what you actually achieved walking in at the beginning of the year, because I have heard that one or two of them are very significantly below the strength required. I want to know what the average retention rate is across the three services so we can actually do some extrapolation and projection forward. What are the implications for a service if those graduating out of ADFA is a half to a third of what the service's requirement is? That has a huge implication for your junior officer ranks and it has implications 10, 20, 30 years down the track, as well, because that means it is a smaller pool from which to select stars, CDF and ranks like that. I want to be able to look at that now. I would like to be able to compare the mob that have just gone in now—those who started in 2001—with the mob in 2000 and in 1999 so that I have a couple of years to compare.

Major Gen. Willis—ADFA is not the only source of officers; we always have flexibility. If we run short in one area, we can boost numbers in other areas. If you extrapolate an ADFA shortage over a period of time, it would give an incorrect figure. If you take Army, for instance, if they were short in numbers going to ADFA, they may be able to get more graduates to go into RMC and do a shorter course there. They could then make up some shortfalls there. It is not the best way to do it but we do have processes by which we can make up some shortfalls over time.

Senator WEST—There are the three service equivalents of RMC. What is now the ratio of RMC and equivalent entry at officer level and ADFA entry?

Major Gen. Willis—I will have to get you the figures, but it would be fairly close to 50:50. Out of any RMC graduating class, 50 per cent would probably be from the ADFA stream and 50 per cent would be from the service as a soldier, from university as a graduate or as a civilian off the street. On top of that, you have direct entry officers, particularly specialists, who are commissioned directly after a short course and then you always have the transfer and the transition of reservists to the regular force and vice versa. So there are other ways which can take a dent out of that shortfall.

Senator WEST—Does that recruitment include officers as well, given that, over the last 12 months—for the last financial year—we have been recruiting only 76 per cent of what you need?

Major Gen. Willis—Yes, it does.

Senator WEST—So you are really down to billyo on what you have brought in as officer recruits, as well.

Major Gen. Willis—Yes, certainly we are down. I am not denying that but what I was just saying was that you cannot just take a simple extrapolation of ADFA entry out to the future and say, ‘That will be your officer strength at that rank level in the future,’ because there are other ways.

Senator WEST—No, but if I look at the other entries as well I can begin to get rather concerned and raise the question with you as to what plans you have to overcome this shortage and what are the implications down the track of the fact that you will potentially have a significant shortage of officers, particularly in Navy. If Navy recruiting into ADFA is anything like Navy recruiting through the general stream, then we are going to have boats with no personnel—I mean ships with no personnel. Sorry, Navy.

Major Gen. Willis—They have some boats as well, Senator.

Senator WEST—Yes, I know, but they like their ships better than they like their boats.

Major Gen. Willis—I will get you those figures.

Senator WEST—Thank you. You have a military justice audit hotline?

Major Gen. Willis—Yes, Defence does.

Senator WEST—How many calls has it received?

Cdre Smith—The 1800 number has been operating since January. I should point out at the outset that the process involved in receiving those calls is established under the defence inquiry regulations and all of us need to be circumspect about intruding on the process. About 330 simple inquiries have been made so far—not submissions. The submissions would be in the order of fewer than 100. What is interesting is that this inquiry is linked to the military stand-down day, which we had on 5 February. Of interest is the effect of that stand-down day. Noting that the inquiry officer, the former Justice Burchett, has yet to have enough time with his inquiry to get his figures stabilised and also to get back to the person who appointed him, the Chief of the Defence Force, and likewise to brief ministers, the inquiry line was running at about 10 inquiries per day for the period January to about 5 February. It then went up to about 20 per day and that was sustained until yesterday. It has then gone back down to around 10.

Senator WEST—Have any investigations been instigated or initiated as a result of those 330 inquiries and the fewer than 100 submissions?

Cdre Smith—The process the team is up to now is that they have just started their journeys around the establishments. That will take them another month. With the judge, there are four assistant investigating officers, all duly authorised and sworn under the defence inquiry regulations. At this stage, my understanding is that they are still amassing material and trying to shape that before following up specific matters, such as may need to be. The submissions have to some extent been submissions about how to improve the system itself; they have not been complaints of mistreatment or mishandling within the justice process. There appears to be a willingness to come forward on the basis of the confidence that the CDF and the service chiefs have engendered by the stand-down day. To that extent, and it is very early days, it appears to have been a worthwhile exercise thus far.

Senator WEST—The committee, or the team, will actually initiate investigations from telephone calls or will they require submissions from those telephone calls?

Cdre Smith—They would require submissions. The CDF has indicated that if necessary they would take anonymous submissions, although they would prefer people to identify themselves because, if there is follow-up action required, there is a definite line to feed it to the right channels. The team is geared to chase down matters and conduct investigations. That is why we have four—I think now five—assistant investigating officers. It is a fairly flexible device so they can deploy on to the most urgent issues should there be any.

Senator WEST—I am just concerned that we do not get the situation where they ring up, identify themselves quite happily—rank, the whole box and dice—and give a report and are then sent away to wallow or sink in the mire of paperwork. You might find a few—not many—individuals who are pretty close to being broken by what they have been experiencing. You might get only one go at picking them up. I would hate to see those individuals lost and feeling disenchanted, like they have to go out and be a whistleblower or something, rather than picking them up when they have given their one signal or cry for help, which this might well be. I would hate to see them lost.

Cdre Smith—Indeed, Senator. The people appointed to the team are very experienced in command—all of them—and they have considered that one possibility that you get a chance to speak with someone and to engage them. They have operating procedures whereby their telephone technique, et cetera, is designed to get as much information and support to that person, especially where there may be people who are—

Senator WEST—A bit fragile. What is the budget allocated for this audit?

Cdre Smith—It is presently \$1.5 million.

Senator WEST—Is that a definite \$1.5 million?

Cdre Smith—It is approximate; it is pretty close.

Senator WEST—How many staff are assigned to the audit? There is the judge.

Cdre Smith—There are five investigating officers, there is an administrative support officer, a wing commander, a warrant officer and about three secretarial support staff, working in Defence Plaza in Sydney.

Senator WEST—When do you expect to have the audit reports out?

Cdre Smith—The end of April is the date that CDF has identified to Justice Burchett that he requires that report.

Senator WEST—That is going to be on a pretty tight time frame.

Cdre Smith—It is, and we are watching the extent of resources that they have to meet that and, should there be a need to supplement the staff we will certainly look at that very promptly.

Senator WEST—Do you think that all investigations will be completed by then? You could get a tricky one or two thrown up.

Cdre Smith—I am speculating. I suspect that some the matters may not be completed by then. To that extent, CDF has foreshadowed the appointment of the Military Inspector-General, which will be the vehicle, or the office, that inherits this initial dump of material should there be matters that cannot be resolved in that time frame.

Senator HOGG—The next issue I want to raise is in respect of an article that appeared in the *Sunday Herald Sun* on 4 February this year about some APCs, M113s. The article is headed 'Cancer fear for troops'. It then goes on:

Thousands of Australian troops have been exposed to cancer-causing diesel fumes from the exhaust of armoured personnel carriers.

It refers there to the fact:

The Canberra-based Defence Safety Management Agency was first alerted to the problem with the troop carriers only in November.

I presume that was in November last year. Can you fill us in on what is happening there?

Major Gen. Willis—I will lead off, but then I will ask Brigadier Ramsey to comment on the health side. I must say up-front that there were numerous inaccuracies in that report on 4 February that certainly overstate and sensationalise the health risk and, in my view, unfairly single out the M113 as the only source of diesel fumes that could be involved in something like this. Taken in the correct context, the recent United States Environmental Protection Agency, EPA, ruling on emissions is essentially an environmental action to make sure that the air is cleaner in the United States. So anything we do in relation to that should be across the board and not just an M113 issue. It should be a national issue. Certainly the DSMA was made aware of it in about November, and they have been working closely with the health people there. But at this stage there is no indication of any evidence in the safety or compensation records of increased incidence of cancer with claims due to diesel fuel emissions over the 35 years we have had them. That is from our DVA records, et cetera. That is not to say we should not and would not take action should the situation require it.

Brig. Ramsey—In 1996 the International Program on Chemical Safety from the World Health Organisation did identify that diesel exhaust was a probable human carcinogen. So we appreciate that fact. As General Willis said, all investigations that we have undertaken have not indicated a clear link or a compensable claim coming forward where that linkage is with carcinogens from diesel exhaust. The Defence Safety Management Agency are undertaking an emissions study to determine the particulate rate from the emission exhaust from M113s, but at this stage we see no reason to undertake a detailed health study.

Senator HOGG—When will that study that is being undertaken be completed?

Brig. Ramsey—I am not aware of that.

Senator WEST—Are the fumes causing illness in terms of nausea and vomiting within the troops? Because if you get a good blast of diesel fumes you would not be feeling like you have swallowed a pork chop or anything.

Major Gen. Willis—For my sins I have probably spent more time in armoured personnel carriers than a lot of people in this room, or in the Army probably. I was in a mechanised infantry battalion for two years and also spent a little bit of time other than that in them as well, and I cannot remember anyone coming down with those sorts of symptoms—the contrary, actually: we used to try to get as close as we could to get warm in the field.

CHAIR—You have got a very squeaky voice now, though, General!

Senator HOGG—You said you cannot remember. That was a thing that was worrying me!

Major Gen. Willis—I will check my diary!

Senator WEST—What does the inhalation of diesel fumes do to you? Not quite as much of a buzz as petrol, but—

Brig. Ramsey—Senator, you are quite right that inhalation of diesel fuels can cause the symptoms you have described. I also have extensive experience in armour. I was regimental medical officer for 1st Armoured Regiment for two years, and in that position I was actually a

crew commander of an M113 for prolonged periods, and I can confirm that some of the symptoms that you describe short term did occur to me, and as a medical officer I know that some crew commanders would present with symptoms such as those, on rare occasions. But, as I say, there are no indications of unusual cancer rates in crews from M113s. But we had not conducted a comprehensive study of that matter. We have to understand as well, as General Willis indicated, this is diesel emissions not just from M113s but from mobile vehicles and there are neither national nor state standards covering this matter in Australia.

Senator WEST—Do other countries have national standards, such as the EU? They have a standard on everything, so I presume they have a standard on this!

Brig. Ramsey—I am not sure.

Senator HOGG—What is the experience overseas with similar vehicles?

Major Gen. Willis—Brigadier Ramsey may know that. I have not heard anything dissimilar to what we have just said here.

Senator WEST—Are these undergoing an upgrade or something?

Major Gen. Willis—The M113 fleet is, I think, in the process of being prepared for an upgrade.

Dr Williams—There is a project that was formally endorsed in the white paper to upgrade 350 vehicles to an increased standard, which would include upgrading the engines of probably the majority of those vehicles.

Senator WEST—So the troops will not get a face full of diesel fumes?

Dr Williams—I guess, just to clarify, the article in the paper implied that the exhaust was blown out almost directly in front of the crew, but that is not the case. If the crew is down below, it is clearly not an issue. If the commander is up above and, under normal conditions, moving forward the exhaust is not going in front of the commander but down the side, there is not an issue. You could, in stationary conditions with certain wind conditions, get some exhaust wafting across and, as the brigadier said, that would cause a problem and you would need to watch that. With the upgrade, we will be looking at a range of things, improving firepower, habitability, et cetera, and clearly the engine upgrade is part of that.

Senator WEST—Thank you.

Senator HOGG—At the last estimates, questions were asked of the Chief of Air Force about problems faced by personnel working on the resealing of F111 tanks. Can you give us an update on that issue?

Brig. Ramsey—As I understand it, the F111 deseal reseal consultative forum took place on 16 January with Mr Bill Maxwell from the Department of Veterans' Affairs as chairman. The results of the study being conducted by the Scientific Advisory Committee will be made available to the RAAF board of inquiry.

Senator HOGG—When will that be?

Brig. Ramsey—If I could just go through my brief, it will give you the dates you are looking for. An advertisement was circulated for comment seeking interested institutions to submit a bid to conduct the proposed health study into the issue. That advertisement was placed in several of the national newspapers starting on 27 January. To date, 30 interested individuals have requested the terms of reference. The next meeting of the consultative forum will be held in Ipswich on 2 March 2001. The Scientific Advisory Committee will confer

shortly thereafter to consider the bids. Final tender proposals should be submitted by 12 April, after which the Scientific Advisory Committee will advise the Commonwealth of the proposed tenderer. That tender process will indicate the time line of the scientific study.

Senator HOGG—I am not holding you to this but we are looking at something then that is going to stretch on for probably the rest of this year?

Brig. Ramsey—I would anticipate so.

Senator HOGG—In broad terms?

Brig. Ramsey—Yes. It will be a lengthy study.

Senator WEST—What is happening with the resealing at present? Is it still being undertaken or have there been some modifications to the processes involved?

Senator HOGG—The process involved someone actually crawling inside the tank, and that was the problem.

Major Gen. Willis—Yes. That is as I understand it. They were using different products than were originally used, for good reason.

Senator WEST—But, if some of the crews are complaining that they are feeling sick at the end of it from the use of this chemical, have different protocols and procedures been undertaken to undertake these reseals?

Major Gen. Willis—I do not have the details, but I do know that the investigation team that is looking into all of this has designed safe procedures to allow the respray program for the resealing to continue so that they are available for service as a stopgap. But I do not know the details of how they do it.

Senator WEST—There is some movement at the station behind. I do not know whether it is to help out here.

Air Vice Marshal Conroy—The suspension of the fuel tank maintenance operations has been in place for some time. However, a revised safety practice for general fuel tank maintenance which allows for limited repairs to be carried out, but not a resumption of the spray sealing process, was reissued in September of last year. We are hopeful that a spray sealing program can restart in July 2001 using revised safety practices.

Senator WEST—Is it possible to have a copy of the new procedures?

Air Vice Marshal Conroy—I will look into it. I am sure that it is available.

Senator HOGG—What will be the trigger that will allow the resumption?

Air Vice Marshal Conroy—It is mainly this review of the exposure and the adequacy of the personal protective equipment that we are going to use.

Senator WEST—What has been the impact on the availability of F111s, if you are not able to undertake some of the deseal-reseal of their fuel tanks?

Air Vice Marshal Conroy—The availability of aircraft has reduced as a consequence of this problem.

Senator WEST—Are you coping with that?

Air Vice Marshal Conroy—There will be a flying hours underfly this year, mainly as a consequence—

Senator WEST—Significant?

Air Vice Marshal Conroy—Yes.

Senator WEST—Can you give us figures?

Air Vice Marshal Conroy—In the PAES you will notice that the normal flying hour effort of the F111 force without problems—

Senator HOGG—Can you give us the page, Air Vice Marshal?

Senator WEST—Here it is on page 74. You are going down from 4,000 hours to 3,600 hours.

Air Vice Marshal Conroy—We could actually fall short of the 3,600 hours to possibly as low as 3,300 or 3,200. That is the latest figure I have heard.

Senator WEST—Thank you. How are the troops going that have been to East Timor—and maybe even Bougainville—in terms of malaria and dengue fever? What is the incidence of those?

Brig. Ramsey—The health problems that we have experienced over this wet season have been far fewer than we experienced last wet season, which was our first in East Timor. While I have not got the latest rates over the wet season, the numbers are significantly less.

Senator WEST—Is that because we have got fewer people over there?

Brig. Ramsey—No, I think it is twofold: first of all, the wet season has not been as bad and, secondly, compliance to the protective measures has been much more stringent and we have been taking a much closer focus not only on the preventive side of it but also on the eradication of mosquitoes—the preventive health issues. So I think it is a combination of factors.

Senator WEST—Is that an indication that, in places like Dili, some of the infrastructure has actually been able to be re-established and that that is having an impact as well?

Brig. Ramsey—That could be partly it, but I think that it is more the personal protective measures and the preventive measures that our people are taking around their own work sites.

Senator WEST—Are any groups more affected? Are you getting cluster effects that would trigger a concern?

Brig. Ramsey—No, we have not had any clusters or spikes in malaria and dengue fever. We did have an unidentified outbreak of waterborne gastroenteritis that occurred over about a two-month period—November-December—and a significant number of troops were affected by that.

Senator WEST—The giardia type?

Brig. Ramsey—It was not giardia. At the end we think it was a cryptosporidium. We did not have a pathology laboratory that was capable of identifying the pathogen early in the piece, but later when it became apparent that there was a waterborne epidemic we instituted some preventive measures, changed our water sources and the like. Again, the symptoms were mild: those who were affected were affected only for short periods of time—one to two days—and, because of the mild nature of it, it was in fact masked from our screening measures.

Senator WEST—Low level of reporting and things like that?

Brig. Ramsey—Yes, being treated by the local—

Senator WEST—Self-medication.

Brig. Ramsey—The self-medication medic, rather than being bad enough to see the medical officer. Other than that, the standout continues to be dermatological conditions. As we have always expected and reported in the area, that is 17 per cent of presentations—tinea, chaffing from uniforms, sunburn, blisters, prickly heat and the like.

Senator WEST—Are they still in polyester uniforms or have we got them into cotton?

Brig. Ramsey—They continue to wear the disruptive pattern uniform.

Senator WEST—Which is synthetic?

Brig. Ramsey—A synthetic and cotton mix.

Senator WEST—Is it true that there is a new strain of dengue fever appearing?

Brig. Ramsey—Not that I am aware of.

Senator HOGG—While on East Timor, were there any problems in the early days with old buildings and the removal of asbestos—provision of protective clothing? Have any people suffered as a result of being involved in either the destruction of buildings or the removal of asbestos?

Brig. Ramsey—That issue was raised very early in the mission. The Defence Safety Management Agency sent a team to East Timor. It worked particularly in the Dili area where many of the buildings were old and apparently had some asbestos cladding in them. The investigation was completed and we have, from a health perspective, included in all return to Australia medical checks and warnings for future medical follow-ups the indicators of occupational and environmental exposure and have flagged potential exposure to asbestos, understanding that there are no simple screening tests available. We have not undertaken a definitive screening process. At this stage there have been no indications by way of clinical presentation of a service person from Timor suffering from the complications of exposure to occupational hazards such as asbestos.

Senator HOGG—Do you have any idea of potentially how many may have been affected?

Brig. Ramsey—I do not have a copy of that report. The Defence Safety Management Agency would have scoped that matter as part of their investigation. It would have been predominantly those personnel in Dili who were involved in the clean-up of the buildings. Obviously, once they are cleaned up, the risk goes away. If you want me to guess, then I would guess in the order of hundreds rather than thousands being exposed.

Senator HOGG—Take it on notice. If someone can find out for us and get back to us, we would appreciate that.

CHAIR—We will take a short break.

Proceedings suspended from 3.28 p.m. to 3.49 p.m.

Senator HOGG—What action is Defence taking regarding the effects of depleted uranium from weapons on ADF personnel that have served in operations where such weapons were used?

Brig. Ramsey—The issue of depleted uranium came to our attention in January when it hit the world press. We have undertaken a number of significant steps to monitor the health of individuals who were potentially exposed to depleted uranium in the Balkans. Approximately 260 members of the Australian Defence Force served in the Balkans over a period when depleted uranium was used or in the period after its use. All of those personnel, both serving and those who have retired, have been written to. They have been invited to participate in a

health study. At this stage the study is merely a screening study. A questionnaire will be exercised. From that questionnaire we will be able to identify their potential risk of exposure.

Senator HOGG—How long will this study take place for?

Brig. Ramsey—At this stage we are waiting for responses from the individuals. As soon as the individuals can be surveyed—the questionnaire has been sent out to them—we will be analysing the survey. Those who are serving will be medically examined. It will be a very simple medical examination. A very simple blood and urine screening test will be undertaken. Those who have retired or taken discharge will be invited to undertake the same screening. That screening will be undertaken under the auspices of the Defence Health Service. The only caveat on the time line is responses from those individuals who have been surveyed.

Senator HOGG—Do you have an RSVP date?

Brig. Ramsey—No, we did not put an RSVP date, other than—

Senator HOGG—A deadline?

Brig. Ramsey—a request to do it urgently. At this stage we have had only a small number of responses. A database is being maintained in Canberra. Along with that survey, and in conjunction with using the DVA-DOD links project, the Repatriation Medical Authority has been tasked with undertaking an independent analysis of the data that is collected. It will also undertake a national and international literature review to provide us with further indications and guidance on how we should proceed with those people who were potentially exposed to depleted uranium.

Senator WEST—Will you be doing any longitudinal monitoring or surveying of this particular group of people? Will you just have them flagged?

Brig. Ramsey—At this stage we do not know. I will await the advice of the Repatriation Medical Authority, as an independent expert body, as to what ongoing screening should be undertaken. It is not difficult for us to continue to monitor those who are serving. In the last few months the Australian Defence Force has been trialing and is about to introduce a new health surveillance system that will see all members of the Defence Force being medically screened on an annual basis with a comprehensive five-yearly medical. At that annual screening, if there are occupational risks, those individuals can be flagged for specific follow-up. We had in place the mechanism to undertake the screening. What we do not know at this stage is what, if any, additional screening is required. The screening that we have put in place at this stage is justified only in the terms that there is a very small possibility of toxic effects from the depleted uranium dust. I am not expecting any untoward effects to be found from those members of the Australian Defence Force who have been exposed to depleted uranium.

Senator WEST—It is the long-term effects that you will be watching out for. I just wanted to make sure that there will be some mechanism whereby, longitudinally, you can still continue to monitor this group if there are any clusters.

Brig. Ramsey—That is what we will wait for the Repatriation Medical Authority to advise us on. But, even in the worst-case scenario, it has not indicated scientifically that there is a consequence of exposure to depleted uranium. The US forces have the most significant cohort of 20 US service personnel who were involved in friendly fire while serving in armoured vehicles. They were hit by depleted uranium rounds and in fact were substantially exposed to not only the dust but shrapnel from depleted uranium. The US Defence Health Services have been monitoring that cohort of 20 and none of them has shown any untoward side effects that

would be associated with either dust from depleted uranium or shrapnel from depleted uranium.

Senator HOGG—Do we use depleted uranium rounds or anything?

Major Gen. Willis—No, we don't.

Senator HOGG—I didn't think so. I want to move to the rules surrounding serving ADF personnel wanting to take leave without pay during certain periods of their time, particularly the likes of former SAS officer Kerry Danes. Can you give us some idea of the constraints and processes involved.

Major Gen. Willis—I do not profess to be across all the details of rules for leave without pay but essentially the process is that, if you are a serving member and you wish to take leave without pay, you put a leave form in to your superior and it gets recommended and subsequently endorsed. If the reason is appropriate, generally they are accepted and generally speaking the person goes on leave without pay.

Senator HOGG—Is there a maximum period that that leave can apply to?

Major Gen. Willis—I believe there is but off the top of my head I do not know.

Senator HOGG—If you could take that on notice and provide us with what are acceptable reasons for taking it and what are unacceptable reasons, that would be good. I know that we raised this issue a couple of years ago when certain matters were happening on certain wharves and people applied for leave. If there has been any change since then as to what is acceptable and what is not acceptable, please provide that also. By that I mean the types of jobs that people can go into.

Major Gen. Willis—Certainly.

Senator WEST—Did we ask for a list of those specialist areas experiencing the greatest shortage of personnel? I am happy for that to go on notice.

Major Gen. Willis—I think you may have, but we will provide it anyway.

Senator WEST—Could you provide the number required and the actual number that you have as well. Do you have any drug and alcohol programs running? Is that a problem?

Major Gen. Willis—Where it exists certainly it is a problem. We do have programs. There is a combined Air Force and Army program and a separate Navy program, which is very similar to the other two. They are very successful programs.

Senator WEST—Do you gather statistics regarding the usage?

Major Gen. Willis—We certainly know how many people attend the programs and at what period they attend them.

Senator HOGG—Are the problems increasing or decreasing by your statistics?

Major Gen. Willis—I do not know the answer to that.

Senator HOGG—I am also wondering if there is any impact as a result of people coming back from service in East Timor and if you have any indication that the problems are increasing as a result of that overseas service.

Major Gen. Willis—My briefings indicate that there is no increase as a result of service in East Timor and my intuition tells me that the cases involved are falling, but I would have to confirm that.

Senator WEST—How many personnel were convicted of drug offences last calendar year and the year before?

Major Gen. Willis—I will have to take that on notice.

Senator WEST—This is all part of a mental health type scenario. Are you going to address the issues of mental health? Are you saying it is not any great issue or that you do not think the problem has increased?

Brig. Ramsey—Alcohol and substance abuse is quite clearly a subset of mental health problems that we encounter and the Australian Defence Force is quite clearly a subset of the Australian community. We appreciated, in the inaugural Australian Defence status report that was issued late last year, that mental illness is the second leading cause of medical invalidity in the Defence Force. As a consequence, and at the direction of the Chief of the Defence Force, we are in the process of developing an Australian Defence Force mental health strategy. That strategy will provide a multidisciplinary approach to mental health, illnesses and problems. I would anticipate that the strategy will be put to the Chief of the Defence Force and COSC mid-year. That strategy will be all-embracing and will include all of the mental health problems that are associated with the Australian Defence Force, including alcohol and substance abuse, suicide and suicide prevention strategies, the research that is required and the training that our people require to manage mental health issues.

Senator HOGG—I would now like to move on to an announcement in the PBS this year. It is a question that I asked at page 17 of the PBS under the heading ‘Budget measures’—table 1.8. There is an expense measure: ‘Increasing operational availability of reserves—\$20 million’. My notes on my PBS from the response that I received on that occasion say that it was to kick off the reserve initiative for employer incentives. I have been trying to find out whether that \$20 million has been spent at all? Where has it gone? Has it been used or has it not been used? If it has not been used, why has it not been used?

Col. Stedman—The \$20 million that you identified was provided for a number of reserve enhancement initiatives. It is expected that only about \$10 million of that will be expended this financial year. I will go through the break-up of what was intended for that expenditure and what the current plans are for that. The first component was for the implementation of the employer support payment. About \$10 million was expected to be spent on that this financial year. Due to the revised time lines for the reserves protection legislation passing through the parliament, it is now anticipated that approximately \$2 million to \$3 million will be spent on that this financial year. The second component was \$4.8 million for the acceleration of the reserves civil accreditation programs—that is, programs for the civil accreditation of the training that reservists undertake. It is now forecast that approximately \$3 million of that will be expended this financial year. The third component was for the enhancement of the Defence Reserves Support Council—a figure of about \$700,000 was allocated for that. It is anticipated that approximately half of that—that is some \$350,000—will be expended this financial year. The fourth component was for the conduct of a survey of reservists. That was expected to cost approximately \$1½ million this financial year and it is anticipated that all of that funding will be expended. The fifth component was for the development of a communications and public awareness strategy for the reserves, costing approximately \$1.9 million this financial year. It is anticipated that almost all of that—approximately \$1.8 million—will be expended.

The final component was for the introduction of swipe-card technology to reservist units to improve administration. It was anticipated that \$1 million would be expended on that this financial year. Due to some changes in the Defence project implementing swipe-card

technology throughout the Defence Force, it is unlikely that any of that funding will be able to be expended this financial year. In summary, approximately \$10 million of the predicted \$20 million is likely to be expended.

Senator HOGG—Thank you very much for that. It is an excellent answer. What therefore will happen to the other \$10 million? Is that a carryover figure?

Mr Moore—It was a specific budget measure for this year only.

Senator HOGG—Is it in the additional estimates? If, as I have just been told, we are going to go to \$10 million, is there something in the PAES which shows me where the other \$10 million is or where it is going?

Mr Moore—I would have to check. I think when we put the PAES together late last year we thought we would still spend the \$20 million. It has only emerged since then that we will not. So, as part of our budget discussions with the Department of Finance and Administration, we are yet to determine whether in fact we would have to put the \$10 million back to the budget this year or whether we could carry over till next year. There has been no decision made on that.

Senator HOGG—All right. I am not asking you to anticipate this year's budget, but it is not that the \$10 million that was there will be diverted into some other worthy cause that someone might identify within Defence.

Mr Moore—No, it has been given to us specifically for reserves. If we do not spend it on reserves, we return it.

Senator HOGG—That is why I was interested in that issue in the first instance.

Major Gen. Willis—It was anticipated that the legislation would get through parliament at the end of last year but there was significant interest in it and lots of members wished to talk on the issue, and as a result is still has not passed through the Senate at this stage, which is why the figures are not quite in the PAES that we would wish them to be.

Senator HOGG—What is happening with induction training for the reserves?

Col. Stedman—That falls mainly within the purview of Army. Army have a policy of common induction training and their preferred solution for reservist recruits is that they go down and do a continuous 45-day period of training. However, Army have been looking at alternative solutions to that training based on modules and have developed an alternate approach with a three-week module followed by I believe a period of about a week back in the reservist's unit and another three-week module at some point in the future, I am not entirely sure whether it is within 12 or 24 months, to complete the equivalent of a common induction training single 45-day period over two periods of training.

Senator HOGG—Has that been implemented yet?

Col. Stedman—I am not sure. I would have to take that on notice.

Major Gen. Willis—I think it has. I think it might have started this year.

Senator HOGG—It twigged in my mind as we were discussing this that that was a real barrier to getting some people into the reserves.

Major Gen. Willis—Certainly, and that is what Colonel Stedman has indicated, that we have built in that flexibility. But I think Army would be able to answer the question in detail.

Senator HOGG—If someone in the room can come up and answer that, that is fine, or you could take it on notice.

Major Gen. Willis—Certainly, Senator.

Senator HOGG—A councillor from the Mitchell Shire Council in Seymour apparently wrote to the Minister for Defence last year requesting information on Defence personnel numbers in the Puckapunyal and Graytown area. The minister has not yet replied. They have obviously been in touch with us and they are upset that the minister has not replied. Can we find out why the minister has not replied and get the councillor for the Mitchell Shire Council in Seymour a response from the minister's office on those issues?

Senator Ian Macdonald—I will certainly follow that through. It surprises me that there has not been a response, but we will find out.

Senator HOGG—I am just raising it for that reason.

Senator WEST—Is there a project under way for the reserves that uses swipe-card technology?

Col. Stedman—Yes, Senator. One of the initiatives for which funding was provided for this financial year was the introduction of swipe-card technology in reserve units to improve administration. The intention is that the introduction of that technology will be linked in with the introduction of swipe-card technology throughout Defence so that we do not have a situation where the investment we make in reserve units some 12, 18, 24 months down the track becomes incompatible with the technology elsewhere within the Defence Force. Because there have been some changes and delays in the Defence Force project, the implementation of that technology within reserve units has been delayed to ensure that it remains compatible with the rest of the Defence Force.

Senator WEST—When is that expected to happen?

Col. Stedman—I am unable to answer that question because we are dependent on the broader Defence Force project, but I can take it on notice.

Senator WEST—There was \$1 million set aside for that?

Col. Stedman—That is correct, Senator.

Senator WEST—And it is still set aside? It has not disappeared somewhere else? Nobody else has come along to grab it off you?

Col. Stedman—No, Senator.

Senator HOGG—It is part of the \$10 million that I was interested in. I also understand that there was a reserve survey project. I think you said that that would be fully expended this year.

Col. Stedman—Yes. That is correct, Senator.

Senator HOGG—With regard to the reserve training program, I think you said that there was an accreditation program. Is that correct?

Col. Stedman—Yes, Senator.

Senator HOGG—I think you said that, of the \$4.8 million allocated, \$3 million will be spent.

Col. Stedman—That is correct, Senator.

Senator HOGG—Who has the responsibility for the accreditation?

Col. Stedman—There are four programs. Each service is responsible for the civil accreditation of its own training, and it has taken the training of its reservists in as part of that program. There is also a central program that is being run by Defence Personnel Executive.

Senator HOGG—So each of them in turn gets their own training accredited? There is nothing at a central level which ticks off on the accreditation that they receive?

Major Gen. Willis—Yes, there is a central organisation that looks after policy and that looks after joint accreditation through the Australian National Training Authority, based in Brisbane. Also, if I am not mistaken, the services Navy and Air Force are QETOs in their own right as I speak, and Army is about there at the moment. They have all been registered training organisations up until now, so in their own particular categories they have the ability to recognise and accredit.

Senator WEST—General, can I suggest you explain fully the acronym ‘QETO’.

Major Gen. Willis—QETO stands for quality endorsed training organisation. RTO stands for registered training organisation—that is the next step down; QETO is the top of the link.

Senator HOGG—With regard to the communications and public awareness project in the reserves area, who has the responsibility for that?

Col. Stedman—I think the lead responsibility is with PACC, Public Affairs and Corporate Communication.

Senator HOGG—Do we know who their target audiences are?

Major Gen. Willis—We do—in the Defence sense, the royal ‘we’. I do not know at this moment, but one would presume that it is the demographic of 18 to 24 and a bit beyond that.

Senator HOGG—Is that potential reservists or employers, or is it a mixture?

Col. Stedman—It is a combination of potential reservists, potential employers as specific targets and, of course, the general community as a whole.

Senator HOGG—From what you have said to me, I understand that you expect to spend \$1.8 million out of the \$1.9 million on that.

Col. Stedman—That is correct.

Senator WEST—We will now turn to the posting turbulence study. What has happened to that? Where is it at?

Major Gen. Willis—The Posting Turbulence Review Team has completed its report and, in line with a number of other studies that have been going on, it has all been brought together under the action plan for people team that has been formed in my group. The aim is to bring together all the sources of information that have been pulled together on all sorts of issues on posting turbulence—the community consultation team, the white paper and other sources of information that we gather in Defence. Most of them were covered in the Posting Turbulence Review Team. The aim of that is to put together a paper—which we are doing—that will go through the Defence committee and which will recommend courses of action to be taken to address the particular concerns that have been raised in the Posting Turbulence Review and the other areas, and it is planned that the Defence committee will receive that agenda on, I think, 22 March.

Senator WEST—Can you tell me—you may not be able to—what the posting turbulence study found that is new, that was not in the Hamilton and Cross reports?

Major Gen. Willis—I am not particularly familiar with what was in the Hamilton and Cross reports, but I can say that the Posting Turbulence Review Team found that a lot of the posting turbulence is due to separations and professional courses, as opposed to what was thought to be the induction process driving it. So any aim to reduce costs by cutting out just removals or postings would not really affect it.

Senator WEST—It is a decade or so since I looked at Hamilton and Cross. I think that is new, compared with what they had. The issues were: back-to-back postings, mid-year postings, spouse employment—it was an issue for them—child care and education. Are they still issues?

Major Gen. Willis—They are still issues. There is more emphasis on some than on others. But, given that they are issues, we have put some procedures in place to try to address them. Certainly, single accommodation, education—both for the member and their families—the mobility issues and spouse support are all big issues out there.

Senator WEST—I am just wondering whether work was done in this study to look at what the impact had been of some of the recommendations arising out of Hamilton and Cross—whether they had actually been implemented fully or whether in fact there had been a slippage over a period of, say, the decade where those changes had just drifted back into old habits.

Major Gen. Willis—I am unable to comment. I do know that the review team did considerable research. I cannot say for sure whether they got into detail in those reports, but I might add that in some of these areas we have made significant advances: child care, support for spouses and the length of tenure in one location now is 3.9 years as opposed to two previously, et cetera. So we have made some significant moves in those directions.

Senator WEST—I was interested to see if they were still issues of concern and where they were ranking because you appear to have two studies—significant periods of time apart—that would enable you to get a fairly good snapshot of how things have changed, and how the demands and the desires of ADF personnel have changed with that. I will leave it at that. I want to ask about non-operational health service activities that have been further refined into the rationalisation and market testing of ADF health services throughout Australia. Does this mean that the market testing exercise for ADF health services in the ACT and southern New South Wales that was advertised in July last year has now been cancelled or what has happened to that?

Brig. Ramsey—Just to update you on the rationalisation of market testing, the request for tender for the provision of health services at ADF bases in Victoria was issued in September last year. That tender closes on 23 February this year, two day's time. Contracts from outsourced services in Victoria could be in place by the end of this year. The tender evaluation process will begin at the beginning of next week, and that evaluation process could take up to eight weeks to determine if there is a successful tenderer. A request for tender for the market testing of health services in the ACT and southern New South Wales region is being finalised and the estimated release date for the request for tender is end of March 2001.

Senator WEST—How will the scheduled completion of this Victorian health service market testing in May impact on the national market testing exercise which is yet to commence?

Brig. Ramsey—We will obviously learn lessons from Victoria. We have always said it was a trial to determine whether it was in fact feasible and possible to establish a comprehensive primary contractor. I have in fact indicated to the Defence health service that the market testing process cease in the Sydney area, for a number of operational reasons rather than non-

operational reasons. But the market testing process will continue in a rolling program around the rest of Australia.

Senator WEST—Why will Sydney's cease?

Brig. Ramsey—There were complexities in the three hospitals—the Army, Navy and Air Force hospitals in Sydney—in that each of those hospitals is also an operational facility. The complexities were such that we could not see how we were going to achieve a primary contractor to mesh in the operational requirements. The notion of market testing from a Defence health perspective is more the rationalisation of existing contracts and better utilisation of our health service personnel. In Victoria, for example, there are very few operational health service personnel. Most of those personnel are employed in other activities. The outcome of market testing, the rationalisation in Victoria, will be redirection of those uniformed people from Victoria back into operational units. The heart of our operational capacity is in Sydney so a consequence of market testing in Victoria will be relocation of uniformed health service personnel to the Sydney area.

Senator WEST—I am interested in how, if you are outsourcing, the outsourced organisations will get some of those health professionals, of which there is already a great shortage, into your services.

Brig. Ramsey—If we talk about the process in Victoria, and we have discussed this previously, the concept of market testing and rationalisation in the Victoria area will demonstrate whether there is a requirement for us to continue to maintain our own facilities and whether the contractor would want to use our hospitals or if there is a better way to provide those services such that those services are provided in other public or private hospitals.

Senator WEST—Are you able to get enough surgeons to rotate through Timor and Bougainville?

Brig. Ramsey—No, we are not. There are shortages in the rosters for both Timor and Bougainville as we project out to the end of this calendar year. We have had to put in place stopgap measures in Bougainville on at least two occasions. Timor is less critical because the Australian contingent there is part of a multinational hospital so that at no stage has surgical support been impeded in Timor. But there have been a couple of occasions in Bougainville where the surgical team has not had a full complement.

Senator WEST—What have they been short? Don't tell me a surgeon—a surgeon who is a fellow of the Royal Australasian College of Surgeons.

Brig. Ramsey—I understand an orthopaedic surgeon. I can confirm the other vacancies that have existed in the roster. What we should also acknowledge though is that, in Bougainville over the last two years, the casualty rate that has come out of that mission has been minimal and the requirement for a surgical team could be viewed today as a luxury.

Senator WEST—Unless something happens. I am just wondering whether in your stopgap measures you have had to go from having someone who is qualified as a fellow of the Royal Australasian College of Surgeons to somebody who is a specialist GP or maybe a registrar, or something like that.

Brig. Ramsey—In those circumstances we have put in place a credentials system to ensure that, when we are indicating that we are providing a particular service, the personnel who are providing that service are recognised as specialists in that field.

Senator WEST—Does that mean they have actually got their FRACS or whatever it is?

Brig. Ramsey—If there are circumstances where we have deployed a specialist team, with a part-qualified specialist, it is recognised that alternative evacuation requirements might be required.

Senator WEST—On how many occasions have you had to have alternative evacuation requirements?

Brig. Ramsey—I cannot answer that question.

Senator WEST—Would you like to take it on notice?

Brig. Ramsey—I will take it on notice.

Senator HOGG—I understand they are putting a training team into East Timor to assist with the training of the newly established East Timor defence forces.

Major Gen. Willis—As I understand it, yes, Senator.

Senator HOGG—What is the basis on which that training team will go to East Timor? Do they go on the same basis as other serving men and women from the Australian defence forces in East Timor?

Major Gen. Willis—As far as conditions of service go, that package has not been completed at this time, but I would premise that it will not be the same as those on operational service that are put in harm's way. The strategy output has the details of that.

Senator HOGG—You are saying that they will not be the same conditions?

Major Gen. Willis—Of service.

Senator HOGG—Of service?

Major Gen. Willis—The way it works, Senator, is that a decision is made on what type of service it is, which is endorsed by the minister or the government—for instance, in Timor warlike service, when they went in, and in Bougainville non-warlike.

Senator HOGG—So how is service in East Timor currently classified?

Major Gen. Willis—For the Operation Tanager people it is warlike service.

Senator HOGG—Are there military personnel who are there on non-warlike service?

Major Gen. Willis—There are a couple of people attached to the embassy or are there and not on warlike service. They are on peacetime conditions of service. Anyone who went in not on warlike service—they were, say, unarmed or conducting another activity that was separate from Operation Tanager—would accrue different conditions of service.

Senator HOGG—Is there any likelihood that this team that are going in will be placed in a position where they are in warlike conditions?

Major Gen. Willis—My understanding is that, because they are going in on essentially a defence cooperation project, if the conditions deteriorated such that they were not secure, they would be withdrawn. Their security is the responsibility of the UN peacekeeping organisation.

Senator HOGG—Is this an additional aid project, or assistance program, for the year?

Lt Gen. Mueller—I think it would be best to ask for details on this particular initiative when we look at the strategy output.

Senator HOGG—Thank you.

Ms Clarke—Chair, Senator West asked a question earlier this morning in respect of some figures on page 40 of the PAEs concerning the split-up between the increase in liability under

DFRDB and under MSBS. I have obtained figures in the intervening period. Approximately, \$500 million of the variation is for DFRDB and about \$400 million for MSBS. That split is not representative of the overall liability within the \$25 billion.

CHAIR—Does that satisfy you, Senator West?

Senator WEST—It does.

Lt. Gen. Mueller—Chair, Col Stedman has some answers to questions on cadets which were asked this morning by Senator West.

Senator WEST—Thank you.

Col. Stedman—You asked this morning about the number of cadet units in the community. At the time that the future review was completed in the second half of last year, there were 427 cadet units; 313 of those were community based, of which 116 were located in Defence Force facilities. There were also 114 school based cadet units. At that time, there were 25,757 cadets and 2,262 officers and instructors of cadets. You asked for additional information on prior cadet experience in ADF members. The 1999 ADF census asked ADF members whether they had had prior cadet service. Of those ADF members who participated in that census, 22 per cent of full-time serving members indicated that they had been cadets prior to joining and 25 per cent of reservists. That information was published in the ADF 1999 census public report and was drawn on by the *Cadets: the future* review team. The only other similar data available is from a 1995 attitudinal survey conducted among members of the Army Reserve, at which time 21 per cent of participating officers and 14 per cent of soldiers indicated that they had had prior cadet experience.

Senator WEST—That was not the question I was posing. The question I was posing was: how many of the 25,757 will end up going into the ADF, but it is too late in the day to pursue that.

Senator Ian Macdonald—That is hypothetical, is it not?

Senator WEST—It is hypothetical on 25,757 now, but five or six years ago it would not have been hypothetical. If there were 25,757, say, seven years ago—that means they have all finished school—how many of that 25,757 went into the Defence Force, the percentage of those? Not 22 per cent of all cadets go into the Defence Force; 22 per cent of all officers, permanent army people or permanent ADF personnel have served in the cadets. I am wondering how many of the 25,757—that was the number 10 years ago—went into the cadets. It is a different figure.

Col. Stedman—I understand the question. The issue is that we have never surveyed existing cadets as to whether they were going to join, or subsequently gone back to that database of the existing cadets and asked, ‘Did you join?’ All we have done is survey existing serving personnel, both regular and reservists, as to whether they had prior experience. The other statistic we have is that the recruiting organisation since 1995 has had, as part of its recruiting forms, a box indicating prior cadet service so we have details as to those who, on enlistment, indicated prior service, and that equates to about nine per cent of general enlistment. But, again, we have not actually surveyed the 25,000 cadets as to whether they have joined or not.

Senator WEST—You are able to capture the numbers who served who were in the cadets. I am after a different figure: the number that did not go on.

Col. Stedman—We do not have that information.

Senator WEST—No, I did not think you would have.

CHAIR—Ten per cent of ADF personnel have been cadets. What is the increase in the number of cadets that you estimate under the white paper proposals? Have you done any figures on that?

Col. Stedman—I am not aware that we have done any calculations along that line.

CHAIR—Clearly that is an important area of recruiting, is it not? It is 10 per cent at this stage and if the number of cadets increases then the number of ADF enlistments will increase.

Col. Stedman—Certainly, cadets as an area from which we recruit is, as you say, extremely important to us and the enhancements to the cadet scheme we would hope will be extremely important to us in recruiting, although I should make the point that we do not support the cadet scheme simply as a breeding ground for Defence Force personnel—we support it because of its role as a youth development activity.

CHAIR—So do we. The government does that too, of course. We move now to the next topic in the portfolio. Thank you, gentlemen. We move now to the portfolio overview—capital investment: major capital equipment projects and major capital facility projects, and questions on the Defence Materiel Organisation, the Defence Estate Organisation and the analog security system.

Senator HOGG—I want to go to page 25 of the PAES. I want some quick answers on these questions, although I know there are explanations behind them. Firstly, the work in Oxley at Amberley. The estimate in the budget was \$40 million; it is now up to \$46.8 million. Is that due to increasing costs or is that additional work that is going to be performed?

Mr Corey—That is just an accelerated program at Amberley. There is no increase in the scope of the work, it is just advancing a bit more quickly than was originally planned.

Senator HOGG—That is what I thought it might have been. By the way, what electorate is it in?

Mr Corey—Oxley.

Senator HOGG—I am interested because in the annual report it appears as being in Blair and in the PAES and the PBS it is in Oxley. I am just wondering now whether Defence Estate is into electoral redistribution.

Senator WEST—All Queenslanders put up your hand and say where it is.

Mr Corey—I do not think there has been an electoral redistribution, Senator; it has always been in Oxley.

Senator HOGG—It was in Oxley, it moved to Blair and now it is back again.

CHAIR—It is to confuse the enemy.

Senator Ian Macdonald—It is very close to the border, my local knowledge will tell me.

Senator HOGG—On page 25 you refer to the Eden Navy ammunition facility which was budgeted for \$16.1 million with a revised estimate of \$1.2 million.

Mr Corey—It has slowed down a little because of a native title issue we are resolving down at Eden. We cannot proceed with the project until we sort that out.

Senator HOGG—The \$1.2 is a just maintenance?

Mr Corey—Some preliminary stuff—design.

Senator HOGG—Any idea when that will be resolved?

Mr Corey—We thought it would be resolved by now. We are hopeful it will be resolved in the short term.

Senator HOGG—The Nowra HMAS *Albatross* redevelopment is down about 12½ per cent.

Mr Corey—I think it was because we accelerated the program last year, and that is the only reason. The budget estimates were based on a certain level of expenditure last year and it was exceeded and so there is less to spend this year.

Senator HOGG—The project in Bonython, the Salisbury RAAF Edinburgh redevelopment, has gone from 3.1 down to 0.08.

Mr Corey—Again, that is a project that has been a bit slow getting off the ground. By the time we got it through the PWC process it has just taken a little bit longer than we anticipated earlier.

Senator HOGG—I have read the explanation in respect of the Timber Creek Bradshaw Station. That is a native title issue as well.

Mr Corey—It is a native title issue.

Senator HOGG—What is the likely time of resolution?

Mr Corey—Cabinet agreed last year that if we could not negotiate the indigenous land use agreement within a period of four months we were to refer it back to cabinet, which would then consider compulsory acquisition. So we are working our way through that. We had a meeting scheduled for next Monday, but the floods in the Northern Territory have made it impossible to go ahead with that meeting. So our next meeting will be scheduled for a couple of weeks time.

Senator HOGG—The last thing in this area that I want to refer to is actually in the annual report at page 41. Has there been slowdown in the development of RAAF Darwin, based on those figures that are in the table at the top of page 41? The revised estimate was 30.9; the actual figure turned out to be 22.019.

Mr Corey—I am not sure of the reason for that. I will have to come back to you on that. There has not been a slowdown in any deliberate sense, but I will have to—

Senator HOGG—So can you take that on notice and get back to me.

Mr Corey—I will.

Senator HOGG—The approved cost there of the Delamere air weapons range is 12.3. There is no expenditure to date. The revised estimate was for \$½ million last year, but actually nothing was spent.

Mr Corey—The Delamere project has been delayed on the equipment side. So the facilities aspects of it are slowing down to keep pace with the equipment side of it.

Senator HOGG—I did not notice if Delamere was in the list of projects for this year.

Mr Corey—I am not sure on that either. Probably because of the slowdown on the equipment side I think it has slowed down considerably.

Senator HOGG—I was going to say; that is a considerable slowdown—12.3.

Mr Corey—I think you would probably have to ask the capital equipment side where they are with the Delamere project, but my reading of it is it has slipped considerably.

Senator HOGG—I think the forces of good are coming.

Ms McKinnie—In the white paper in the defence capability plan the air combat training system has been delayed to around 2004-05. As a result we have stopped the acquisition process that we did have under way.

Senator HOGG—So the Delamere air weapons range is on hold.

Ms McKinnie—Yes.

Senator HOGG—That would be the best way to describe it.

Ms McKinnie—Yes. It is due to go back to government for a decision in 2004-05.

Mr Corey—If I could just come back to RAAF Darwin, it seems there is an explanation on page 43 of the annual report. Apparently, again, it is an equipment difficulty with the air traffic control facility which is slowing down some of our related works.

Senator HOGG—Okay. As I have said, I just wanted to canvass those issues very quickly. Thank you.

Senator WEST—In February last year in the estimates hearings, Mr Roche announced that he expected the request for tender for the patrol boat replacement to be released within a couple of weeks. Am I correct in understanding that that still has not been released?

Major Gen. Dunn—That is correct. It has not been released as yet.

Senator WEST—It is 12 months down the track. What is going on? What has happened?

Major Gen. Dunn—The patrol boat program, as with a number of other projects, will go forward within the context of the budget submission.

Senator WEST—Why were we told last year—12 months ago—that the RFT was to be released within a couple of weeks?

Major Gen. Dunn—I cannot answer that. I will take that on notice.

Senator WEST—You would understand why we would be asking questions?

Major Gen. Dunn—Yes.

Senator WEST—You have got a slippage of 12 months.

Rear Adm. Scarce—At that stage we were preparing to release the RFT for patrol boats, but the white paper required us to go and look at all of the maritime strategies, as well as air and land strategies. So we held over the activity until the white paper was released. The process has now been re-engaged, as it has been approved in the white paper, and the general has indicated that, as soon as we complete the budget process, we expect to release the RFT midyear.

Senator WEST—Has this delay affected the budget for it? Presumably, if the RFT was going to be released within a couple of weeks last year, there was a budgetary allocation set aside previously?

Rear Adm. Scarce—There is a budget cap on it, Senator.

Senator WEST—And that money is still sitting there waiting for it? It has not been usurped by somebody else?

Rear Adm. Scarce—No.

Senator WEST—It has not been eroded by inflation or by the value of the Aussie dollar?

Rear Adm. Scarce—No, it has not been increased either.

Senator WEST—It has not been increased, either. The Aussie dollar keeps going down. Well, we will have to wait and see whether these will be built by Australian companies or not, won't we?

Rear Adm. Scarce—Yes.

Senator HOGG—Turn to page 18 of the PAES. In the table 1.9, 'Specialist military equipment', the budget estimate was \$2.94 billion down to \$2.701 billion. Is there an explanation for that? Is it broken up somewhere else in the PAES that makes it more intelligible than just that one figure?

Mr Moore—That decrease, as you quite rightly point out, of \$239 million is directly related to the difference in cash spend on specialised military equipment between financial years. We actually achieved a higher spend last financial year—as reported in the annual report on page 37—as a result of slippage in some of our operating expenses, and we have adjusted the allocation to capital this year to compensate for the higher than expected spend last year. So it is just a difference of payments between two financial years with no overall result.

Senator HOGG—So it is transferring the payment into last year that would have been made this year, but it is not an actual reduction? Is that what you are saying?

Mr Moore—Yes.

Senator HOGG—Thank you. What is happening with the Caribou?

Air Vice Marshal Conroy—The plan was for the Caribou to go out of service and to be replaced by the light tactical aircraft project. That plan was changed in the white paper and the LTAC, as we call it, is now scheduled for introduction around 2010. We had been running down the Caribou logistics support, aiming to just fall over the line. There has been extra money placed in my logistics baseline to recover the expenditure on Caribou through to 2010.

Senator HOGG—Is that in the PAES by any chance?

Air Vice Marshal Conroy—I do not think it would be specifically there. It was mentioned in the white paper.

Senator HOGG—They are currently serving aircraft. I imagine that you would have to get the project up and running immediately, wouldn't you?

Air Vice Marshal Conroy—It is just extra funding to my logistics management units—spares and extra servicings.

Senator HOGG—So what will you do to extend their life?

Air Vice Marshal Conroy—We had a study done last year and the conclusion of that study was that the aircraft would be supportable with this additional quantum of expenditure over the next 10 years, out to that 2010 point.

Senator HOGG—What will be the main focus of that expenditure?

Air Vice Marshal Conroy—It goes across all the aircraft systems—major servicings, engines, avionics.

Senator HOGG—Will the engines hold up?

Air Vice Marshal Conroy—Yes, they will. We do have some problems with the deeper maintenance of the engines—they are not making their time between overhauls—but we have a team on that and we intend to improve it.

Senator WEST—Has DMO got a new initiative called company scorecard?

Major Gen. Dunn—Yes, it has. It is an initiative that has been with us for some time, but it has been reinvigorated as part of our reform initiatives.

Senator HOGG—Is that the same as the balanced scorecard?

Major Gen. Dunn—No, it is not.

Senator HOGG—Or the Defence matters scorecard?

Major Gen. Dunn—It is entirely different.

Senator WEST—So it has been in practice for a while, has it?

Major Gen. Dunn—We have had the basis of the scorecard for some time. We have reinvigorated that. Under the scorecard, we will assess the suppliers to the Defence Materiel Organisation and also invite them to assess us.

Senator WEST—So you will be having a dossier on them all?

Major Gen. Dunn—We will be keeping information and we will pass that information back to the companies in terms of our assessment of how they have performed. This is a practice that is conducted elsewhere in the world. It is a very transparent practice. Some of that information will be used, as the companies have already been advised, in the assessment of future tenders.

Senator WEST—How will it be transparent to everybody else, apart from the company?

Major Gen. Dunn—It will be transparent to the company that we are dealing with. Obviously other companies will not see their competitors' scorecards.

Senator WEST—What is the cost of the initiative?

Major Gen. Dunn—I will take that on notice. Mr Chairman, while the senators look through questions, may I complete an answer that I gave this morning where I said I would table a list of the projects that are delayed. In fact I do not think there is a need to table a list. The projects were as we said: the Air 87 project, the armed reconnaissance helicopters and the AEW&C project.

CHAIR—Thank you.

Senator HOGG—Last year at the launch of the new ship *Parramatta*, Minister Moore announced in his speech that he was commissioning a report into the future of the naval shipbuilding industry. Has that investigation been undertaken and a report been arrived at on the findings of that investigation?

Rear Adm. Scarce—That report was commissioned and we are still progressing it.

Senator HOGG—When was it commenced and when will it be completed by?

Rear Adm. Scarce—It commenced midyear in 2000. I think the issue will take us certainly to the end of this year to finalise. That is a KJ Scarce estimate.

Senator HOGG—And who is undertaking the report?

Rear Adm. Scarce—Dr Graham Kearns in the DMO, and Navy has input to that, as do industry and my division as well.

Senator HOGG—Do we know what the cost of the report will be?

Rear Adm. Scarce—No, but I will take that on notice.

Senator HOGG—What is the process of the inquiry? Are there public hearings, are submissions being called for from industry?

Rear Adm. Scarce—Submissions were called from industry and we intend to engage in—

Senator HOGG—Was there public advertising for that?

Rear Adm. Scarce—No, there was not, but we are going to engage industry again around the middle of the year.

Senator HOGG—When you say engage, what do you mean by that?

Rear Adm. Scarce—We bring most of the major shipbuilders in and broadly discuss the issues.

Senator HOGG—What are the issues that are being looked at in the inquiry? Are there any specific issues—

Rear Adm. Scarce—‘Inquiry’ is not a word that I would have used.

Senator HOGG—Well, investigation.

Rear Adm. Scarce—‘Inquiry’ tends to give it a more formal sense than what we are doing, which is examining the demand in naval shipbuilding and comparing that with the supply to look at how we might sustain the industry into the future.

Senator HOGG—Does this look at employment in the industry as well? Does it look at the use of overseas providers?

Rear Adm. Scarce—It will look at the sustainability of the Australian industry, and clearly the overseas suppliers are a part of that equation.

Senator HOGG—And you say this will not be completed until the end of this year.

Rear Adm. Scarce—There are a number of implications to this activity. That would be my estimate, that we would finalise at the end of this year at the earliest, I would believe.

Senator HOGG—How does this sit with any initiatives that might come out of the white paper?

Rear Adm. Scarce—Most of the white paper naval shipbuilding is in the outer years of the program, so I do not expect that whatever comes out of this investigation will have an immediate impact on the white paper.

Senator HOGG—Thank you very much. I move on to the announcement last December of a \$400 million project to replace the Collins class combat system. Is that proceeding?

Rear Adm. Scarce—We have two companies that were involved in the detailed design, STN Atlas and Raytheon. We have completed the initial investigation into both of those systems and the wider implications of the selection process are now under review before we advise government of our recommendation.

Senator HOGG—When you talk about the wider implications, what do you mean by that?

Rear Adm. Scarce—These implications have a commercial aspect to them, and I would prefer not to get into a discussion at this time. It is a sensitive time and I prefer not to outline those, if I may.

Senator HOGG—When do you expect some decision on the project will be arrived at?

Rear Adm. Scarce—I think we will be in a position in the next couple of months to make a recommendation to government, and then it would be for government to decide the time frame of the announcement.

Senator HOGG—Have you actually called for tenders?

Rear Adm. Scarce—Yes, we have had tenders. We have had responses.

Senator HOGG—You have been through the tender process and the evaluation process. It is now just the recommendation to government.

Rear Adm. Scarce—Correct.

Senator HOGG—That is an internal process in your organisation.

Rear Adm. Scarce—That is an internal process in my organisation, with the Chief of Navy as my prime customer.

Senator HOGG—That will take a couple of months, with the government needing to make a decision then as to what they are going to do.

Rear Adm. Scarce—That is correct, Senator.

Senator WEST—Have contracts been signed for some more ASLAVs?

Dr Williams—We have a contract. There are several phases in the project. The original phase dates back many years and was for a small buy. The main phase then bought 100 or so vehicles, and that is largely in place with vehicles being used successfully in Timor. We now have another phase for which the contract was signed just late last year, and that now is entering into production for about a further 150 vehicles.

Senator WEST—Whom was the contract signed with?

Dr Williams—DDGM in Canada are a key player. British Aerospace in Australia are also a player in that.

Senator WEST—They were the same prime contractors for the original contract?

Dr Williams—Yes.

Senator WEST—You have not changed any players?

Dr Williams—No, there has not been a significant change.

Senator WEST—The original ones—if I understand correctly—were bought, manufactured and assembled in Australia. Is that correct?

Dr Williams—Yes, the assembly was in Australia and some elements were manufactured here.

Senator WEST—Is the same thing going to happen with the next 150?

Dr Williams—Yes, it will be a similar arrangement. We are also setting up a facility here for the manufacture of turrets, and there is the prospect of some work for sales overseas as a result of that.

Senator WEST—So this actually could be seen as an expansion of our industry?

Dr Williams—Yes.

Senator WEST—There was an announcement made late last year regarding the Mulwala ADI explosives site. Could someone explain the options considered and the rationale for the decision being made on the future of the facility?

Mr Corey—No decision has been made on the future of the site at Mulwala. As part of the sale process of ADI last year, there was an option study to look at the future of the Mulwala site, but that has not progressed to the stage where a decision has been made at this time.

Senator WEST—So the minister did not make an announcement late last year?

Mr Corey—No. There have been some decisions made in relation to remediation of some of the environmental aspects of the process and the site, but no decision or no announcement has been made on the future of the site.

Senator WEST—What about the remediation? Has an announcement been made on that?

Mr Corey—There is ongoing remediation. There has been an announcement on short-term remediation measures. Expenditure of some \$20 million will be undertaken in the next 12 to 18 months on remediating certain aspects and reducing omissions from some of the operations on the site.

Senator WEST—It is an explosives site, so potentially it is a fairly contaminated site.

Mr Corey—The site is heavily contaminated, but principally with nitrates and sulphates—as part of a sulphate processing plant that was also on the site at one time—and also from the residue from some of that propellant manufacture.

Senator WEST—So \$20 million has been announced. What was the initial amount that was put forward to be spent on the site?

Mr Corey—For remediation of known contamination there was an amount ranging between \$60 and \$130 million, depending upon the strategies that are determined to remediate the site.

Senator WEST—And you have gone for \$20 million.

Mr Corey—We are spending \$20 million, which is not all on site remediation. Some of it is on measures for preventing further pollution—by constructing, for example, a waste treatment facility to reduce the amount of waste that is now discharged into the Murray River. There are some omissions from gases that now come out of one of the manufacturing processes that we are remediating. There are a range of issues being undertaken in the short term, pending a decision on the long-term future of the site.

Senator WEST—There is a bit of a perception that Defence is basically taking the bandaid option, rather than opting to build a new facility or something like that on the same site—look at the expenditure of \$20 million when somewhere between \$80 and \$130 was pledged initially.

Mr Corey—The long-term remediation of the site is not something that is urgent. The strategies for remediation will depend upon whether the manufacturing processes continue at the site or whether the decision is made to discontinue the manufacturing. Once the decision is made on that we will be in a position to know exactly how to remediate the site, because there will be two different approaches taken.

Senator WEST—So when can we expect the decision to be made on the fate of the site?

Mr Corey—It will be a paper taken by the government later this year.

Senator WEST—In a budget context, or before or after the budget?

Mr Corey—It will not be taken in the budget context, but it may be taken prior to the budget.

Senator WEST—Prior to the budget?

Mr Corey—That depends upon the timing of Defence producing an option study for the government.

Senator WEST—Are any of the ministers having meetings with groups from the area, because the groups are concerned?

Mr Corey—I was in Mulwala last evening to attend the public meeting of a number of residents of Mulwala and the assistant minister for defence, the local member, Tim Fischer, and the member for Yarrawonga on the other side of the river, Lou Lieberman—

Senator WEST—Indi, that is, not Yarrawonga.

Mr Corey—to explain to them where we were on this issue.

CHAIR—Senator West, the chairman of your committee was down there last week too.

Senator WEST—You were?

CHAIR—I was.

Senator WEST—There must be an election coming up. Everyone is running around the countryside.

CHAIR—It has nothing to do with an election coming up. It is good public policy to discuss the future of a very important defence facility and also cleaning up the environment.

Senator WEST—It is cleaning up the environment that we are trying to get to the bottom of. I will not ask what the chair of the committee thinks about Mulwala—that it actually should stay, that it is a good facility and should be upgraded or replaced.

CHAIR—It involves a whole range of strategic considerations. Mr Corey is making it clear that it will not be taken in the budget context. It will be taken on the basis that the National Security Committee of Cabinet will decide what is in the best interests of Australia.

Senator WEST—That is good. I am glad the chair of the committee knows it because I am trying to get some of this on the record. Was a further \$60 million pledged in January this year?

Mr Corey—There is a further \$60 million program within the defence program for remediation.

Senator WEST—When will that be spent?

Mr Corey—Once we have determined the strategy by which we will undertake the remediation, which depends upon the future of the site.

Senator WEST—Sir Humphrey is alive and well.

Senator HOGG—Turning to the AWACs, the delay has now been overcome. How many were we going to get and what was the price we were going to get them for originally, before the delay?

Air Vice Marshal Gray—The original contract was negotiated for six aircraft, and the white paper reduced that to four aircraft with an option for a further two or three at a later date.

Senator HOGG—Was there a price for those six in the original contract?

Air Vice Marshal Gray—A price was negotiated; however, at that price the tender validity expired before the decision was made to reduce it to four aircraft, so that price had to be renegotiated. As part of the negotiation for the four aircraft, that was done.

Senator HOGG—So what was the price for the original six, do we know?

Air Vice Marshal Gray—I can give you the price in American dollars, Senator.

Senator HOGG—That is very good.

Air Vice Marshal Gray—The original price was \$US1,449 million.

Senator HOGG—That was for six. For the four, what are we now signed up for?

Air Vice Marshal Gray—For four, we are looking at \$US1,355 million.

Senator HOGG—Is the difference in price down to currency? Is there any reason why we were seemingly getting six for \$US1,449 million and now we are getting four for \$1,355 million?

Air Vice Marshal Gray—Yes, Senator. As I said at the start, the price that was originally tendered was tendered in 1998. The tender validity had expired, and therefore the prices had to be renegotiated. In the intervening two and a bit years, there were, as had been foreshadowed, significant price rises from the prime contractor and the subcontractors. In fact, the bulk of the increase was from the subcontractors, not the prime contractor.

Senator HOGG—You have now indicated that you have an option on a number of future aircraft. I presume that they will be at a higher price again, or have we locked in an option which enables us to pick them up at the current price?

Air Vice Marshal Gray—Yes. We have locked in an option price, which was an attractive price. The way in which the contract was negotiated is this: to negotiate an acceptable price increase for the six aircraft and then to back off from there down to the four aircraft. The amount that we backed off on for those couple of aircraft is the price that the options are locked in for.

Senator WEST—It is nearly a 40 per cent increase.

Senator HOGG—That was my next question. Exactly how much is that? My mathematics at 10 past five is not necessarily the best.

Air Vice Marshal Gray—In Australian dollars, it works out to approximately \$300 million to take the option for the next two aircraft.

Senator HOGG—You said \$A300 million; now you have got me confused.

Air Vice Marshal Gray—I will give it to you in US dollars if you like, Senator. It is \$US175 million.

Senator HOGG—So it is \$US175 million for the additional two aircraft that will take us up to the original six. Do we only have options on two or do we have more options?

Air Vice Marshal Gray—We have an option for a third, as we had in the original contract. The original contract was negotiated for six aircraft with an option for a seventh. This contract was negotiated for four with an option for two more and then another option for a seventh aircraft.

Senator HOGG—So, if we do take up the option to take us to six, it will in effect cost us an extra \$US175 million or \$A300 million. That is a lay person's way of looking at it, in very simple terms.

Air Vice Marshal Gray—Correct.

Senator HOGG—Those contracts have now been signed?

Air Vice Marshal Gray—That is correct.

Senator HOGG—And delivery?

Air Vice Marshal Gray—The first two aircraft will be available for delivery at the end of 2006, and the others will be available in 2007.

Senator HOGG—When do we have to exercise our option by?

Air Vice Marshal Gray—It is written in the contract that we exercise the options by April 2003.

Senator HOGG—If we exercise an option by April 2003, what about delivery?

Air Vice Marshal Gray—Delivery will be right on the heels of the fourth aircraft. We could take delivery and we can negotiate that, of course. But delivery will be in the latter half of 2007.

Senator HOGG—I am just looking at the lead time from placing the order to actual delivery and, given that these are reasonably technically sophisticated aircraft, I am just wondering how much later than 2007 we might look.

Air Vice Marshal Gray—You will be looking at having them in late 2007.

Senator HOGG—So the option has to be taken up by April 2003 and, for the extra \$175 million, we then pick up the extra two aircraft. I will ask next about the SMART 2000 system. What are the advantages of the new system?

Dr Williams—The attempt under the SMART 2000 contract was to try to come up with—in slightly more layman's language—something which was easy to use by both Defence and industry. There are also some areas of liabilities where we felt in the past previous contracting had been perhaps too difficult to manage, particularly for smaller companies which were expected to bear an unfair burden of risk. So, in a sense, there is an attempt to try to put a more sensible balance of risk into SMART 2000. Essentially, it is a contracting template that replaces the old one.

Senator HOGG—But it does not shift the risk too far the other way, does it?

Dr Williams—No. In essence, some of the risks that we were imposing were considered fairly unreasonable and were probably disadvantaging medium sized Australian companies. Basically, it tries to take a more realistic attitude. I think the view was that in the past it did not serve us particularly well, anyway. Clauses were not necessarily enforceable.

Senator HOGG—One of the things that has been raised on another committee on which I serve in this parliament has been that maybe Defence is a bit risk averse and wants to shift too much of the risk onto the supplier. What have you done to ensure that you have not gone down that path?

Dr Williams—There are a number of measures, and there is information generally available on the web where you would be able to get more details. In essence, as I say, it is in areas of liabilities and damages that we have tried to have a more realistic approach. Picking up the point you raise, I think we need to get a better balance of risk. We are also exploring beyond SMART 2000 other ways of contracting—alliance contracting and other methods—where there are opportunities to work more closely with industry on particular projects, where, for example, they are developmental and you need to work in more of a teaming arrangement. So, in general, there is a fair bit of work going on in our contracting area to try

So, in general, there is a fair bit of work going on in our contracting area to try to look at better ways of properly sharing the risk in contracting.

Senator HOGG—How long have you been doing this?

Dr Williams—I have come into it only fairly recently. SMART 2000 has now been essentially released and, as I say, it is generally available. Industry reaction seems pretty good. We have had pretty good legal advice. We are putting out a handbook which will assist people in interpreting it. Basically, the work has been going for a year or more—I am not sure of the exact time frame but for some time—but, as I say, it was released late last year. We are now continuing the work on areas like alliance contracting and others, and that will be an ongoing process. We will probably do some trialing with some of these new methods.

Senator HOGG—One project that I have had mentioned to me—I am wondering if it comes under this SMART 2000 system—is Air 87, the army helicopter. Is it encompassed?

Dr Williams—The intent was—and you can get more details from the people running the project—to issue the RFT, as I understand it, in a SMART 2000 format. In other words, given that we have now got the time, as was mentioned earlier, because of the delay, we have an opportunity to put the new RFT out in that new format, which, as I say, offers us, we think, a simpler and better approach.

Senator HOGG—Would that be an example of a project that has been subject to SMART 2000?

Major Gen. Dunn—Yes, it has gone out under the SMART 2000 template and was issued in draft prior to it actually hitting the streets. That was discussed with industry and that is the normal process. Those comments were taken on board and then the RFT itself was released.

Senator HOGG—What was the acceptance of the process under SMART 2000?

Major Gen. Dunn—The responses, if that is what you are driving at here, have varied and there have been some comments that the contract is still large and requires a lot of work from industry. Equally, there are responses that compliment the new system.

Senator HOGG—When you say it is large and requires a lot of response, are you implying that industry are saying that it is uneconomic for them to tender? What is the implication?

Major Gen. Dunn—It was not that it was uneconomic for them to tender, but it still required a lot of work on the company's part to respond to the tender. We acknowledge that, and, as Dr Williams has indicated, we will continue to refine these. However, there were also responses that were very complimentary about the electronic format and the way in which the RFT has links throughout it to lead the companies that are responding to the tender through to the particular sections of the document. It is a very positive step forward but, as we have said, we still need to work on it and develop it further.

Senator HOGG—Does it shorten the RFT time necessarily? Does it speed up the actual process?

Major Gen. Dunn—We intend it to do so, and we are working to a very tight time schedule for the evaluation of those tenders, which will be met, for Air 87—much tighter than you have seen demonstrated before. Then we expect, as a result of the material that comes under this RFT, to negotiate that contract within one month.

Senator HOGG—Could you give us some idea of the time schedule that is involved? You can take it on notice if you do not have that with you.

Major Gen. Dunn—It will be evaluated by the middle of this year, and then a contract will be signed one month thereafter.

Dr Williams—Can I just comment that it is not so much SMART 2000 that would impact on the time but some of the other processes being implemented in DMO to streamline committees and other things we are involved in.

Major Gen. Dunn—I would like to add one other point in relation to this improvement—the reform that we have going. You mentioned penalties before. We are endeavouring to shift from penalties to incentives and would always prefer now to put incentives to companies to achieve the goals that we have set down rather than penalise underperformance.

Senator HOGG—In the past, how prepared have Defence been to apply penalties in contracts?

Major Gen. Dunn—Quite prepared. We have had numerous examples where we have applied those penalties, but we would far prefer to be incentivising the process rather than penalising it.

Senator HOGG—Thank you.

Senator WEST—Can we talk about the DMO restructure, please. Is the restructure under way?

Major Gen. Dunn—Yes.

Senator WEST—Good. Can you give me an update of the costs of the restructure, including the associated transfer of DMO personnel to the regions?

Major Gen. Dunn—We estimate that it will cost approximately \$150 million over six years.

Senator WEST—Where is this restructuring money coming from?

Major Gen. Dunn—It will come from the project manager, the capital moneys that are provided to the DMO to run the project. You will, of course, be aware that that project money that is provided caters already for the employment of, for example, professional service providers, accommodation and IT, et cetera. It is a use of that money to better operate the projects to make sure that we have a more efficient and effective process overall.

Senator WEST—Have staff been advised that they will be required to move?

Major Gen. Dunn—Yes, where the plan is in place for them to actually determine who is moving where, we are doing this progressively. A number of personnel in the DMO have received the necessary written advice telling them that their jobs are moving, and we have in place a mobility management unit which is managing those folks that are moving, those that are occupying jobs that are moving that do not wish to move, et cetera. We have negotiated a very good relocations package for those civilian members who do decide to move.

Senator WEST—What are you offering those who for some reason or other cannot transfer?

Major Gen. Dunn—This is not a job reduction exercise, so we are first focusing on redeploying those personnel within the DMO, because clearly we want to keep those technical skills within the organisation. If that is not possible, we will assist those personnel in looking wider within the overall Defence organisation. Then, if necessary, we will assist them looking further afield in the public sector.

Senator WEST—This would contain an element of people with a wide variety of very specialised skills, for which there would not be a great deal of opportunity for alternative employment if you moved your operation or part of that operation. Is that correct?

Major Gen. Dunn—That is not necessarily the case at all. For example, we have people involved in IT aspects. There are other employment opportunities, for example in the Defence Information Systems Group. There are other engineering opportunities. As I said, we would endeavour to take these people and employ them firstly in the DMO. That could be in other projects or other parts of the organisation that are remaining in Canberra.

Senator WEST—Will they be offered redundancies?

Major Gen. Dunn—Of course they will, under the normal Public Service provisions, if their job is removed or if it is physically relocated. Those opportunities are all covered in a staff management plan that we have issued and also a relocations package that we have published and issued to all members.

Senator WEST—How many staff do you expect to have to find other jobs for in Canberra? Has anyone looked at that?

Major Gen. Dunn—We do not know the final answer to that yet, because we are in the process right now of issuing a number of letters and of course people are considering their options, and they have six months to actually advise us as to whether they wish to take up the option of travelling with their job or whether they wish us to seek other employment for them here in Canberra. So those numbers are not available at the moment. I would expect by the middle of the year to have a clear indication of the types of activities that our mobility management unit actually have to manage.

Senator WEST—Do you think you might have some fairly unsettled staff at present?

Major Gen. Dunn—Of course we have, and that is regrettable. We sympathise very much with those folks and we are giving them every support that we can. This is one of the biggest corporate mergers in the country at the moment. It does represent very large change, and any large change will certainly unsettle people. This is why we have put in place so many mechanisms to support the people throughout this change, and we hope that at the end of the day we are able to manage all those people who are particularly unsettled. I would add further that there are, however, a number of people who are very excited about the change. It gives them a chance to actually see the product of their work. It gives them a chance to produce better products into service more effectively, and that is a plus.

Senator WEST—Is it possible to provide the committee with a list of the current numbers of DMO in each location around Australia and what the total number will be in each of these locations at the end of the restructure?

Major Gen. Dunn—Yes, we can. I cannot at this stage give you the answer to the final part of that question. As I have already said, we are in the detailed planning of the moves of a number of the divisions at the moment—

Senator WEST—It takes six years all up.

Major Gen. Dunn—The bulk of the moves will occur this calendar year. We are in the final stages of planning now. However, moves will occur after that time, and we will be able to give an indication of the types of organisations that will be set around the country. In essence, we are marrying up the projects with logistic support at the operational establishments and bases of the ADF so that they have very close contact with their customers. I can certainly give you the personnel numbers by geographic location now. We will be able to give you pictures as we go through the planning processes as to where we will end up. It will be finalised probably about the middle of the year, sufficient to give you an idea of what the outcome will be.

Senator WEST—This is civilian as well as uniform?

Major Gen. Dunn—Yes, of course.

Senator HOGG—Last year we asked for a list of projects that were running more than three months overdue or above 10 per cent of the original budget and for the cost and the time blow-out to be listed, and you provided that to us. Perhaps you could take that as a model and do the same for us again.

Major Gen. Dunn—Yes.

Senator HOGG—If I can now move on to questions about Defence estate, I asked a question earlier in the day about Torrens. A document was provided to me on the Defence Reform Program which said that the progress of the transfer of Torrens was slow, held up or whatever else it might be. What has happened with Torrens?

Mr Bain—As you indicated, the property is to be transferred to the South Australian government. That transfer has not occurred yet, and that is why there is no receipt recorded. ‘Protracted negotiations’ are probably not quite the right words.

Senator HOGG—I do not think they were my words.

Mr Bain—No, they are the words we used. They have gone on, but that is mainly because the South Australian government set up a committee looking at the future of the site and how they would manage it and the issues associated with it. I understand that they have now included funds in next financial year’s budget for Torrens, and it is currently planned to transfer the property in July this year.

Senator HOGG—I understood that that was being funded out of Federation funds?

Mr Bain—Yes, Defence was allocated \$3 million from the Federation Fund. As I said, because the property has not yet been physically transferred to the South Australian government, it is not recorded as a receipt.

Senator HOGG—When will that happen?

Mr Bain—It should happen in July this year.

Senator HOGG—Where are the Artillery Barracks at Fremantle up to?

Mr Corey—I thought you would probably know more about that than I do.

Senator HOGG—I do not know, Mr Corey.

Mr Corey—The Prime Minister has agreed to our negotiating with the Western Australian government for the transfer of that property to the Western Australian government. Details of that negotiation will continue over the next couple of months.

Senator HOGG—Have negotiations commenced?

Mr Corey—In an interim way. We have not formally engaged with the Western Australian government yet because, as you realise, there has been a change of government there.

Senator HOGG—There has just been an election there. I understand that. It is definitely on the drawing board?

Mr Corey—It is under way, yes.

Senator HOGG—Are there some sort of personal skills and personal development courses that DEO send their staff to—something like ‘How to win friends and influence people’? Are there personal development courses and, if so, would you give me a list of the courses that have been attended in the last 12 months by officers of DEO?

Mr Corey—I am not sure of the thrust of your question, whether you are being facetious or whether you are serious.

Senator HOGG—No, I want to know what personal skills and personal development courses people from DEO have been on in the past 12 months.

Mr Corey—We can take that on notice.

Senator HOGG—Thank you for that. The Queenscliff property was originally listed as surplus to the requirements of Defence but I believe has now found a new purpose. What brought on that change of heart?

Mr Corey—It is principally an Army issue. Perhaps you can ask the Army when they come on. From a Defence Estate perspective, the Queenscliff property was declared surplus in the context of the Defence Reform Program, on the basis that we would build a co-located staff college at Weston Creek and co-locate the three single service staff colleges. That has occurred. So, from a Defence Estate perspective, it was potentially a surplus property. Subsequently, Army in conjunction with the government have agreed that it has got a further use for the Army, and an Army unit will be transferring there. That decision was taken late last year.

Senator HOGG—What was the cost to Defence Estate as a result of that decision?

Mr Corey—The cost of rejigging the facility to accommodate SCMA is \$5.8 million.

Senator HOGG—Is that \$5.8 million an additional cost?

Mr Corey—That is to reconfigure the facility to accommodate the new function. It is an additional cost, a one-time cost.

Senator HOGG—What was the potential loss in terms of the sale of the property itself?

Mr Corey—This property was again proposed to be a Federation Fund initiative, for which Defence was to get \$5 million.

Senator HOGG—So it was a Federation Fund initiative; it no longer is, obviously.

Mr Corey—The Victorian government declined to take it on. There was a change of government in Victoria after the Federation Fund initiative was announced, and the incoming government declined to proceed with the Federation Fund initiative.

Senator HOGG—So the property, for all intents and purposes, remains under the control of DEO.

Mr Corey—It does.

Senator HOGG—And to, I presume, upgrade and restore the facilities to a habitable and workable environment is going to cost in the order of \$5.8 million.

Mr Corey—It is.

Senator HOGG—Have you been advised what the purpose of the facility will be by Army?

Mr Corey—It is the Soldier Career Management Agency, which is presently located in Victoria Barracks in Melbourne. They will relocate at the end of this year. The accommodation that they vacate is being looked at for the relocation of elements of the DMO.

Senator HOGG—So the Soldier Career Management Agency moves there at the end of this year and the vacant site in Melbourne goes to DMO.

Mr Corey—It will enable the DMO to co-locate its logistics support and acquisition organisations in Victoria Barracks in Melbourne.

Senator HOGG—What about the ongoing upkeep costs of Queenscliff?

Mr Corey—They will be of a similar magnitude as the costing for the staff college when it was co-located there. I have not got the detailed figures, but I could pull those out for you if you wanted them.

Senator HOGG—Please take that on notice. There was a report in the *Sydney Morning Herald* which seemed to indicate that General Cosgrove was leant on to move Army down to this facility. Do you know anything about this?

Mr Corey—I would suggest that you pose that question to General Cosgrove. As I have advised this committee on a number of occasions, I do not believe anything I read in the paper.

Senator HOGG—No, I understand that. I have got to give it to you, Mr Corey, you have been very consistent with that over the years.

Senator WEST—We have got that message. You are consistent.

Senator HOGG—Maybe I might ask Army when they come before us. Was there any involvement with DEO from the minister's office on the reopening of this property?

Mr Corey—The DEO were involved in discussions with the minister's office on options for the future use of Queenscliff, and we provided costings to people making final decisions on its future use.

Senator HOGG—When was that?

Mr Corey—That was conducted during last year. I am not sure of the exact timing.

Senator HOGG—Just roughly—you are pretty good on timing.

Mr Corey—I would be guessing. It was probably in the latter half of last year.

Senator HOGG—Thank you very much.

CHAIR—Senator Hogg, were you going to ask some more questions about the West Australian military museum to Army?

Senator WEST—Yes, we have got some, so they must be in Army.

Senator HOGG—Yes.

Senator WEST—I wanted to ask about security. I am glad that, after 12 months of asking these questions, we have finally got an answer. Are you telling me in this brief that you are able to confirm that monitoring occurred at all times or are you saying that it can be confirmed?

Mr Corey—I am confirming that continuous monitoring occurs.

Senator WEST—I am after the past tense.

Mr Corey—Occurs and has occurred, as far as I am aware, yes.

Senator WEST—How long did it take to get the analog systems replaced? Do you have any idea?

Mr Corey—No, I would have to take that on notice.

Senator WEST—I can give you some help, because the APS monitored 13 alarm security systems and five of them were yours. The first one's upgrade was completed on 24 March, the next three on 8 May, two on 16 May, one on 4 August, one on 30 August, two on 6 September, one on 8 September and one on 11 September. Given that the vast bulk of Australia went off analog on 1 January last year, how many of your analog alarm systems were not upgraded by the time the analog system closed down? Where it was a backup system, was there a substitute and what was the substitute used for the analog system?

Mr Corey—I would probably have to take some of that on notice. The brief that we have provided you with indicates that at no time were any of the armouries at risk of not being monitored, even if the backup system was analog based. That is explained in some detail in the brief.

Senator WEST—No, APS were able to give me more detail about how they had worked some of the alternates to analog systems. Was there at any stage any analog systems not working where there was not an alternate? You obviously have a backup for a reason, otherwise you would not have a backup. I want to know if there was a replacement for those analog backups. I think the answer for the APS ones is yes. That is five accounted for in New South Wales. That still leaves a significant number. I have concerns that, if there was no backup provided, we left certain elements with inadequate security, because I presume you have your backups for a reason.

Mr Corey—I am working on the same information that I have provided you with, Senator. That assures me that at no time was there any risk to any of the armouries, that the backups in place were effective and were working.

Senator WEST—And there were backups? The analog system on the east coast of this country closed on 1 January or 30 December.

CHAIR—Not completely, Senator West.

Senator WEST—In the city areas and in all the areas on the list I have been given, they had all closed on 1 January. Are you sure there was backup? The APS assures me that there were backups and they have given me explanations, but they had only five.

Mr Corey—The contracts that are in place with the other major service provider, which is Chubb, have exactly the same provisions as the APS contracts. If an alarm goes off, they go and check it. There is an automatic response. The alarm could be triggered by a lightning strike or some other thing, or it could be an attempt to tamper. So the automatic response is to check it. That happens on all occasions.

Senator WEST—The point I am making, though, is that these have a backup system. It is obviously there for a reason. I am not expecting, for reasons of security, for you to tell me what the reasons are. I will accept that there are reasons why there is backup security and that there is a need for that.

Mr Corey—If you accept that the APS performance satisfies the requirement, why do not accept that the Chubb performance meets the requirement as well?

Senator WEST—I accept that the APS meets requirements because, after 12 months of asking, harassing and putting multiple questions on notice, I got an answer on Monday night at estimates. Now that I am assured by the APS as to what they do—your knowledge of backups is presumably as good as mine—I am wanting to know whether Chubb has been able to assure you that their backups were operational and how long they took to upgrade their analogs. It might be that they were faster than the APS.

Mr Corey—I can only go on the information that is in this brief which I have provided you. If you want more information specifically on the question you asked earlier, I will have to take it on notice.

Senator Ian Macdonald—Wasn't the question, 'Has Chubb assured you of that?' and didn't you say earlier that they had?

Mr Corey—Yes.

Senator Ian Macdonald—There is your answer. Your answer is yes, Senator.

Senator WEST—Okay, but it has taken 12 months to get an answer.

Senator Ian Macdonald—I heard you say that very early in the day and I have heard you say it several times. I can understand your anxiety, but there is your answer. Chubb say that the answer is yes.

Senator WEST—That is fine. I have pursued it, thank you.

CHAIR—The matter is closed. You do not have to take it on notice, Mr Corey.

Senator Ian Macdonald—The problem came from the shutdown of the analog without proper arrangements in place to provide an alternative.

Senator WEST—That is the major issue. That is why I have been asking the question for 12 months.

Senator HOGG—We have raised HMAS *Cerberus* on a number of occasions. Do you know of any problems relating to allegations raised in respect of funds mismanagement on the site?

Mr Corey—Yes, I am aware of that. There is an investigation under way by the Inspector-General.

Senator HOGG—When were the allegations raised?

Mr Corey—The allegations relating to *Cerberus* have been raised on a number of occasions over a number of years.

Senator HOGG—When was the investigation undertaken by the Inspector-General?

Mr Corey—There have been investigations over a number of years as well. The most recent one has been under way for some three or four months.

Senator HOGG—So there is a current investigation?

Mr Corey—There is.

Senator HOGG—When is that investigation likely to be concluded?

Mr Corey—It should be close to completion now.

Senator HOGG—If that investigation is under way, then I will not go into the detail of the matters involved. I think that it is best left to run its course.

Lt Gen. Mueller—Chairman, Air Vice Marshal Conroy wishes to make a correction to the record with regard to advice that he offered the committee earlier in the day.

Air Vice Marshal Conroy—Mr Chairman and senators, I wish to respond to some questions that were taken on notice regarding the special purpose aircraft project and also to correct the record regarding the statements I made concerning the interface between the minister's office and us on an SPA media release or lack thereof. I had assumed that the document that we sent to the minister's office was a ministerial submission which had a mandatory communications field in it, but in fact it was not—it was a straight minute from the under secretary to the minister. It did not mention the subject of a media release one way or the other. It was my preference not to have any fanfare at this stage of the project because I still regard myself as being in contract negotiations with the consortium.

Senator Faulkner asked a question on the fitout costs of the Bombardier Challenger 604 aircraft. The cost is \$US3.75 million per aircraft and, as I said, the manufacturer has advised us that this is in the bottom 10 per cent of previous commercial market fitouts for Challenger 604 aircraft.

Senator HOGG—That is \$US3.75 million?

Air Vice Marshal Conroy—Correct. That is on top of the 'green' aircraft price.

Senator HOGG—I understand that; I just wanted to make sure that it was US dollars.

Air Vice Marshal Conroy—Senator West asked about the materials selected for the Challenger aircraft that have been finalised. The table tops are cherry veneer. The carpets are of a hand-tufted, blue-flecked wool. The seats are of blue leather. The taps and metal fittings are brushed metal, almond in colour. The roof liner and side walls are an off-white, man-made polyurethane material, and the counter tops are of beige-flecked corian, a man-made material.

Senator WEST—How does the man-made material of the roof and side walls go if she burns?

Air Vice Marshal Conroy—We would have to satisfy FAA airworthiness certification on these materials.

CHAIR—I think they are man-made not to burn.

Senator WEST—Except that they send off fumes, which wool does not.

Air Vice Marshal Conroy—The aircraft must be FAA certified because their resale value is very important to the whole lease arrangement. The consortium will have to satisfy that certification.

With regard to the question from Senator Faulkner on the project management agreement, the project management agreement with Qantas Defence Services is valued at \$A4.1 million. That consists of the project management of the acceptance of the aircraft—the whole five of them—including oversight of the BBJ fitout centres. It also includes aircraft documentation, technical data planning, test plans and airworthiness certification and training development.

Senator Faulkner also asked me when we would be likely to be in a position to discuss the BBJ in the same detail in which I have just discussed the interior of the domestic aircraft. We expect the consortium to be on contract with the fitout centre by mid-March, and the final

design is expected to be completed and approved by the Commonwealth of Australia by mid-May of this year.

Senator Macdonald asked me some questions on aircraft range performance. They are difficult to answer in quantitative terms because of the assumptions you have to make on reserves and payload, et cetera, but perhaps this is the best way of answering your question. The Challenger aircraft can fly from Canberra to all major capitals within our immediate neighbourhood—Auckland, Jakarta, Singapore and Manila, for example. If it operates from Darwin, it can reach as far as Seoul or Tokyo. The BBJ is an international range aircraft which can fly from Sydney to Honolulu, Hong Kong or Tokyo. The exact range, as I said, would depend on a multitude of factors, but the tendered specification requirements, which were a functional specification in terms of where it had to go, have been met by these aircraft.

Senator HOGG—They obviously can be used for general military purposes, if need be. Is there a provision for extra fuel tanks to give them an extended capacity, an extended uplift?

Air Vice Marshal Conroy—The BBJ comes with long-range fuel tanks in lieu of some of its cargo bays in order to meet that long-range performance. There is no air-to-air refuelling capability.

CHAIR—I think Senator West was most interested in the roof and the sides of the Bombardier on the basis that she probably wanted to have it as it is at her local RSL club with wool carpet up the walls.

Senator WEST—No, she did not want wool carpet up the walls; she just wanted a bit more Australian wool, and I was thinking of different fabrics other than carpet. I am sure Senator Macdonald will agree with more wool.

CHAIR—Well, we have wool carpet.

Senator Ian Macdonald—Thank you for that great contribution to the policy debate in Australia on fittings.

Senator WEST—It might be you that gets kicked off by the fumes.

CHAIR—We now move to the outputs.

Senator HOGG—No, we have other major portfolio issues. On the issue of the SAS ICE teams, where did the initial request to the CDF come from, and when, for the use of ICE teams at the Olympics?

Lt Gen. Mueller—The original request for assistance in the form of ADF members to participate in a field support intelligence unit by contributing to intelligence, connection and inquiry teams was received by CDF from the Commissioner of the New South Wales police in late April, early May.

Senator HOGG—I presume that request was in writing?

Lt Gen. Mueller—As I understand it, yes.

Senator HOGG—Can we get a specific date as to when it was received?

Lt Gen. Mueller—Yes, I will have to take that on notice.

Senator HOGG—You say the approach came direct from the Commissioner of Police in New South Wales?

Lt Gen. Mueller—Yes, that is my understanding, and that is consistent with the provision under which this support was provided—that is, a category 6 Defence assistance to the Civil Community task.

Senator HOGG—What does category 6 come under?

Lt Gen. Mueller—Category 6 is one of six categories of assistance which Defence can provide under the appropriate Defence Instructions (General) for measures of assistance to the civil community. Category 6 is broadly defined as providing assistance for law enforcement matters which are exclusive of the use of force or the potential use of force, in which case it becomes an issue of Defence Force Aid to the Civil Power and has to be dealt with in quite a different way.

Senator HOGG—As I understand it, there is a Defence Instructions (General) that applies to this.

Lt Gen. Mueller—Yes, there is.

Senator HOGG—It is made under ‘Defence assistance to the Civil Community’.

Lt Gen. Mueller—Yes, DACC—‘Defence assistance to the Civil Community’.

Senator HOGG—It is to support civil authorities in the performance of non-emergency law enforcement related tasks where there is no likelihood that defence personnel will be required to use force.

Lt Gen. Mueller—That is correct. I will read from the Defence Instructions (General):

Category 6 DACC is limited to the provision of Defence support to civil authorities in the performance of non-emergency law enforcement related tasks where there is no likelihood that Defence personnel will be required to use force. If there is any possibility that force may be required to be used by Defence personnel, the activity is defined as Defence Force Aid to the civil Power (DFACP), which is outside the scope of this instruction.

Senator HOGG—Whilst you have the Defence Instructions (General), can you tell me the authorisation procedures?

Lt Gen. Mueller—It goes on to say:

The following conditions must be satisfied when category 6 DACC is being provided:

- a. The request is made by a Police Commissioner, his delegate or an authority superior to him through established State/Territory—Commonwealth channels of communication ...
- b. An assurance is given by the requesting authority that the assets available to that authority ... have been utilised to the maximum possible extent ...
- c. The civil authority accepts responsibility for the provision of access to the task area and for the physical protection of Defence personnel.
- d. Defence personnel providing support are not to carry arms.
- e. ADF personnel are to wear approved military uniform.

Senator HOGG—Did the ADF personnel wear the approved military uniform in this instance?

Lt Gen. Mueller—The answer to that is no. Defence Instructions (General) are issued by the authority of the CDF and the secretary in accordance with the prerogatives in section 9A of the Defence Act and, if the CDF and/or the secretary wish to vary any provisions in DI(G) for specific circumstances, my advice from the Director General of the Defence Legal Office is that they can exercise that prerogative.

Senator HOGG—If they choose to exercise that prerogative, then whom must they advise that they are exercising that prerogative? Surely, they cannot do it in isolation.

Lt Gen. Mueller—That would be a matter of judgment for CDF, and quite clearly it would be done on a case by case basis.

Senator HOGG—I accept that, but if the CDF is in this instance exercising his prerogative he must at least advise the minister that he is exercising his prerogative. Surely, the CDF is at least responsible to the minister.

Lt Gen. Mueller—In such circumstances, that is correct. I have discussed this matter with CDF, and I think you might be alluding to the issue that the advice which was offered to the minister was received late by the minister's office because of an oversight somewhere within the staff arrangements in Russell offices.

Senator HOGG—We are now getting to the stage where the information was received by the minister's office. Given that the request in the first instance was from the Commissioner of Police in New South Wales in late April, early May, do we know when the CDF took the decision to use his prerogative and not require the defence personnel to be in their appropriate uniform?

Lt Gen. Mueller—I do not know the exact date. That information could be provided.

Senator HOGG—If you can take that on notice and provide me with the date. I presume there is a minute that reflects that decision taken by CDF. Also, is there a minute that confirms the decision by CDF, firstly, to allow ADF personnel to be involved and, secondly, for the ADF personnel not to wear uniforms? Is there a minute conveying that to the Commissioner of Police in New South Wales? If so, what is the date? There must be an internal minute within Defence to the appropriate ADF unit which is going to take part in the ICE teams.

Lt Gen. Mueller—I would imagine that that minute probably would have been to the Commander Australian Theatre.

Senator HOGG—If that was to the Commander Australian Theatre, if you can find that date for me as well, that would be very handy. Regarding the timing of the minute, which you say was late, to the minister's office, again can you give me the date that the minister received it? You said it was late. Do you have any idea, without being specific of the date, how late?

Lt Gen. Mueller—No, I do not, Senator.

Senator HOGG—Is it safe to assume that when the minister's office had received the minute the decision of the CDF was well and truly down the path of being implemented?

Lt Gen. Mueller—I think that is quite a safe assumption, yes.

Senator HOGG—It was not something at that stage that could necessarily have been stopped or withdrawn?

Lt Gen. Mueller—Presumably these things can always be stopped, but I think it would be reasonable to make the observation that the contribution of these ADF members was seen as being critical to the overall security arrangements for the Olympics.

Senator HOGG—Do we know whether the CDF, when he raised it with the minister, raised it with anyone else? Did he raise it with the secretary of the department?

Lt Gen. Mueller—I have no knowledge of whether it was raised with the secretary of the department.

Senator HOGG—Can you check that out?

Lt Gen. Mueller—Yes, I can.

Senator HOGG—And also do we know whether it was raised with either the Prime Minister or the secretary of Prime Minister and Cabinet?

Lt Gen. Mueller—My understanding is that it was an issue that was discussed by the NSC.

Senator HOGG—Do we know when it was discussed?

Lt Gen. Mueller—I think, from memory, it was some time in September. I will have that date confirmed.

Senator HOGG—If you can confirm that date for me as well. What units were considered for the operation? Do we know that?

Lt Gen. Mueller—Yes, we do. However, there are certain sensitivities attached to the capabilities of the unit or units involved, and I would prefer not to talk about that publicly.

Senator HOGG—I respect that there are always those sensitivities. Was the issue of the use of the unit chosen—and I understand they were SAS personnel—discussed with any other personnel within Defence?

Lt Gen. Mueller—Not that I am aware, Senator.

Senator HOGG—Was the matter discussed with the secretary?

Lt Gen. Mueller—Again, I have no insight into what discussions occurred.

Senator HOGG—Was there ever a prospect that the ICE teams may be involved in the use of force?

Lt Gen. Mueller—No. The conditions under which they worked—and this applied particularly to members of the ADF—were that consistent with a DACC 6 task—

Senator HOGG—I am sorry, what is that?

Lt Gen. Mueller—That is a category 6 Defence assistance to the Civil Community task. They were, as I outlined earlier, not to be involved in the use of force. The only form of force which those members could have used would have been the common law right of self-defence, and that was made quite clear to them.

Senator HOGG—Were they permitted, under the terms of the CDF's acquiescence to the request from the Commissioner of Police in New South Wales, to carry any weapons?

Lt Gen. Mueller—No, it was made quite clear that they would be unarmed.

Senator HOGG—Who defined the purpose and the role of these people?

Lt Gen. Mueller—That would have been defined in instructions that were issued in the first instance to Commander Australian Theatre, and subsequently he would have, if necessary, amplified and passed those instructions to the appropriate joint task force commander who was participating in Operation Gold. I might add that ADF personnel were employed only in support of the New South Wales police and at all times remained within the military chain of command.

Senator HOGG—If I can come back to the actual basis of the operation, was it something that was determined by the CDF and passed on to Commander Australian Theatre or did the CDF's decision come out of a specific request from the Commissioner of Police in New South Wales?

Lt Gen. Mueller—No. I think the modus operandi for the ICE teams and the detailed directives would have been matters that were progressively developed as a result of consultation between CDF and the head of Strategic Command—who is his principal operational adviser in Canberra—and, as appropriate, with Commander Australian Theatre and his staff, and those authorities who were involved in the maintenance of security for the Olympic Games.

Senator HOGG—What was the duration of the operation of these teams?

Lt Gen. Mueller—I would have to take that question on notice, Senator.

Senator HOGG—I accept that you will take that on notice and give me precise dates. Could one reasonably assume that it was for the duration of the games or was there a period involved in the lead-up to the games as well?

Lt Gen. Mueller—I do not know the answer to that. Clearly, one can assume that it was for the period of the games, and I think one could also speculate on whether there was seen to be a need for the employment of these teams prior to the date that the games opened. I will find out the dates of that.

Senator HOGG—Did these teams operate in conjunction with other uniformed ADF personnel?

Lt Gen. Mueller—No, they did not. As I understand it, they operated with members of the New South Wales police.

Senator HOGG—How many people were involved in the team?

Lt Gen. Mueller—As I understand it, there were 18.

Senator HOGG—You can take this on notice if you can give me some break-up of the ranks of those personnel so that we can build up a profile of who was involved. Are you able to tell the committee the reaction of the minister to the notification by the CDF?

Lt Gen. Mueller—No, I am not able to do that. I was not privy to that, Senator.

Senator Ian Macdonald—I do not know whether that is an appropriate question anyhow, is it?

Senator HOGG—I am just asking, Minister. If there was a reaction or a response by the minister to the CDF—a formal response—and if it is available, would you take it on notice? If it is not available, it is not available.

Senator Ian Macdonald—I will refer that to the minister.

Senator HOGG—Do we know the total cost of the operation of the ICE team?

Lt Gen. Mueller—No, I would have to take that on notice

Senator HOGG—Were the costs recovered?

Mr Moore—The cost recovery arrangements for defence support to the Olympic Games was that, for those tasks that were core to the ADF, such as security support, there was no cost recovery. We met it from within the Defence budget.

Senator HOGG—Does that comply with normal procedures under category 6? I might have incorrect defence instructions general, but my point 44 says:

Category 6. Category 6 DACC is to be provided on the basis of full cost recovery unless cost variation is approved in accordance with paragraphs 45. and 46. of this instruction.

Am I to assume, therefore, that if there was no full cost recovery, there was a variation in accordance with 45 and 46 of the instruction? If so, could you verify that minute, as well?

Lt Gen. Mueller—I have no insight into the cost management for the Olympics, and I have no insight into exceptions or otherwise for this particular task.

Mr Moore—The arrangements for the Olympics were covered by a separate decision. Obviously, that defence instruction general was for more local arrangements but, in this case, we had a government decision which said that, for security support, those costs would not be recoverable.

Senator HOGG—I accept that, but I thought that was in the normal day-to-day running. This was something that was not flagged and was not known about. One could not have taken it as being part of the normal day-to-day operations. I was just concerned as to what might be in place.

Mr Moore—I will check to make sure it was considered a security task rather than a non-security task where we did do some recovery. I could take that on notice.

Senator HOGG—I think you said, General, that the National Security Committee of Cabinet was informed.

Lt Gen. Mueller—I understand that to be the case, yes.

Senator HOGG—I have put a number of issues on notice. I will await the outcome of those and, if I need to, will pursue this more obviously when we get to full estimates not too far down the track. That is all I have on that issue. There are some other questions that have already been put on notice.

Senator WEST—There are more to come.

Senator HOGG—There will be more questions to come as the night proceeds.

CHAIR—When should we put them on notice?

Senator WEST—As we go, I think.

CHAIR—I formally advise that Senators Hogg and West have a number of questions to put on notice during the evening and at the end of the Defence question time.

Senator HOGG—The arrangement on the last occasion, which worked well for both Defence and us, was 48 hours. We have got another estimates tomorrow.

[6.22 p.m.]

CHAIR—That sounds okay. We will now move to output 1, Defence operations.

Senator HOGG—Can we have an update on the deployment costs for East Timor? What changes have occurred, if any, and what would be the causes for those changes?

Air Vice Marshal Treloar—I understand, Chairman, you wish us to start with a statement on our objectives and background to each output. Is that correct?

Senator WEST—On output 1, we want an update on East Timor deployment costs.

Senator HOGG—Just an update of the deployment costs.

Mr Moore—The revised estimate is on page 12 of the Portfolio Additional Estimates Statements. You will see a figure there of \$948-odd million, the deployment cost of \$446 million—

Senator HOGG—You are saying there are no changes.

Mr Moore—Still no changes to that figure.

Senator WEST—We have received reports about severe shortages of ADF tradespersons to meet the requirements in East Timor. Is that correct?

Air Vice Marshal Treloar—Not that I am aware. If you could be more specific on the sorts of tradespersons, I might be able to help.

Senator WEST—Are there any shortages of any tradespersons?

Air Vice Marshal Treloar—We have some difficulty in manning particular areas which are specialty areas, but they are not actually tradespeople by definition. For example, petrol operators within Army, the people who man the deployed fuel systems, are hardworked, hard pressed. They are a group of people that we are continually in need of. We just get by with those sorts of people.

Senator WEST—What about mechanics?

Air Vice Marshal Treloar—I am not aware of any shortage of mechanics to look after the fleet of trucks in East Timor.

Senator WEST—Maybe you can take it on notice and give me a list of what shortages are being experienced. I am interested to know if they are the result of the DRP, with the same problem that Navy is having in ship to shore ratios—the fact that, because there is a small number of them, they are expected to be on a pretty tight turnaround, going back to East Timor frequently.

Air Vice Marshal Treloar—I can tell you on notice. Certainly we have met the requirements to man the various units within East Timor.

Senator WEST—You have met the requirements, but at what cost? How quickly are some of them having to rotate through?

Air Vice Marshal Treloar—There are some groups that are rotating back again, yes. They are the sort of people I just mentioned, like the petrol operator groups.

Senator WEST—Are they rotating one in, one out?

Air Vice Marshal Treloar—I will have to take that on notice. It is not that drastic or dramatic.

Senator WEST—Is this shortage in manpower causing equipment to be transported back to Australia for maintenance rather than being able to be fixed over there.

Air Vice Marshal Treloar—Wherever possible, we fix the equipment in theatre, because there is a large cost to bringing it home and having it cleaned to AQIS standards. I am not aware of any particular en masse groups of vehicles being brought home. There is the odd vehicle, like an APC. An M113 has been brought back for some significant repairs.

Senator WEST—Simple repairs or deep repairs?

Air Vice Marshal Treloar—Significant repairs. Deep repairs.

Senator WEST—Is it possible to have an update on Bougainville—numbers of ADF personnel and your costs?

Air Vice Marshal Treloar—Yes.

Senator WEST—In view of the time, unless you have it there, you might want to take it on notice.

Air Vice Marshal Treloar—We have been slowly drawing down the size of the force in Bougainville in accordance with the general security situation in Bougainville. Currently there are 216 personnel involved in Operation Belisi 2, which is our codename for that activity. That includes 187 Australians.

Senator WEST—How many of those would be regulars and how many are reserve personnel?

Air Vice Marshal Treloar—I do not have that detail.

Senator WEST—You can take it on notice.

Air Vice Marshal Treloar—It does fluctuate from time to time as reservists become available. Certainly in the area of medical support, we have quite a few reservists who volunteer their services who come forward.

Senator WEST—Are the reservists all getting their full pay entitlements paid to them while they are over there?

Air Vice Marshal Treloar—There has been a delay in a payment to reservists, and that has been made known to the Defence Personnel Executive back in Australia.

Senator WEST—Why has there been a delay?

Air Vice Marshal Treloar—I cannot answer that, I am afraid.

Senator WEST—Is that Personnel?

Air Vice Marshal Treloar—Yes.

Senator WEST—If Personnel can hear this, they can take it on notice and give us an answer to that. How many reservists have had problems with their pay? What sorts of amounts are we talking about? What has been done to overcome the problem? It seems to me a bit rough if we are sending reservists over and we are not giving them their entitlements when they are due. That would presumably be placing financial strain upon those families left back here in Australia. Can you provide a list of all requests received by Defence that come under the assistance to the civilian community category in the last calendar year, from whom the request was received, the assistance provided, the costs of that assistance and whether those costs were recovered. I am happy for that to go on notice.

Air Vice Marshal Treloar—Yes.

Senator WEST—I understand that when *Jervis Bay* was on UNTAET duties it was not force assigned; is that correct?

Air Vice Marshal Treloar—That is correct, Senator. When the operation changed from an INTERFET operation to the current operation, the forces that were assigned were those that resided in East Timor. Those that operated out of Australia were not force assigned, but acted in support.

Senator WEST—What I am concerned about is this ship's company not getting allowances that everybody else is getting. Can you give me some material on that? Also, can

you outline the estimated costs of each of the capability enhancement initiatives outlined on page 62 of the PAES and what the revisions of these initiatives actually mean?

Air Vice Marshal Treloar—Yes, Senator.

Proceedings suspended from 6.30 p.m. to 7.30 p.m.

CHAIR—The committee will resume and proceed with the estimates.

Senator HOGG—In respect of the firewall that surrounds all the information systems in Defence, do we know whether any—and, if so, how many—attempts were made to break through that firewall last year?

Mr Hannan—It is fair to say that the firewall is constantly being probed, and I think the figures show there are about 20 serious probes a week.

Senator HOGG—That many?

Mr Hannan—That is not unusual. I would say that most large corporations have the same magnitude.

Senator HOGG—Are there any that do rank as being successful?

Mr Hannan—I am certainly unaware of any successful breaches of the firewall.

Senator LUNDY—In response to a question on notice from the Office of Asset Sales and Information Technology Outsourcing, that particular section of the department of finance indicated that they had commenced discussions with the Secretary of the Department of Defence on 22 October with respect to Defence's participation in the government's IT outsourcing initiative. A lot of water has obviously passed under the bridge since then with respect to the Humphry review, so I was hoping you could provide the committee with just a summary of the discussions that had taken place between Defence and the Office of Asset Sales and Information Technology Outsourcing in the lead-up to both the audit report and the subsequent independent review by Mr Humphry and with what has changed since the Humphry review's recommendations were accepted by the government.

Mr Hannan—We had a series of discussions which were really early scoping issues to try to understand the nature of the defence environment, what was involved and the complexity of it. Those discussions were a number of meetings under the chairmanship of OASITO. We took officials of OASITO, including the CEO, on a tour of operational and regional bases. I think it is fair to say that we had ended up having some agreement—while not in detail—that they were willing to look at and accommodate where possible Defence's concerns in terms of its scope, our view that industry would not be able to digest something of its size, and the very significant operational effectiveness issues if we did in fact do it other than through a very careful approach. We were only really getting to the point of trying to work through a strategy at the point of the independent review and then the subsequent decision, so we never got to a position of finality on any of those discussions.

Senator LUNDY—Do you have any residual relationship with OASITO in relation to your IT outsourcing or your IT procurement plans?

Mr Hannan—Not in relation to OASITO formally. The government policy remains. The Secretary has obviously got authority now in the manner in which we will pursue that to achieve a good outcome. I personally felt that it was rather a waste to not actually try to get some of the expertise out of OASITO, so we are actually appointing three OASITO people to assist us to go through the scoping strategy. That has started. I think there are three staff to start by the end of the month.

Senator LUNDY—So what is your intention in terms of preparing to implement the government's IT outsourcing policy, albeit that you now have control of that process, as opposed to OASITO having control of that process?

Mr Hannan—The complexity we faced, and which OASITO acknowledged, is that Defence is a little unique in defence departments in the world in that we have cut the cake so that one organisation, the group I head, is responsible for fixed communications, and the services are responsible for the tactical, deployable communications. As a consequence, DISG runs what I would call the communications bearers for all fixed communications, and that includes to ships at sea and so forth. That is a very large meshed communications network. You could almost describe Defence as a telecommunications company in that regard. We have, under the DISG's own asset management, something in the order of 59,000 computers, and that is not the totality of the defence environment, and in secret and restricted environments. So there are some complexities there. Obviously, we run a national system. One other complication is that IT is a critical skill for the services and there is a need for retention of certain skills in positions in respite postings in order to maintain skills that are taken to the field. That causes quite a complex little business where you cannot take it in one fell swoop.

There are other aspects. For example, we run a large proportion of the formal messaging for the department. We would not wish to outsource that on the basis that we are moving towards desktop based messaging and moving away from the 1970s technology of message centres and com centres. That is under the e-defence project. So there are number of things we would not want to do because we do not want to be in that business. There are a number of things that we have to take nationally. It is too large to take the totality of the operation nationally—I judge it to be far too great a risk. Therefore, we need to work through a strategy that will enable us, at a time when we are having trouble retaining and attracting skills, to take it to a market so that we continue to have our core capabilities under management and we continue to do those things that we are very good at and which are important to us. We, while still maintaining an end to end process, need to take to the market those things which the market is good at providing. So it is a very complex strategy. We started discussions with industry during last year to try to get their views. Once we have developed a first indicative strategy, then we will be taking it back to industry to have a discussion with them about the issues of risk and so forth and about whether or not it makes sense from their perspective.

Senator LUNDY—Thank you for that. You mentioned earlier in your comments your view that industry would not be capable of digesting. I presume you are reflecting on the sheer size and magnitude.

Mr Hannan—The sheer size and complexity and the risks associated with it. We are dealing in some very remote and regional locations where the southern economies, in terms of the stuff we do, are substantially different to the northern. Operational tempos are different. We have different arrangements in terms of requirements, support deployability and so forth. So it is a fairly complex beast.

Senator LUNDY—I certainly appreciate that. In terms of reaching that conclusion, did you actually undergo any formal or informal market test just to ascertain those in industry, or was that just quite a reasonable assumption?

Mr Hannan—It is quite a reasonable assumption, I think. It is an assumption that I have tested in conversation with various people who sort of said, 'Yes, it would be a big ask,' and it certainly is risky. We have not tested it. We have done some testing. We are on the market at

the moment for national voice management that we did a couple of years ago, and this is now taking some regional contracts and putting them into a single national contract. We had tested our mainframe computing sites and that was won by the in-house team.

Senator LUNDY—I did want to ask some specific questions on that, so I will come back to that.

Mr Hannan—So we have had some experience but, given the group has only been in existence for a relatively short time, we have been in the process of establishing asset management and performance metrics and putting investment into infrastructure. We do not want to market test a mess; we want to actually market test something that is good and something where we know what it is we are currently providing. So there have been a number of those things. We are getting to the point now where I believe we have enough of those things in place to enable us to adequately assess the market and its ability to support us.

Senator LUNDY—So you have actually gone through a benchmarking process.

Mr Hannan—Yes. For example, we are doing some benchmarking in the Canberra region, which is 12,000 seats, in relation to some investment issues we might have in terms of, ‘Is there a different way of doing this to reduce my total cost of ownership?’ We have done some benchmarking and we actually turn out to be pretty good by comparison with most people.

Senator LUNDY—Just revisiting that, I am particularly interested in Defence’s experience with its Commercial Support Program and how that relates to market testing. I want to run through some of the issues surrounding the market testing of the computer bureau. As you say, you went through an exercise of testing the market but then had the opportunity to construct a competitively neutral environment to furnish an in-house bid. Bear with me, I know it is a bit historical almost at this stage. In the discussions you were having with OASITO in the lead-up to this point, was there still an option for Defence to furnish in-house bids as part of the government’s IT outsourcing policy?

Mr Hannan—In a policy sense, there were few differences between the OASITO process and the CSP process. We had discussions with OASITO and came up with a form of words, which took a little negotiation, where we in fact would be doing the OASITO process, because we had an enterprise agreement with our staff, through the CSP process. The CSP process itself, however, enables management, in consultation, to determine whether it is warranted having an in-house bid. In certain circumstances, it is not going to be warranted, and we will make those judgments as we go through as part of our strategy. I think we never got to the point of testing whether we would actually have it.

Senator LUNDY—To clarify, you were never instructed by OASITO or by the appropriate authority that in-house bids were not permitted?

Mr Hannan—We never got to the position, as I recall, where we needed to test. Our DCB, the Defence Computing Bureau—our mainframe sites—was one that we agreed to deal with later. It had gone through the testing. All the information I have is that it remains highly competitive and is meeting all its contracted requirements. We had never resolved how that was going to be handled. It will be up to the secretary—

Senator LUNDY—Whether it will be tested again in the market?

Mr Hannan—Exactly. I have indicated that it is a five-year contract with two extensions. As contract manager, I have to give notification by September this year as to whether or not they will be retested, or I can exercise my two-year contract extension option. My inclination—subject to this year’s performance and their continuing performance within both

budget and performance parameters—is probably to exercise that option, given that we have a number of things going on in the portfolio in terms of enterprise systems and a range of things that would probably not warrant a change at this time, and there does not appear to be any economic reason to do so.

Senator LUNDY—And is there any policy reason to do so?

Mr Hannan—No, there is no policy reason to change, other than if we felt we would get a better outcome for Defence in terms of value for money for going to the market and retesting.

Senator LUNDY—Was that your understanding before the government agreed to the Humphry recommendations, or didn't that change anything as far as you were concerned?

Mr Hannan—We never concluded the discussions. The issue of the mainframe sites, as far as OASITO were concerned, was that when we did ours we were looking at pure market testing of a function. They had a heavy emphasis on the industry development aspects. Our solution, our in-house option, did not contain that particular component, so we had not concluded those discussions.

Senator LUNDY—It included one aspect of industry development, which was obviously the supply.

Mr Hannan—I cannot comment. We did not get heavily into the OASITO process. We were very much latecomers.

Senator LUNDY—I am making the point on the basis that there were in scope and out of scope industry development measures on the other contracts. The in scope stuff really reflected the use of subcontractors and sourcing of local technology commodities. So you probably would have fulfilled part of that requirement with your in-house bid. Going to those details about the market test of the computer bureau, can you outline very briefly what sorts of functions that bureau performed? And at the time of that market test, how many staff were employed? I am just trying to get a feel for the magnitude.

Mr Hannan—First of all, I will address the functions performed. It hosts all the mainframes that are operated for enterprise systems. There was a mainframe in the science group—so basically it is the mainframe and the large to mid range enterprise servers. So it is a classic computing bureau glasshouse—as I think they often refer to them—broadly equivalent in function to that which you would find in an EDS, a CSC or whatever. During the process of market testing—from memory, and this is hazy—I think it went from four sites to two sites and, as part of the preparation of the in-house bid and during the evolution of that, reduced the staff of something over 200 to something like 100 and a bit. It has remained at that level despite a growth in workload.

Senator LUNDY—To clarify that, the actual process of preparing for a market test led to the discovery of efficiencies that could be made even before you started testing.

Mr Hannan—Absolutely; there is nothing like competition. There are others better qualified than I to talk about it, but I think our experience generally in running the CSP program has been that, whether it is in-house or not, we make substantial savings by challenging people to think about doing their jobs in different ways and to focus on performance.

Senator LUNDY—We already know that an in-house option was part of that formal market test process. Was a request for tender prepared and released, with the in-house bid providing a formal response to that?

Mr Hannan—Yes.

Senator LUNDY—So there was participation as would occur in the open market?

Mr Hannan—Correct. The in-house team was segregated from the work and they were prepared under commercially confidential conditions.

Senator LUNDY—With the in-house team competing against those in the private sector, can you give me an idea of how many competitors there were at the short list end of the process or how many tenderers bid?

Mr Hannan—I cannot recall, Senator .

Senator LUNDY—It is not critical. Perhaps you can take it on notice. I am just looking for a bit of background.

Mr Hannan—It was a competitive process. There were more than two competitors but I cannot remember how many there were.

Senator LUNDY—Apart from the efficiencies you have already identified that took place effectively before that formal market test, can you tell me what the anticipated levels of savings were, either in dollar or in percentage terms, as a result of that exercise?

Mr Hannan—I cannot remember. There were some savings in facilities. There were clearly the personnel savings; there was some concentration of equipment. I think there was then the opportunity to get bigger and cheaper per unit of production than was previously the case. I cannot recall the number. I know there was a press release at the time.

Senator LUNDY—Can you take it on notice and provide that?

Mr Hannan—Certainly.

Senator LUNDY—And also whether those savings identified at that time were actually realised.

Mr Hannan—The agreed budget for the computing bureau was based on a sliding scale of units of production and so forth. They have exceeded massively the amount of production and their budget has not gone up, except for additional work that has been bought, so they are maintaining within their budget. They had to include in their bid the initial capitalisation, as you would expect. Subject to any further investment we have to make, which we do not see at the moment, I think they are due to start declaring dividend back to portfolio—I think our forecast for the dividend for the first year is in 2001-02, as a part-year effect, with a full-year effect from 2002-03.

Senator LUNDY—That will be a bonus for you. You did not get any agency deductions in anticipation of this?

Mr Hannan—No, we were separated from the whole issue of agency deductions. We were treated separately. We had a global budget and it was inappropriate to be doing that.

Senator LUNDY—And do you get to keep that dividend or does it have to go back to general revenue?

Mr Hannan—There has been no discussion. My expectation is that those savings, just like the CSP savings, will be borne within the overall defence budget and reallocated priorities. The computing bureau is somewhat different from the circumstances we have in general IT outsourcing at the lower level, where it may well be that we have greater flexibility, more guaranteed service levels and a range of things like that, but we might also want to get a better level of service. I do not know how that is going to pan out.

Senator LUNDY—You would probably know if there was an expectation that Finance wanted it back. Mr Moore, can you shed any light on that? I presume that is not the case. I presume you realise those savings within Defence and they are Defence's to reallocate as you decide.

Mr Moore—That is right. I am not aware that DOFA even knows about these savings.

Senator LUNDY—I am sorry if I have let the cat out of the bag.

Mr Moore—No. It would generally be considered within the defence budget under our funding arrangements.

Senator LUNDY—I am sure you will find a way to keep it from them. Given the in-house option was the successful bidder in that process, have you any comment that you would like to offer in terms of what you perceive the consequences would have been if it were in fact outsourced? I know I am asking for a rather subjective comment.

Mr Hannan—I think that goes to supposition. I am very happy with the in-house solution. I have no way to judge whether or not it would have been any different if it were outsourced. I have no way to judge that.

Senator LUNDY—That is fair enough.

Mr Hannan—I am very happy with the service they are providing.

Senator LUNDY—Were you ever consulted by the department of finance or the Office of Government Information Technology as it was at the time, which later became OASITO, as to your experience with the outsourcing of the computer bureau in the context of how the government developed policy and also because you had some valuable insight into the exercise?

Mr Hannan—I understand there was. One of my assistant secretaries ran that CSP market testing of the site and worked in OASITO for some time as well. So I think there was an exchange, but I am unaware of the detail.

Senator LUNDY—Can you give me an idea of the period of time that that person was with OASITO?

Mr Hannan—I think 1998-99.

Senator LUNDY—I make the observation that the department of finance made it very clear that government policy was to prevent in-house bids throughout the application of this program.

Mr Hannan—The DCB predated that.

Senator LUNDY—I appreciate that.

Senator Ian Macdonald—It is hardly a matter for this estimates committee anyhow.

Senator LUNDY—I did make the point, Minister, that it was an observation. I am sure you appreciate it, though. With the obvious benefits of going through the market testing exercise—not only excluding in-house bids but seeing a successful process—Minister, perhaps you are in a position to give an insight into why the government chose to exclude in-house bids from the IT outsourcing process generally.

Senator Ian Macdonald—When was this decision made by the government?

Senator LUNDY—1997.

Senator Ian Macdonald—This is the portfolio additional estimates for 2000-01. It is the culture of some committees to allow questions to go far and wide, but really talking about decisions made by the government in 1997, 3½ years ago, is hardly relevant to this additional estimates committee.

Senator HOGG—But those decisions are impacting now in some instances.

Senator LUNDY—Minister, quite frankly, you made a comment and I wanted to give you the opportunity to make a contribution.

Senator Ian Macdonald—Thank you. It is very kind of you to invite me into the circle, but you do not have to. This is the additional estimates for 2000-01. If you really wanted to be nice to me, we could address the additional estimates for this budget and when we have finished with those questions we could all go home. That would be very nice.

Senator LUNDY—Do you support the ability of the Department of Defence to be able to furnish in-house bids in their sourcing of IT expertise?

Senator Ian Macdonald—It is hardly a question related to the additional estimates.

Senator LUNDY—Actually, it is directly related, Minister, because it relates to ongoing expenditure of the department. I could actually release all of the initiatives that Mr Hannan has just identified as being under active consideration in the Department of Defence at this point in time that would affect their additional estimates.

Senator Ian Macdonald—My opinion of things like that will not help the perusal and examination of the additional estimates—interesting though my views would no doubt be.

Senator LUNDY—No doubt. Mr Hannan, you mentioned the scoping strategy that defence is now embarking upon. Are you approaching that strategy on the basis of a market testing exercise that would incorporate the development of in-house bids?

Mr Hannan—There are certain functions—it depends how we cut it up—that, if we decide they warrant market testing, may be subject to an in-house bid or we will have a heavy embedding of certain military in them. I do not mean heavy as in large numbers, but that they will be well and truly embedded if it is important to the military services in relation to the skills they need to sustain. That is at one end of the extreme. We can go all the way down to changes on a regional basis. I cannot attract or retain those people anyway; I doubt whether it would be sensible to have an in-house bid for those sorts of things. We will make judgments—in consultation with staff, and obviously with unions, as required under the enterprise agreement—as to what is best for defence and the outcome for defence. It is the responsibility of the chief executive to ensure that we get a good outcome. We will consider those issues. I will not say categorically either way because we have not done that work.

Senator LUNDY—I hear what you are saying. In terms of timing, have you identified a specific schedule for different aspects of defence IT?

Mr Hannan—We hope to have the strategy—a lot of it is contractual strategy—by June so that we can start the first competitions by the end of the year. They could be large or small: we have not scoped that exactly. It might involve elements of an end-to-end service under some arrangement to ensure that we can keep that end-to-end responsibility. In other words, it could be a national slice or a regional slice; we have not worked that through.

Senator LUNDY—In terms of your consultation, you mentioned calling upon the expertise of OASITO. Have you retained any of the formal structures of the discussions that occurred with OASITO before the Humphry report? I think the term used most often with

respect to OASITO's program is a steering committee involving members of the Department of Finance, OASITO and yourselves. Do you have anything like that running?

Mr Hannan—No, we do not. We had one meeting of a steering committee at which we started to explore these issues and that was all.

Senator LUNDY—It meets no longer?

Mr Hannan—It meets no longer.

Senator LUNDY—What structure do you have to facilitate your consultations with industry, for example, in preparing that scoping study? Are you discussing that with industry yet?

Mr Hannan—I have routine contact with most of the companies that would be likely to be interested in this work by virtue of the fact that we have contractual arrangements with them as suppliers or system integrators—a whole range of things. We have discussions on a range of those issues to try to judge their sentiment, if you like. We certainly have not gone into it in any formal sense at this stage.

Senator LUNDY—You mentioned that you already have a vast range of contractual relationships with the different suppliers of technology. Can you give a percentage figure as to what proportion you expend on outsourced expertise as opposed to your in-house services?

Mr Hannan—A very small proportion.

Senator LUNDY—The equipment supply end of the thing.

Mr Hannan—Equipment supply is just purchase arrangements; it is not a services arrangement. As far as services are concerned, we have a number of functions which are largely performed by contractors but it is under management. A good example of that would be our secret operational commander and control system. It has a very heavy reliance on contractors. I guess that is insourced. I mentioned voice. But they are not large in comparison with the totality of the operation. Probably a minimum of a quarter of the costs of the operation relate to transmission costs. Irrespective of how we do it, those sorts of costs are going to continue unless we can reduce our demand and get more efficient in the way we acquire it.

Senator LUNDY—Going back to the Commercial Support Program and some of the methodologies used to establish competitive neutrality with the in-house bid, have you had the opportunity to look at the different financial methodologies traversed in the Auditor-General's report into IT outsourcing?

Mr Hannan—This is the discussion of operating versus finance leases?

Senator LUNDY—Yes. Obviously, the treatment of assets has been a focal point of that. Can you tell me whether Defence has a certain methodology that they will apply to their processes through the scoping study in establishing just what cost efficiencies are realised, whether you use finance or operating leases, your treatment of residual assets, et cetera?

Mr Hannan—If we are in a lease program, the intent is to have those as operating leases. We are seeking advice from both the Australian National Audit Office and two of the major accounting firms to confirm that the approach we are taking complies with the operating lease arrangements. Australian Accounting Standard 17 is the appropriate one.

Senator LUNDY—With respect to another interesting area that the government has identified as part of their calculations for what constitutes a saving to government as opposed

to the agency or department, a significant proportion of the savings figures identified by the government, by virtue of it being outsourced to the private sector, relates to a range of subsequent taxes that are then payable by the corporation to which it is outsourced—company tax, payroll tax and GST. Do you factor those into your competitive neutrality methodologies for the purposes of the comparative exercise in Defence?

Mr Hannan—I would have to take some advice, but in the competitive neutrality arrangements, as I understand it, we load the in-house option with tax equivalent arrangements but we do not compare on the basis of multiplier effects through the economy, if that is what you are referring to in terms of tax revenues.

Senator LUNDY—The distinction is one of other savings realised to Defence or to the government per se through additional taxes received as a result of the exercise.

Mr Hannan—That is certainly not the way the computing bureau was done. I suspect the way that we would be doing these will be a judgment, first and foremost, of performance—value for money—having regard essentially to the defence budget.

Senator LUNDY—And the impact on defence's budget.

Mr Hannan—I have not been told otherwise. I think that is implicit in—

Senator LUNDY—I would expect so. We are still trying to get to the bottom of this other stuff as well, with other agencies.

Mr Hannan—I cannot comment on those arrangements. The competitive neutrality arrangements we have assessed have been to ensure that the computing bureau is competing on the same basis as if it were a company paying those taxes. It is not about the savings; it is about the cost to—

Senator LUNDY—Yes, that is right. That is a separate issue from what I am describing.

Mr Hannan—That is the only competitive neutrality arrangement that I am aware of today. We certainly have not considered the other.

Senator LUNDY—I have a final question relating back to that methodology for the purposes of creating a competitively neutral environment. My understanding—and please correct me if I am wrong—is that the redundancy payments as part of that exercise were not factored into those competitive neutrality calculations under CSP. So the question is: will they be?

Mr Hannan—I can check. I am fairly certain that the cost of transition was taken into account in the—

Senator LUNDY—There were certainly transition costs, but I am asking specifically about the redundancy payments.

Mr Hannan—My understanding is that the cost included the transition costs both for the prospective contractor and for in-house, and those transition costs did take account of redundancies.

Senator LUNDY—Okay, thanks. In terms of initiatives that are occurring now, you mentioned the e-defence project. Can you spend a minute describing what that is about, please?

Mr Hannan—Defence has a formal messaging system to get orders as well as routine information to people in Defence, irrespective of where they are, and to have them go seamlessly beyond the defence environment into allied environments where that is

appropriate. That is being replaced under the project that is essentially about establishing in Defence rigorous directory arrangements, public key encryption, public key infrastructure and messaging at the desktop—email messaging that has all the attributes and security arrangements associated with giving legal orders, which is what the formal messaging system is about. It used to be called the Defence messaging and distribution environment and it was recognised that we are trying to solve a problem regarding military messaging. In Defence we need the attributes of authentication and non-repudiation for the whole of e-commerce, e-business, defence business and so forth. So it has been broadened to, and is about, improving the security, reliability and pervasiveness of the email to bring it up to a standard that meets those fundamental requirements necessary for a military messaging system.

Senator LUNDY—You implied earlier that you are bundling that together as a specific project.

Mr Hannan—Yes.

Senator LUNDY—Is it likely to be market tested?

Mr Hannan—No. That contract is being undertaken by the defence materiel organisation, and they are in contract negotiations. The contract has been to tender. It is deliverable in terms of infrastructure and integration work on our systems.

Senator LUNDY—Thank you. You mentioned that skills retention was a key issue for Defence. In the context of the obvious skills shortages in the wider market and related pressures, what training does Defence provide in-house for IT-skilled staff? What active strategies do you have to retain a profession that is in demand?

Mr Hannan—The profession is in high demand. First, a number of military personnel are employed. They are trained through the military schools—most of them are relatively junior military personnel

Senator LUNDY—Are these people with technical skills in computing?

Mr Hannan—They are trained through the communication schools and so forth of the ADF. In addition, we recruit qualified staff—whether they be degree qualified, such as scientists or engineers, or certificate qualified, such as Microsoft engineers or something like that. We provide routine training in specific job-related skills for new software and hardware.

We have a range of other initiatives. We have an agreement with the University of Technology Sydney—and this is a retention issue—whereby staff can get credit towards a postgraduate degree or, indeed, for a first degree, through recognition of their experience. We have also got some attraction policies. We have got an arrangement running with schools; we are trying to take it out into the regional areas. It is running very successfully in Canberra. We bring school kids in and they work in the environment under a structured arrangement during school holidays. We are trying to extend that to the major regional areas. I think it would be very useful to have some school kids coming in—not just looking at careers in IT, but looking at careers in defence, on military bases. There are a range of those sorts of issues. Fundamentally, the public sector generally, and Defence, will not be competitive in attracting skills at the high end. We are having trouble attracting some of the critical ones. I am having trouble attracting people who can do satellite coordination—issues to do with spectrum and so forth. It is hard for anyone to get them. Optus has exactly the same problem; they just offer more.

Senator LUNDY—Good luck in your endeavours. Thank you very much. That has been very interesting.

CHAIR—Senator Hogg, do you have any questions on IT?

Senator HOGG—No. I asked the only question that I had on IT.

[8.16 p.m.]

CHAIR—We will now deal with output 2—Navy capabilities.

Senator HOGG—At the previous estimates I asked about Kalkara. We lost one and then recovered it. The issue raised was whether someone had gone down to Dick Smith's or Tandy to pick up a device to attach to Kalkara so that, if we lose it this time, there will at least be a device attached to it that will enable us to find it.

CHAIR—What did we lose?

Senator HOGG—Kalkara. It is an unmanned vehicle which tows—

Senator Ian Macdonald—Did anyone take up your suggestion?

Senator HOGG—We want to find out. How much are they worth each?

Rear Adm. Adams—I will defer to my colleague on my left to answer the question regarding the cost, and I will defer to my colleague on my right to answer the question regarding the location device.

Senator HOGG—Whether we will find them again.

Mr Wallace—The value of the items lost will be written down at \$0.7 million each—three of them.

Senator HOGG—As I understand it, 39 launches are expected each year. I think that is in the PAES. Out of those 39 launches, I presume some of those would be reused. They are reusable, as I understand it; is that correct?

Air Vice Marshal Conroy—Perhaps it would be useful if I went through the basis of provisioning for this whole project.

Senator HOGG—The thing that concerned me was that, in the annual report, it is stated that they are prepared to sacrifice three of these each year—or that three are lost each year.

Air Vice Marshal Conroy—I am not too sure about that. We bought a nine-year stock. We fly 39—call it 40—so we need to get 360 flights out of that stock of 20 aircraft. You can see that, on average, we expect to get 18 flights out of one of these targets before we lose it. To date, we have flown 58 flights and we have lost three. I am not saying that we are going to stay on this average throughout the life of type because that provisioning was based on previous experience using yesterday's technology. One thing we are noticing is that today's missiles are much more accurate than yesterday's missiles. But we are tracking pretty close to the basis of provisioning at the moment.

Senator HOGG—Can you tell me what output that would have been in the annual report?

Air Vice Marshal Conroy—I think you have got the 39 flights under—

Senator HOGG—No, where would I find the report from last year?

Mr Wallace—There is a footnote to table 3.2.1, on page 68 of the PAES, which refers to the assumed attrition rates of three per year. It is in footnote 4.

Senator HOGG—That is it, thank you: two were destroyed during operational activities and the expected attrition rate for Kalkara is three per year. It was in the PAES, right. On that basis, you say we have about six years?

Air Vice Marshal Conroy—I would say that it could be two or three per year. Back at the time when the project was justified to the then Force Structure Committee, they were talking about getting approximately 18 flights per target.

Senator HOGG—Of those that were destroyed, was that caused by someone who was not very accurate?

Air Vice Marshal Conroy—We had one destroyed due to the recovery parachute failing; there was the Air Force air-to-air missile, the subject of the discussion we were having before about transponders—which I can return to if you wish—and we recently lost one at Woomera, where unforecast and out of envelope high winds were encountered during recovery near a thunderstorm.

Senator HOGG—Have we now got some device attached to those that might ditch in the sea such that they can be found, or if they parachute over land? I presume that, if they make a reasonable landing, they are recoverable.

Air Vice Marshal Conroy—If there is line of sight, then the GPS position is picked up by the controlling cabin. Do you understand?

Senator HOGG—Yes.

Air Vice Marshal Conroy—It transmits its GPS position on telemetry frequency for about half an hour after it goes down. If it is reasonably near, even if it is not in the drop area—we have had one instance of this—we can send the boat out to recover. When it was 70 miles out to sea, we did not succeed in finding it. At the time we believed that the target was performing somewhere near specification. It is specified to float for 30 minutes but, as it turned out, it floated for six months.

Senator HOGG—That is the reason I raised this. It then becomes a danger, a hazard, to coastal shipping and also, more likely, to commercial fishing vessels and so on.

Air Vice Marshal Conroy—I appreciate that, Senator. We cannot stick a standard distress beacon on it like the ones that aeroplanes carry, because they radiate on distress frequencies. They are only supposed to be used when there are people in peril. What I had investigated is being able to home on this telemetry signal, where it generates its GPS position on the telemetry frequency. We sought a quote for a homing device that allows us to do that. The quote was of the order of half a million dollars, which I think was excessive, for the fleet. I have sent the staff back to see if there is not a more economic way of being able to home on that GPS telemetry signal. They are yet to come back to me.

Senator HOGG—Thanks very much for that. I will watch with interest what happens with Kalkara as time goes on. The budget estimate of planned flying hours, at the top of page 69 of the PAES, for the Super Seasprite is 1,200, the revised estimate is 400 and there is delay in software delivery by contractor. Could you elaborate on why there is such a dramatic drop and why the software delivery is so important that it cuts the proposed flying hours by something like 800 hours?

Air Vice Marshal Conroy—The Seasprite helicopter program is late primarily due to an underperforming subcontractor to the prime contractor, Litton Industries. The prime contractor is Kaman. The actual aeroplanes themselves are only three months late but the software of what they call the integrated tactical avionics system is two years late at the moment. This particular business unit is troubled in some other important projects for the US government, the US Marine Corps and the US Navy, and it is in the process of being sold now to Northrop Grumman. You may have heard there is a corporate takeover occurring. As part of this corporate takeover, we expect the prime contractor to make arrangements to ensure that the new owners apply a much more effective management to this subcontract.

Senator HOGG—Translating that into English, when do you expect the delivery of the software and the aircraft to be fully operational?

Air Vice Marshal Conroy—I would not really like to go on record for that until I see what the outcome of this takeover from Northrop is.

Senator HOGG—All right.

Air Vice Marshal Conroy—We now expect provisional acceptance of the aircraft about January 2003 with the full software configuration—and that is two years late.

Senator HOGG—On a different issue, were Navy involved at all in the process that DMO put in place regarding the selection of the new combat system for the Collins?

Rear Adm. Adams—Yes, there are Navy officers serving the DMO who were closely involved in it. When you say involved in that actual process, no. There is a probity issue, of course. It has to be conducted in accordance with the normal rules for that sort of process. In short, there were Navy people involved.

Senator HOGG—Navy people though within DMO, not Navy people within Navy as such?

Rear Adm. Adams—No.

Senator WEST—Had Navy sought to be involved, from the chief down?

Rear Adm. Adams—No, not in that process.

Senator HOGG—I asked a question this morning about the purchase of the shares from Kockums for the ASC. That did not come out of your budget by any chance, did it?

Rear Adm. Adams—The short answer is no.

Senator HOGG—I did not think it did. I was just trying to recall.

Rear Adm. Adams—I will defer to my colleague on that.

Mr Wallace—It was handled outside the Navy group but it has been attributed to the Navy output. There is a reference in the PAES to that.

Senator HOGG—I see the real variation, yes, at page 70 in the explanations there, under other expenses.

Mr Wallace—Correct.

Senator HOGG—So that expense has been attributed to Navy. Once the whole thing is settled that then—as I had the assurances this morning—with interest will flow to Navy. So you can look to a credit now. I have done a bit of good service for you from Mr Moore and Mr Harper, so you will end up on the positive side of the ledger, one hopes—as they both smile.

Senator WEST—They will probably find another way to take it off you.

Senator HOGG—There are a couple of other questions but I know we want to get Senator Schacht on in an hour for the Department of Veterans' Affairs, so I have got no more questions now. I will put a couple of other questions on notice for you and you will get them in due course.

CHAIR—Thank you, gentlemen.

[8.31 p.m.]

CHAIR—We move now to output 3, Army capabilities. Welcome, General Cosgrove.

Senator HOGG—I think this is appropriate. Earlier today—I do not know if you were aware, General—I was asking questions about the move of Army to Fort Queenscliff. You made the *Sydney Morning Herald* on 21 December in respect of that matter. What prompted the decision for Army to move in, and what purpose is Army going to use the premises for?

Lt Gen. Cosgrove—On the issue of Fort Queenscliff, it has been a policy to consider very carefully the impact of base closures and movement of personnel. There was always, therefore, a desire by Department of Defence to retain, where possible, defence presence for the obvious and usual reasons. When Army vacated Fort Queenscliff in order to co-locate the staff colleges, at that time from our point of view in a functional sense there were no immediate inheritor moves planned, or units to move. However, we were examining the options. One of the options which was occurring in about the same time frame was the potential move of Headquarters Training Command, which is on foreshore territory in Sydney. That seemed to be coming together at about the same time as Queenscliff would be vacant. That was not desirable from the Army viewpoint, for functional reasons and also for reasons of maintaining a major headquarters in Australia's biggest city. The outcome was that, at about the same time as the decision was becoming necessary in order to have a plan for the further use of Fort Queenscliff, in a parallel exercise we were looking at the potential move of the Soldier Career Management Agency from its location in St Kilda Road, Melbourne, up to Canberra. A business case was in train for that. Also at the same time, the DMO was looking to concentrate some of its operations in Melbourne. So these latter two factors came together.

The business case for the Soldier Career Management Agency to move to Canberra was not compelling—it was not entirely bereft but it was not compelling—and DMO, obviously, would benefit by being able to co-locate more closely in St Kilda Road. So it was with some relief that we looked at the functioning of the Soldier Career Management Agency. As an agency, while it would have been reasonable for it to be in Canberra, it had been operating successfully independent of its parent organisation in Canberra for some years, and as I said, the business case was fairly average for it to move. That became the logical inheritor unit to go into Fort Queenscliff. We seemed to have got a win/win out of all of that.

Senator HOGG—When was the business case study done?

Lt Gen. Cosgrove—It was done last year, from about the middle of the year. It became apparent to us in the third quarter, perhaps at the start of the last quarter, that this was the way to go.

Senator HOGG—Who conducted that study?

Lt Gen. Cosgrove—It was done internal to Army headquarters and the Soldier Career Management Agency in conjunction with DEO, the Defence Estate Organisation.

Senator HOGG—Were there a range of options that were canvassed in that study?

Lt Gen. Cosgrove—For the Soldier Career Management Agency?

Senator HOGG—Yes.

Lt Gen. Cosgrove—Not particularly. The only other place for the Soldier Career Management Agency to go, apart from where it was, was either to Canberra or to another place in Victoria, and that other place was Fort Queenscliff. I should point out that Fort Queenscliff, at the time of the study, was not on the table in terms of options for the Soldier Career Management Agency. It was TO either remain in St Kilda Road or move to Canberra.

Senator HOGG—What put Fort Queenscliff on the agenda?

Lt Gen. Cosgrove—It was vacant and there was a need, where possible, to try to maintain regional basing policies.

Senator HOGG—Who came up with the suggestion that it would be a good site?

Lt Gen. Cosgrove—My staff.

Senator HOGG—Your staff did.

Lt Gen. Cosgrove—And I was happy with the suggestion.

Senator HOGG—You are obviously aware of the article in the *Sydney Morning Herald* of 21 December. I know one is always circumspect about newspaper articles. It is entitled 'Cosgrove forced to keep the flag flying in Lib seat'. It states:

Senior military officers have told the *Herald* that the office of the outgoing Minister for Defence, Mr Moore, demanded that General Cosgrove post an army unit to historic Fort Queenscliff in Victoria despite a Government decision two years ago to close the army's Command and Staff College there.

General Cosgrove was furious when he was forced to announce last month that the army's Soldier Career Management Agency would move from Victoria Barracks in Melbourne to Fort Queenscliff next year.

Senator Ian Macdonald—Is there an author for the article?

Senator HOGG—Yes, there is.

Senator Ian Macdonald—Who is the author?

Senator HOGG—David Lague.

Senator Ian Macdonald—Are the senior Army officers who are quoted named in the article?

Senator HOGG—No. I was coming to that. Has there been an investigation made in your area as to the source of this article? You were furious, so I—

Lt Gen. Cosgrove—I guess I am furious that I have been imputed as being furious.

Senator HOGG—Obviously it is either very good creative writing or where there is a bit of—

Senator Ian Macdonald—It is creative writing.

Senator HOGG—smoke there is fire. One can look at it both ways. Has there been an investigation in your section as to where this story might have come from?

Lt Gen. Cosgrove—Senator, the article is so much without foundation that it was pointless to follow up the fiction.

Senator HOGG—Right, so—

Lt Gen. Cosgrove—If I can continue there just for a moment, it imputes things to the minister which did not occur and imputes emotions to me which I did not have. So, from that point of view, it is pretty bereft of detail.

Senator HOGG—All right. So, in respect of the Fort Queenscliff site, there was no communication between the minister's office and your office on that matter?

Lt Gen. Cosgrove—There was frequent communication. All of it was to do with the issue of, as I would term it, a sort of patient encouragement from the minister's office for us to finalise this issue. The delay was over the Army wishing to try to get it right on the decision as to what unit might be best to go there. I have already said that Headquarters Training Command for functional and representational reasons, from my point of view, was desirably left in Sydney. When the Soldier Career Management Agency came along, in order to be correct in the advice to government, we took a little bit of time to get those sums right. So patient encouragement is the way I would characterise the attitude from the minister's office.

Senator HOGG—So the patient encouragement was to have an army unit sited at Fort Queenscliff. Is that the basic gist of things?

Lt Gen. Cosgrove—Yes, but I should say the issue was not so much whether it was going to be an army unit; it could have been any defence unit. We canvassed widely to see whether there were any other units which happened to be on the move which might logically find a functional role out of Fort Queenscliff. As it turned out, there were not any. At about the same time the business case for the Soldier Career Management Agency was apparent and it was quite clear that it could discharge its functions reasonably from Fort Queenscliff.

Senator HOGG—Was there an approach within Defence or Army to find a unit to occupy Fort Queenscliff; if so, when was that approach made and by whom?

Lt Gen. Cosgrove—Was there an approach?

Senator HOGG—Made to anyone within Army. I do not know where from, so I am just asking. It might have been from within Defence; it might have been from the minister's office.

Lt Gen. Cosgrove—Defence Estate were, if you like, anxious to receive notification as to what the plan would be. Their notion was—and this is quite reasonable—that they had a known move taking place—Headquarters Training Command—and a known vacancy occurring, at Queenscliff. They seemed to have a deal, but you can imagine that, quite reasonably, in the way of bureaucracies, we had a counterview. Our view was that we wanted Headquarters Training Command to remain in Sydney for reasons which, I am sure, were interesting to Defence Estate but not necessarily persuasive. In these arguments, the minister was always very interested in the service view.

Senator HOGG—Are you telling me that Defence Estate came to you with a deal too good to refuse?

Lt Gen. Cosgrove—No. I am just saying that there was an approach from within Defence from the Defence Estate office for this issue to move to finalisation.

Senator HOGG—Do you know whether they only approached you within Defence or whether they approached other—

Lt Gen. Cosgrove—I have no idea.

Senator HOGG—It was not as though the problem landed in your lap and you were asked to resolve it for Defence Estate?

Lt Gen. Cosgrove—We share these problems, Senator, as you know. Mr Corey and I are absolutely at one on this issue.

Senator HOGG—A very good colleague. Yes, I understand that. We both obviously have the same high respect for Mr Corey as many people do. The article states:

A spokeswoman for General Cosgrove last night failed to answer questions on the reasons behind the decision to keep Fort Queenscliff open.

So someone was approached by the media?

Lt Gen. Cosgrove—Yes, I have a media adviser who, some time in the evening when I was not available to assist her, was asked questions concerning my comment on how furious I was, et cetera, and I am not surprised that she declined to comment on that sort of speculative reporting.

Senator HOGG—Did your media officer report this to you?

Lt Gen. Cosgrove—Absolutely; first-up in the morning. I am pretty sure we put out a statement the following day, which I am sure we can confirm for you if you would like that detail.

Senator HOGG—If you did, could you give me a copy of that? Take it on notice.

Lt Gen. Cosgrove—On notice, certainly.

Senator SCHACHT—General Cosgrove, the staff college at Queenscliff was shifted elsewhere; where did it go?

Lt Gen. Cosgrove—It has ended up at Weston Creek in the new joint Command and Staff College complex.

Senator SCHACHT—Did they shift out because the facilities at Queenscliff were not suitable for them?

Lt Gen. Cosgrove—No, they shifted out for other reasons—functional reasons and advantages to be gained by co-locating the staff colleges in Canberra. There were not only the synergies involved in having the three colleges together, but also it offered some very significant advantages for a settled posting routine for officers who were on the student body of the staff college.

Senator SCHACHT—The issues relating to the staff college being shifted are not relevant for the organisation that has been shifted to Queenscliff now?

Lt Gen. Cosgrove—I am sorry; I do not understand the question.

Senator SCHACHT—What is the name of the organisation that is going there?

Lt Gen. Cosgrove—It is the Soldier Career Management Agency. It bears no relation to the staff college function.

Senator SCHACHT—I know. Are any of the issues that made it necessary to shift the staff college relevant to the Soldier Career Management Agency?

Lt Gen. Cosgrove—No, they are not.

Senator SCHACHT—How many people will be shifted there?

Lt Gen. Cosgrove—Do you want to know how many are left or how many are going?

Senator SCHACHT—How many are going to Queenscliff?

Lt Gen. Cosgrove—Roughly 100.

Senator SCHACHT—How many will be left at the staff college?

Lt Gen. Cosgrove—Roughly 100. The numbers are not exact, but it is about that number.

Senator SCHACHT—Do you recognise the fact that the Queenscliff college is in the electorate of Corangamite?

Lt Gen. Cosgrove—Yes.

Senator SCHACHT—Do you know that recent election results show that it is now a very marginal seat?

Senator Ian Macdonald—That is hardly a question to ask this officer.

Lt Gen. Cosgrove—I have no idea.

Senator SCHACHT—It is a reasonably relevant question, Minister.

Senator Ian Macdonald—It is not a reasonable question for this officer.

Senator SCHACHT—It was raised in the article.

Senator Ian Macdonald—We have already established that the article, like so many others, is a complete fabrication.

Senator SCHACHT—The only thing that is established is that it is quite open about the fact that pressure is being brought to bear, in one form or another—

Senator Ian Macdonald—You have heard from General Cosgrove.

Senator SCHACHT—General Cosgrove has answered very correctly.

Senator Ian Macdonald—That is right.

Senator SCHACHT—That does not deny the fact that pressure could have been brought to bear politically to fill this place with a new army unit that is in the political interests of the coalition.

Senator Ian Macdonald—You have heard General Cosgrove's answer.

Senator SCHACHT—I am not accusing General Cosgrove of anything; I am simply saying that pressure was brought to bear in one form or another. Interest was raised.

Lt Gen. Cosgrove—I would like to correct an answer, if I may. The Soldier Career Management Agency, all up, will have about 140 personnel and Queenscliff will have about 184.

Senator WEST—I have one fairly brief question about an article that appeared in the *Atherton Tablelander* newspaper in January. There was a report that three mortar bombs had been located on a property near Ravenshoe by an army contractor but that the bombs were gone by the time the Army UXO team arrived to remove them. Have they been found yet?

Lt Gen. Cosgrove—I am not aware of that incident. Can I take that question on notice and we will get back to you on that?

Senator WEST—The report was dated 3 January. Is it normal for bombsites such as this not to be secured before the UXO team arrives?

Lt Gen. Cosgrove—That area would normally be picketed—especially if Army personnel were associated from the outset. I guess that, from time to time, when somebody else—for example, the police or a civilian agency—finds a bomb, it is up to them as to how they secure it.

Senator WEST—Can you take that question on notice? I can provide a copy of the press clipping.

Lt Gen. Cosgrove—Yes. For clarification purposes, may I ask a question in return? Did the article indicate whether it was current ordnance or pretty old stuff?

Senator WEST—The press clipping has just left my hot little hands, so I can't answer that question.

Senator SCHACHT—I think the hot ordnance in that area at the moment is that One Nation has just won the state seat from the coalition.

Senator Ian Macdonald—To be accurate, they won it from the previous One Nation candidate.

Lt Gen. Cosgrove—I think it goes back to the Second World War.

Senator WEST—So it could have been fairly fragile and unstable. We will have to put other questions on notice as we have serious time constraints.

[8.49 p.m.]

CHAIR—We now move to Output No. 4, Air Force capabilities.

Senator WEST—Is RAAF currently conducting a study to move No. 2 Flying Training School from RAAF base Pearce to East Sale?

Air Marshal McCormack—Yes.

Senator WEST—What is the reason?

Senator SCHACHT—Another marginal seat.

Air Marshal McCormack—The reason is we need to consolidate. We have done a study on bases. The more we can consolidate our people together, the less disturbance we have, and therefore we have fewer problems with spouses, children's education, moving and all of those sorts of things. I am trying to consolidate onto as few bases as possible.

Senator WEST—Is this so that the trainers are not moving between Pearce and East Sale all the time?

Air Marshal McCormack—Yes.

Senator WEST—When will the study be completed and who is conducting the study?

Air Marshal McCormack—It is coordinated between Defence Estate and the Air Force. It is being done by Headquarters Training Command on behalf of the Air Force.

Senator WEST—What is the impact for No. 2 Flying Training School at RAAF base Pearce?

Air Marshal McCormack—The problem is that the civil airspace is tightening in on Pearce. Pearce is good for jet operations but for PC9 operations it is very difficult. The ILS for Perth comes over the top of Pearce, and it is very restrictive on our operations for short range aircraft like the PC9. So it is becoming very difficult to train there on a PC9.

Senator WEST—The Republic of Singapore Air Force also operates out of there too, doesn't it?

Air Marshal McCormack—There are two squadrons operating out of there: the Republic of Singapore Air Force and the Royal Australian Air Force.

Senator WEST—What is the Singaporean training? Is that basic training on the PC9s or is that on jets?

Air Marshal McCormack—No, it is jet training. It is advanced training on jet aircraft.

Senator WEST—So they are not as impacted on—

Air Marshal McCormack—No. They can get up and out of the area easily.

Senator WEST—What is the estimated cost to the relocation? Do you have that yet?

Air Marshal McCormack—No, we have not.

Senator WEST—What is the future of the PC9 aircraft used by 2FTS?

Air Marshal McCormack—It will go to East Sale and be used at East Sale.

Senator WEST—When are they due for an upgrade or replacement?

Air Marshal McCormack—We are doing studies on the total pilot training, and a lot depends on the numbers and the amount of time we spend on PC9. It used to all be done on PC9. We have taken some off the PC9 and put them onto the CT4 at Tamworth. We are looking now at whether we need to go onto another type to make the training appropriate for what we need.

Senator WEST—The CT4 at Tamworth are not particularly appropriate, are they?

Air Marshal McCormack—They are appropriate, but we are looking at whether it is best to go to a third aircraft type. Training command is having a look at the training needs analysis. The thing to remember is: it does not matter when you give pilots their wings, it is when they get into operational aircraft that counts. So we are looking at the whole continuum, from when they start to when they get to an operation aeroplane, and what is the best way to get there.

Senator WEST—When will that report be out?

Air Marshal McCormack—I am hoping by about the middle to the end of this year.

Senator WEST—I am sure Tamworth will be thrilled to know or hear about it.

Air Marshal McCormack—It probably will not make any difference at all to Tamworth because the basic training will be fine.

Senator WEST—The replacement or upgrade of the PC9s is dependent upon that—

Air Marshal McCormack—It depends on the life, business case—all those issues.

Senator WEST—On the program *Survivor* there was some good footage of the back end of Caribous.

Air Marshal McCormack—Great stuff.

Senator WEST—Yes, how much did it cost you, or did you do it on cost recovery?

Mr Veitch—I do not have that information with me.

Senator WEST—You cannot tell me here whether the Caribou aircraft used in that television entertainment show was used on a cost recovery basis or not?

Air Marshal McCormack—No, I would have to look that up.

Senator WEST—If it was not used on cost recovery, if RAAF had to foot the bill, I would like to know the reasons why as well and what the total cost of the exercise was. I think there will be questions going on notice—

Senator HOGG—Were there extra public liability costs associated with it?

Senator WEST—You were doing surveillance, and there was apparently somebody sitting on the back end—

Senator HOGG—Yes, I understand they were sitting on the back end of a Caribou. I do not watch television, but I have heard these things second hand.

Air Marshal McCormack—I have not seen it either.

Senator WEST—I haven't either, so I am at the slight disadvantage of having had it reported to me. There was allegedly somebody commentating, sitting on the cargo door.

Senator Ian Macdonald—None of us saw it, so none of us can help any further.

Senator WEST—Thank you, Minister.

Senator SCHACHT—You are shifting a unit from Pearce to East Sale. Was there a recent plan to shift something from East Sale to Wagga?

Air Marshal McCormack—No. We are trying to consolidate the training out of Edinburgh. At one stage we were looking at that going to East Sale or Wagga.

Senator SCHACHT—And that has not occurred?

Air Marshal McCormack—The recruit training unit buildings at Edinburgh need replacement. We were looking at the best business case of where they should go. Most of the people who come out of recruit training go to Wagga anyway, so one of the issues was saving the transit costs. But we are still looking at that.

Senator SCHACHT—At shifting something from Edinburgh to East Sale?

Air Marshal McCormack—The recruit training, yes.

Senator SCHACHT—If that took place, how many staff positions would be shifted from Edinburgh—in my home state?

Air Marshal McCormack—Is that a political question, Senator?

Senator SCHACHT—It is in my electorate.

Air Marshal McCormack—There is a fairly large through-put of students—I am not sure of the exact numbers. But there are not very many instructors.

Senator SCHACHT—Will that decision be made by the end of this year?

Air Marshal McCormack—I believe so. It will be part of a study we are doing on East Sale, Wagga and Pearce.

Senator SCHACHT—On the four? East Sale, Wagga, Pearce and Edinburgh?

Air Marshal McCormack—Yes.

Senator WEST—Is this one of the reasons Wagga got pulled off the surplus to needs?

Air Marshal McCormack—I am not sure. Riverina TAFE won the contract. That goes through to the end of next year and comes up for review. It depends on whether they win the contract again. It is a contractual arrangement with Riverina TAFE at the moment.

Senator WEST—I can see I am going to get some lobbying. Thank you for the tip-off.

CHAIR—By the time the budget estimates come around in late May/early June, will you have more information available on where you are with the shifting around—or whatever you want to call it—of these four bases and their arrangements?

Air Marshal McCormack—It is the movement of units to make it more economical by not shifting people around.

Senator SCHACHT—Would that be in the budget discussions?

Air Marshal McCormack—It could be, yes.

Senator SCHACHT—So we can revisit it?

Air Marshal McCormack—Yes.

Senator SCHACHT—Overall, do you think these things will be finalised by the end of the year?

Air Marshal McCormack—I hope they are finalised by the end of the year.

Senator SCHACHT—As a kid who grew up next to East Sale, I am happy to support East Sale. But as a senator from South Australia I also want to support Edinburgh.

Senator WEST—You want two bob each way.

Senator SCHACHT—I know. It is always the way with us politicians.

CHAIR—No further questions. Thank you, Air Marshal.

Senator HOGG—There will be some questions on notice.

[8.58 p.m.]

CHAIR—We now move on to output 5: policy advice. It includes further questions on the reserves, cadet policy and defence cooperation.

Senator HOGG—I thought we had covered reserves.

CHAIR—That is what I thought. That is why I thought we had covered this output.

Senator HOGG—No. There are still other issues that come under output 5. I want to ask questions about the national missile defence—the SBIRS system. In answer to a question on notice at estimates in February last year, Defence advised that the satellite ground relay station at Pine Gap is covered by a classified arrangement between Defence and the US Air Force. Is the arrangement covering the operation of the new satellite relay station a treaty level agreement?

Dr Brabin-Smith—I will also ask Mr Carmody for his views. The short answer is that I do not know, but I do know that it is pretty binding.

Senator HOGG—Could I hear Mr Carmody's view, then I might express a view and we might end up with some consensus between us.

Mr Carmody—Regrettably, I do not know either, Senator.

Senator HOGG—That is unfortunate. I understand that there is a treaty covering Pine Gap, and that has been a subject before the Treaties Committee in recent times. I understand that this is a facility that is alongside, but not necessarily of, that treaty. I am seeking to establish the level of the arrangement. If you could take that on notice and get back to me, I would be pleased about that.

Senator SCHACHT—On that same point, is this establishment covered as part of the two secret protocols that are subsumed into the overall treaty and that have never been published?

Dr Brabin-Smith—I will take that aspect on notice, if I may, and I will get back to you. Some of the points of differentiation between what is a treaty and what is not, if my memory serves me, depend on the respective views of the nations making the arrangement or the treaty. My recollection is that the approaches of Australia and the United States are different in some respects.

Senator HOGG—I will put another question on notice that might assist in the response that you come back with. It may well be that there is a classified arrangement between us and the United States on this satellite ground relay station. I am after advice from you to the committee as to what form this arrangement takes. Is there a memorandum of understanding or an exchange of notes or whatever that covers that arrangement?

Dr Brabin-Smith—We will say as much as we can at the unclassified level. There is a slight complication here, which is that there is a clear understanding between Australia and the United States that whatever we say publicly about the joint facilities is to be cleared with the other party. In the interests of timeliness, we will tell you what we can without consultation with the United States, because that can be quite a time-consuming process.

Senator HOGG—There is no hidden agenda—

Senator SCHACHT—The hidden agenda is from the defence department.

Senator HOGG—Also, can you establish for me whether it is separate from the treaty that was negotiated and approved through the Treaties Committee?

Senator SCHACHT—It was not approved unanimously—some of us signed minority reports saying that we refused to approve the treaty unless we were told what was in the treaty.

Senator Ian Macdonald—Is this relevant to the estimates committee?

Senator HOGG—I accept that, but the fact is that it has been approved by the Treaties Committee, as I understand.

Senator SCHACHT—By a majority.

Senator HOGG—When was the arrangement agreed to and/or signed, and when did it come into operation? What is the term of this arrangement? How long is it for? When will it last until? Is there any provision for the terms of the arrangement to be modified or changed? I am not asking you to give me the terms of the agreement.

Dr Brabin-Smith—I get the point. I think that you will find that most of what we will be able to tell you is already on the public record, but we will assemble the information in a way that aligns with your interests.

Senator HOGG—All right. What are the provisions for either side to withdraw from the arrangement, if there are any? In answer to questions on notice, Defence has advised that the relay ground station is operated with the full knowledge and concurrence of the Australian government and that the station can only be used for purposes agreed by the government. So that has already been put down by you on a previous occasion. Are those purposes specified within the terms of the arrangement covering the relay station? That is a further question—can you answer that now, or do you have to take it on notice?

Dr Brabin-Smith—Frankly, I think it would be better if we took it all on notice.

Senator HOGG—All right. Is the possible involvement of the relay station in any research and development test, trials or other research relating to US theatre missile defence programs allowed within the purposes agreed by the Australian and US governments? The other question is: is the possible involvement of the relay station in any research and development test, trials or research relating to US national missile defence programs allowed within the purposes agreed by the Australian and US governments? If you can give me answers to those questions on notice, that would certainly help.

Next, I want to move to the issue of the visit by a French nuclear warship. We understand from answers given in the November estimates and subsequent correspondence from the Minister for Defence that a visit by a French nuclear powered submarine will take place in the next few months, possibly as early as March. Can you advise when the planned visit of a French nuclear powered submarine will take place this year?

Dr Brabin-Smith—It will take place in March of this year.

Senator HOGG—Is there anything more specific than that at this stage?

Dr Brabin-Smith—We expect the vessel to visit Australia in the periods 7 to 12 March, 16 March and 23 to 26 March. When I say 'expect', I should explain that those are the periods for which diplomatic clearance was sought and has been given.

Senator HOGG—Do we know if that indicates progress in and out of our international boundaries?

Dr Brabin-Smith—They will be coming into port, I would imagine. The boat and the conventionally powered destroyer accompanying it will be exercising with Australian Defence Force units.

Senator HOGG—Where will that exercise be taking place?

Dr Brabin-Smith—Off the west coast.

Senator HOGG—In Australian waters?

Dr Brabin-Smith—The area in which they will be exercising will include Australian waters, yes.

Senator HOGG—Do we know whereabouts?

Dr Brabin-Smith—Off Fremantle.

Senator HOGG—How far off Fremantle?

Dr Brabin-Smith—I have absolutely no idea.

Senator HOGG—That is not the normal sort of answer I expect from you, Dr Brabin-Smith. You are normally so full of answers.

Senator SCHACHT—Never stuck for an answer!

Dr Brabin-Smith—Senator Hogg, you and I know each other far too well.

Senator HOGG—I know. If you can take that on notice, it will allay any speculation that they are just in the bay off Fremantle.

Senator SCHACHT—Off Rottnest Island!

Senator HOGG—Do we know the name of the vessel in question, the nuclear powered submarine?

Dr Brabin-Smith—I believe we do.

Senator SCHACHT—Agincourt, Crecy, Poitiers—all those famous battles they lost!

Dr Brabin-Smith—I could not possibly comment. The French naval ship—or submarine, perhaps—is called *Perle*, meaning pearl.

Senator HOGG—And the accompanying vessel?

Dr Brabin-Smith—I do not have that information.

Senator HOGG—Do we know which ports in Australia the submarine will visit?

Dr Brabin-Smith—HMAS *Stirling*.

Senator HOGG—Any other ports?

Dr Brabin-Smith—I believe not.

Senator HOGG—Do we know the dates on which it will visit *Stirling*?

Dr Brabin-Smith—They are the dates that I gave you.

Senator SCHACHT—In and out of *Stirling* port?

Senator HOGG—In and out of HMAS *Stirling* on a number of occasions, or could it be one of the three or all of the three occasions?

Dr Brabin-Smith—Yes.

Senator HOGG—When will we know what their desire is?

Dr Brabin-Smith—It will probably depend on how the exercise program goes and things like the state of the weather and contingencies of that nature.

Senator SCHACHT—If it's too rough, they won't go out!

Senator HOGG—We have established that it is going to be accompanied by another vessel—

Dr Brabin-Smith—Sorry, could you start again?

Senator HOGG—That's all right—your little huddle might be worth hearing about.

Dr Brabin-Smith—What was the question again?

Senator HOGG—I want to know what your huddle was about!

Dr Brabin-Smith—We were just trying to work out whether we knew enough about French naval practice to be able to give you a more precise answer—and I think the answer is 'non'.

Senator HOGG—You can take that on notice, Dr Brabin-Smith.

Dr Brabin-Smith—Mr Carmody claims he knows the answer.

Mr Carmody—I understand that the submarine comes in once prior to the start of the exercise, and it will come in once during the exercise period and then once at the end of the exercise—hence the three periods.

Senator HOGG—So, in effect, there will be three visits to HMAS *Stirling*?

Mr Carmody—That is correct.

Senator HOGG—And what is the name of the accompanying vessel? Did you give me that?

Dr Brabin-Smith—I do not have it and I do not think Mr Carmody has it.

Senator HOGG—All right, but it is a conventionally powered vessel, is it?

Dr Brabin-Smith—Yes.

Senator HOGG—And will either of those be visiting any other ports in Australia?

Dr Brabin-Smith—I am reasonably confident that the submarine will not but, as for the destroyer, I am less certain, but it probably will not either.

Senator HOGG—And there will be a joint exercise with Australians. What joint exercise will that be?

Senator SCHACHT—Has it got a name?

Dr Brabin-Smith—I do not know.

Senator HOGG—There is generally a long list of these exercises.

Dr Brabin-Smith—Maybe we could take that question on notice.

Senator HOGG—If you can take that on notice and—

Senator SCHACHT—Can we suggest to the French that they name the exercise after one of the battles where we saved them in the First World War. Will Australian submarines be involved in exercising with the French submarine?

Dr Brabin-Smith—I would not be surprised, but I do not know for sure.

Senator SCHACHT—Is the submarine permanently based in France, or is it based in the South Pacific with one of the French colonies?

Dr Brabin-Smith—I believe it is based in France.

Senator SCHACHT—Just as an interesting point: on the advantage to Australia in exercising with a French submarine that is based in the North Atlantic, what do we get out of it? I presume we have no intention of being in the North Atlantic in a war.

Dr Brabin-Smith—That is true, but the French armed forces are very professional and, if my memory serves, we had French and Australian ships serving together in the Gulf, so I think the issue in principle stands.

Senator SCHACHT—Okay—I still think it is a bit odd, but I can see your point.

Senator HOGG—That is the end of the questions I have on that particular issue. I move now to the issue of Indonesia. What is the situation with regard to ADF exercises with Indonesia at the moment? What exercises, if any, do we have planned, or are exercises still in a state of suspension?

Mr Carmody—We are not conducting any exercises with Indonesia at the moment, although we have a number of activities which have been proposed with Indonesia. We have agreement from government to engage in a range of activities designed around humanitarian relief and maritime sea lanes of communication, but at this stage we have no activities planned.

Senator HOGG—I note in the PAES, at page 98, that the budget estimate for 2000-01 is \$7.29 million and the revised estimate is \$3.79 million. Whilst it is a substantial reduction, it is nonetheless still a reasonable commitment to our involvement with Indonesia. It would indicate probably a slow-down on what was forecast in the budget in May last year. Are you able to take it on notice to give me a little bit more detail about where that money is going to be spent?

Mr Carmody—Certainly. I can give you some detail now, if you wish, in terms of where the money is being spent. As you quite correctly put it, the numbers have gone down quite substantially. But we still have, as you might be aware, a range of activities with Indonesia. We have a number of Indonesian military officers—not just army—who are studying in Australia, and a number of Australian military officers who are studying in Indonesian institutions. That level of relationship is actually continued. So there are those sorts of activities which continue to occur. I can take it on notice and give you more detail, if you wish.

Senator HOGG—If you can, yes, because I am going to ask a similar question for Fiji. On page 86, whilst I note the expenditure is not large, it has gone from \$2.687 million to \$1.187 million, down by \$1.5 million. Would you give me some sort of an analysis of the activities that are happening in our defence cooperation with Fiji, and whether that signals our total expenditure for the year and we have spent no more, or whether we have some ongoing cooperation arrangements there.

Dr Brabin-Smith—Perhaps I could speak to Fiji in response. We are expecting to spend \$1.187 million on defence cooperation with Fiji. The majority of that comprises salaries that were expended prior to the troubles in Fiji and salaries relating to the patrol boat advisers in Fiji—

Senator HOGG—Are the patrol boat advisers still there?

Dr Brabin-Smith—Yes.

Senator HOGG—And we did have four military attaches there, didn't we? I do not know if they were exactly military attaches or military advisers.

Dr Brabin-Smith—I have in front of me, not entirely by coincidence, the response on notice to the question you asked late last year. We still have the naval maritime adviser and two technical advisers in Fiji, supporting the Fijian navy's involvement in the Pacific Patrol Boat Program. We have a defence adviser, an assistant defence adviser and, I think, an administration officer at the high commission in Suva. So those people are still there.

Senator HOGG—So you are saying to me that it has not changed since I asked that question on the last occasion?

Dr Brabin-Smith—That is right.

Senator HOGG—That is fine.

Dr Brabin-Smith—I might just add another point. In addition, Fiji is receiving \$1.2 million for the half-life refit of one of its patrol boats in this financial year.

Senator HOGG—And that comes out of that defence cooperation budget?

Dr Brabin-Smith—Yes, in addition to the figure of \$1.187 million.

Senator HOGG—Where would I find that in the PAES? Do I?

Dr Brabin-Smith—I hope you do. It is somewhere.

Senator WEST—That is very helpful!

Senator HOGG—I will burst into song shortly: 'somewhere over the rainbow'.

Dr Brabin-Smith—It might be under multilateral general assistance, but Mr Carmody is about to bail me out here.

Senator HOGG—You are not a bad team. If you cannot find that now, would you take it on notice, because there are another couple of questions I want to get to.

Mr Carmody—Yes.

Senator HOGG—I have some questions to the Chairman of the Defence Intelligence Board. It is nice to see you again, Mr Brady. This is an issue that I have raised before, and one of my colleagues, I think, might have raised it on the last occasion: the situation of the Jenkins family. As I understand it, Defence has not organised for Mrs Enid Jenkins, the mother of the late Merv Jenkins, to receive a confidential briefing on the classified report pertaining to her son's death. I understand she has made several requests, and it seems that Defence has learnt nothing at all out of the process which we have raised previously. Is that correct?

Mr Brady—Senator, it is correct that the mother of Mr Jenkins, Mrs Enid Jenkins, has written to me on two occasions requesting access to the full classified version of the Blunn inquiry. I have replied to her that it is not possible to give her access to that classified report. She does not hold a national security clearance. I have also—

Senator HOGG—Pardon me for interrupting, but have you supplied her with the declassified version?

Mr Brady—I have, and I have also—

Senator HOGG—When did you do that?

Mr Brady—I did that at the time that the report was released. I had a letter from her at that stage.

Senator HOGG—Sorry to interrupt you. Off you go.

Mr Brady—I also explained to her that there is in practice no substantial difference between the unclassified and the classified version. All that is deleted from the unclassified version is some technical details about how the intelligence relationship between Australia and the United States operates.

Senator HOGG—Has Mrs Jenkins, the mother of the late Merv Jenkins, sought a briefing from you?

Mr Brady—She has not sought a briefing from me as such, but I would be willing to do that. There is a logistic circumstance—she lives in Western Australia—but I would be happy to do that briefing for her. I have also offered to speak to her on the telephone to answer any specific queries that she might have. She has not taken me up on that offer.

Senator HOGG—I am not trying to play with words; because of the sensitivity of this issue I am trying to be very precise. Has she asked for a confidential briefing and a classified briefing, where in a face-to-face situation, whilst you might not divulge to her or hand her a copy of that classified report, given her intelligence status or non-status, you may well—in a briefing—be more frank with her than you might otherwise be in a formal, written sense? I am putting all of this on the table so that there are no illusions as to what your views and the views of your department might be.

Mr Brady—Senator, I would not be disclosing classified information in any briefing of any kind, but I would attempt to clarify for the benefit of Mrs Jenkins any of the circumstances that she had questions about, to the extent that I was able to do so.

Senator HOGG—Has Mr Jenkins's sister sought a confidential briefing with you?

Mr Brady—No.

Senator HOGG—Has Mr Jenkins's sister—and I understand there is a sister—sought a copy of the classified report?

Mr Brady—No.

Senator HOGG—Any other members of the family?

Mr Brady—No.

Senator HOGG—Thank you for those answers; I appreciate that. I have one more question on the Jenkins issue. Did a Mr Miles Kupa, a DFAT officer at the time I believe, write to Defence prior to or post Mr Jenkins's death, raising serious concerns over the management of DIO personnel in overseas posts?

Mr Brady—I am not aware of any such letter.

Senator HOGG—Mr Kupa's name is one of those names that, having seen once, you could not forget.

Mr Brady—Yes, I know him well.

Senator HOGG—Can I ask you therefore, to check if Mr Kupa has written to, if not you, one of your immediate superiors, where he raised serious concerns over the management of DIO personnel at overseas posts. If that letter does exist, can the committee be provided with a copy of that letter?

Mr Brady—That, Senator, would be a matter for the Department of Foreign Affairs and Trade.

Senator HOGG—Yes, but if it is a letter in your possession; it is now also a matter for you, I should imagine, as to whether you release that to me.

Senator Ian Macdonald—I would not imagine you would release it without the consent of the author, would you?

Senator HOGG—It is official correspondence, Minister. It is not, as I understand it, personal correspondence.

Senator Ian Macdonald—Why don't you ask the Department of Foreign Affairs and Trade for a copy of it?

Senator HOGG—We can do that as well.

Senator SCHACHT—Tomorrow.

Senator HOGG—It would be interesting to know if Defence did receive such a letter, when it was received and if a copy of that letter can be made available.

Mr Brady—I will take that question on notice. As the minister said, I would not be releasing that letter without consultation with the Department of Foreign Affairs and Trade.

Senator HOGG—I understand your processes and, Mr Brady, as always, I respect those. If such a letter was received, did that prompt any action by the Inspector-General of Intelligence and Security?

Mr Brady—That letter, I can safely say, did not prompt any action, because it is not referred to in any of the work of the Inspector-General. I do not know whether such a letter exists.

Senator HOGG—I accept that. Again, take that on notice. It may well be that, if it did lob on your doorstep, then I would like to know why it did not prompt action from the Inspector-General or why it was not referred to the Inspector-General?

Mr Brady—I just note that the Inspector-General of Intelligence and Security was commissioned by the Minister for Defence to conduct an investigation into the original security investigation of Mr Jenkins. That investigation was conducted by Mr Tony Blunn, who is the former secretary of the Attorney-General's Department.

Senator WEST—And Social Security before that.

Mr Brady—Mr Blunn's report did make a number of recommendations about the management of defence intelligence organisation staff overseas. Those recommendations are included in the publicly released version of the report and we are implementing those recommendations.

Senator SCHACHT—I want to ask a question of Mr Brady. You said that the difference between the classified report and the unclassified one that has been provided and that is available—it has been released—is not really germane, other than the description about the classification arrangements between Australia and America; is that correct?

Mr Brady—To be specific, Senator, details of how the intelligence relationship operates were excluded.

Senator SCHACHT—Isn't that at the very nub of the circumstances surrounding the background to Mr Jenkins's death?

Mr Brady—I do not believe so, Senator. I supervised the preparation of the unclassified version of the report. I am very confident that there can be a full understanding of the circumstances of the investigation from a reading of the unclassified version. The material deleted in no way alters any of the conclusions. The unclassified version of the report includes in full all of the conclusions reached by Mr Blunn in regard to this matter, and it also includes all of the supporting arguments in regard to each of those conclusions.

Senator SCHACHT—Isn't it true that the matter that led to the unfortunate death of Mr Jenkins related to a dispute within the defence and intelligence establishment at our embassy in America over what should formally be provided to our powerful and friendly allies, the Americans, and what was provided on a wink, a nod and a nudge?

Mr Brady—I have heard those claims made. There is no substance to those claims.

Senator SCHACHT—I beg your pardon?

Mr Brady—There is no substance to such claims.

Senator SCHACHT—There is no substance to the claims—

Senator Ian Macdonald—That is what he said twice.

Senator SCHACHT—I just want to make this absolutely clear: there is no substance to the claims that what Mr Jenkins may have been doing as a practice, although not within the

rules of what was provided, had been a practice that, for many years, officers had informally done with our American allies—informally providing access to classified material from the Australian government. With respect to such material, which had been classified as not to be shown to anybody else, it had been accepted informally for many years that it would be provided to our powerful and friendly ally.

Mr Brady—To the best of my knowledge, Senator—and I have reviewed this matter carefully—there was no such understanding and no such practice.

Senator SCHACHT—Are you saying to me that there was no such practice?

Senator Ian Macdonald—Yes.

Mr Brady—Your proposition is that this was in some way authorised by defence or intelligence authorities in Australia in some way, and my answer to your question is that there was no such practice.

Senator SCHACHT—Mr Brady, I will not take the matter any further in this venue, but I will make some comments elsewhere. But I have to say I am surprised by your answer.

Senator HOGG—Chair, I have a couple of quick questions for the Inspector General.

CHAIR—When you have asked your questions, we will have a short break.

Senator HOGG—Catching up on some issues that we have traversed previously, Mr Neumann, can you update the committee on the investigations being undertaken or completed with regard to theft or loss of weapons from defence facilities over the last 12 months?

Mr Neumann—For the period 1 July 1999 to 20 February 2000, weapons lost, stolen and not yet recovered include: a complete 7.62 mm sniper rifle and a .50 calibre sniper rifle, in October 1999; a 5.56 mm Steyr rifle, including its magazine containing 30 rounds, lost in Timor in December 1999; a break-in at IRAR museum in Townsville in January 2000 and the theft of 25 weapons that had been rendered innocuous, to pre-1995 standards—those were less onerous than the current standards.

The August 2000 ADF weapons census has been unable to account for four pyrotechnic pistols. During a raid by police on a private residence in Fairfield on 2 February, New South Wales police seized two military weapons. One was a 5.56 Steyr rifle and the other was a 7.62 mm self loading rifle. There are a couple of issues as to whether the Steyr actually was ever an ADF weapon, and it looks as though the SLR, the 7.62 mm, was actually sold to the Malaysian defence force prior to 1998.

On 3 January 2001, following an audit of the Special Air Service Regiment armoury in Perth, two 9 mm Heckler and Koch pistols were identified as missing. On 1 February 2001, two bayonets, their scabbards and two magazines to fit a 7.62 mm SLR were stolen in Tasmania. And just yesterday, one Minimi light machinegun, with ammunition and two grenades, was stolen in Timor.

Senator HOGG—Any prosecutions pending as a result of those thefts?

Mr Neumann—Not for the Timor ones. The Steyr rifles are still being investigated by police—I do not know how close they are to finding them; similarly with IRAR museum. With regard to the ones seized by New South Wales police, presumably there will be prosecutions for firearms offences. I am only speculating here but I would assume that would occur. On the Heckler and Koch pistols, it depends whether they were recovered—you have to actually recover them in order to have a prosecution; similarly with the scabbards, bayonets and magazines.

Senator HOGG—All right. What action has Defence taken since the Auditor-General's Report No. 22 of last year found serious failings in how Defence monitors, or does not monitor, as the case may be, any fraud perpetrated against it? What have you actually done?

Mr Neumann—I think that was the one where they were referring to committee monitoring. What we have done over the last couple of years is not just as a result of that report. We have got an audit recommendations management system, colloquially known as ARMS, which holds records of all recommendations made by internal audit—that is by my management audit branch, the Joint Committee of Public Accounts and Audit, and evaluations in my branch—and performance audit recommendations made by external audit, which is the Australian National Audit Office. These recommendations are monitored to the extent that they are taken to the committee. The last one was taken at the last committee meeting on 11 December 2000.

Senator HOGG—The outcome of that meeting?

Mr Neumann—The outcome was that they wanted, as a matter of urgency, any category A—those which have high impact and materiality—reports that are overdue brought to their attention. That will be done on 19 March, when we will bring a report to the attention of the audit committee.

Senator HOGG—There is another committee meeting on Monday 19 March?

Mr Neumann—Yes. The unresolved category A financial audit report recommendations were discussed at the meeting on 19 February, which was just this week.

Senator HOGG—All right. Last but not least, and you may well need to take this on notice: what is the total value of stolen or lost property from the Department of Defence to date in this financial year?

Mr Neumann—Losses for fraud—and this is only losses for fraud; this is not total losses—amount to about \$0.5 million for the period 31 December 2000. The money awarded and recovered is about \$170,000, but that could relate to fraud perpetrated in previous years. In fact, in one case at least \$25,000 of that amount relates back to the early 1990s.

Senator HOGG—You said that losses for fraud amounted to \$0.5 million. Obviously, a number of separate amounts make up that \$0.5 million. Are there any substantial amounts? Even if they are large or small amounts have those responsible been subject to police investigation or prosecution?

Mr Neumann—There are prosecutions running. In about a month's time at least two cases for travel allowance fraud will come up. One case is for about \$1,500 and one is just slightly more than that.

Senator WEST—Given the failure of DEO to ensure that the analog back-up alarm systems were not replaced before the cut out of the system, what will your office be doing in the future to ensure that DEO is on top of all the alarm monitoring needs of ADF and defence force facilities?

Mr Neumann—Limited resources are available, both for internal and for external audits. At the moment the Defence Estate Organisation is subject to audit by the Australian National Audit Office. These tend to be high level audits and we normally try not to duplicate the work that they do.

Senator WEST—So the National Audit Office will be conducting an audit into security issues?

Mr Neumann—They are actually doing an audit into security issues. I do not know whether it will cover specific armouries, which is the question that you asked. If it was seen to be an issue of concern we could get internal auditors to check that that has been done.

Senator WEST—It was a failure though on their part to ensure that those analogs had been upgraded. Is that correct?

Mr Neumann—As far as I understand it, yes.

Senator WEST—Thank you.

CHAIR—I thank Mr Neumann, General Mueller and all the officers from the Department of Defence.

[9.52 p.m.]

Department of Veterans' Affairs

CHAIR—I welcome Minister Macdonald, representing the Minister for Veterans' Affairs, and officers of the Department of Veterans' Affairs. The committee will consider particulars of proposed additional expenditure for the Department of Veterans' Affairs. The committee will first put questions of a general nature under the portfolio overview. We will then consider the rest of the particulars of proposed expenditure on an outcome basis, commencing with outcome 1. The committee has before it the particulars of proposed additional expenditure for the service of the year ending 30 June 2001—documents A and B; the portfolio additional estimates statement for Veterans' Affairs; the statement of savings; and the annual reports of the Department of Veterans' Affairs and the Repatriation Commission. As the committee considers each outcome, questions may be asked about any of these documents. The committee has resolved that answers to questions on notice are to be lodged with the committee by Thursday, 22 March 2001. The minister is not here at the moment to make an opening statement, so are there any questions of a general nature?

Senator SCHACHT—During the debate we had at the end of last year, Dr Johnston, over the amendments that the opposition and the Democrats moved to the Veterans' Entitlements Act in terms of the 411 civilian doctors and nurses in Vietnam, the minister's representative in the debate, the parliamentary secretary, said that the minister would be willing at any time to talk to the nurses about improvements, extra benefits or maximising the benefits they could get under the occupational, health and safety arrangements, et cetera. Has the minister made that offer formally to the nurses and their representatives, and have they responded?

Dr Johnston—Yes, the minister has formally offered to meet and a date has been set for that meeting. We can advise you of that date. Mr Maxwell.

Mr Maxwell—Next Tuesday.

Senator SCHACHT—In Canberra?

Mr Maxwell—That is correct.

Senator SCHACHT—Are the nurses going to represent themselves or will they be accompanied by representatives of the Nurses Federation who took an active interest in this matter?

Dr Johnston—That is a question you probably should direct to them, but there are a number of nurses and I would say they are well represented by their membership.

Senator SCHACHT—Thank you. I look forward to that discussion at least taking place. It does not in any way, as far as I am concerned, assuage my view that these nurses or the medical units deserve coverage under the Veterans Entitlements Act.

In the last estimates we discussed the fact that it would be from 1 January that the new arrangements for benefits brought in under the bill would be paid and also that the savings would operate. We had some dispute over this but I think it is about \$80 million to help fund these changes to the other benefits and that the department had to find savings. Can you identify your success in finding those savings, as agreed to with the finance department?

Dr Johnston—At the last hearing we did work through that issue in a fair amount of detail. As we explained then, it will take some time for us to be able to demonstrate one way or another whether the new arrangements are working cost effectively and to the benefit of taxpayers—as the measure in part assumes—as well as, of course, to the benefit of veterans. In terms of the actual implementation, we are well into that now, it being mid-February. On the whole we have been quite pleased with the way the implementation has proceeded.

Senator SCHACHT—I think you gave me an example last year, either in the November or the June hearings, that if you could reduce the number of consultations between the veterans and their local doctor from 15 to 14 over a year that would be an effective saving to meet your target without in any way diminishing the quality of care given, because there would be better ancillary service and advice, which we all hope comes true. Has the department provided any information to the medical profession to encourage them or is it all being done through the ancillary care provided to veterans so they will not need to have as many calls on a doctor?

Dr Johnston—I will ask my colleagues managing veterans home care to come to the table while I make a few opening remarks. We did, at the last hearing, provide you with a dissection of some of the possible savings and, of course, emphasised that there—

Senator SCHACHT—They are not ‘possible’, they are actual, because Finance will cut your fingers off if you do not deliver it.

Dr Johnston—We discussed that last time and we explained that they are estimates and that we were confident that, in broad terms, we would deliver what we said we would deliver to government when the decision was made to take the initiative. We are promoting the new measures and we have contracted the University of New South Wales to monitor the implementation and formally evaluate the effectiveness of the measures over the next several years.

Senator SCHACHT—How much are you paying them?

Dr Johnston—There is also a highly structured process of assessing.

Senator SCHACHT—What are they being paid for the monitoring?

Dr Johnston—I can see if we have that figure.

Mr Telford—We are paying them approximately \$800,000 over 2½ years.

Senator SCHACHT—Good contract.

Mr Telford—There is a significant amount of work involved.

Senator SCHACHT—I should hope so, for \$800,000 of taxpayers’ money.

Mr Telford—The outlays are significant.

Senator SCHACHT—Can you give me an idea of what their outlays would be. A figure of \$800,000 over two years represents about \$400,000 per year.

Mr Telford—Two and a half years. There is initial work associated with developing the methodology and the framework. We are working, in conjunction with the Department of Finance and Administration, to ensure there is agreement by the national steering committee that oversees the evaluation—Prime Minister and Cabinet, ourselves and Health and Aged Care. They are working with us in developing the indicators and requirements there. There is considerable fieldwork which will need to be done over those 2½ years to ensure that we are able to look at the outcomes that are being achieved for the veterans who are in receipt of those services and also to benchmark against the arrangements currently in place under the HACC program. In terms of an evaluation for the money, this is not a large amount of money.

Senator SCHACHT—No, I understand that, out of your budget of \$2½ billion for health care or thereabouts. Have I got that right, roughly?

Mr Telford—\$2.6 billion.

Senator SCHACHT—I understand that. I am not against the evaluation. Properly done, I think it is a very good investment. Is HACC employing similar organisations to do an evaluation of its program? Are you doing this because you are a well-run veterans' affairs department?

Mr Telford—Currently, all the HACC providers across Australia are implementing the HACC minimum data set. It has taken some time for those organisations to reach agreement on this, with the Commonwealth, the states and the organisations involved. That minimum data set will start to produce information towards the middle of this year. That will be an important input into the work that is being done by the University of New South Wales.

The important thing to note is that this is not just an evaluation of the outcomes and effectiveness of what we are putting in place; it is looking at the model. That is why we have employed this organisation from day one of the implementation of the program. If we are charged with trying to develop a new model of care for the Australian aged community, it is an important process to look at the implementation strategies, the way the program is put in place and the outcome and the effectiveness of those measures. The work that HACC is doing relates to levels of expenditure and it is not looking at the matter in the same depth as the model and implementation that we will be doing in veterans home care.

Senator SCHACHT—It does not surprise me that you will be doing it better than them. Thank goodness you are.

Dr Johnston—We are trying to do it better. It is yet to be demonstrated that we will.

Senator SCHACHT—You do not have to be very good to beat HACC, I must say. You are not tipping kerosene into people's baths and so on. I again put on the record my remarks about the fact that the department, in a number of ways, is proactive in providing health care. You are to be congratulated for that. Was the \$800,000 contract tendered for or was this mob the only ones who could do it?

Mr Telford—No, we went to about eight or nine organisations. A couple of those pulled out because they did not believe they had the expertise. The wide-ranging nature of the evaluation required a level of skills which were very hard to get. In the end, of those organisations that we went to around the country, three consortia put forward proposals to us from various universities with very well-known, internationally regarded researchers. From those three consortia, we selected the Social Policy Research Centre.

Senator SCHACHT—When you put this package together for the last budget, was the \$800,000 budgeted for as an amount of money for this sort of evaluation or was it a very good idea that came a bit later?

Mr Telford—No, approximately that level of money was anticipated.

Senator SCHACHT—Well done. I appreciate, Dr Johnston, that it is early days yet—only a month and a half from 1 January when all these new measures started. By the time the estimates take place in June this year, after the budget, do you think you will be in a position to provide some early estimates of how it is going?

Dr Johnston—We are keen to get as much hard information as we can, as early as we can, but being realistic, I do not think we will be in a position to make a reasonable assessment of the program for at least 18 months. We are committed as part of the review process within government to progressively be accountable as far as we can for the results we are getting. It would be quite reasonable to question us in June.

Senator SCHACHT—Even if you did not think it was reasonable, I would probably still do it. In the area of general health care, have agreements been now signed with all the state governments over access to hospital care for the next coming period?

Dr Johnston—I might ask Mr Stonehouse to handle that question.

Mr Stonehouse—Yes, we have agreements in place with all the states, but they are also under revision. Mr Harding has all of the details at his command because he is responsible for the negotiations with the states and can you tell you in more detail. But we certainly have agreements in place to provide public hospital care for patients.

Dr Johnston—If I might interpolate, Senator, rather than having Mr Harding speak in detail on the negotiations that are still in train, as Mr Stonehouse has indicated, we do have standing agreements and each of them do allow for progressive further development of those agreements. So could you help us with a bit more guidance on what you are interested in?

Senator SCHACHT—I was coming to that. First of all, to quote a phrase from someone else, is there any recalcitrant state that is being particularly difficult in signing a new agreement or delaying it? For example, is there an agreement that has run out where you have not yet been able to sign a new agreement? Are the existing agreement arrangements, financial contributions and expenditures going on, even though the contract has run out, because you have not yet reached agreement with any state for the new one?

Dr Johnston—We have a satisfactory basis of obtaining services and paying for services with all of the states. In individual cases, you could point to areas of debate at the moment that have substance.

Senator SCHACHT—I do not know which ones; that is why I am asking you. If you want me to ask about every state and territory I will. You sign an agreement for a period of time at certain rates et cetera, and when it gets toward the end, you start negotiations for a new period. Are there any states where the agreement has run out and you have not yet signed the new agreement?

Dr Johnston—There are several states where we have arrangements where matters are currently being discussed to progress to the next stage of the agreement.

Senator SCHACHT—But has the agreement formally run past its end date?

Dr Johnston—I think we should be very careful with your questions, Senator.

Senator SCHACHT—I hope you always are.

Mr Stonehouse—There are certainly a number of states where we have extended agreements.

Senator SCHACHT—You have extended agreements?

Mr Stonehouse—There are some tough negotiations with some of the states. One state is looking very hard at us to try and identify all veterans in advance to make sure that they do not miss out on any potential revenue for treating veterans. That has been a difficulty for us.

Senator SCHACHT—Which state is that?

Mr Stonehouse—Western Australia.

Senator SCHACHT—The government has just changed in Western Australia. You might have a bit better luck next time.

Mr Stonehouse—That has been a complicating factor as well, during the caretaker period.

Senator SCHACHT—Yes, I understand that.

Dr Johnston—If I can put your question in context and explain my concern, we have on the whole very good working relationships with our state counterparts. We would not want to use this opportunity to point to particular difficulties. We are quite satisfied with where we are at in our negotiations with each of the states and the territories.

Senator SCHACHT—When you get close to signing an agreement, do you have to get it approved as a matter of course through the finance department and Treasury here before you sign off?

Dr Johnston—If there is a matter of some significance, that would be expected, but in most parts we run our own business. We of course keep our minister informed about these negotiations and the nature of agreements, but essentially the Repatriation Commission is established as an independent statutory authority to manage these matters on an ongoing basis. In shorthand, Senator, we do not go to the department of finance at every turn on these matters.

Senator SCHACHT—So as long as it was in the normal parameters and you keep them informed. How does the negotiation start off? Does the state put in an ambit claim and then you fight it down, or is it the other way around—do you put in the initial bid and they fight you up?

Mr Harrison—It is even more cordial than that, Senator, at times. It can vary.

Senator SCHACHT—When you are about to reach an agreement, do you put something on the table to begin with or do they put something on the table?

Mr Harrison—You might recall that the current round of negotiations with the states reflects a decision made by the government several years ago to move to direct purchase in full from the private hospital system and full payment for veterans' services through the public hospital system. That was a major measure from the point of view of all of the states and the territories, and the nature of the overall financial envelope that might be envisaged as part of those negotiations was included as part of the negotiation that the Minister for Health and Aged Care had in finalising the Medicare hospital agreement. So, in a sense, those discussions set some broad envelope parameters for our dialogue with the states. Of course, as we got to the detail of the working arrangements, they have had to adapt and reflect on the realities of the market prices and the circumstances in each jurisdiction.

Senator SCHACHT—Has there ever been any attempt by a state to put some money into a hospital—take my own state, and I am not saying that they have done this, and the Repatriation General Hospital at Daw Park, which is now run by the state—and take it out at the bottom and put it somewhere else to fill another hole in their own health budget? Have you ever been suspicious that that may have been going on somewhere?

Dr Johnston—We have encouraged all of the states to move progressively to direct purchase of public hospital services so that we can dialogue at the local level with public hospitals about the nature of the services that we are purchasing.

Senator SCHACHT—Have you been successful in that?

Dr Johnston—I think we have in most states. The one that stands out as still having funds going through a central agency is Queensland. I think that would be correct, wouldn't it, Mr Harding?

Senator SCHACHT—That is Queensland. Is there any suspicion that they have, through the central agency, taken out money at the bottom and transferred that sideways?

Mr Harding—We have tried very much to put it as a clear stipulation in the contract as much as possible to transfer it in the payment, so the payment follows the veteran to the hospital for that. But, as you can appreciate, things such as capital and that type of thing are run centrally, and there is sort of a pool that we are contributing to as part of the payment for veteran health care.

Senator SCHACHT—Do you automatically accept in the negotiations with the state for a period that there is a CPI factor in the figures?

Dr Johnston—Price escalation is part of our business but, as you could imagine, it is usually a point of some considerable attention on both sides. We could maybe give you an example. Mr Harding, do you have an example you could give?

Mr Harding—What we have tried to do very much is to be as transparent as possible as to what the state has actually passed on to the hospitals, such as the cost of nurse increases and that, therefore, the prices that we would be paying to the state reflect that movement in price that has been paid through to the actual hospitals.

Senator SCHACHT—We know that in each state it is provided through a number of private hospitals that are not actually part of the state owned public system. Do you get the right to deal with those private hospitals directly, to look at their figures?

Mr Stonehouse—We have just completed an extensive process to give a range of private hospitals tier 1 access, which means they can admit veterans without prior approval. The underlying approach to both the public and private sector is to get a level playing field so we have a competitive marketplace across the board for veteran services.

Senator SCHACHT—How do you get a competitive figure when in a rural area there is only one hospital—the community bush hospital, or some name like that—and there is no other hospital for 200 kilometres? It is either them or nothing.

Mr Stonehouse—That is a commercial reality. In Darwin, for example, there is one private hospital and it is a long way from anywhere else. You have to face up to that in your negotiations with the hospital.

Mr Harding—It would be very true that in the exercise so far with the private hospitals we have sought to work on a comparative basis, working with the hospital to ensure we fully understand what their cost drivers are and to come to a fair and equitable price.

Senator SCHACHT—You have your own model in the system of benchmarking, so if there is something really outrageous starting to occur—

Mr Harding—We sought to bring it through from what it cost us in the public sector and the private sector, and to actually get to better appreciate other benchmarks that would be relevant. Particularly, you talk about isolation. We look at other studies of isolation that have been done, as to how people have addressed that sort of issue.

Senator SCHACHT—Anyway, Dr Johnston, you are at the stage at the moment where there are ongoing negotiations but there has been no negotiation with a state that reached a nasty impasse one way or the other. It is all working and the negotiations are all reasonable?

Dr Johnston—I would not want to say that there are not frustrations from time to time. But there is no state where we have got an impasse, and on the whole we believe the working relationship with all the states and territories is satisfactory.

Senator SCHACHT—Have any of the veterans' organisations made any comment or complaint—or even constructively positive comments—as this system evolves of buying the services from the states, about the provision of the service to the veterans?

Dr Johnston—There has certainly not been extensive comment on the changes in arrangements with the states. There has been extensive favourable comment on the extension of the veteran partnering contract with private hospitals. The state where, in a sense, these changes are most developed is probably Victoria, and there was very favourable comment in Victoria when we established the current contract with the Victorian government in the year before last, with the much greater focus on the special needs of veterans in most of the major public hospitals and the attention to veteran care.

Senator SCHACHT—Is there still much comment around, especially from some of the old-timers, that people would still like to have the old repatriation hospital, a dedicated hospital for them?

Dr Johnston—Most certainly, yes.

Senator SCHACHT—I am not sure how you overcome that. Thank you for the information on that agreement. I have another general question. I am not doing this in the order of the book, but I think the way I am doing it is the quickest way. I will get through it by 11 o'clock, Mr Chairman. I have asked questions before about the operation of the computer system. Have there been any more significant outages in the period since we last met? This is almost a standard question I ask.

Dr Johnston—Since we last met, the performance has been acceptable. There has been no major outage.

Senator SCHACHT—I see Mr Harrison is back to tell me that.

Mr Harrison—Indeed, Senator.

Senator SCHACHT—You fully agree with the boss?

Mr Harrison—I fully agree with the secretary.

Senator SCHACHT—There is no outstanding dispute over payments for even minor outages in terms of the contract with the computer provider?

Mr Harrison—There are always ongoing discussions with the provider in relation to their provision of the service and whether it meets service levels. Ongoing management of the contract may or may not lead to a discussion in relation to service credits. I expect that there are such questions on the table at the moment.

Senator SCHACHT—Questions about the general service or about rebates for outages?

Mr Harrison—About both. The question that is critical to us is whether the provision of service meets existing service standards. If it does not, we apply the credit.

Senator SCHACHT—You are negotiating, so I do not want to go into commercial-in-confidence or tip the hand. Are the amounts significant in terms of the total contract? Are they one per cent, 0.5 per cent or 5 per cent?

Mr Harrison—Do you mean what is under discussion at the moment?

Senator SCHACHT—Yes.

Mr Harrison—The amounts are relatively insignificant at the moment. To go to your original question, we do not have major outages.

Senator SCHACHT—That is fine. That is what I wanted to get on the record. The only other question is: do you have in the wind any major program developments for computer upgrades, new equipment or new software?

Mr Harrison—We have just had a major computer development in relation to the veterans home care program that you talked about earlier. That has kept us busy over the last two or three—

Senator SCHACHT—How much did that cost?

Mr Harrison—The computer side of that was roughly \$2 million.

Senator SCHACHT—Was that in the budget, Dr Johnston?

Dr Johnston—That is correct. That particular development is the first significant system providing web-enabled processing across the Internet for our program delivery.

Senator SCHACHT—Please repeat that.

Dr Johnston—I will let Mr Harrison explain it much more adequately, Senator. It is quite a major development for the department.

Mr Harrison—For the first time, we are conducting business across the Internet. We have provided information on our web page in the past and people can download forms, print them out and send them back. This particular application enables people outside our organisation to conduct business with us in a secure environment. Most of the expense is in providing the infrastructure to support that. I think the secretary was alluding to the fact that we now have in place infrastructure that we can use to do other business in the same way.

Senator SCHACHT—Do you have any programs in your area or overall to train and encourage veterans in the local community to develop some skill in using the Internet?

Dr Johnston—I think Mr Maxwell is best placed to answer that question.

Mr Maxwell—We do. For some years now we have had a partnership program with ex-service organisations known as TIP—Training Information Program—which has devoted a considerable part of its budget and efforts to providing keyboard and basic computer skill training to those members of the ex-service community who seek to serve their fellows. It has been particularly successful. We are not yet at a point of being able to launch into wider veteran educational use of computers, but it is not a very long step from there.

Senator SCHACHT—Do you do that in conjunction with another government department or do you do it totally off your own bat?

Mr Maxwell—We do it in partnership with ex-service organisations; we do not involve other government departments at this stage.

Senator SCHACHT—How wide-ranging is that? Does the local RSL or war widows guild have to submit an application saying, ‘In this suburb or region we want to pull our members together to do a couple of courses’?

Mr Maxwell—Senator, you are perhaps getting close to describing a companion program we have.

Senator SCHACHT—What is it?

Mr Maxwell—It is a grant-in-aid approach to facilitate the provisioning of ex-service centres with computer equipment and the like. The actual TIP—

Senator SCHACHT—If an RLS branch says that its members would like to learn how to use the Internet at a basic level—they choose to connect at home—must they apply to you or do you go to them and say, ‘This is available. If you make an application, we can put it together for you’?

Mr Maxwell—The focus with TIP at the moment is rather more on the provisioning of services to support veterans’ advocates and the like. We are not at the stage yet of saying, ‘We are going to have a course for veterans who want to learn how to use the Internet. Come to it.’ That is a stage of development that is further removed at the moment.

Senator SCHACHT—Mr Harrison, was the Department of Veterans’ Affairs at any stage under the government’s grand DOFA scheme for outsourcing? That has all come terribly unstuck, according to the Auditor-General. Were you or the department involved in any of that area, or did you escape the clutches of that mad scheme before it collapsed?

Mr Harrison—I should answer that with a straight bat, I think, Senator. We outsourced our mainframe in 1992. That was a five-year contract that was due for renewal in 1997, at which point we extended the outsourcing arrangement from the mainframe to the rest of the infrastructure services. We made decisions at the time about what we retained in house and what we went to the market for. That preceded the whole-of-government IT outsourcing exercise.

Senator SCHACHT—So you escaped its clutches.

Senator Ian Macdonald—You have been outsourced for almost 10 years, you say?

Mr Harrison—Indeed. Parts of the service have been outsourced.

Senator SCHACHT—But to meet your own needs, not imposed from above by some grandiose scheme.

Mr Harrison—We made our own decisions on that matter.

Senator SCHACHT—Yes. And it has worked well according to the department's needs?

Mr Harrison—I think we would say on balance it has worked well, yes.

Senator SCHACHT—So I do not have to look up the report of the gentleman from the stock exchange who did the review of DOFA's scheme? Veterans' Affairs does not get a mention?

Mr Harrison—No, we do not feature, but I probably should say that the ANAO is currently doing a performance audit on our management of our outsource contract.

Senator SCHACHT—That will be available for estimates some time in the future?

Mr Harrison—It will be available for parliament later in the year, I believe.

Senator SCHACHT—I now turn to the issue of Alchera and Dr Killer.

Dr Johnston—Before we do that, may I correct a figure from earlier, just for the record. I think we intimated that our health budget was \$2.6 billion this year. It is \$2.9 billion. I say that just to keep the right figure on the record.

Senator SCHACHT—What is \$300 million amongst friends, Dr Johnston? Dr Killer, I have got a copy of the report of the Queensland Health Rights Commission investigation into the death of Alan Edwards at Alchera, dated 15 December. It came out after we last met and it has a number of findings in it. Have you seen that report?

Dr Killer—Yes. We at the department received a copy of the report. If you have got a copy in front of you, you will see that it says it was provided to the nursing home, to the state minister for health and to Health and Aged Care, as well as to the complainant. The particular copy that came to the department came from the complainant. I have seen that report.

Senator SCHACHT—The summary of the findings indicate, the way that I as a layman read it, that the provision of health care to Mr Edwards was deficient in a number of ways—not as a medical description but as a layman's description; is that reasonable?

Dr Killer—The summary of recommendations by the Health Rights Commission would seem to indicate that there are a number of areas where Alchera probably did not meet expectations in terms of provision of health care to the particular veteran.

Senator SCHACHT—Do you think this information is relevant to what we discussed last year, that there be a decent coroner's inquiry or police investigation into the circumstances of Mr Edwards's death?

Dr Killer—On 14 December Health and Aged Care actually wrote to the coroner in Gladstone.

Senator SCHACHT—That was on 14 December?

Dr Killer—That was on 14 December 2000. Health and Aged Care wrote to the coroner and said:

There continues to be a high level of interest in the issues in the media.

They were aware of the recent events. The letter continues:

Given that the department is also receiving inquiries, I would appreciate it if you would have a further look at the matters raised.

That letter from Health and Aged Care went to the coroner on 14 December. In fact, the coroner wrote back on 21 December and said:

With reference to your letter of the 14th I advise a request received from relatives under section 7B(4) the Coroner's Act to hold an inquest into the cause and circumstances surrounding the death of the above named deceased.

The letter refers to three veterans. It continues:

A request has been forwarded to the officer in charge, Queensland Police Service, to investigate and prepare a report in relation to the three deaths, but that report must be restricted to those matters referred to in section 24 of the Coroner's Act.

So the coroner has come back and he has asked the officer in charge of the police to conduct investigations. The investigating officer has also been requested to obtain statements from the doctors certifying death and statements from any other doctor, medical staff or other person who may have assisted, both prior to admission or whilst in care in hospital. So the coroner suggested that that would occur at this point in time. I am not aware whether any further reports have come from the coroner. So the deaths of the three veterans are being investigated by the Gladstone coroner.

Senator SCHACHT—Thank you very much. That is pleasing to hear. Would the department view the recommendations as reasonable advice in the future when monitoring the provision of nursing home care to veterans? Upon receipt of this report I spoke to staff in Health and Aged Care. They were aware of the report. With the concurrence of the secretary I suggested that they review the report in the light of circumstances that have since prevailed in Alchera. They said that they would do that. As an aside, I have spoken to the practitioners in Gladstone who said that, in the interim, from a general practitioner's point of view, the conditions relating to the provision of care have improved enormously at Alchera. In fact, the nursing home has now set up a medical section where doctors can actually examine patients. They felt that arrangements at Alchera had improved enormously since we had spoken last.

Dr Killer—I think I can say that things at Alchera are now fairly satisfactory.

Senator SCHACHT—Recommendation 6.7 states:

I recommend that Alchera nursing home become a member of the Queensland Wound Care Association.

I presume that there are similar associations in other states as well as in Queensland. As you have had a lot of contact with nursing homes do you suggest they should affiliate with similar bodies, if they have not already done so?

Dr Killer—The management of wounds has changed a lot in the last 10 years. It was actually pioneered by our repatriation hospital at Heidelberg. The Wound Foundation of Australia was set up in conjunction with the Department of Veterans Affairs. We conducted a survey of veterans and established that of the order of 5 per cent of veterans had wound ulcers and that some of them had been present for over 30 years. So management of wounds has not been well done, not just in hospitals but also in the wider community.

Senator SCHACHT—Five per cent?

Dr Killer—They are very high figures. As a result of that, we have seen a change in wound management. There has been a quantum change in wound management, both in the community and in hospitals. But, in a sense, when you look at the reports in relation to

Alchera, you see that there was no-one on the staff who had current training in modern wound management. In fact, there were a number of deficiencies amongst their staff. I think the program that they were using to manage ulcerations which occur in patients with a high dependency was not current. I would have thought that modern wound management for nursing homes was a fundamental issue at any nursing home, not just Alchera.

Senator SCHACHT—That is what I am referring to. Are you suggesting that Alchera should become a member of the Queensland Wound Care Association? Are most nursing homes already members of an appropriate wound association?

Dr Killer—No, I could not verify that.

Senator SCHACHT—Would you suggest to those nursing homes that act on behalf of veterans and who provide extensive services for veterans across Australia that that is not unreasonable?

Dr Killer—We must encourage the modern management of wounds, particularly in nursing homes. When looking at accreditation—which is not something that I do—one of the issues that would have to be considered was whether they had modern wound management regimes.

Senator SCHACHT—Have you discussed the accreditation issue? Is that something at which HACC should look at?

Dr Killer—I have not actually raised this issue. I received this report only quite recently.

Senator SCHACHT—You might care to leave that issue with some of your more proactive officers.

Dr Johnston—Accreditation is a matter for the Department of Health and Aged Care. You should be directing any questions that you have on that issue to them.

Senator SCHACHT—No, I should not. I can do that separately, but I can do that today as well.

Dr Johnston—You can.

Senator SCHACHT—As a proactive department you should set an example. We have a problem at Alchera. I suspect that other nursing homes may not be members of an appropriate wound care association. If you are proactive about that issue it will encourage HACC to be even more proactive. Doctor Killer, are there any other recommendations in that report that are relevant to veterans—recommendations that, in your opinion, stand out?

Dr Killer—I think that this exercise at Alchera has been useful in improving standards. It has been a long but fruitful exercise. Clearly, the nursing home is now managing quite well. There has been co-operation by everyone.

Senator SCHACHT—Thank you. I again commend you for the proactive role you have played in relation to Alchera. I refer now to the termination of the nursing agency—an issue which I have raised before, both informally and formally. Doctor Johnston, after the termination of the Sturt nursing agency contract in the Riverina area of New South Wales, has the replacement body that got the contract been operating successfully?

Mr Stonehouse—Yes. In our view, the organisations that took over the care of those patients have been performing most satisfactorily. Some publicity has been generated by the proprietor of Sturt nursing home, which has suggested that there are difficulties. But our investigations have shown that people have been properly cared for and that they continue to

be properly cared for. In a couple of cases some difficulties have been highlighted, but in our view that service is a good service. I should mention that we are currently before the courts in relation to Sturt. Some issues are yet to be worked out there.

Senator SCHACHT—So they have taken legal action of some sort?

Mr Stonehouse—That is correct.

Senator SCHACHT—Do they want to speculate about that issue in court? I do not believe the issue to be sub judice; it is just a commercial matter. I presume that they are suing you for damages of some sort?

Mr Stonehouse—Mr Pirani, our legal services adviser, could give us direct advice, but they are taking action against us.

Senator SCHACHT—I know that this is of no relevance to the actual amount and I know that there are always ambit claims in cases like these, but how much are they suing you for?

Mr Pirani—Senator, their claim in the Federal Court is a claim for damages, but the amount is not specified at this stage. The court will first determine the issue of liability. Then, if they are successful on that issue, there will be a separate hearing dealing with the question of any damages that may be payable.

Senator SCHACHT—They are not suing you for breach of contract, are they?

Mr Pirani—The statement of claim that they filed in the Federal Court is rather novel. They are suing on the basis that we have breached the Trade Practices Act in relation to unconscionable conduct. That is how it is expressed in the statement of claim.

Senator SCHACHT—Is that in section 46 of the Trade Practices Act?

Mr Pirani—It is something like that.

Senator SCHACHT—I know because I have been on committees that have dealt with unconscionable conduct. This might be the greatest of ironies, but someone has argued strongly about strengthening the unconscionable conduct provisions in the Trade Practices Act. The Veterans Affairs Department might be one of the first departments to be sued. Nevertheless, that is an aside. They think you acted unconscionably in the way in which you treated them at the end of the contract?

Mr Pirani—That is correct, Senator.

Senator SCHACHT—Your case might well become a famous test case, Mr Pirani.

Mr Pirani—It does look quite interesting, Senator.

Senator SCHACHT—You may actually become famous. On either side of the ledger, I will not comment about what is to happen in court as the matter is before the court. But thank you for telling me that this issue relates to that section in the Trade Practices Act which deals with unconscionable conduct. People from Sturt nursing agency have been to see me.

Dr Johnston—Yes, we are aware of that, Senator.

Senator SCHACHT—You are aware of it and you have been quite open about it. They have put a number of questions to me that they would like answered. In view of the time, I may put those questions on notice.

Dr Johnston—We will look at those questions and determine what we can respond to.

Senator SCHACHT—When I met with these people they did not strike me as being shonks, and I do not believe that they were on the make. They seemed to me to be genuine

people who are extremely upset, not so much about the fact that they have lost their livelihoods but because it is an insult to their integrity that they lost the contract because of the quality of service they were providing. After talking to them about legal issues, the tender arrangements and the judgment, I believe that that is what they feel strongly about. It is a reflection on their professional skills as health care service providers. You are dealing with an issue that is not able to be dealt with in fine legal points.

I think they are quite emotional about this issue. I do not blame them, as I am aware that they have lost their livelihoods after operating in this area for a long time. I wish to put several questions to you. You will probably say that you have partly answered some of these questions in the past. However, I ask you to be generous when answering them. Try not to be pedantic and say, 'Check paragraph 59 of the estimates hearing,' or, 'Look up paragraph 52 in the Wagga Wagga gazette,' or whatever the paper is called, or, 'We have previously answered that question.' I would appreciate it if you could do that in order to save time.

Dr Johnston—As you have observed, we have worked with that organisation over quite a number of years. As you can understand, we did not take the action that we took lightly and without careful thought about due process. Of course, that is now to be tested before the courts. But we will try to answer your questions.

Senator SCHACHT—I accept that, because of the legal action, there might be some questions that you cannot answer. But I ask you to clearly indicate, depending on the outcome of the legal action, that they will then be answered.

I have a question for Dr Horsley on the Gulf War study. This may be very brief because you will probably tell me it is still under way and that there is not much more you can add until you complete it. The study is under way for the Gulf War veterans and the answer you gave me last time was that the department was still trying to find out how many people got, for example, anthrax injections. You had not been able to find that record. Have you any more evidence on that yet?

Dr Horsley—On the anthrax injections, I believe we tabled a further answer today.

Senator SCHACHT—I have not seen that, I am sorry.

Dr Horsley—We can provide you with a copy of it here.

Senator SCHACHT—Did they get injected?

Dr Horsley—In terms of the Gulf War, it would appear that a very small number of our veterans got injected. In the main those were people who deployed with UK and US units and who received their injections through their deployment with those units. Our main body of troops in the Gulf War did not receive anthrax injections.

Senator SCHACHT—They were mainly the naval people?

Dr Horsley—Yes.

Senator SCHACHT—Checking those 200 that served with allies because they were attached to their units, what other strange cocktails apart from anthrax did they get injected with? Bubonic plague? Leprosy? I do not know these things.

Dr Horsley—I do not think leprosy, but some perhaps bubonic plague. We would have to check on a case-by-case basis. But, to go back a bit, the number who deployed with other units was about 20. There have been a total of 200 people, as a minimum, between 1990 and now who were in the ADF who have received anthrax vaccine for various reasons.

Senator SCHACHT—Separate from the Gulf War?

Dr Horsley—Yes. For example, the UNSCOM inspectors who went to Iraq specifically to look for anthrax were definitely vaccinated. And there was an indeterminate number of people who were prepared by our defence forces to be UNSCOM inspectors but, for various diplomatic reasons, their particular deployment was cancelled at the last moment.

Dr Johnston—The answer that we have given you, Senator, gives you a range of several hundred.

Senator SCHACHT—I saw that, yes. Apart from anthrax, what other exotic injections were given, in one form or another, whether they were with UNSCOM or were sailors or on attachment to NATO forces? Is that in the survey?

Dr Horsley—Yes. We are going to be asking our people who went to the Gulf precisely those questions.

Senator SCHACHT—For those who went attached to the NATO forces—the 20-odd—would you be able to trace their medical records as to what injections they got?

Dr Horsley—It would be our expectation and hope that that would be the case. But our practical experience is that, when you have people deployed to foreign armies and navies, there is often a lack of continuity between the paper when the injection is given and eventually getting that back onto the member's record. That is to say, the record of the injection ends up in some place in the UK bureaucracy or the US bureaucracy and does not wind its way back to the Australian bureaucracy. That has been a common feature of deployments in Vietnam, in Korea, wherever.

Senator SCHACHT—We have not been able to learn to improve that despite the experience of previous deployments?

Dr Horsley—It is very difficult because you go into these multinational deployments generally speaking each time with a new set of partners. For example, much of our health care in Korea was supplied by an Indian field ambulance unit, and when they went back to India they took their records with them. When you go back and look at our Korean veterans you can see people who have Australian records indicating that they had received a gunshot wound but no actual hospital records. In our current deployment in East Timor we are deployed with a wide range of other international forces and, again, it will be difficult for us to ensure 100 per cent of the time that all of the medical records that should come back relating to a particular veteran will in fact do so.

Dr Johnston—It would be a valid observation, though, to say that at least in regard to Australia and our principal allies there is increasing awareness of the importance of adequate health records and appropriate health research strategies to protect the interests of our troops. But, as Dr Horsley said, if you just look to historical experience you would not necessarily be optimistic as to how much improvement can be achieved.

Senator SCHACHT—That means we are always going to be on the edge, that there is always going to be some veteran with a claim who swears black and blue that he got this, this and this, and the medical records that we have will be silent.

Dr Horsley—That is true. The act, which makes specific provision for that, states that when a decisionmaker is reasonably satisfied that the record should have existed he or she can make a presumption that that record would have existed. This is not only in relation to international deployments. It is of the nature of warfare that, on occasions, a large number—

Senator SCHACHT—I understand that that occurs in battle, but in this modern age when information technology is all the rage, the preparation for deployment still seems a little

exasperating. I turn to the Gulf War. Apart from anthrax, what other injections were given during the Gulf War because of the fear of biological and germ warfare?

Dr Horsley—I will check on that. From our own point of view I think there were none, but I would have to check to see what the US and UK people did.

Senator SCHACHT—With what were our sailors injected?

Dr Horsley—They did not get any antibiological warfare vaccines. Each sailor would have been brought up to a particular standard. That may have meant that he would have had to have had a tetanus injection or—

Senator SCHACHT—For any forms of hepatitis?

Dr Horsley—I think not, back in 1990—I think that was before—

Senator SCHACHT—What about yellow fever?

Dr Horsley—I think not, because the place of deployment was not a yellow fever area. They would have made an assessment on a case-by-case basis, so some would have got multiple injections and some only one or two.

Senator SCHACHT—Will that be covered in your report?

Dr Horsley—Yes.

Senator SCHACHT—Have you had any trouble? There were 1,700 and you told me that 1,704 Australians were deployed to the Gulf. Have you been able to find all those who are still alive? You told me previously that unfortunately some have died through natural causes and that there have been a couple of suicides.

Dr Horsley—We are having a relatively good degree of success in finding both them and the controls. We have not yet been able to locate a small number of people. We have in place a location strategy and a team is trying to find them. We are hopeful that well above 95 per cent will be found.

Senator SCHACHT—Are you finding the records of those who have since passed away, for whatever reason?

Dr Horsley—Yes.

Senator SCHACHT—Is the study of Gulf War veterans which is under way the only major study?

Dr Horsley—No. A range of studies are under way.

Senator SCHACHT—Would you give us the names of the other ones?

Dr Horsley—One of the studies is the Korean veterans mortality study—a recent Korean cancer incident study. We are still under way with the Vietnam—

Senator SCHACHT—It might be better if you take that question on notice. One question which has been raised by one of my colleagues relates to the people who were the so-called guinea pigs in the Second World War. A group of young men in their teens and early twenties were to test the results of mustard gas, tear gas and, apparently, other things. There were not many of them. The tests began in Victoria in 1942 and continued in Queensland. It is claimed by the victims—as they describe themselves—that were enclosed in brick gas chambers and were subject to various gases. They were then forced to push their bodies to the limit of their endurance to ascertain the effects of these gases on soldiers in the field. Apparently, because of the warmer climate, the further north they went the burning to the skin and the respiratory system became worse. One person was subjected to gas trials in Shepparton in October and November 1943. His memory of this event is vivid. He even remembers some of the names of

the men who were with him during this time. I know that this claim has been reported in the media. Is there any response from veterans about this claim by Australian soldiers volunteering in one form or another to be involved in such tests?

Dr Horsley—In respect of the north Queensland trials, it is well-documented that a contingent of Australians volunteered to be exposed to mustard gas. They were exposed to the gas which resulted in blistering and, in some cases, a number of permanent skin injuries. The purpose of those experiments was to ascertain the effectiveness of mustard gas in tropical climates. Mustard gas had not been previously used in tropical climates and there was an intelligence awareness that Japan was stockpiling mustard gas. As the war turned against Japan there was a feeling that, in desperation, it would be driven to using mustard gas. The purpose of the experiments was to ascertain whether or not the protective clothing worn by allies would be effective in preventing mustard gas injuries.

Senator SCHACHT—That was in north Queensland. In your view, the one at Shepparton is problematic.

Dr Horsley—It is one with which I am less familiar, but it is known that a series of experiments were carried out in Victoria. However, I should add that a larger number of people underwent a similar experience with mustard gas training. I estimate that, during World War II, as many as half the Australian Army went in a room in mustard gas protective uniforms. A mustard gas bomb was let off and they went through various training procedures. They were then removed from the room, washed down and given lectures about mustard gas and how to avoid being injured by gas in the battlefield. Many people confuse that with the experiments that were conducted in Victoria.

Senator SCHACHT—Those veterans in north Queensland who volunteered to be tested subsequently did not go overseas and see active service. They stayed in Australia and were then discharged at the end of the war. Because they did not see active service they are not eligible for the full benefits to which war veterans are entitled, such as the gold card. Is that correct?

Mr Maxwell—That is a fact.

Senator SCHACHT—I place that question on notice. If you acknowledge that special mustard gas tests were done and that people clearly suffered some injury, even if they were not sent overseas it is not unreasonable for the government to state that those who were injured or damaged by the experiment are eligible for the gold card.

Dr Johnston—That is a matter that you should put in writing and take it up with the Minister. I am sure that you understand that that is not the sort of question that we would answer at an estimates committee.

Senator SCHACHT—You believe it to be a policy issue?

Dr Johnston—I would think so, Senator, yes.

Senator SCHACHT—Warn the minister that I have asked you that question and advise him that I will be sending him a letter.

Dr Johnston—Thank you, Senator.

CHAIR—You have one minute left, Senator Schacht.

Senator SCHACHT—That is unfortunate.

CHAIR—It being 11 o'clock, I declare the meeting closed. I thank the minister, Dr Johnston and his colleagues. I confirm that a number of questions have been placed on notice.

The committee would be grateful if you could respond to those questions by the appropriate debate.

Committee adjourned at 11.00 p.m.