



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

Consideration of Budget Estimates

TUESDAY, 5 JUNE 2001

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Tuesday, 5 June 2001

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

Senators in attendance: Senators Calvert, George Campbell, Faulkner, Ferguson, Harradine, Hogg, Hutchins, Sandy Macdonald, Payne, Schacht and West

Committee met at 9.05 a.m.

DEFENCE PORTFOLIO

Consideration resumed from 4 June 2000.

In Attendance

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

Department of Defence

Portfolio overview and major corporate issues

Portfolio overview

Dr Allan Hawke, Secretary of the Department of Defence
Admiral Chris Barrie, AC, Chief of the Defence Force
Lieutenant General Des Mueller, AO, Vice Chief of the Defence Force
Mr Greg Harper, Chief Finance Officer

Budget summary and financial statements

Mr Greg Harper, Chief Finance Officer
Mr Ken Moore, First Assistant Secretary Business Strategy
Mr Rick Martin, Assistant Secretary Strategic Business Management

Improvement initiatives (customer-supplier arrangements, efficiencies, Commercial Support Program, management information systems)

Mr Greg Harper, Chief Finance Officer
Mr Ken Moore, First Assistant Secretary Business Strategy
Mr Rick Martin, Assistant Secretary Strategic Business Management
Commodore Syd Lemon, Director General Organisational Effectiveness

Capability development

Lieutenant General Des Mueller, AO, Vice Chief of the Defence Force
Air Vice Marshal Peter Nicholson, AO, Chief Knowledge Officer
Commodore Russell Crane, Director General Intelligence, Surveillance, Reconnaissance and Electronic Warfare
Brigadier David Hurley, Acting Head Capability Systems
Colonel Doug Stedman, Head Reserve Policy

Capital budget: major capital equipment and major capital facilities projects—questions to Defence Materiel, including acquisition reform, and Defence Estate

Mr Mick Roche, Under Secretary Defence Materiel
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
Air Commodore John Monaghan, Director General Airlift, Maritime Training and Support
Mr Mark Gairey, Head Industry Division
Ms Shireane McKinnie, Head Electronic Systems
Major General Peter Dunn, AO, Head Change Management Materiel
Air Vice Marshal Norman Gray, AM, Head Airborne Early Warning and Control
Ms Ann Thorpe, Executive Director Finance-Materiel
Mr Jeff Whalan, Deputy Secretary Corporate Services
Mr Ross Bain, Acting Head Infrastructure
Brigadier Garry Kelly, Director General Project Delivery

**Responses to questions on notice from 2000–01 additional estimates hearing
Defence 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

Vice Admiral David Shackleton, AO, RAN, Chief of Navy
Rear Admiral Brian Adams, AM, RAN, Deputy 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 Submarines

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

Output 4: Air Force capabilities

Air Marshal Errol McCormack, AO, Chief of Air Force
Air Vice Marshal Ray Conroy, AM, Head Aerospace Systems
Mr George Veitch, Assistant Secretary Resources Planning Air Force

Output 5: Strategic policy

Dr Richard Brabin-Smith, AO, Deputy Secretary Strategy
Mr Shane Carmody, First Assistant Secretary Strategic and International Policy
Commodore Warwick Gately, AM, RAN, Director General Joint Operations and Plans

Output 6: Intelligence

Mr Martin Brady, AO, Chair Defence Intelligence Board
Mr Frank Lewincamp, Director Defence Intelligence Organisation

Business processes

Defence Science

Dr Ian Chessell, Chief Defence Scientist
Dr Roger Lough, First Assistant Secretary Science Policy
Ms Christina Bee, Assistant Secretary Science Corporate Management

Inspector General (including evaluations)

Mr Claude Neumann, Inspector General Department of Defence
Mr Jason Brown, Assistant Secretary Security
Ms Margot McCarthy, Assistant Secretary Security

Public Affairs

Ms Jenny McKenry, Head, Public Affairs and Corporate Communication
Mr Murray Domney, Director General, Communication and Public Affairs
Brigadier Gary Bornholt, Military Adviser Public Affairs and Corporate Communication

Corporate Services

Mr Jeff Whalan, Deputy Secretary Corporate Services
Mr Patrick Hannan, Head Information Systems Division
Mr Peter Sharp, Head Service Delivery
Mr Ross Bain, Acting Head Infrastructure
Brigadier Garry Kelly, Director General Project Delivery

People**Defence Personnel**

Major General Simon Willis, CSC, Head, Defence Personnel Executive
Brigadier Robert (Bob) Brown, CSC, Director General Personnel Plans
Air Commodore Roxley McLennan, Director General Career Management Policy
Mr Felix Bleaser, Acting Director General Resource Management-Personnel Executive
Mr Brendan Sargeant, Director General Personnel Policy and Employment Conditions
Brigadier Wayne Ramsey, AM, CSC, Director General Defence Health Service
Ms Bronwen Grey, Director Defence Equity Organisation
Colonel Mark Bornholt, AM, Director Defence Force Recruiting Organisation
Commodore Michael Smith, Director General, Defence Legal Office

CHAIR—The committee will resume its consideration of the particulars of proposed expenditure for the Department of Defence. I welcome the minister, who will be here shortly. I also welcome back the officers of the Department of Defence. The committee will today continue examination of the portfolio overview and major corporate issues. We will continue on the topic of the capital budget, major capital equipment and major capital facilities projects. At the conclusion of the examination of the estimates of the Department of Defence, the committee will examine the estimates of the Defence Housing Authority and the Department of Veterans' Affairs.

[9.06 a.m.]

Department of Defence

CHAIR—Some information was provided at a prehearing briefing, and I believe that Mr Harper wishes to table material on the matter.

Mr Harper—I table, for the information of the committee, some information about the expected cost bands for a number of our capital projects.

CHAIR—Thank you. We will now move to questions.

Senator HOGG—My first question is on DMO. Have the DMO restructure costs changed since you last provided information to the committee—and, if so, how?

Major Gen. Dunn—No, the estimates still remain at \$150 million over the six years to create the new organisation.

Senator HOGG—They are the direct costs to DMO itself as a central organisation. Is that correct?

Major Gen. Dunn—The costs cover our estimates for IT infrastructure that we will need to provide over and above what is already in existence, accommodation and facilities for the

system program offices we are establishing around the country, and also include personnel costs in some areas.

Senator HOGG—Are any of the individual projects paying for any costs associated with the transfer of personnel or any of the other costs associated with the restructure of DMO?

Major Gen. Dunn—Yes, they are. In some instances the project funds are being directed to fund those costs. We have a breakdown of what is being funded by projects and corporately and we can provide that if necessary.

Senator HOGG—Can you table that?

Major Gen. Dunn—Yes.

Senator HOGG—If you could table that, that would indeed be helpful. Are those costs included as part of the \$150 million or are they additional to the \$150 million that you speak of?

Major Gen. Dunn—Generally the costs are included in that \$150 million. As I said, it is an estimate at this stage and the moves have commenced now. They will progress over the six years and we will adjust them annually.

Senator HOGG—Of the additional costs that you have just identified, you said that some are included and some are not. Is it an essential amount that is not included?

Major Gen. Dunn—The overall cost has to be balanced off against the improvements that are occurring. For example, with the information technology infrastructure throughout the country that we make use of we are generating some of that need, but the Information Systems Group is going to be working nationally to improve our networks. In that sense, you can say that we are generating some of the costs there. But it is yet to be seen exactly what that division will be. Similarly, with some of the base redevelopments going on, we have now changed our requirements and the infrastructure organisation is incorporating those requirements into the base restructure plans. There is still some work to be done to define the cost but, as I said, the estimates have been reworked recently and at this stage we have no reason to change that figure of \$150 million.

Senator HOGG—When you provide me with that list, I presume it will show the cost by project.

Major Gen. Dunn—No, Senator. It shows the policy that we have applied for determining whether the costs are provided from the project funds, or in fact provided corporately from the DMO.

Senator HOGG—Is it possible to get a cost analysis by project?

Major Gen. Dunn—At this stage we are not able to provide all of the system program office costs. They are still being worked through. We are still getting estimates on facilities and, as I mentioned, on that additional IT infrastructure.

Senator HOGG—Would it be possible to get at least those costs that are to hand?

Major Gen. Dunn—Yes, it would.

Senator HOGG—By project?

Mr Roche—The difficulty that the general is having with the answer to this question relates to the fact that project costs include facilities costs. That is quite standard. We include the cost of hangarage for aircraft and servicing facilities and so on. It is a moot point whether providing the appropriate IT infrastructure to support the maintenance facility is a project cost

or a non-project cost. In the past, a lot of that was provided out of various administrative funds. We are now looking more closely at what the true projects costs are.

Senator HOGG—I accept all that, Mr Roche. I am trying to see the costs that are additional to the \$150 million and identify those. I am predominantly interested in the costs that are being borne in the region and I am sure that there will be a crossover from time to time. Maybe, in producing the figures, that can be sorted out by General Dunn.

General Dunn, I think you said yesterday that 40 per cent of the positions had been filled at this stage and that there were still 60 per cent that you did not know about. Are there any vacancies occurring as a result of the projects being relocated out of Canberra? Are you able to provide a list of personnel shortages that are occurring?

Major Gen. Dunn—The 40 per cent that I referred to yesterday is the 40 per cent of people who have been given notice that their jobs are moving in one form or another. Forty per cent of those people that have had that notification have indicated that they will move with their jobs. That, as I said yesterday, is a very encouraging figure.

Senator HOGG—Is that 40 per cent of 40 per cent?

Major Gen. Dunn—No. Forty per cent of those that have received formal notification that their jobs are moving to elsewhere in Australia have agreed to—

Senator HOGG—That is the way I took your answer yesterday.

Major Gen. Dunn—That is right.

Senator HOGG—What I am now trying to find out is: are there any vacancies that you have identified yet, and where are they? Can you give us a list of those vacancies?

Major Gen. Dunn—There are vacancies occurring all the time. That changes on an almost daily basis in an organisation of some 8,000 people. We are able to track people's intentions when it comes to moving but, if they apply for another job elsewhere in the Department of Defence, that can occur outside the framework of the DMO restructure. So it is a moving feast at any one time.

Senator HOGG—I accept that it is a moving feast, but are there personnel shortages that you are experiencing as a result of the change?

Major Gen. Dunn—There are some. This is where some people have elected to move—for example, within Canberra—and we facilitated that move. We have now initiated recruitment action to fill that position with either a person in the new location outside of Canberra or with a person from within Canberra who wishes to move.

Mr Roche—Until that recruitment action is finished—and none of it actually is—I do not know that we could say that there are staff shortages. We know that there are positions that will not be taken up by existing people in Canberra. We are proceeding to recruit to fill those positions, and only if we are unable to fill those positions in the first round of recruitment action would I say that we had a problem. For example, when naval aviation support moved from Sydney to Nowra, I think some 90 per cent of positions had to be filled in Nowra. All of those positions are now filled and the organisation is coming along well.

Senator WEST—Do you have some idea of the numbers that are not going to move?

Major Gen. Dunn—That is the 60 per cent that I have been talking about. As we get closer and closer to the move and to more of the activities that we discussed yesterday, like ameliorating the stress associated with moves and the like, we are finding that more and more people are indicating that they will move with the job. Fundamentally, we are offering very

good jobs—and, as I said yesterday, it is not a downsizing exercise—so the numbers are increasing in terms of acceptance of the move. But there are still some people that, of course, do not have the circumstances to allow them to move.

Senator HOGG—Has that caused delays to the program?

Major Gen. Dunn—No.

Senator HOGG—What is the cut-off line, again, whereby you will need to know people's final intentions?

Major Gen. Dunn—Each of the divisions has written, as you understand, to all of the individuals involved. The response dates vary from division to division, depending on when the elements are actually designed to move. We have all of the responses, bar one of the divisions at this stage, and that one should come in over the next month or two. More important than a cut-off date is the discussion and the connection that we have with our people to make sure that we discuss this all the way through and encourage everyone to move if we can. We are more focussed on giving people the opportunity to understand what the new location is like, and what facilities, accommodation and domestic accommodation et cetera is offered and encouraging them to go, rather than some cut-off date per se.

Senator HOGG—I was mainly trying to establish a cut-off date so that I had some idea of when you would need to go to the broader market to seek people to fill the vacancies.

Major Gen. Dunn—We are doing that now. We have commenced recruitment action for local personnel in a number of geographic areas.

Senator HOGG—You are taking care of that yourselves?

Major Gen. Dunn—Yes, we are.

Senator HOGG—Has Defence imposed any penalties, monetary or otherwise, on any companies in the last two years for failure to meet contractual requirements, such as production schedules? If so, what are the companies?

Mr Roche—I would need to take that question on notice to check that right across the board. There are a lot of contracts out there.

Senator HOGG—Can you get someone to check on that, and then we can come back to it?

Mr Roche—Yes, we will check.

Senator HOGG—I might come back to that later on if we can get an answer quickly on that, because it would interest me to find out whether there are any instances. I asked a question related to that yesterday.

Senator WEST—While we are waiting for that, can I ask what were the total costs of legal advice and representation that DMO paid last financial year? What is it to date this financial year?

Mr Roche—Again, I would have to take that on notice, because it is spread across a large number of projects. Individual projects have their own legal advice.

Senator WEST—Did DMO have to pay the legal costs of any other party in that period?

Mr Roche—In the last two years?

Senator WEST—Yes.

Mr Roche—I would have to take that on notice. I am not aware that we have had to pay the legal costs of any party in the last 12 months or so.

Senator WEST—Are you able to provide us with a list of all publications and newsletters that are produced weekly, fortnightly, monthly, quarterly or annually, the purpose of the publication and the estimated annual cost for DMO?

Mr Roche—I would have to take that on notice.

Senator HOGG—I will just go back and give you a little more information on my question whilst you are seeking the information. In particular I want to know whether Defence imposed any monetary penalties on Tenix last year for not keeping up with the production schedule for the Anzacs.

Mr Roche—I can give you an answer on that one. The answer is no. We have not imposed damages on Tenix.

Senator HOGG—In the last year?

Mr Roche—That is correct; we have not done that.

Senator WEST—Does that mean the last financial year?

Mr Roche—Either the last financial year or the last 12 months. We have imposed penalties in neither.

Senator HOGG—What about in the last two years?

Mr Roche—I would have to check but, again, I do not believe that we have.

Senator HOGG—But I would still like to know which companies have been subject to those penalties in the last two years. That would interest me.

Senator Ian Macdonald—Going back two years is not the responsibility of this estimates committee.

Senator WEST—Minister, it is about probity and transparency.

Senator Ian Macdonald—Yes, but this is for the 2001-02 budget.

Senator WEST—And other matters, Minister.

Senator Ian Macdonald—It is not an opportunity to go back 10 years, or five years or three years, looking at things that you should have asked a year ago at these estimates committees. They are for the current year.

Senator WEST—Minister, we can do this the hard way or the easy way. Take your pick.

Senator HOGG—And that does include the annual report, Minister.

Senator WEST—That is right.

Senator Ian Macdonald—The annual report is for the last year.

Senator HOGG—And this would be covered.

Senator WEST—For the previous financial year. That goes back two years, Minister.

Senator HOGG—Minister, that goes back to the period.

Senator WEST—It goes back to June 1999. That is two years ago. You can do this the hard way or the easy way, Minister.

Senator Ian Macdonald—You do it whatever way you like, Senator, but you must understand, and regrettably you rarely seem to, that this is an estimates hearing into the 2001-02 budget. All of these fishing expeditions are very interesting—

Senator WEST—The annual reports are for the previous year.

Senator Ian Macdonald—but you have plenty of opportunities to go on them in other ways—questions on notice, or whatever.

Senator WEST—We can do it here or in the chamber, Minister. Take your pick.

Senator Ian Macdonald—This estimates committee is about the 2001-02 budget.

Senator HOGG—Mr Roche has indicated that he is going to provide the answer, so I will wait for the answer.

Senator WEST—And the annual reports.

Senator Ian Macdonald—That will be matter for the minister, on whether he wants to go back into things that have nothing to do with—

Senator WEST—Minister, we are asking about last year's—

Senator HOGG—I think that is relevant. It is relevant on the behaviour of the department, on DMO and looking at how things have changed.

Senator Ian Macdonald—For a year and the next year, but not going back two years.

Senator WEST—We are asking about last year's annual report and that is totally within our—

Senator Ian Macdonald—My advice to Mr Roche is that he carefully—

Senator HOGG—Who will be the duty minister on Friday?

Senator WEST—I do not know who the duty minister will be on Friday, but we will be here if you want to. Do you want to be here on Friday?

Senator Ian Macdonald—Senator, I would love to be here on Friday!

Senator WEST—Good.

Senator HOGG—Good.

Senator Ian Macdonald—I can tell you this: I will not be and neither will any other minister, which means that neither will the department.

Senator WEST—It is a flow-over day, Minister. Let me put it this way: if you do not want to do it on Friday, there is always next week and there is always the chamber. If you want to take that—

Senator Ian Macdonald—We will do it in the chamber if you have the numbers and want to play funny business—

Senator WEST—I suggest that you—

Senator Ian Macdonald—But this is the 2001-02 estimates. That is what it is about—not a fishing expedition into what happened years ago.

Senator WEST—I think it is time for us to get a ruling from the chair on this.

Senator Ian Macdonald—Not again!

CHAIR—Minister, I think we have probably gone far enough with this. This estimates does cover the annual report which goes back to June 1999. I think that Mr Roche has indi-

cated that he will provide the information. It is up to the minister as to whether that information will be provided, but I can say that on this particular issue—it is not for fishing expeditions that go back five years—if it goes back to June 1999 I expect the minister will provide the information to the committee. Let us move on.

Senator Ian Macdonald—That is a matter for the minister.

Senator HOGG—Have we got someone now to deal with the attitudinal survey?

Mr Roche—We are still waiting on that.

Senator HOGG—Mr Roche, it is not a lengthy question.

Mr Roche—I just do not have the details of the results with me.

Senator HOGG—I accept that. Can we wait until the appropriate—

Mr Roche—If you want to give me the question I will make sure we have the right answer for you very quickly.

Senator HOGG—What I want to know is: has a new defence industry attitudinal survey been done? If so, when will it be completed? What does it entail? What will it cost? Will the findings be published? When was the last survey done and what did it cost? Will the committee be provided with a copy of the survey results? If you can get an officer back in Russell to get the answer to that and bring it back to us, that will be fine.

Mr Roche—We will do that.

Senator HOGG—That ends the questions on DMO. We now have some questions for Defence Estate. Can you inform the committee of the situation regarding the Bundock Street development and legal proceedings relating to it?

Mr Bain—On 27 April the Land and Environment Court handed down its judgment in respect of the Bundock Street disposal at Randwick and it ruled in favour of the council in a number of respects. As a result of that we have had two discussions with council on how to progress the matter. The court did not throw out the defence proposal but there were a number of aspects of it which it felt needed to be dealt with, and that is what we are working through now with the council.

Senator HOGG—On 27 April there was a Land and Environment Court decision and you have had two meetings since then to try to resolve the impasse that may have existed between Defence Estate and the council.

Mr Bain—That is correct.

Senator HOGG—On how many days did the matter proceed before the Land and Environment Court?

Mr Bain—I think it was five weeks.

Senator HOGG—What level of representation was there on the part of the Commonwealth at those proceedings?

Mr Bain—I think there was senior and junior counsel, but I will confirm that.

Senator HOGG—I think that from earlier discussions at another committee that is pretty close to the mark. At this stage do you know what were the total legal costs associated with this matter?

Mr Bain—They were \$1.5 million.

Senator HOGG—That is \$1.5 million to the Commonwealth?

Mr Bain—Correct.

Senator HOGG—Is that solely for the five weeks in court?

Mr Bain—It would be that and the preparation—

Senator HOGG—Is that simply the legal costs involved, as per the senior and junior counsel, or does that include other costs as well, such as DEO staff and so on?

Mr Bain—Not DEO staff, but other costs, including our legal firm and preparatory work. It also includes the senior and junior counsel.

Senator HOGG—That is a substantial amount of money, indeed.

Senator HUTCHINS—Can I ask the name of the legal firm used in Sydney?

Mr Bain—It was Minter Ellison.

Senator HUTCHINS—And those of the junior and senior counsel?

Mr Bain—I will have to take that on notice.

Senator HUTCHINS—How has the decision of the Land and Environment Court—I will use my words: you have got to continue to talk to counsel—impacted on the project? Do you have any idea how that will limit what was proposed, and what might be the cost to the Commonwealth?

Mr Bain—Not as yet. We have got to work that through with counsel. It does reduce the number of residences on the site.

Senator HUTCHINS—Do you know by how many?

Mr Bain—I think it would be around 20 per cent. We have to work through the detail of that, because there are issues about open space that need to be dealt with.

Senator HUTCHINS—At one stage, as I recall, when we had the references committee go out there, you had anticipated some return to the Commonwealth. You can correct me if I am wrong. Would it be accurate to say now that that has reduced by 20 per cent?

Mr Bain—In broad terms that may be the impact, yes.

Senator HUTCHINS—Is it that area where the frogs were?

Mr Bain—No, not specifically that. It is really just the whole site and how you master plan the remaining 38 hectares; not necessarily the pond. That is separate.

Senator HOGG—I understand that the costs from Randwick council were in the order of \$1.3 million. Do you know whether they are seeking to recover costs from the Department of Defence? Is that possible under the proceedings before the Land and Environment Court?

Mr Bain—I have heard that they were considering that. We have had no formal approach in that regard. I am not aware of instances in the Land and Environment Court where costs are awarded against people. Generally, the parties bear their own costs.

Senator HOGG—Do you know whether there is a time frame within which they must seek costs?

Mr Bain—Not that I am aware of.

Senator HOGG—Not that you aware of.

Senator HUTCHINS—Has this court case involved an extraordinary cost that the Commonwealth has had to bear? Have you come across one of this degree before?

Mr Bain—Certainly not of this quantum but, when considered in context, the potential revenue return to the Commonwealth is considerable. We have now been to the Land and Environment Court four times. That is not an indication that we desire to go to the Land and Environment Court. I think it is just the environment in which we operate. We are only a small player. When we look at the former HMAS Platypus site in percentage terms and look at the potential revenue return to the Commonwealth, it is probably a smaller amount but, as an absolute figure, it is large.

Senator HUTCHINS—It seems an extraordinary amount of money—\$2.8 million—to be spent by both sides when it could be better spent on behalf of taxpayers or ratepayers. I do not expect you to comment.

Senator HOGG—Are the legal costs that have been incurred directly out of the DEO budget?

Mr Bain—Yes, they are out of the allocation we have to manage our property.

Senator HOGG—They are out of the operating budget for DEO, as opposed to some general pool of litigation funds that might exist within Defence?

Mr Bain—That is correct.

Senator HUTCHINS—Where is the project up to now? Are you discussing with the council what the next move is?

Mr Bain—Yes. As I have said, the court found against Defence on four items: two were insufficient to reject our development application, but two were considered as such.

Senator HUTCHINS—What were those two, if you can recall?

Mr Bain—They were the absence of planning controls on built form, and there was the failure to provide species impact statements for protected flora. I should add that the advice we have from senior counsel is that the court's decision was legally wrong and is appealable, but we will not take that course; we would rather resolve it with the council.

Senator HOGG—That raises the issue of why this was not resolved in the first place. I understand that when DEO appeared before the references committee they were fairly confident that you were going to win the case in the Land and Environment Court—and I think that is always the case for anyone who takes a case before any court—but, given the nature of the angst that has been built up over a period of time, and that you now have had two face-to-face meetings with the council, is there a way forward to reconcile the differences that have existed between DEO and the council over a substantial period of time?

Mr Bain—Yes, I think they can be reconciled. From where we started on this, we took professional advice, both legal and otherwise, hence the decision that we made. We are undertaking an independent review of our approach to this case to see if there is anything that perhaps we can learn out of it or whether there were things that we should have been aware of, but the initial indications are that we probably would not have done any different. In hindsight, yes, you would want to resolve it, but if you look at the history of the issue it was always going to be a difficult one to deal with. The evidence presented in the other committee on the property disposals attests to that.

Senator HOGG—Has that independent review team been established? If so, who are in the independent review team, and when and to whom will it report?

Mr Bain—It has been undertaken by Oxley Finance. It has not quite been completed. They will provide a report to the head of infrastructure, and that should be expected over the next couple of weeks.

Senator HOGG—So that should be done in the next couple of weeks?

Mr Bain—Yes.

Senator HOGG—What is the cost of that independent review?

Mr Bain—I do not expect it to be substantial. I could take that on notice.

Senator HOGG—Would you take it on notice. As a result of the decision in the Land and Environment Court, have you restructured your negotiating team for the Bundock Street site in any way, given that some people may well have been too close to the action, so to speak?

Mr Bain—No, we have not changed the team, Senator.

Senator HUTCHINS—Mr Bain, we have a copy of a letter from Randwick Council seeking representation for some assistance in relation to assistance or representations in support of their matter—that is, their legal costs. Have you been approached by Randwick Council?

Mr Bain—Not formally, Senator.

Senator HUTCHINS—What was the name of the judge? You can tell me later.

Mr Bain—I will take that on notice; I thought I had it.

Senator HOGG—He has got a fascination for these things. Thanks for that on Bundock Street. On one other issue: how long before you believe you can resolve any outstanding differences with the council and the disposal of the property can proceed?

Mr Bain—We are hopeful that that can occur before the end of this calendar year. It is a large site; there is a lot to be done. As I said, a lot of the issues that were ruled on in favour of Defence in the court proceedings, so hopefully we can build on those. We just need to address the ones where the court raised concern about some of the Defence items.

Senator HOGG—Thanks. There is one other question. Will the consultants you have engaged be doing the negotiations on behalf of DEO, or will DEO itself be doing the negotiations? There were consultants involved at one stage, weren't there?

Mr Bain—The consultants will be involved but that will always be oversighted by DEO.

Senator HOGG—I understand the oversighting—

Mr Bain—But they will also be involved. We need to ensure that we do get a resolution on this matter.

Senator HOGG—It is just that I understood that the way in which things were happening was that the consultants were reporting to DEO, but now it seems as if there is a change there, that you are going to have DEO officials directly involved with the consultants. Is that correct?

Mr Bain—That is right. Mr Blackley has met with the mayor on the two occasions, I think—certainly one.

Senator HOGG—Thanks for that. The next question I have goes to the Fremantle Artillery Barracks. What is happening with the barracks?

Mr Bain—In principle agreement has been reached with the state on the transfer of the artillery barracks itself—that is the main building which houses the Army Museum and the

University of Western Australia Regiment—as well as the signal station on the hill and ancillary properties, which are Rifle Cottage, the 10 terraced houses, the naval store and Tuckfield Oval.

Senator HOGG—So what is left out of that?

Mr Bain—Gun House.

Senator HOGG—Anything else?

Mr Bain—No, that is all.

Senator HOGG—So Gun House has been excised from the—

Mr Bain—No, not excised. We will retain it for use as the residence for the senior military officer in Western Australia.

Senator HOGG—So that is being retained by Defence as such?

Mr Bain—That is right. And we have made an offer that should we ever not require the property for Defence purposes, then we would offer it to the state under terms to be negotiated.

Senator HOGG—When was that agreement reached?

Mr Bain—That in principle agreement was reached in April. There is still the outstanding issue in relation to Gun House. The Prime Minister wrote to Premier Gallop on 5 May, confirming the Commonwealth's offer and seeking early resolution of the transfer. I should add that, as part of the agreement on the transfer of the properties, Defence has indicated that the Army museum would remain at the barracks.

Senator HOGG—If the Army museum remains at the barracks, does it do so with the blessing of the Department of Defence and, in particular, with Army?

Mr Bain—Yes.

Senator HOGG—It still remains as an Army museum?

Mr Bain—The detail has to be worked through because there are some issues.

Senator HOGG—I am talking in broad terminology there. You know the debate that we had at the other committee.

Mr Bain—Indeed.

Senator HOGG—It might not any longer be an Army museum as such. Again, it might be removed from the province of Army if the site were no longer a Defence site. I am pleased to hear that.

CHAIR—Have you finished with the Western Australian artillery barracks, Senator Hogg, because I have a question as well. What is the future of the siting of the University of Western Australia regiment, which was housed at the artillery barracks?

Mr Bain—Army's preference is to relocate it to another Defence establishment. That might be at either Leeuwin barracks or Karrakatta.

CHAIR—But a decision has not been made on that?

Mr Bain—Not a final decision, no. It was subject a bit to the timings on the transfer of the site to the Western Australian government. Once that is locked in, we can get on with it.

CHAIR—What is happening to the site that was offered to the Western Australian military museum as an alternative site?

Mr Bain—That will be retained.

Senator HOGG—Will there be any upgrade of Hobbs Hall as a result of the decision to keep the Army museum now at Fremantle? There is a fair collection of memorabilia. Whilst I understand it is not a museum as such at Hobbs Hall, is there any interest in proceeding down the path of doing some upgrade of the facilities there?

Mr Bain—We have not really looked at that, given the recent decision about the Army museum. That is something that we are going to have to look at.

Senator HOGG—Thanks very much for that. The next issue I want to ask briefly about is the Dudley Street property in Annerley in Brisbane. What is happening to that property?

Mr Bain—At the moment we are having discussions with the Queensland heritage people. They have put a blanket heritage listing over the site. We want to understand what that means to the site. There are two drill halls on it. There is one that was built in 1914, which we believe would have heritage value and needs to be preserved. There is another one of 1956 vintage. We need to see what is possible with that property and what redevelopment opportunities might exist for the site, having regard to those two aspects and how we manage those drill halls. At the moment, no decision has been made on what we are going to do.

Senator HOGG—Are you also talking with the city council and the Queensland government?

Mr Bain—Yes, we are. We are talking with both of them.

Senator HOGG—Have either of those groups shown an interest in the property as such?

Mr Bain—Not specifically. They are clearly interested in its future, but we have not really got down to the detail of how we might progress that.

Senator HOGG—Thank you for that. My next question pertains to office space in Canberra, excluding Russell. So just wipe Russell out for a moment. Can you provide me with a list of sites, their sizes, who is based there and the number of staff located at each site in Canberra?

Mr Bain—Yes.

Senator HOGG—For example, can you tell me what those sites are?

Mr Bain—Yes. Apart from Russell, there are the Campbell Park offices which have about 2,250 people.

Senator HOGG—Two thousand two hundred and fifty people?

Mr Bain—Yes. We lease the Tuggeranong offices. I do not know the numbers there, but I can get you that information. There is also Fern Hill.

Senator HOGG—Sorry. Is Campbell Park leased or owned?

Mr Bain—It is owned.

Senator HOGG—And Tuggeranong is leased. Who is that leased from?

Mr Bain—I can find out.

Senator HOGG—Is it a major shopping—I do not even know—

Mr Bain—Yes, it is privately owned.

Senator HOGG—How many people are there at Tuggeranong?

Mr Bain—I do not know. I will take it on notice. There is also Fern Hill which predominantly houses the Defence Science and Technology Organisation. I do not know the numbers there.

Senator HOGG—And is that leased or owned?

Mr Bain—It is leased.

Senator HOGG—Again, from private citizenry?

Mr Bain—Yes. And there is Northbourne House which has our training people and Emergency Management Australia.

Senator HOGG—Is that leased or owned?

Mr Bain—Leased.

Senator HOGG—So that is Emergency Management Australia. Roughly how many people would be there?

Mr Bain—It might be a couple of hundred, but I will confirm that as well.

Senator HOGG—Of those that are leased, can you give me an idea of the cost of the leases?

Mr Bain—Yes, I will provide that information.

Senator HOGG—And also when the leases expire?

Mr Bain—I can certainly provide that.

Senator HOGG—Could you get that back to me today? Is that possible?

Mr Bain—Yes.

Senator HOGG—I would appreciate that very much. Are they mainly military or civilian personnel or is there a mixture of both at those sites?

Mr Bain—There is a mixture of both.

Senator HOGG—I am just trying to get the flavour. Are they more military type operations or are they more civilian supporting the military?

Mr Bain—Probably more civilian, but certainly there are quite a number of military people at Campbell Park.

Senator HOGG—If you could get that information back to me today, I would appreciate that very much, Mr Bain. Can you inform the committee about any problems relating to a proposed rubbish dump which is going to be sited near RAAF Base Amberley outside Ipswich?

Mr Bain—I am aware of the issue.

Senator HOGG—What are the problems and what is DEO doing about them?

Mr Bain—I recall that there have been some ongoing discussions with the shire or the council in relation to the dump.

Senator HOGG—That is not Ipswich Council, it is the adjoining shire, is it?

Mr Bain—I might have to confirm that. As I recall, one of the issues is that the location of the dump does not conform with the ICAO guidelines in relation to the location of dumps. We have been trying to resolve the issue, but—

Senator HOGG—Pardon my ignorance, but the ICAO guidelines are not my bedtime reading.

Mr Bain—It is not my area either.

Senator HOGG—I was just hoping that you might be able to inform me what the ICAO guidelines are.

Mr Bain—It might be something like the International Civil Aviation Organisation.

Senator HOGG—Is it to do with the siting of a dump near flight paths?

Mr Bain—That is correct. It is at the end of one of the runways. A bird strike to the F111s can be very expensive, so it is on that basis that we have been working with Air Force and the judgment is that it interferes with the operations at RAAF Amberley.

Senator HOGG—I presume there are reasonable consequences for Defence if this proceeds at the end of the runway in terms of the accessibility of aircraft to that runway. Are you involved in taking this issue to any court—has it reached that stage yet?

Mr Bain—No, not at the moment.

Senator HOGG—Or is it purely and simply at a negotiation level at the local council?

Mr Bain—There have been negotiations for some time. Perhaps I could assist—this is not my particular area—by getting you an update of the latest situation and the details of it. I will get that for you today.

Senator HOGG—I would appreciate that very much, thanks.

Senator WEST—What are the plans for Fort Queenscliff?

Mr Bain—Fort Queenscliff is currently being refurbished for the Soldier Career Management Agency, which is relocating from Victoria Barracks in Melbourne.

Senator WEST—Have there been plans to sell off part of Fort Queenscliff?

Mr Bain—Not part of Fort Queenscliff, no.

Senator WEST—Have there ever been any plans for that?

Mr Bain—No.

Senator WEST—How has the tendering for the refurbishing been let?

Mr Bain—It was our normal two-stage tender. We went out for expressions of interest, short-listed to three companies, and selected the preferred tenderer out of that process.

Senator WEST—Were any of those three companies local Geelong companies?

Mr Bain—No, they were not. There was a local one in the expression of interest, but in the final three there were not.

Senator WEST—We have had complaints and there has been media comment that Defence is preventing local Geelong firms from tendering for the construction work that is to be done. Are you aware of those complaints?

Mr Bain—I am aware that that comment has been made. That is not the case, though.

Senator WEST—Would you like to explain to me how it is not the case so we can correct misapprehensions or misunderstandings?

Mr Bain—Brigadier Kelly was probably better placed to answer this question. In short-listing firms from the expression of interest, there are criteria against which we base our decisions: capacity to perform and experience in this type of work and what have you. There

is no decision to exclude or include people based on where they operate; it is based on their capacity to do the job. In short-listing to go to three companies to prepare tenders, a substantial effort is required and we do not wish to have firms putting forward or developing tenders that we know are not going to get up.

Senator WEST—What is the work that is being done there at present?

Mr Bain—It is mainly refurbishing two buildings.

Senator WEST—What size buildings?

Mr Bain—One was formerly an educational facility—it is a two-storey building; and the other one is a smaller two-storey building.

Senator WEST—What is the value of this refurbishment?

Mr Bain—\$5.8 million.

Senator WEST—And at no stage has Fort Queenscliff been on any list that was for sale, or surplus to needs or anything like that?

Mr Bain—No. But perhaps I should expand on that. Separate from the Fort Queenscliff property is a property called Crows Nest, which is about half a kilometre away from Fort Queenscliff. It was used, when the staff college was there, to provide support to the college. The previous way of doing business in Defence was that a lot of the day-to-day support was provided internally. We now rely on industry to provide a lot of that support so you do not require all those additional facilities. So there has been a question raised about the future of the Crows Nest site. But for now we are not doing anything with that and it will be there as we bring the SCMA people in to see what is required in relation to their activities—but no decision has been made on the future of that property.

Senator WEST—When you say that it is about half a kilometre away, is it on the same campus? Is Crows Nest a building?

Mr Bain—It is a number of buildings. It has some flats, a vehicle parking area, a workshop and a sergeants mess.

Senator WEST—And it is on the same campus?

Mr Bain—It is not contiguous with Fort Queenscliff. It is down the road.

Senator WEST—And there is civilian, non-Defence owned land between Fort Queenscliff and Crows Nest—they are separated?

Mr Bain—That is correct. I think there is council land as well.

Senator WEST—When will the decision be known about Crows Nest?

Mr Bain—The Soldier Career Management Agency will move in at the end of this year and we will see what happens beyond that period.

Senator WEST—Out of what budget is the refurbishment of Fort Queenscliff coming?

Mr Bain—It comes out of the capital facilities budget.

Senator WEST—I think that has clarified the Crows Nest-Fort Queenscliff issue—I was getting confused. Has Defence received an offer from Kingston City Council for the Chiquitta Park?

Mr Bain—Yes, it has, Senator.

Senator WEST—What was it?

Mr Bain—\$500,000.

Senator WEST—How big is Chiquitta Park?

Mr Bain—I think that it is a bit under a hectare.

Senator WEST—Has the offer been accepted?

Mr Bain—No, it has not.

Senator WEST—Why not?

Mr Bain—The offer was presented to the Parliamentary Secretary Dr Nelson when he met with council about a month ago. I attended the meeting. Dr Nelson indicated that we would consider the council's offer and get back to them. We have not formally responded to the offer as yet

Senator WEST—So when you say that it has not been accepted, does that mean that the decision has not been made or that a decision has been made and has not been transmitted to—

Mr Bain—It has not been formally rejected, although Dr Nelson did indicate that it was unlikely to be accepted.

Senator WEST—For what reasons?

Mr Bain—From the view that the Commonwealth buys and sells property and, in relation to good stewardship of properties and getting a fair return on the property, we needed to do some work with the council to see how we might be able to satisfy both our objectives.

Senator HOGG—What is the park currently used for?

Mr Bain—It has a scout hall on the site and it is just used by the community to walk their dogs.

Senator HOGG—How long has the scout hall been there?

Mr Bain—I think it has been there for a considerable time.

Senator HOGG—I think I know this. Is this the property at Mentone?

Mr Bain—Yes.

Senator HOGG—It rings a bell. That scout hall has been there a long time, as I understand it.

Mr Bain—Yes.

Senator HOGG—My recollection is the scouts had a lease on that property from Defence over a long period of time

Mr Bain—They had a sublease from the council.

Senator HOGG—A sublease from the council?

Mr Bain—The council had a lease from Defence.

Senator HOGG—The council has offered \$500,000. Has Defence placed a figure on the property for the council as to what they believe it should be sold for? I am not asking what the figure is.

Mr Bain—It is generally known that the value of the site, based on a concept design that an earlier council had come up with for the property, was of the order of \$2 million.

Senator HOGG—Two million?

Mr Bain—Yes.

Senator HOGG—Would that value of \$2 million be if a housing estate were put up there, or something such as that?

Mr Bain—It would be a housing estate but it would also have some open space.

Senator WEST—We are talking about less than a hectare.

Mr Bain—Yes. I might have to confirm the precise size.

Senator HOGG—I think you are right. I have not visited the site, but I understand a little bit about the site. Is the Defence Estate looking on this purely as a commercial sale and not as a sale which, even though it might be at a lesser price, would in some way benefit the local community through the scouts and other such organisations?

Mr Bain—It is not purely a commercial sale. We are trying to find a way by which, as I said, we can satisfy both our objectives. We get a fair return and there is something provided to the community. It might also be an outcome which saves the council \$500,000.

Senator HOGG—What avenues are you exploring? Are you able to tell us that?

Mr Bain—We are looking at what sort of mix might be achievable on the site that can address both our needs.

Senator HOGG—Where do the scouts go if the land is just sold up for commercial use by DEO?

Mr Bain—That has been one of the issues we are trying to resolve with the council. There are a number of other sites in the area, but we have not resolved that yet.

Senator HOGG—How long before you think this issue will be resolved?

Mr Bain—We said we would go back to council by the end of July.

Senator HOGG—Is the state government involved in this in any way?

Mr Bain—No, not at the moment.

Senator HOGG—Thank you.

Senator WEST—What is happening with Jezzine Barracks in Townsville?

Mr Bain—Jezzine Barracks in Townsville was identified some years ago as being potentially surplus, and that related to the relocation to Lavarack Barracks of 11 Brigade that currently occupies the site. That will be picked up in the next development stage for Lavarack Barracks, stage 3. The site will be potentially surplus in three years. We have been having ongoing discussions with Townsville Council in relation to the site and what future use options are possible. There are also issues about the museum there and how it fits in with the community use of the foreshore.

Senator WEST—North Ward is almost in the CBD of Townsville, isn't it?

Mr Bain—North Ward is not quite in the centre of the city—

Senator Ian Macdonald—It is at the other end to the CBD.

Senator WEST—It is at the opposite end to the CBD?

Senator Ian Macdonald—Yes. It is about three or four kilometres away.

Senator WEST—Yes, I think I know where it is.

Senator Ian Macdonald—It is a very historic site.

Senator WEST—Worth saving?

Senator Ian Macdonald—Certainly, parts of it are very much worth saving, in my view. But that is a personal view, I might add.

Senator WEST—I take it that Mr Bain is listening very carefully to the locals.

Senator HOGG—Given the minister's interjection, what is actually on the site? You mentioned a military museum.

Mr Bain—This is Jezzine Barracks as opposed to North Ward?

Senator HOGG—No, I am not asking about North Ward.

Senator Ian Macdonald—To interrupt for a moment about North Ward: I am sorry, but I was only half listening before. North Ward is very close to the CBD—it is just opposite the hospital, and about half a kilometre from the CBD. What is there? Transport?

Mr Bain—Yes, they are moving to Lavarack too.

Senator HOGG—What is on the site?

Mr Bain—There are some transport elements. I am not that familiar with it. But they are relocating to Lavarack Barracks. In fact, they might already have done so.

Senator HOGG—Did you say there was a museum there?

Mr Bain—No, that was Jezzine Barracks.

Senator Ian Macdonald—It is not really part of Jezzine either. It is the rocky point overlooking Jezzine.

Senator WEST—It is down near that good fish restaurant.

Senator Ian Macdonald—Yes. It is the site of the gun emplacements that have been there since the Russians were going to invade at the turn of the last century. That aspect of it is quite historic. The barracks are down the hill a bit. Perhaps it would be better if I kept out of this.

Senator HOGG—No, you are doing very well, Minister. What is the size of the site?

Mr Bain—A couple of hectares, I think; I can confirm that.

Senator HOGG—I am familiar with Dudley Street in Brisbane. Is it a size akin to Dudley Street?

Mr Bain—No, it would be five or six times bigger than that.

Senator HOGG—It obviously has a range of buildings.

Mr Bain—It does. It has a workshop or a warehouse, a hall and offices.

Senator HOGG—Is any of the site still used?

Mr Bain—Yes, they are still occupying the site. As I said, 11 Brigade operate out of that site, and they are planning to relocate to Lavarack Barracks under the next development stage for Lavarack, but that is about two or three years away.

Senator HOGG—Do any reserve units operate out of there?

Mr Bain—Army might have more detail of that, but 11 Brigade is a reserve unit.

Senator WEST—What consultation will be held with the council and the state government?

Mr Bain—There have been negotiations with the council now for about two years. The property was first identified in the defence reform program in 1997. There probably have been some discussions since that time just to inform the local council what the issues were and why it was being identified and to see where to start the dialogue with them, given that it is a prominent site in Townsville.

Senator HOGG—What properties have been sold this year, and what has DEO received for those properties?

Mr Bain—I can dig out that information.

Senator HOGG—Can you just provide me with the list? If you have a typed list I am not going to ask you—

Mr Bain—I just need to tidy that up and I will provide you with a list.

Senator HOGG—If you can table that then it becomes part of the Hansard record. If you can do so before we wrap up today, it would be welcome. I need to know the properties sold and what was received for each of the properties. Have any of those properties been leased back by Defence? If so, who occupies them, and what are the costs of the leases?

Mr Bain—In relation to the sale and lease-back, were you talking about the properties for which Defence receives revenue? I can give you a list of those. There are three properties under the sale and lease-back arrangement for which Defence does not receive the revenue, which we covered yesterday. They are the Pitt Street building in Sydney, the Bourke Street building in Melbourne, and the Hydrographic Office in Wollongong. I can give you a further list of the properties that Defence has sold for which it will retain the revenue.

Senator HOGG—Thank you. Where there has been a lease-back, are you able to tell us the time frame for establishing the sale and lease-back cost benefit for Defence? Is it five years, 10 years, 20 years or 50 years? What opportunity cost did you use?

Mr Bain—We used, under the Commonwealth property principles, 14 per cent.

Senator HOGG—So you did not use an actual time frame at all. However, that would be inherent within that, would it?

Mr Bain—Yes, we did—we have entered into all of those leases for 10 years, with two five-year options.

Senator HOGG—Would you give us the date of the leases, as well?

Mr Bain—I will.

Senator HOGG—Are you able to tell the committee what wharf facilities are being built at Fawcett Park, which I understand is in northern New South Wales?

Mr Bain—No, I am not familiar with that one.

Senator HOGG—It is up Lismore way. It obviously does not rank high on your list.

Mr Bain—No, I am sorry.

Senator HOGG—I have not seen you stumped before. Just take that on notice, thank you. It is Fawcett Park, in northern New South Wales. I believe there are some wharf facilities being built and we want to know the cost of that work.

Senator WEST—And we want to know the purpose.

Senator HOGG—As well, you might as well give us a run-down of any other wharf facilities that are currently being built or upgraded by DEO.

Senator WEST—And of wharf facilities that are planned.

Senator HOGG—I believe there is a little bit of activity in that area building wharves.

Mr Bain—I will provide that detail.

Senator WEST—And provide the cost, please.

Mr Bain—Yes.

Senator HOGG—At estimates in February Mr Corey told the committee that an economic impact study was being done relating to the rationalisation that may take place at RAAF Richmond. Has that report been completed?

Mr Bain—It is just starting.

Senator HOGG—It has only started within the last few weeks?

Mr Bain—That is correct. We are going to go out to three firms to provide us with a tender to undertake that work.

Senator HOGG—Over what period is the work to be conducted?

Mr Bain—I can confirm this, but I think it is over the next six months.

Senator HOGG—What is the cost?

Mr Bain—It is about \$200,000 to \$250,000.

Senator HOGG—And that is catered for in the coming year's budget?

Mr Bain—It is.

Senator HOGG—I have dug up the bit of *Hansard* where I asked Mr Corey the question. I note that it is a little bit older than I thought. It is actually December 1999 and I said it was February. It has taken a while to get that survey under way. Is there any reason for that?

Mr Bain—The Hawkesbury council was undertaking its own study on aerospace opportunities in the area. We thought it prudent to await the completion of that study. We will use some of the findings from that study to assist us. In fact, we will be working with the council. It will be part of this next round of work.

Senator WEST—When did you discover that Hawkesbury council were undertaking this study?

Mr Bain—I would have to take that on notice.

Senator WEST—Whilst Senator Hogg asked about it in December 1999, I further asked about it in February 2000. I am wondering when DEO became aware of that study because Senator Hogg was told that there was going to be an analysis taking place in December. I followed up with further questions about that in the following February. I am just wondering when you became aware. We would also like from Defence Estate a list of all publications and newsletters that are produced either weekly, fortnightly, monthly, quarterly or annually, the purpose of the publication, the annual cost and the estimated annual cost of each for Defence Estate.

Mr Bain—These are documents that are made available to the public?

Senator WEST—Yes, publications and newsletters.

Senator HOGG—Glossy brochures.

Senator WEST—Pamphlets.

Mr Bain—There would not be very many. There would be some produced in relation to the sale of our properties. I will get you the details of those.

Senator WEST—Thank you.

Senator HOGG—We are now up to responses to questions on notice.

Mr Harper—Mr Gairey is here. He will be able to assist the committee with questions on the industry attitudinal survey.

Senator HOGG—Has a new defence industry attitudinal survey been done?

Mr Gairey—Yes. We have just completed a further defence industry attitudinal survey.

Senator HOGG—What does the survey entail?

Mr Gairey—It was done by a consultant for us. It involved a series of questions relating to the relationship between defence and industry—perceptions on both sides and whether attitudes change over time. There are about 12 or 15 pages of these questions and they were usually done by a telephone survey.

Senator HOGG—What consultancy was used?

Mr Gairey—I would have to take that one on notice. I do not recall.

Senator HOGG—All right, the consultancy used and the cost of doing the survey. Will the findings be published?

Mr Gairey—Certainly a summary of the findings will be published. The intention is to make those public at the defence and industry conference at the end of this month.

Senator HOGG—Right. So they will be available fairly soon?

Mr Gairey—Correct.

Senator HOGG—That is good. When was the last survey done?

Mr Gairey—In 1999—that was the first survey. The one we have just done was the second in the series.

Senator HOGG—And what did the previous survey cost?

Mr Gairey—My recollection is about \$65,000.

Senator HOGG—Are you able to provide the committee with a copy of the survey results?

Mr Gairey—As I recall there was a public summary made available at the time so, yes, we are in fact chasing that now. We hope to have a copy across here shortly.

Senator HOGG—Thanks, Mr Gairey. That has answered our questions very easily.

CHAIR—Thank you, Mr Gairey.

Proceedings suspended from 10.27 a.m. to 10.47 a.m.

CHAIR—Welcome back. We move now to responses to questions on notice from the 2000-01 additional estimates hearing and we are dealing with the senior executive remuneration and recruitment advertisement costs.

Senator HOGG—I have had discussion with the officers prior to today on the response that they had given previously to question 5 on senior executive remuneration. I understand that the officers of the department undertook to go away and prepare additional information, which will be tabled at the proceedings today and they will give an explanation to the document that they will table.

Mr Harper—The response to question 5 does indicate that there were some errors in the calculations which we had used to produce I think it was note 36 to our financial statements in last year's annual report and which provided the basis for the committee's questioning. We will correct those in the next annual report and the response itself includes the corrected figures.

The main issue there was a recalculation of the fringe benefits tax on housing. Probably the main point I would like to make today is that the committee was quite reasonably drawing conclusions on the basis of the table in the annual report, but there is a real sense in which the two columns of figures were apples and pears. In particular, the 1998-99 figures excluded housing and the 1999-2000 figures included housing, which on a quick reading made it look as though there were rather large increases in senior remuneration and there were not.

I will speak shortly about what the increases were but, even if each year's figures had included the housing, which was not included in the 1998-99 figures, there would need to be fairly careful interpretation of those data. I will use as an example the fact that housing in Sydney is very expensive by comparison with that in Canberra. Accordingly, it is possible for the purposes of that note, in which we were obliged by the finance minister's orders to include the components of remuneration that we did include, to reflect that an officer who is promoted from a position in Sydney to a position in Canberra could actually show a large decline in reported remuneration, largely on account of the change in imputed housing subsidy. And vice versa, not that it is likely to happen, if an officer were demoted, but moved from Canberra to Sydney, there would probably be an increase represented in that officer's remuneration as reported, because of the housing impact. To put a bit of reality around some of that—I understand that one of our places in Sydney has recently been assessed as having a market rent of \$2,648.31 weekly—

Senator HOGG—That is nearly as good as the gold plates and taps in the child-care centre!

Mr Harper—It is probably marginally better.

Senator HUTCHINS—There would be a nice harbour view, I imagine.

Mr Harper—whereas the most expensive places in Canberra where people reside would be closer to \$700 weekly. That differential means that the figures are fairly difficult to interpret on their face. If one were to look just at the salary component of the packages, the star-level military officers have single-point determinations, and they rose by the order of \$5,000 between each of 1998-99, 1999-2000 and 2000-01—

Senator HOGG—Excuse me, what is that as a percentage—roughly speaking?

Mr Harper—It varies from, say, five per cent to three and a bit per cent, but the base—

Senator HOGG—That is all I want. I just want a rough figure.

Mr Harper—It is of that order. The civilian figures, on their face, move a little more than that, but I understand that in 1998-99 a number of civilian allowances were rolled into the salary components, which would have increased the figures somewhat more—

Senator HOGG—So what would the percentage there be in the order of?

Mr Harper—The SES also have ranges, as opposed to the point determination for the star-ranked military officers. The top of the SES1 range moved by about nine per cent on its face—subject to the caveat that I just raised—between 1998-99 and 1999-2000, and by about four per cent between 1999-2000 and 2000-01.

Senator HOGG—That nine per cent is inclusive of the rolling in of certain allowances?

Mr Harper—I understand so. Major General Willis may have more insight into that, but that is my understanding.

Senator HOGG—You know I am treating this in the broad sense.

Mr Harper—Yes. At the SES3 level, the increase is probably 11 per cent, as recorded, again subject to that caveat, between 1998-99 and 1999-2000 and a bit over four per cent between 1999-2000 and 2000-01.

Senator HOGG—Is that four per cent?

Mr Harper—Yes. That would have been on a steady base. I understand the committee's interest would have been sparked by the *prima facie* large increase in remuneration exposed in the note to the financial statements in last year's annual report. What I have sought to do is explain that, while there have been increases, they are not nearly as dramatic as a first inspection of that table might have suggested. As I indicated earlier, we will correct the errors which we made in our calculations in next year's annual report and seek to provide an explanation as best we can as to why any fluctuations may be there. As I indicated earlier, the location of our military officers' housing has a dramatic impact on their reported remuneration.

Senator HOGG—That goes a long way to explaining the difficulty that occurred last year in the annual report. When you do the table for this year's annual report, I presume we will then be on an apples with apples basis?

Mr Harper—Yes. I understand that the finance minister's orders are identical for each of the two years.

Senator HOGG—The problem experienced by Defence is probably different from that in other departments throughout the Commonwealth because you have military personnel who have to go, in some instances, to fixed points of appointment. Is that correct?

Mr Harper—That is correct. I should make the point, which is implicit in what I said earlier, that the military personnel do not have the option of cashing out the value of the residence into which they are posted.

Senator HOGG—I think that is a valid point to be made in this whole exercise. The whole question that I went to last year was that, as you said, *prima facie*, it looked as if there had been a substantial increase for certain military personnel, without identifying those people, that was well and truly above and beyond any ordinary expectations out there in the community. From the figures that you brought back today, I understand that there is a wage increase in the order of, let us say, three to five per cent for military roughly over that period of time.

Mr Harper—Yes.

Senator HOGG—And whilst it is in the order of nine to 11 per cent in that first year—the 1998-99 year—

Mr Harper—It was between 1998-99 and 1999-2000.

Senator HOGG—It was in that period that that did include the fact that—

Mr Harper—There were some roll-in entitlements.

Senator HOGG—Of some other benefits. I understand that.

Mr Harper—In that case as well, it would have been the case that not all of the civilian personnel were at the top of their band. The committee should just be aware of that.

Senator HOGG—The further thing that you have done in Defence is that you have published the salaries and the names of the persons earlier on in the annual report?

Mr Harper—We did that, Senator.

Senator HOGG—I think it is page 59.

Mr Harper—It is certainly page 50-something—57 of last year's annual report.

Senator HOGG—And that is an initiative that you are now going to keep up, I understand?

Mr Harper—We are, as the secretary indicated yesterday, looking to set the standard in a number of our practices. That is a practice which is increasingly widespread in the non-public sector and we propose to continue that approach.

Senator HOGG—Have you got a revised document for me?

Mr Harper—I can organise one for later in this hearing.

Senator HOGG—I accept that. I think it would be helpful—

Mr Harper—I have a draft of such a document that—

Senator HOGG—I am not trying to put you under pressure today. I just want to know that there is such a document there and that it can be tabled for the benefit of the committee at some later stage.

Mr Harper—We have that in preparation, Senator.

Senator HOGG—Thanks very much. I think that is a helpful outcome indeed. The other issue that I would raise for consideration here today concerns some of the recruitment advertising costs. I do not know what sort of detail you have got, General Willis, but, in response to question 9, I think, of mine at the additional estimates, there was a range of advertising agencies listed and an expenditure of \$32.525 million for those. Could you take us through the list and what the money was basically spent on so that we have got some flavour of it, otherwise it is just a list of figures.

Major Gen. Willis—Yes, certainly. I have a list here—the advertising expenditure covering all those listed there plus a couple of others that I have a bit more detail on. I will table that if you wish. But would you like to start from the top, Senator?

Senator HOGG—Yes. I am not after the minutiae but I want to know basically what we got for our dollars in spending \$28 million, for example, with Mitchell and Partners.

Major Gen. Willis—Mitchell and Partners provided basically a brand awareness campaign over the 12 months, with advertising placements on TV, radio, cinema, print and outdoor campaigns.

Senator HOGG—That would have gone to tender?

Major Gen. Willis—Yes, Senator. The advertising budget as I understand it goes to tender and any advertising that goes on the TV or any video-type advertising is authorised by the MCGC.

Senator HOGG—All right. So that is \$28 million basically on TV—

Major Gen. Willis—Yes.

Senator HOGG—and print media—

Major Gen. Willis—TV, radio, cinema, print and outdoor.

Senator HOGG—And do we know roughly how many exposures of Defence you get for that?

Major Gen. Willis—We do, but I do not, Senator. I know my operations staff in the Defence Force Recruiting Organisation will be able to answer that and I can certainly get that information for you.

Senator HOGG—All right.

Major Gen. Willis—It depends of course on location, television station, capital city, time of day, time of year et cetera and it all varies.

Senator HOGG—Do we ask the advertising agencies to give us a strategy for example as to where they see the placements being made? I am just trying to get a flavour for what they do. I mean, do they come along to Defence and say that you need to place your ads during the cricket, which is where we have seen the ads, or that you need to place them on Sunday nights slotted in amongst the Rugby League in Queensland or during the AFL on a Saturday afternoon? I mean, do they come along with a strategy for you in a broad sense?

Major Gen. Willis—Yes. We work together, Senator. But one step before that we engage a market survey organisation to go out there and do surveys of the market to see what the target audience is and what affects it, and then we make our plans accordingly. It is a cooperative activity between the research organisation, the advertisers and the recruiting organisation. The recruiting organisation—that is, the defence recruiting organisation—of course liaises very closely with the services and particular establishments in relation to the message that they want to send. So it is a cooperative approach.

Senator HOGG—Who takes on the responsibility for measuring the impact of the advertising that is given to your advertising agents? Is that embedded in those costs there of \$28 million or do you somewhere else engage another organisation to measure the effectiveness of the advertising campaign—in effect to do an audit on what you are putting out to the marketplace?

Major Gen. Willis—I will have to take on notice the ‘who’, but certainly we do and we register the amount of inquiries in relation to advertising exposure. For instance, if you put on an advertisement during the AFL Grand Final we then track how many inquiries came in within the period after that and we can actually track the relationship between the particular exposure to the particular placement.

Senator HOGG—What I am really leading to, therefore, is what gives you the basis for making the judgment that you have got value for money in terms of the advertising dollars that you have spent? Of course we are not dealing with small amounts of money—we are dealing with a substantial amount. You have got to be satisfied at the end—as we have to be—that you have got value for money.

Major Gen. Willis—The simple answer to that is: the resultant number of inquiries followed by the number of inquiries we turn into actual enlistments. There is a direct relationship between the extent of advertising and the number of inquiries and then on to enlistments. The bottom line is: how many people we recruit, in essence.

Senator HOGG—Are you able to identify those people separately from people who might be influenced by other sources such as whether they have been in the cadets, whether they have been influenced by family, and so on?

Major Gen. Willis—I am not sure of that. For instance, inquiries that come in on the inquiry lines are not all about recruiting. It might be someone saying, ‘That is a lovely uniform. Where can I get one of those?’

Senator HOGG—I would worry about that inquiry.

Major Gen. Willis—Occasionally we get some very interesting inquiries as a result of advertisements—and I have forgotten the second part of your question, Senator.

Senator HOGG—It does not matter. I am just interested in the conversion rate now.

Major Gen. Willis—We measure the conversion rate in dollars. But we have got to be very careful here because not all the advertising you see on TV, for instance, is actually aimed at recruit X. It is aimed at creating market presence or working on the brand. To actually refine down to where one stops and the other starts is not a simple task. But we are putting some effort into that.

Senator HOGG—I would like to move quickly through the others. You have got varying amounts, going from Grey Advertising at \$3½ million approximately, and then the rest of amounts seem to be fairly small amounts. Was Grey Advertising a change of advertiser?

Major Gen. Willis—They were involved in concept development and the production of advertising products for the Defence Force Recruiting Organisation.

Senator HOGG—Are Mitchell and Partners the advertising agency you are using again this year?

Major Gen. Willis—Yes, they are.

Senator HOGG—I was going to ask that for the sake of continuity of advertising, I presume that when you do a tender it is not just a year tender, it would be for a block of years, wouldn't it?

Major Gen. Willis—I do not know the answer to that. I will get the answer to that.

Senator HOGG—Could you get that answer for me? I would presume that a company like Grey Advertising would come in and out of your list of consultants that you use in this field, wouldn't they?

Major Gen. Willis—We use other concept developers.

Senator HOGG—What would you use AIS Media for?

Major Gen. Willis—That was for brand awareness, advertising in regional print media.

Senator HOGG—What about Trotman O'Brien Australia? I am just following them in the order you have given me.

Major Gen. Willis—Yes—brand awareness advertising in the graduate opportunities journal in 1999-00.

Senator HOGG—What about the Army amenities fund?

Major Gen. Willis—That is for advertising in the Army newspaper.

Senator HOGG—You have to pay them?

Major Gen. Willis—It is a commercial proposition, and the profits go back to help our soldiers.

Senator HOGG—Do you charge the Army when you get a recruit for them?

Major Gen. Willis—Not at the moment.

Senator HOGG—I would think that if they are charging you, you should look at getting back at them. What about Fairway Productions?

Major Gen. Willis—I have a slightly different list here, so bear with me. For Fairway Productions, it is the development of a career advice video. It is a recruitment video that we show the recruiting units.

Senator HOGG—When you do a video such as that, how often is it updated to meet the changing circumstances of Defence? You can take that on notice.

Major Gen. Willis—I do not know the time scale, but it is as required. There are some videos that are slightly more timeless than others, and there are others that we have to update with changes of equipment and uniforms, et cetera, because we want to have them up to speed.

Senator HOGG—What about Flying Pictures Australia? It is only a small amount.

Major Gen. Willis—It was for the hire of film equipment for the development of the career advice video.

Senator HOGG—*Navy News*—I can work that one out. What about the Formula 1 Super Boat? I presume you advertised on a racing boat somewhere.

Major Gen. Willis—As a public relations activity, it included paying a fee to occupy a site and for radio announcements, et cetera, at that activity.

Senator HOGG—I notice the Rock Eisteddfod Challenge, \$25,000.

Senator Ian Macdonald—Rock or Croc?

Senator HOGG—Rock. A croc is something that lives in the rivers up in North Queensland.

Senator Ian Macdonald—No, Croc Eisteddfod is a mainly Aboriginal eisteddfod which my department funds, and I was just—

Senator HOGG—No, this Rock.

Major Gen. Willis—As in the USA. It was a \$25,000 sponsorship special award package—a public relations activity.

Senator HOGG—How many of those public relations type activities do you have?

Major Gen. Willis—Off the top of my head, I do not know, but they are significant.

Senator HOGG—Are they covered within this range of figures?

Major Gen. Willis—Certainly, yes, but there would be other public relations activities which would be based on units and locations and which would be borne regionally and not out of a recruiting thing, like a unit open day or the like.

Senator HOGG—What about Wonderland Sydney, \$55,000?

Major Gen. Willis—It was a sponsorship of the most popular ride at Wonderland. It was a brand promotion, and Wonderland, I am reliably informed, has about a million visitors per annum.

Senator HOGG—Is that an annual sponsorship?

Major Gen. Willis—I do not know.

Senator HOGG—Can you find out for us? I am curious whether efforts such as that do attract people into the defence forces. I understand that you need to promote yourself.

Major Gen. Willis—It is a dynamic list, but I am not sure whether that one reappears this year. It has not, as far as I can see in the expenditure so far this year.

Senator HUTCHINS—There is a ride there called the beastie. It is not for the faint-hearted!

Senator SCHACHT—Do you recruit them as F111 pilots or F18 pilots? If they can put up with the G force, that is the first step to being a fighter pilot!

Major Gen. Willis—I am just informed that it does appear again this year, so that is an ongoing one.

Senator HOGG—We spent \$32.5 million last year on advertising. What is the advertising budget for this year? Is it readily able to be seen within the PBS?

Major Gen. Willis—The projected budget for this year is approximately \$41 million.

Senator HOGG—Where do I find that \$41 million in the PBS? Is it something that stands out and says, ‘This is \$41 million for advertising for recruiting purposes’? I presume that it is only recruitment advertising costs; it does not include any other advertising costs.

Major Gen. Willis—No, it is recruitment advertising.

Mr Harper—I do not think that the PBS drills down to that level of detail. The payments to these external organisations would be in suppliers expenses.

Senator HOGG—That is fine. That is a question that we need to ask in future so that we can find out where the expenditure is and what the expenditure is going to be, and then we can assess whether we have value for money.

We have picked out a couple of examples of sponsorship—the Formula 1 Super Boat and the Wonderland—and I understand you said, ‘We’re there again this year.’ How do you test the effectiveness of those types of sponsorships, as opposed to TV, print, cinema or something else? Do you have a different methodology for testing the success or otherwise of those programs?

Major Gen. Willis—My understanding is that once again it is a reaction to a number of inquiries as a result of conducting a particular activity in a particular place. We can measure the number of inquiries, and it is a similar methodology for that as for any other.

Senator HOGG—How often is the advertising strategy reviewed? Is it reviewed on an annual basis or is a triennial review?

Major Gen. Willis—The strategy is one to two years, however we do have a lot of flexibility within that time to make operational changes in the marketplace. If we want to target a particular trade or skill, we can apply resources to that trade or skill.

Senator HOGG—Who does the review of advertising within Defence? Is that under your control?

Major Gen. Willis—In regard to the elements of recruiting, we have up until now, but we are in the process of coordinating with Public Affairs and the Corporate Communications area. We are passing some of our funding to them, with the aim of eventually having the one central point of contact.

Senator HOGG—Thanks very much for that. If you have that broader explanation, I would appreciate it, but you can table it and we will take note of it.

Major Gen. Willis—I will table it. I have scribbled on it a bit, but it is still quite legible.

Senator HOGG—If you want to give me an unscrubbed version, I am prepared to wait for it.

Major Gen. Willis—Certainly, Senator.

Mr Harper—Following the question that Senator Hogg asked about where the information might be found in the PBS, pages 308 to 309 of last year's annual report disclose in much more detail than we provide in the PBS the extent of advertising. In table 4.14 of last year's annual report there is a break-up of the figures.

Senator HOGG—I have that noted.

CHAIR—Thank you, Mr Harper. Senator Hogg, do you have any further questions on responses to questions?

Senator HOGG—Is this where we deal with all responses to all questions at additional estimates?

Mr Harper—Not necessarily. It is at the committee's discretion.

Senator HOGG—We will be guided by you, Mr Harper.

CHAIR—We might give ourselves a tick, Senator Hogg, by saying that we have finished the opening area of interest.

Senator HOGG—No, just wait on.

Mr Harper—It might assist us to help the committee if Senator Hogg could indicate which questions he wished to pursue. We would be able to prepare ourselves better.

Senator HOGG—I do not know about myself. I think Senator West has got some.

Senator WEST—I want to pursue recruiting and retention, and the recruiting organisation. I presume we can either do them here or do them with the personnel people.

Mr Harper—Thank you for the guidance. It would probably be best if we could wait until this afternoon, when we will have our experts for those here.

CHAIR—Thank you, Mr Harper.

Senator HOGG—I want to check on one question from me that was taken on notice last time.

Senator Ian Macdonald—Senator Hogg and Mr Chairman, as we are doing so well should I alert DVA to come forward early?

Senator HOGG—No, Minister.

CHAIR—I think we will keep Senator Hogg to his word. He will be finished at 6.30, whatever might come and go.

Senator Ian Macdonald—I just thought he was going so well.

Senator HOGG—You are very good to me, Minister.

CHAIR—He does it in such good humour, Minister, too.

Senator HOGG—It was a response on the cost of defence materiel, question 23. I do not need Defence Materiel. Part of the response, at the bottom of the page, on question 23, concerning the naval shipbuilding industry, was as follows:

Mr Prescott presented recommendations to the Government, in October 2000, in a report, *The Development of Industry Policy Relating to Defence Shipbuilding and Repairs*. The report is commercially sensitive and will not be made public.

I respect that there would be some commercially sensitive aspects of that report, but surely the commercial sensitivities could be removed from a report such as that and the sanitised report made available to us. That is the broad issue that I wanted to raise with you. I do understand that sometimes there will be issues such as that. Can you take it away and consult the minister? It is obviously a ministerial decision that will need to be taken that those reports can be sanitised in some way, but they do give an insight as to the thinking that is going on within Defence.

Mr Harper—I will raise that with the Minister for Defence.

Senator HOGG—Thank you.

Mr Harper—Chair, I have got a couple of responses to questions which we have taken. If it is convenient I could deal with them now.

CHAIR—Certainly, Mr Harper.

Mr Harper—Senator Hogg asked, yesterday when we were talking about the travel saving, whether we were going to fly less or have cheaper fares. The answer is that the saving in travel will derive from discounts negotiated with our provider, which will lead to cheaper fares.

There were also discussions earlier today on the Defence purchaser and supplier attitudinal survey. The consultant is New Focus Research Pty Ltd. Mr Gairey estimated the cost of the 1999 survey at \$65,000; in fact, it was closer to \$67,000, but he was pretty close. The 2001 survey is \$72,000. I would be happy to table the two reports if the committee wishes.

Senator HOGG—Thank you.

CHAIR—Thank you, Mr Harper.

[11.24 a.m.]

CHAIR—We move now to Defence outputs—output 1, Defence operations.

Senator WEST—Could you please give me an update on the current situation in East Timor? I would like to know the battalions and other units that the ADF has there, when they will be rotated, who will be replacing them, and why the underspend in the operation for 2001-02 and 2002-03?

Air Vice Marshal Treloar—The battalion group comprises 4RAR. As far as the breakdown of the components that comprise the battalion group, I will have to take that on notice and get back to you.

Senator WEST—Thank you.

Air Vice Marshal Treloar—4RAR moved into and took over in East Timor from 1RAR on 25 April this year and they will be there for a six-month rotation. There are numerous other elements outside the battalion group that are providing full logistical support to UNTAET and I will need to get a breakdown of those for you and provide you with the detail you need.

Senator WEST—Thanks. What is the situation in East Timor at present? We are seeing media reports of what appears to be more instability, more skirmishes or incidents of violence being carried out.

Air Vice Marshal Treloar—You questioned me about that last time we met. Militia activity has decreased. There is an expectation that it would have increased, or may still increase, during the dry season but the main cause of the unrest is attributed to lawlessness, and that is to do with issues of illegal trading across the border, the TCL line. It is not to do with militia direct activity, by and large, against peacekeeping forces.

Senator WEST—Is this level of community violence any higher than we think the level was prior to the upheavals—I am wanting to go back, say, five years ago? Is this community violence any different from what was the norm prior to the unrest?

Air Vice Marshal Treloar—I cannot make that judgment. Domestic violence, I think, would not have changed within the country but as far as other violence brought about because of elections or breakdown of the community infrastructure I would be guessing on that.

Senator WEST—Who will be replacing 4RAR?

Air Vice Marshal Treloar—2RAR.

Senator WEST—And they will go for six months so 2RAR will be there for Christmas?

Air Vice Marshal Treloar—That is correct.

Senator WEST—There is an underspend projected for 2001-02 and 2002-03. What is the story there?

Air Vice Marshal Treloar—The main difficulty is being able to predict or anticipate with any likelihood the scope of our involvement in operations and, therefore, the commitment of finances is a main issue, or a contributing issue.

Senator WEST—Why is there this difficulty in predicting the scope of our involvement?

Air Vice Marshal Treloar—The rate of activity involvement in East Timor and there were questions and answers yesterday on the higher level of costings which I have not been privy to. I can only answer from the level of activities that we have been conducting in East Timor.

Senator WEST—So you are conducting, or expect to conduct, a lower level of activity?

Air Vice Marshal Treloar—From what was conducted during INTERFET days, yes. But we are still getting benchmarks on our level of activities since then, during UNTAET.

Senator WEST—Has the government made a decision on how long the ADF will remain in East Timor?

Air Vice Marshal Treloar—I am not aware of that outcome—that decision.

Senator WEST—If it has made that decision, I will have to ask the minister when he gets back. Are the current troop numbers going to be enough if the situation deteriorates in the lead up to the elections?

Air Vice Marshal Treloar—Our role in East Timor is security and the Australian battalion works in a defined area of operations which is on the border between East and West Timor. The battalion group will be restricted to operating in that area. That is by direction by the government and agreement with UNTAET. The other Australian forces that work outside the area of operation are non-security enforcement forces; they are logistic support forces and they would not be involved in those sorts of activities.

Senator WEST—But we have enough troops there to handle the situation if things—

Air Vice Marshal Treloar—Within the Australian area of operations.

Senator WEST—Can you give us an outline of the incidents that have occurred over the last few months in which ADF personnel have been involved, for example, grenade attacks and that sort of thing?

Air Vice Marshal Treloar—Yes, Senator. Since we spoke last—and I am not sure which date that was in February—there have been three incidents. On 23 February, in the vicinity of Nunura Bridge, a patrol contact was initiated when one of two persons in a creek line near them raised their weapon at them. The people then fled. There was a contact on 4 March north west of junction point MEMO. One of two persons on the border raised their weapons at our people and an unidentified person was possibly wounded and subsequently fled. On 1 April, at junction point BRAVO, one of two persons in West Timor aimed a weapon at our people in an observation tower and the person on the tower fired two shots at long range back at those people who then fled further back into West Timor.

Senator WEST—So there has been nothing for the last two months?

Air Vice Marshal Treloar—That is correct, Senator.

Senator WEST—What action has ADF taken to ensure that it is prepared for the ramifications that could occur on the western border as a result of a change of government in Jakarta?

Air Vice Marshal Treloar—I am sorry, I cannot answer that question.

Senator WEST—You cannot answer that question?

Air Vice Marshal Treloar—No, I cannot.

Senator WEST—Okay. Can I be assured that it is an issue that has been addressed?

Air Vice Marshal Treloar—That is a decision that will be taken in Canberra on the issue, and I will not be made privy to that.

Senator WEST—You are not privy to that. Can you provide the committee with an updated list of unauthorised discharges of weapons as we are also looking at the list of disciplinary actions that have been taken against ADF personnel in East Timor? I do not want names; I just want details of the incidents and the outcome of any action.

Air Vice Marshal Treloar—I can give you summary totals, but not individual disciplinary action. I could give you that on notice.

Senator WEST—Run us through the totals as we will see how we go and what you can tell me.

Air Vice Marshal Treloar—There have been a total of 38 unauthorised discharges during Operation Tanager, which was the UNTEAT activity that started on 23 February last year.

Senator WEST—But do you have any idea what has taken place since last we spoke?

Air Vice Marshal Treloar—Not broken down. All I have is the weapons type for the unauthorised discharges.

Senator WEST—Which were?

Air Vice Marshal Treloar—Pistol, five; machine gun, one; Steyr, 32: a total of 38. They attracted, in varying degrees, disciplinary action including fines of \$1,000 to \$1,400. That roughly equates to eight to 11 days of allowances.

Senator WEST—Have they all attracted disciplinary action?

Air Vice Marshal Treloar—Yes, they have.

Senator WEST—What is the least penalty?

Air Vice Marshal Treloar—Around \$1,000. That is the fine.

Senator WEST—So of those 38, it has been a fine of between \$1,000 and \$1,500?

Air Vice Marshal Treloar—To \$1,400. Yes, in that range.

Senator WEST—And every one of those 38 has attracted that?

Air Vice Marshal Treloar—To the best of my knowledge, yes.

Senator WEST—Have there been any other disciplinary actions taken against personnel in East Timor?

Air Vice Marshal Treloar—With regard to—

Senator WEST—Other offences: harassment, assault?

Air Vice Marshal Treloar—There may well have been minor charges for minor ill discipline which I am not aware of. There are five ongoing investigations at the moment. Two are related to motor vehicle accidents, one to a road rage incident and one to a grenade incident, and the last one, the fifth one, is support by Australian military police to the civil police for investigation into one of their own issues that is being conducted by CIVPOL.

Senator WEST—So you can get road rage up there as well?

Senator PAYNE—Having just come back—I left ten days ago—I can promise you, you can get road rage up there as well. Fortunately, I was only ever a passenger so it was never an issue.

Senator WEST—You were feeling road rage as a passenger?

Senator PAYNE—As a passenger. It is that whole thing about not having drivers licences.

Senator HOGG—That is unbecoming of you.

Senator PAYNE—Senator Hogg, I have never driven you mad or anywhere else I don't think.

Senator WEST—So the roads are not good.

Senator PAYNE—The drivers are not good, would be my casual observation.

Air Vice Marshal Treloar—The traffic is ill disciplined.

Senator PAYNE—The traffic is not disciplined, Senator West.

Senator WEST—The Air Vice Marshal just said 'ill disciplined'.

Senator PAYNE—Indeed; we agree, then.

Senator WEST—I will accept the road rage.

Senator PAYNE—I can give photographic evidence if that would help.

Senator WEST—So that is the only discipline action that you are aware of?

Air Vice Marshal Treloar—Yes.

Senator WEST—What has been the cost of damage to, or the loss of, equipment since deploying to East Timor?

Air Vice Marshal Treloar—I will have to take that on notice.

Senator WEST—Can we have it broken down a bit to trucks, rifles et cetera. What equipment has simply worn out and needs replacing since the deployment and what is the cost associated with that?

Air Vice Marshal Treloar—That would be very difficult to determine, but it is a harsh environment up there and the rate of usage of equipment varies by equipment type. That would be a very difficult one to answer in a concrete manner.

Senator WEST—I am not wanting to indicate, or assert or even imply that there is anything untoward, but are you having equipment wearing out at a rate that you had not anticipated or expected? Is the equipment able to live up to what you had expected and the life that you had assigned to it in those conditions?

Air Vice Marshal Treloar—I think yes is the answer to that, by and large. Certain pieces of equipment are used more often and in more difficult circumstances, but if you take those usage rates and conditions into account you would expect the sort of result that we are getting.

Senator WEST—So everything is standing up the way you had anticipated and expected, and were able to budget for?

Air Vice Marshal Treloar—From my point of view, yes. I think to answer that really definitely we would need to go back to the services to see what they had budgeted.

Senator WEST—What changes have you had to make as a result of the *Jervis Bay* no longer being available? Have you had more airlifts?

Air Vice Marshal Treloar—Yes. As of yesterday, we are introducing a contract for strategic airlift from Darwin to Dili, three times a week for passenger carriage and, on alternate days, three times a week for urgent cargo carriage. We continue—this is not a change—to run heavy lift by sea.

Senator WEST—By *Manoora* and *Kanimbla*?

Air Vice Marshal Treloar—No, by Perkins Shipping company, out of Darwin.

Senator WEST—Who got the contract for the airlifts?

Air Vice Marshal Treloar—The airlift was an Ansett affiliate, Air North.

Senator WEST—How much is that contract worth?

Air Vice Marshal Treloar—We will have to take that on notice.

Senator WEST—What size aircraft? My colleague here has just said 767s.

Air Vice Marshal Treloar—Oh, no. We are looking at Brasilia 120s and Metroliners, which are smaller Dash 8 types of aircraft.

Senator WEST—I know. They would not be a passenger replacement for the *Jervis Bay*.

Air Vice Marshal Treloar—They are quicker.

Senator WEST—Perhaps. Would a Metro carry full kit and stuff?

Air Vice Marshal Treloar—We would not generally carry full kit with our soldiers on those trips. They are generally moving backwards and forwards on leave and they do not carry their kit home with them when that happens.

Senator WEST—I pity some of the big blokes having to get themselves into those Metros.

Air Vice Marshal Treloar—I am sure they are glad of the ride, Senator.

Senator WEST—Have you travelled in a Metro?

Air Vice Marshal Treloar—Yes, I have.

Senator Ian Macdonald—If you live in regional Australia you travel in them all the time.

Senator WEST—That is why I know they are like. They are nice and fast.

Senator Ian Macdonald—They are better than walking. That is about the only thing you can say about them.

Senator WEST—They do not do your back much good, getting in and out.

Senator PAYNE—I can provide you with more, recent anecdotal evidence of Dili to Darwin on a Brasilia if that is helpful, Senator.

Senator WEST—We will do it off the record, thank you. Can we also have an update on how the Peace Monitoring Group in Bougainville is going?

Air Vice Marshal Treloar—The general situation in Bougainville has stabilised significantly, and the peace talks between the factions in Bougainville and the government of Papua New Guinea are progressing very well.

Senator WEST—Did I hear—or did somebody report to me correctly from last night's media—that there was an agreement as a result of the peace talks?

Air Vice Marshal Treloar—They are working on the process to sign an agreement. I am not sure if that agreement actually has been signed.

Senator WEST—But it is at that stage.

Air Vice Marshal Treloar—They are working towards that.

Senator WEST—What are the greatest problems that you are facing there at this stage?

Air Vice Marshal Treloar—The main issue, generally, is lawlessness from the local population, as they have cases of drunkenness on the local JJ. That is amongst the local population.

Senator WEST—I was making that assumption.

Air Vice Marshal Treloar—I realised it was not that clear.

Senator WEST—I know somebody who has recently come back from Bougainville, so I knew it was not amongst his troops.

Air Vice Marshal Treloar—Our forces are dry.

Senator WEST—Yes, I thought from the conversations with him that they were dry. With the settling down of the situation in terms of the peace talks, the agreement and the imminent signing, is a reduction of personnel to take place?

Air Vice Marshal Treloar—Yes, there is planning to do that, to draw it down from 195 Australians to approximately 70.

Senator WEST—Have we looked at an exit strategy?

Air Vice Marshal Treloar—Yes, exit strategies are being looked at, but part of the exit strategy is to work down to the 70 people, only around 30 of which would be Defence Force uniform personnel.

Senator WEST—What would the others be?

Air Vice Marshal Treloar—Probably drawn from places like Foreign Affairs, which is very much like the teams in the Solomon Islands.

Senator WEST—So there might be AFP and other groups that can actually take the infrastructure into the community?

Air Vice Marshal Treloar—Yes. I cannot recall. That is still being planned.

Senator HOGG—Is Operation Cranberry still going?

Air Vice Marshal Treloar—It is.

Senator HOGG—Is it mentioned in the PBS as one of the operations?

Air Vice Marshal Treloar—No, it is not. It is an oversight.

Senator HOGG—What sorts of activities are currently involved in Operation Cranberry?

Air Vice Marshal Treloar—Operation Cranberry provides resources of P3 aircraft, naval patrol boats and Norforce units for land surveillance.

Senator HOGG—Is that in the northern sector of Australia?

Air Vice Marshal Treloar—That is correct. It is right across Australia. Various parts of those activities occur at different parts of Australia and at different rates.

Senator HOGG—Could you just list the assets in the units that are involved?

Air Vice Marshal Treloar—There are the P3s, naval patrol boats, and units of Norforce.

Senator HOGG—They are not supplemented by any other units? I presume the P3s are out of RAAF Edinburgh. Are the naval patrol boats out of Darwin?

Air Vice Marshal Treloar—They are based mainly out of Darwin. They move from Cairns across to there for periods of time. A couple are permanently based there.

Senator HOGG—Norforce is the reserve unit, isn't it?

Air Vice Marshal Treloar—Yes.

Senator HOGG—Has there been any change in the make-up of the operation in the last 12 months?

Air Vice Marshal Treloar—No.

Senator HOGG—What was the annual cost of this operation in the last financial year and what will it be in this financial year?

Air Vice Marshal Treloar—I will provide that for you.

Senator HOGG—There has been no substantial change, so you would not expect any major change in the costing of the operation?

Air Vice Marshal Treloar—No major change.

Senator HOGG—Is Operation Gateway still in vogue?

Air Vice Marshal Treloar—Yes.

Senator HOGG—Is it in the PBS?

Air Vice Marshal Treloar—No. In fact, the surveillance operations have been omitted from the PBS.

Senator HOGG—Is there a reason for that?

Air Vice Marshal Treloar—It is an oversight.

Senator HOGG—What other operations have been omitted from the PBS?

Air Vice Marshal Treloar—There is Operation Solenia, which is in the South-West Pacific. It is air surveillance. I would be better off giving you a list rather than doing it from recall.

Senator HOGG—Can you give me a list of those that are excluded?

Air Vice Marshal Treloar—Yes, I can.

Senator HOGG—What is Operation Gateway currently doing? Is it doing anything different from what it was doing?

Air Vice Marshal Treloar—It has not changed in its format or coverage.

Senator HOGG—I presume its costing is basically the same?

Air Vice Marshal Treloar—It has the same operating costs for the aircraft and support.

Senator HOGG—Where does that area of operation cover?

Air Vice Marshal Treloar—It covers the South China Sea and the northern Indian Ocean.

Senator WEST—How far north does it go in the South China Sea?

Air Vice Marshal Treloar—It goes up towards Vietnam and Thailand. I could broadly define it as the south of the South China Sea.

Senator HOGG—And that is done by P3s again?

Air Vice Marshal Treloar—Yes.

Senator HOGG—In Operation Cranberry, have there been any additional forces—any supplementing of the forces that are operating within Cranberry?

Air Vice Marshal Treloar—Not that I am aware of.

Senator HOGG—What about any of the other surveillance operations? Are they all basically status quo? Has there been no supplementing of the forces that are involved?

Air Vice Marshal Treloar—No. The aircraft are deployed from the south or from other areas to do the operation from time to time, and the patrol boats change from time to time.

Senator HOGG—So basically those activities are activities as they have been happening over a period of time? It is the fact that they were omitted from the PBS that drew attention.

Air Vice Marshal Treloar—It was inadvertent, an oversight.

Senator HOGG—I accept that explanation. The question is just trying to find out what they are doing. Page 28 of the PBS talks about a budgeted price to government and a reduction in the costs. This was a question that I raised in the broadest of senses at the briefing that we had with officers of the department. I noticed there that the variation was 13.4 per cent down. There was then an explanation underneath:

Only those variations that impact on output performance are explained. Variations due to changed accounting processes or further refinement of attribution rules are not shown.

My question was, as the officers may recall: how much of the variation is due to changed accounting processes or further refinement of attribution rules? I asked that question across all outputs so that I could get some idea—if there was a 13.4 per cent reduction, it may well be that the variation due to changed accounting processes or further refinement of attribution rules is 10 per cent. In other words, the variation may well be quite minuscule. Do you know if that explanation is available, Mr Harper?

Mr Harper—I do not have that to hand. We can try to run that to ground promptly.

Senator HOGG—Maybe Air Vice Marshal Treloar will be able to help me in particular in this output, because it will just save my repeating the question in other outputs if you can explain why the change from the previous projected result of the previous financial year and say how much of that is actually due to changes in the actual output performance under the output.

Air Vice Marshal Treloar—Part of the answer that I can provide is that, with the changes to the six-output structure, the transfer of the military geospatial information to output 6 occurred—that came from output 1—and transfer of the hydrographic and oceanographic functions to output 2. That reduced the 2001-02 budget estimate for output 1.

Senator HOGG—Do you know the impact of those initiatives on your budget? How much of that 13.4 per cent reduction would be attributable to those?

Air Vice Marshal Treloar—I am sorry, I do not know that.

Senator HOGG—All right. If at some stage I can get an indication as to what that accounts for, I will be very pleased indeed. Are you able to tell us the cost to the ADF of Tandem Thrust at this stage?

Air Vice Marshal Treloar—We do not have a full costing at this stage. The exercise is just completed.

Senator HOGG—Yes, I do understand that. Do you have a progressive cost for the committee at this stage?

Air Vice Marshal Treloar—No. It would take some time for those costs to be confirmed.

Senator HOGG—Will you take that on notice? How many ADF personnel were injured during the exercise, and what was the nature of the injuries that were incurred?

Air Vice Marshal Treloar—There were 30 Australian soldiers hurt during the night para drop.

Senator HOGG—Thirty in the para drop?

Air Vice Marshal Treloar—That is correct.

Senator HOGG—How does that compare to normal attrition on a drop?

Air Vice Marshal Treloar—It is higher. I would defer to Chief of Army to make comment on the precise historical averages.

Senator HOGG—I understand. When it comes to Army, I do have some questions there on the para drop so I am quite prepared to leave that till then.

Air Vice Marshal Treloar—The answer to the other part of your question on casualties notified to headquarters is that, as of 31 May, it was 142. I do not have the breakdown of the specifics, but new injuries were 83, new illnesses 24—

Senator WEST—What were the illnesses?

Air Vice Marshal Treloar—I do not have that in front of me, but they would have been bronchial, colds and those sorts of things. I do not know. There were six psychoneuro and nine pre-existing conditions and 20 that I do not have details of because they have not been tracked.

Senator HOGG—I presume that, as you do your wind-up of the exercise in its completeness, you will have a table that you will be able to present to us. Will you take it on notice to present that to us in due course?

Air Vice Marshal Treloar—Yes.

Senator HOGG—There were reports in Queensland that two US marines were injured as a result of exploding ammunition that had been left behind from the exercise. Is that correct?

Air Vice Marshal Treloar—I believe that is the case, yes.

Senator HOGG—Do we know what actually happened? Were they injured?

Air Vice Marshal Treloar—They had slight burns, I understand.

Senator HOGG—Do we know how the ammunition was left behind?

Air Vice Marshal Treloar—I understand it was on a range. They had been told not to pick up that sort of equipment and they did. I do not know the detail of what they picked up or where the precise incident occurred.

Senator HOGG—If you could get us the details of that that would be helpful.

Air Vice Marshal Treloar—Certainly.

Senator HOGG—And what action Defence has taken to ensure that that sort of thing does not happen again. There are also complaints apparently that the exercise itself was causing fuel shortages in Queensland. Do you know if that is correct?

Air Vice Marshal Treloar—Yes, there were reports of that and that is incorrect. We had planned for our fuel requirements more than a year ago before the exercise started. That planning had been done in consultation with the suppliers across Australia and overseas. The purchase of the fuel was made three to four months ago before the exercise started. We had planned on the approximate usage rates. As a consequence, when we found out that there was a shortage being experienced across the community, a replanning was conducted on the spot to see if we could cut down and use less. That was achieved with a reduction of some nine million litres from the original requirement.

Senator HOGG—That is a substantial under estimation, isn't it?

Air Vice Marshal Treloar—The exercise, by and large, was a free play exercise where, while we have certain lines of activity that we must conduct and look at to achieve the objectives of the exercise, the rate of activity that a commander might want to use to achieve that is left to his discretion, as he sees it in the field. We would plan on the worst case.

Senator HOGG—So the rate of exercise was substantially higher than anticipated?

Air Vice Marshal Treloar—Slightly lower than we planned. That is how we get the savings in the fuel.

Senator HOGG—That is right and in the end that is how you are compensated. Did that impact on the outcome of the exercise in any way?

Air Vice Marshal Treloar—No. There was no restriction placed on the commanders to reduce their rate of activity. It was just looking at the margins that we had allowed for the worst case and we were able to draw the margins down.

Senator HOGG—And in terms of the public perception of the shortage, how was that dealt with in Central Queensland?

Air Vice Marshal Treloar—I do not know. I need to refer that to our public affairs people.

Senator HOGG—All right. And, again, I think you will probably need to take this on notice: a list of the costs of damage, lost or worn out equipment as a result of Tandem Thrust. I presume you will compile a list of material that was damaged, lost or worn during the exercise?

Air Vice Marshal Treloar—Again, as per your other question, that will take some time to do.

Senator HOGG—I accept that, Air Vice Marshal.

Senator Ian Macdonald—Would you do that as a matter of course?

Air Vice Marshal Treloar—We would not do it specifically for an exercise damage rate, Minister. We would only do it on an annual basis. So I will need to talk to the service components to see if they can draw the information for us. They may not have it.

Senator HOGG—We have always been very flexible as you know.

Air Vice Marshal Treloar—They may well be judgmental.

Senator HOGG—All right. I understand that there are celebrations in South Australia for Encounter 2002 which commemorates the meeting of the French explorer, Nicholas Baudin and Matthew Flinders at Encounter Bay. Are Defence involved in that?

Air Vice Marshal Treloar—I am not aware of any involvement at all.

Senator HOGG—There is a report in the *Adelaide Advertiser* of Thursday, 17 May, which attributes a statement to the Minister for Foreign Affairs who said that his department—and that is the Department of Foreign Affairs—would contribute significant funding. It goes on to say that other contributions from the federal government would include participation and celebration by Navy ships, a publishing project to reproduce the event, et cetera, so there seems to be an indication in that press report that Navy ships are going to be involved. I was just wondering what sort of involvement was going to be made by Navy.

Air Vice Marshal Treloar—I do not know. But that is a single service activity and that would be conducted by that service.

Senator HOGG—Right. If Navy are listening, when they come before us they will know that is on. The department has not been approached formally or otherwise to participate in that operation?

Air Vice Marshal Treloar—It has not fallen into the category which would come to my attention.

Senator HOGG—All right. The next issue I want to raise is the support that Defence will be providing to CHOGM in Brisbane between—I think the conference itself is 6 to 8 October—

Air Vice Marshal Treloar—Sixth to ninth of October.

Senator HOGG—Can you tell us what Defence forces will be used on that occasion, and particularly bear in mind when you are answering the question the difficulties that surrounded the Olympics and the ICE teams.

Senator HUTCHINS—And is it only in Brisbane that the armed forces are going to be involved for CHOGM support?

Air Vice Marshal Treloar—Yes. Like the Olympic Games there will be two task forces formed. One will be for antiterrorist activities under part of our Constitutional responsibility.

The other task force will be for general support which includes logistics support, security support and ceremonial.

Senator HOGG—So the general support is for logistics and ceremonial—

Air Vice Marshal Treloar—And security support.

Senator HOGG—Let us deal with that first. Will all of the Defence personnel who are involved in that be in uniform?

Air Vice Marshal Treloar—Yes.

Senator HOGG—So there will be nothing akin to the ICE team—which comprised defence personnel operating under the Defence Aid to the Civil Community program, as I understand it—prescriptions on the last occasion? There will be none of those people walking around the city of Brisbane not in uniform?

Air Vice Marshal Treloar—My understanding is that a request for that sort of support has not been made.

Senator HOGG—On the last occasion, for the Olympics, this proceeded down the path of having the ICE teams—and I am not knocking that—but the minister apparently did not even know about it, at that stage, according to an answer from questions on notice. I assume that if any personnel in the general support area are to be out of uniform but nonetheless on duty and are being used under Defence Aid to the Civil Community then the appropriate authorities will be received in the appropriate ways.

Air Vice Marshal Treloar—Correct.

Senator HOGG—Under what provision are the antiterrorist people being used?

Air Vice Marshal Treloar—They are provided under the national antiterrorist plan, which is practised and laid down.

Senator HOGG—Do they come under the defence aid to the civil authority legislation that was passed last year?

Air Vice Marshal Treloar—Yes, they do. I am just getting the definition right for you.

Senator HOGG—I am asking because I know that questions will arise out of this issue. The defence aid to the civilian authority bill last year was designed to regularise—if I can say that; and I am paraphrasing this—what was under the national antiterrorist plan. I understand that there is a need for the appropriate authorities to be given—and that is why I want it to be clear whether it is under the defence aid to the civilian authorities bill or whether it is under the Defence Aid to the Civil Community program. That goes to a Defence Instruction General, which I think Lieutenant General Mueller and I discussed at the previous estimates committees. Or did I discuss it with you? I have forgotten. I think I discussed it with Lieutenant General Mueller.

Air Vice Marshal Treloar—Civil power is your question.

Lt Gen. Mueller—Counter-terrorist operations would be conducted strictly in accordance with defence aid to the civil power, not defence assistance to the civil community.

Senator HOGG—Defence aid to the civil power—that is not the piece of legislation that we had last year, which was the defence aid to civil authorities.

Lt Gen. Mueller—I think it is. I am not certain of the name of the legislation, but the Director-General of the Defence Legal Office assures me that it is.

Senator HOGG—It is? I am getting a big nod from up the back, which is a good sign. I presume that the appropriate steps to be taken under that piece of legislation will be taken in due course to ensure that everything is done in accordance with the legislation.

Air Vice Marshal Treloar—Yes.

Cdre Smith—Presently, the arrangements for CHOGM are the subject of negotiations between requisite state authorities and Commonwealth authorities, and that is being undertaken by the general counsel of the Defence Legal Office.

Senator HOGG—When will those negotiations be complete?

Cdre Smith—Obviously in good time for the activities to be undertaken. I would say that they are presently at a mid-stage of development.

Senator HOGG—Given that this is 6 to 9 October, I would imagine that many of the measures that need to be put in place, need to be put in place a fair way out. In ticking off on this operation, I would trust that all the appropriate authorities were given well and truly in advance because, where that does not happen, it leads to a lot of misunderstanding out there in the community, which I think is something that can be done without.

Senator Ian Macdonald—I think most of the community would want those international gatherings to go ahead in absolute safety and with the minimum of fuss. I am quite sure 99 per cent of Australians, including yourself, would want that.

Senator HOGG—Thank you, Minister. I think this is an issue that I would rather debate now, up front, than have some angst at the other end, which is quite unnecessary from the point of view of Defence and everyone.

Senator Ian Macdonald—There should not be any angst. It is all about making sure things go ahead safely and that everything is done in accordance with the law.

Senator HOGG—I entirely agree with you.

Senator WEST—I want to ask a question about reports that Defence is using foreign-registered vessels to transport equipment back from East Timor.

Air Vice Marshal Treloar—I am sorry?

Senator WEST—Have there been reports that Defence is using foreign-registered vessels to transport equipment back from East Timor?

Air Vice Marshal Treloar—We have been contracting shipping throughout the East Timor deployment. They have not all been Australian flag carriers.

Senator WEST—They have not all been Australian flag carriers?

Air Vice Marshal Treloar—No.

Senator WEST—How many of them have not been Australian flag carriers?

Air Vice Marshal Treloar—I would have to get back to you on that detail. We have been doing it on a best-cost arrangement.

Senator WEST—Are there any guarantees in that best-cost arrangement that the crews are paid award wages, and that it is not a ship of shame that is being used?

Air Vice Marshal Treloar—To the best of my knowledge, all the shipping companies we have been dealing with have been reputable. But I can take it on notice if you like.

Senator WEST—Yes. An article in the *Townsville Bulletin* on 19 May stated that the MUA is concerned about vessels registered to foreign ports being used to bring equipment back from East Timor—registrations in Nassau and the Bahamas and with a foreign crew.

Air Vice Marshal Treloar—I am not aware of that detail or that report.

Senator WEST—Who has the current contract to do the shipping back from East Timor?

Air Vice Marshal Treloar—Perkins Shipping Company.

Senator WEST—Where are they based?

Air Vice Marshal Treloar—Out of Darwin. I believe they are an Australian firm, but I would have to confirm that.

Senator WEST—So they are not Curtain Brothers?

Air Vice Marshal Treloar—No. I do not think there is any subsidiary company.

Senator WEST—You do not know the name of the vessels?

Air Vice Marshal Treloar—No.

Senator WEST—How much equipment has been brought back from East Timor and taken not to Darwin, but to Townsville?

Air Vice Marshal Treloar—I do not know. Certain equipment is brought back and is generally taken to Darwin because that is where our contract runs from for the ship or shipping. Some was probably taken back during the changeover from INTERFET to UNTAET, but that would have happened in February of last year or before.

Senator WEST—According to this article, an ADF spokesperson said the contract for force extraction from East Timor had been awarded to Curtain Brothers. The contract was for a total logistics package with the company which included the cleaning of equipment in East Timor to meet quarantine guidelines and transport back to Australia.

Air Vice Marshal Treloar—Curtain Brothers have been doing all the cleaning, as indicated in that article. I was not aware that they are doing some shipping as well, because the contract we currently have is for the logistics, resupplies—weekly, backwards and forwards. They could well have been used on the changeover of the battalions.

Senator WEST—Can you investigate that? I am interested to know the list of shipping companies that have been used for this purpose since the deployment, and the value of those contracts.

Senator Ian Macdonald—Again, Senator, if it is relevant. It is a matter for Mr Reith, but if it is relevant to this year's estimates, of course that will be supplied.

Senator WEST—Oh dear! And last year's annual report, and the coming annual report. Can I move to another issue. The budget listed the permanent facility for headquarters AST as an approved project. When is it due to be built and when will the final site selection be made?

Air Vice Marshal Treloar—I believe it is due to be built and completed by the year 2005-06. A decision on the site selection remains with government.

Senator WEST—Is there an estimated cost—I am not wanting precise details—a window of cost that you are looking at?

Air Vice Marshal Treloar—It is still being refined; but is in the order of \$200 million.

Senator WEST—What operations and what number of personnel will be allocated when it is located at the permanent site?

Air Vice Marshal Treloar—I would have to get the precise personnel number for you, but the organisations that will form part of the headquarters will be the joint part of Headquarters Australian Theatre, which currently sits at Potts Point; four components from land, sea and air and special forces; the Australian Theatre Joint Intelligence Centre; and elements of the 1 Joint Movement Group. I think that is it.

Senator WEST—Before we move on, I would like to thank Air Vice Marshal Treloar. You will be here with us next year, will you, or next time round?

Air Vice Marshal Treloar—Who knows, Senator?

Senator WEST—Can you also pass on our compliments and thanks to the commanders of the East Timor and Bougainville forces for the great work they are doing there?

Air Vice Marshal Treloar—It would be my pleasure.

[12.19 p.m.]

CHAIR—We move now to output 2—Navy capabilities.

Vice Adm. Shackleton—If it suits, I have a short statement that I would like to read to you, which brings you up to date on what we have been doing in Navy since I last had the opportunity to brief you.

CHAIR—Thank you.

Vice Adm. Shackleton—I would like to make some introductory remarks on key issues for Navy capabilities. As the Minister for Defence announced, this budget is the first instalment in the 10-year program of the white paper. Fully implemented, it would see commitments to some 29 new naval platforms—including at least three new air defence capable ships, replacements for the five major amphibious and afloat support ships, the 15 patrol boats and Navy's six landing craft—as well as substantial capability upgrades for the submarines and frigates, survey units and for our helicopter fleet.

The white paper sets out three guiding principles for Australia's military strategy: the need for a fundamental maritime strategy, including a balanced force across the three services; a commitment to self-reliance; and a proactive approach if faced with hostilities. Navy is very much aligned to this and we will build on this approach. At pages 36 and 37 of the portfolio budget statements, you see our capability goals for naval forces and the way in which the structure of the fleet is intended to develop through this year and beyond to meet the white paper strategies.

In this coming budget year we will build on the commitments and achievements of the current year. I expect a continuing demand for naval units to be deployed in a wide range of operations to the government, including apprehension of illegal fisherman and immigrants and support to operations in the Solomons, Bougainville and East Timor, and a myriad of others that could arise are all part of our business. Performance of the submarine arm is improving following the successful limited capability upgrade of the HMAS ships *Dechaineux* and *Sheean* late last year and, as recently demonstrated in exercise Tandem Thrust, those submarines are now becoming quite capable.

Both LPAs *Manoora* and *Kanimbla* are proving themselves in operational deployments and both participated in exercise Tandem Thrust, achieving good progress in the development of the ADF's amphibious capability. The advanced command and control equipment, which was queried, I think by Senator Hogg, in a previous hearing of this committee, gives us new capability on *Manoora* used in Tandem Thrust. We do not need any more committees! The new capability on *Manoora* used in Tandem Thrust was to enable a joint task force headquarters to

plan and conduct operations afloat. *Kanimbla* will be fitted with a similar capability later this year. A more detailed consideration of this year's results might best wait until our annual report is available.

I reported previously to the committee on the major change program being executed within Navy. On 13 March last year I introduced a major restructuring to bring a sharper focus on management of our capability outputs. I appointed a systems commander, who has the responsibility for developing and maintaining the environment that the DMO delivers products into, and Force Element Group commanders, or FEG commanders, with responsibilities for taking a more businesslike approach to whole-of-capability and whole-of-life issues for each of the eight Navy suboutputs. They are members of the Navy Capability Management Board chaired by my deputy chief.

In this year I am looking for better forward planning to integrate acquisitions, work force operations and funding; better matching of our capabilities and costs to our strategic priorities; better understanding of how we can manage our budgetary allocations so as to minimise the risks of non-performance and to assure safe operations; and better visibility of the real options open to government in times of need. We have made substantial progress but we must continue to drive ourselves in a way that allows me to answer the simple question: 'What can I get for my money?'

For the first time Australia now has a maritime doctrine relevant to our own circumstances. This is important. It publicly breaks the notion that the Royal Australian Navy is simply an extension of the Royal Navy or the United States Navy. We have thought through this work and it is world-class. We also now have a long-range Navy plan, out to 30 years, to set a course for the types of forces and the support that we will need. I will shortly be releasing my second short-range plan, known as Plan Green, to provide the Navy and key agencies in Defence with more detailed guidance of activities and resourcing across the forward estimates period based on this budget.

Navy's new Systems Command has released a human resource management plan which identifies low cost initiatives aimed at alleviating our recruiting and retention problems. We can therefore provide valuable advice to assist the new Defence People Council. Systems Command has also made good progress in establishing a new common management framework for FEG commanders. This has some way to go yet as our corporate information systems become realigned to a new output based management environment.

We are adapting our Navy management scorecard system to ensure it is aligned with the defence matters scorecard approach for results through people. The Navy scorecard is managed at the strategic level by my senior advisory committee and helps me understand the emerging issues so that we can allocate our limited management resources to deal with the most serious risks and make them more visible to our stakeholders in the rest of Defence.

As to costs, you can see at page 38 in the PBS that Navy capabilities are budgeted to cost government \$5.652 billion in 2001-02. This represents a \$605 million or 12 per cent increase over the estimated outcome for this year. Let me talk briefly to the key performance issues, and the risks, which are summarised on pages 37 and 38 of the PBS.

Firstly, on personnel: Navy's ability to sustain operational performance levels now and into the future depends on a balanced work force target, so that we have the right mix of trainees, experience, skills and shore relief positions. We need this to maintain a reasonable sea/shore roster for ship's companies, to maximise our effectiveness on extended deployments at sea,

and to operate as safely as possible despite the risks inherent in naval activities. The white paper sets Navy's target at some 14,000. Given our current recruiting and retention circumstances, the budget makes provision for 12,690 full-time members in uniform, an increase of 337 against the additional estimates of 12,353. To maintain readiness in spite of the shortfall, we give priority to crewing the fleet, but this does create pressure through the rest of the work force.

We are working to ensure maximum effective use of reserves and we are increasing the numbers of civilians in jobs where the skills no longer require uniformed personnel. While modest improvements in overall recruiting numbers have occurred recently, the benefits will take five to 10 years to work through, and shortfalls in critical categories have still not been satisfactorily reduced. Once the full costs of housing, pay increases, superannuation and the like are taken into account, and redistribution of corporate costs to outputs, the increase in overall personnel costs accounts for \$133 million, or 22 per cent of the \$605 million additional.

To turn to platforms and operating expenses: we will continue with enhancements to our capabilities through having more platforms coming into service for the full year. These significant variations are summarised at the bottom of page 38 of the PBS.

HMAS *Brisbane*, the last of the Charles Adams DDG destroyers, will decommission later this year. This will be the end of an era, both for the use of steam as the power for ships and for the class of ship that put the RAN on the road to the modern capabilities that we have today. However, early project planning is under way for the upgrade of the guided missile frigates, and this will maintain a comparative regional capability and supportability of the FFGs until their end of life. By the end of budget year, two Anzac frigates will be capable of firing the Evolved Sea Sparrow surface-to-air missile.

Our Fremantle class patrol boats, while suffering the effects of age and hard work, will continue their busy surveillance and response program. Any announcement on the release of requests for tender for their replacement, though, is a matter for government decision.

The committee has previously queried the status of the two inshore minehunters, *Rushcutter* and *Shoalwater*. Since the budget was presented, the Minister for Defence has approved their decommissioning as soon as practicable. The new coastal minehunters have demonstrated that we will have sufficient capabilities to meet our strategic needs, and that we can afford to now relinquish these two ships that were proving difficult to support. There will be consequential adjustments needed to the balance sheet and operating position, both for 2001 and for 2002. We no longer have a priority for fast catamaran use, and HMAS *Jervis Bay* has been decommissioned and returned to her owner. I can talk later to the trials we conducted with the ship, if you should wish.

The white paper provided funds to alleviate logistics shortfalls accumulated across a range of older platforms, in repair, spares and munitions. However, being the 'parent Navy' for our indigenous platforms such as the Anzac frigates, Collins submarines and Huon class minehunters means that we alone carry the full cost of overheads such as infrastructure, systems management and inventory holding. And our knowledge of these costs remains incomplete until we move into the full operating cycle, including new major maintenance activities.

One of my principal concerns is to use the new emphasis on through-life management of our suboutputs to expose these cost pressures, to find ways to minimise them while maintaining operational performance and to ensure an adequate balance of costs across all Navy capabilities. Wherever possible, maximising commonality of subsystems in the 29 ships we will introduce in the next decade or so gives me an opportunity not previously present to drive down the cost of ownership while maximising combat power.

The full-year impact of these extra ships and other equipment is a net increase of some \$2 billion in assets on the balance sheet. This is principally due to HMAS *Dechaineux*, *Sheean*, *Warramunga*, and the *Gascoyne*, which was commissioned last Saturday, being added to it. In net terms, asset related expenses such as depreciation, write-offs and capital usage charge comprise \$183 million or 30 per cent of the overall increase of \$605 million.

The remaining increase of \$289 million or 48 per cent for supplies expenses arises predominantly from distribution of corporate related costs across the outputs. Of this, some \$58 million reflects price and exchange impacts attributed to Navy and \$53 million is from increases through the DMO for logistics support, which is predominantly ship repair and in-service support management contracts. That concludes my introductory remarks and I will be happy to take any questions that you may have.

CHAIR—Thank you, Admiral Shackleton, for those remarks.

Senator WEST—Is it possible to have a copy?

Vice Adm. Shackleton—Absolutely.

Senator WEST—Thank you.

Senator HOGG—Yes, if we could get a copy, it will make the questioning easier.

Senator WEST—You might have actually answered some of our questions—or caused some extensions to them.

CHAIR—We will take our luncheon break now, and reconvene at half past one.

Proceedings suspended from 12.32 p.m. to 1.34 p.m.

CHAIR—The committee will resume its considerations of the particulars of the proposed expenditure for the Department of Defence. I will shortly be welcoming back the minister and I welcome back officers of the department. Mr Harper, I understand you have an answer to a question asked previously?

Mr Harper—Yes. Last night, Senator Hogg asked Commodore Lemon about two CSP activities that were scheduled for announcement in May. The Woomera support services decision was scheduled to be announced on 21 May but it is now expected to occur in late June. The decision on ADF health services for Victoria was scheduled to be announced on 25 May, and the announcement is now expected in early July.

There was also some discussion about the economic advice provided by Deutsche Bank. I think the question from Senator West was more in terms of where that is at. There is a contract for the provision of daily overnight economic and market round-up access to the Deutsche Bank web site, which provides a weekly summary of economic analysis, and provision for one specialised briefing to be provided by Dr Stammer. The economic information is on key economic areas of significance, such as balance of payments, current account deficit, CPI movements, exchange rate analysis and trends. It does not particularly focus on shares or stock market movement, nor does it give investment advice.

Senator WEST—And that is being continued?

Mr Harper—I am informed that there is a 12-month contract in progress which commenced in August last year.

Senator WEST—Is it intended to continue that contract?

Mr Harper—I imagine it would be reviewed, probably some time soon. I cannot give you authoritative advice. It is something which we would reconsider, having regard to the cost and the benefit which is being derived.

CHAIR—Admiral Shackleton, I understand you have an answer to a question.

Vice Adm. Shackleton—I have got an answer to a question on Encounter 2002. Maritime Headquarters in Sydney have received a request from South Australia, from the City of Whyalla, for the Navy to participate in celebrations to mark the 200th anniversary of the encounter between Matthew Flinders and the French in Encounter Bay in 1802. Celebrations are intended to be held on 7 and 8 March 2002. We have been asked to send a ship to participate. That has been passed to the normal fleet programming people. We generally try to accommodate these kinds of requests, but that will not become clear until a little later in the year.

Senator HOGG—Admiral, you have answered one of my questions, and that goes to the variation of 12 per cent. I have not been able to gather all the figures together. Can you draw my attention to the major impact on output performance—not to those where there are changes due to accounting processes or further requirement of attribution rules. What was the major change there?

Mr Wallace—The Chief of Navy referred to three sets of variations in relation to personnel, asset related changes and suppliers' expenses. On the people side, he referred to a contribution of \$133 million to the \$605 million figure. I have a number of components to that, if you wish me to give you some detail on that.

Senator HOGG—No.

Mr Wallace—On the asset related figures, we referred to \$183 million as the component of the variation, or 30 per cent of \$605 million. In relation to suppliers' expenses, the figure is some \$289 million. Those are the three principal contributors to the \$605 million increase.

Senator HOGG—There is an extra \$183 million for the assets. What assets are they, in broad terms?

Mr Wallace—There are several contributions and they include contributions from the other groups in Defence, because we are putting all of the costs of Defence to the outputs in here. There are again a number of those. The ships that the Chief of Navy referred to in his opening comments—*Dechaineux*, *Sheean*, *Warramunga* and *Gascoyne*—among the principal changes, account for some \$53 million of that depreciation increase. That is asset related expenses. There are accounting adjustments for repairable items first recognised as we cleanse our asset records. These did not come onto the books until late in 2000-01 so the depreciation impact is limited, and it is for a full year in 2001-02, so that accounts for the increase. There are capital use charges which relate to asset levels, and there is an offsetting adjustment there because of the reduction in capital use charge from 12 per cent to 11 per cent. The figure that we have across all of the assets attributable to Navy or the Navy output would amount to something like a \$155 million reduction. That is almost offset by the increase of \$145 million in the value of assets to \$2 billion net, which the chief referred to, and there are a number of other adjustments.

Senator HOGG—Thanks very much for that. I raised earlier the *Jervis Bay*. The question that I asked went to the fact that I believe it was indicated in the white paper that a study would be done to establish how the Navy could maintain access to this capability. Has the study been done, and what were the findings of that study?

Vice Adm. Shackleton—The study has been done. We have conducted some quite extensive trials on the *Jervis Bay*, and it is of note that the United States Navy has a significant interest in this kind of craft. As an example, we fitted the ship with monitoring equipment to measure various aspects of its performance, we looked at ways of quantifying amphibious lift operations using that kind of platform and we looked at its electronic warfare vulnerabilities. For instance, because it is made to commercial standards, when it operates in very close proximity to warships which have high-powered radars we have found significant interference to the platform to *Jervis Bay*'s computers and radars and communications itself. We did trials on vehicle loading to make sure that we were able to understand how we could do this and what we might need to do if we were to do it again in the future in this kind of ship. We conducted trials in seasickness and wave motion to see what would be the effect on the passengers in the platform in the various sea-states. We looked at trials for replenishment at sea, to see how we might refuel the ship while she was under way, either making way or stopped. The ship has a very significant fuel consumption, so to go protracted distances would require for her to be fuelled en route. We looked at how we might deploy small arms or special forces and their arms from *Jervis Bay* into small craft for raiding parties and the like.

We looked at, overall, a myriad of trials with it and we are quite satisfied that we understand the platform; we know how we could replicate it if we sought to. We were very satisfied with the ship and we returned it to Incat because frankly we are now able to replace the capabilities that that ship represents in a more economical form for us at the moment.

Senator HOGG—So the platforms that have replaced the *Jervis Bay*?

Vice Adm. Shackleton—We needed *Jervis Bay* in the first instance because *Manoora* and *Kanimbla* were not available when we went to East Timor.

Senator HOGG—Is *Tobruk* off line currently?

Vice Adm. Shackleton—No, *Tobruk* is available. She is conducting a maintenance period at the moment, but she is available as a ship. We needed *Jervis Bay* to bring large amounts of stores, both for consumption and for Army's purposes, from Darwin to Dili, which she did very well.

Senator CALVERT—I believe the *Jervis Bay* did over 400,000 kilometres. Is that correct?

Vice Adm. Shackleton—The number was large. I could not say exactly how many, but it was a lot.

Senator CALVERT—Was the possibility of a helicopter platform on *Jervis Bay* ever looked at? Was that a possibility?

Vice Adm. Shackleton—At that stage, no, because of the construction changes that we would have to make. I think for the kinds of helicopter operations we would want to conduct, we would probably have to make more substantial construction changes than you would, for instance, if you were using it as a luxury yacht. Our helicopters are typically heavier than the commercial holiday kind. I think the ship has got the potential to do a range of things, but fundamentally it is vulnerable because of its light weight—it is made of aluminium. It needs

to be protected wherever it goes. There are concepts of how you would take it from one place to another through a protected corridor. You would need air support and ostensibly other kinds of support. We are satisfied we understand the concept and we are satisfied with what we know about the ship as it stands.

Senator CALVERT—Is the fact that you could not have any accommodation on board a problem?

Vice Adm. Shackleton—It is, although we did put rudimentary accommodation in so you could take a crew that you could cycle, so you would have 12 on and 12 off. If we were to build one of those for our own purposes, we would make that accommodation a much more fitted variety and improve on it.

Senator CALVERT—That would not be possible out of aluminium, would it?

Vice Adm. Shackleton—Yes. You are talking about just converting a room in the ship into an accommodation space, which is fundamentally what we did, with bunks, lockers, desks and chairs.

Senator CALVERT—But in the civil operation, you cannot do that because of the fire risk.

Vice Adm. Shackleton—I think the reason they do not do it is that the length of their trips are in fact what you might call single crew operations. We had to go backwards from Darwin to Dili and we typically took a relief crew who slept one way and drove the rest and just swapped around.

Senator CALVERT—You mentioned the fact that the Americans were interested. Has the Navy been involved in that at all?

Vice Adm. Shackleton—Yes, we have. There are two prime manufacturers in Australia. There are Incat in Tasmania and Austal who works out of Western Australia. The US Navy and the US Marines are interested in a *Jervis Bay* style amphibious support simply because of the volume and the speed at which the ship travels. We have essentially made all of our trials data available to the US. We have not prejudiced commercial sensitivities of either of those companies, but we have made available the information that we have in terms of how those ships handle in different weather states and the like. My understanding is that the US are very interested with a view to wanting to do some trials of their own.

Senator CALVERT—They would have to build them themselves, wouldn't they, because of the Jones Act?

Vice Adm. Shackleton—That is my understanding. But I also understand that both of the Australian companies have set up relationships in the US with other US commercial shipbuilders.

Senator SCHACHT—If you have already answered this to Senator Calvert, Vice Admiral, just say so and I will let it go. I will read the *Hansard*. The material you handed over to the Americans on the performance of the catamarans, would that be material that is handed over as part of our Defence relationship?

Vice Adm. Shackleton—I guess you would put it down to material that we would normally share with the US, which is really not of a sensitive or of a controversial nature. Incat, for instance, in this case the owner of the ship, would be aware of what we told the USN.

Senator SCHACHT—Did you seek Incat's approval to pass the information on to the Americans?

Vice Adm. Shackleton—The trials we did would have been trials that we conducted ourselves, so the information is ours and not Incat's. So the answer is almost certainly no.

Senator SCHACHT—But you did mention before about commercial advantage—

Vice Adm. Shackleton—Yes, we would not—

Senator SCHACHT—Unfortunately, around the world, if people want to give an advantage to their local industry, things do have a habit of falling off a desk or off the back of a bus into some commercial operator's hands in the local country.

Vice Adm. Shackleton—It would not be our intent to provide anybody with a commercial advantage over Incat.

Senator SCHACHT—Did the material have anything to do with the design features of the Incat catamarans? They are well known to be world class.

Vice Adm. Shackleton—I do not know, but perhaps I can provide you with a written answer which tells you what you would like.

Senator SCHACHT—I would appreciate that. The Navy, in using civilian ships, et cetera, often has to say that you cannot—quite rightly—just automatically put them into Navy. They do not have the right protection, et cetera. Despite the advantage of speed that these catamarans provide, is the major query that the Navy would have the fact that they are not designed to take a hit from anything bigger than a hand grenade?

Vice Adm. Shackleton—In fact, something smaller than a hand grenade could be a problem.

Senator SCHACHT—I suppose in the captain's cabin, yes, a pistol shot could do some damage.

Vice Adm. Shackleton—The ships are vulnerable. They are deliberately made light so that their power to weight ratio is high. Provided you could take these vessels into an area where you were satisfied the right degree of safety could be provided, then you would use them. I think it is about using the platform for the purpose for which it was designed, and there might be occasions on which you would take a risk because you thought the risk might pay off.

Senator SCHACHT—In the normal area of immediate interest—the South Pacific, the approaches to Northern Australia—is that a risk that could be weighed up as worth taking? There is always a risk at some level, but is the risk in balance, in view of the fact that we make these boats and they are world competitive, well priced, and we can make a lot of them, apparently?

Vice Adm. Shackleton—Yes, although I understand at the moment there is a bit of a—

Senator SCHACHT—A bit of a problem, unfortunately, for Incat.

Vice Adm. Shackleton—Each set of circumstances you have to weigh upon its own merits. We took *Jervis Bay* into the East Timor area of operations because we thought that the risk was manageable. If you were going to take it to a place where you were not convinced that you could protect it, then you would not, or if you did you would have to wear the consequences.

Senator SCHACHT—Is the speed of the catamaran its main advantage?

Vice Adm. Shackleton—Both its speed and its draught. For instance, if you were to take it through an area where submarines existed, its shallow draught and its speed would be a decided advantage in that set of circumstances, but if you were to take into a place where you were dealing with surface craft or indeed an air threat, you would have to provide a different form of protection.

Senator SCHACHT—Would you have to provide a form of protection greater than you would provide to one of your frigates?

Vice Adm. Shackleton—Yes.

Senator SCHACHT—You would have to provide the same air protection, presumably, for both?

Vice Adm. Shackleton—*Jervis Bay* is essentially undefended—the only thing it has got in its favour is its speed—so you are going to have provide assets, be they Navy assets, Air Force assets or Army assets, in one form or another to provide the protection you want.

Senator SCHACHT—Thank you, Admiral.

Senator HOGG—How are the replacements, *Manoora* and *Kanimbla*, performing?

Vice Adm. Shackleton—Very well. It is on record just how much difficulty we had getting them out of the yard, but we have got the bugs worked out of them. Both of them participated in Tandem Thrust. They have both been involved in the support to the Solomons, flying Army Black Hawks. *Manoora* is slightly more advanced in the sense that it has a bigger communications fit and better command and control facilities, but *Kanimbla* will be brought up to the same standard.

Senator HOGG—Given the difficulties that you were faced with for both *Manoora* and *Kanimbla*, and given the state that they are at now, would you have been able to purchase something new that has, at the end of the day, given you the platforms that you have now got?

Vice Adm. Shackleton—I would not have been able to buy two, and I am not so sure that I would have been able to buy one. The thing that is to their disadvantage is their age, but the capability we have now will last us until about, we think, 2012-ish and they will be fine for their purpose up to that time.

Senator HOGG—What is happening with *Tobruk*?

Vice Adm. Shackleton—*Tobruk* is going through a maintenance period now. We will continue to operate her to about the same time frame so we will have three ships capable of lifting heavy equipment, people or stores as we need.

Senator HOGG—Is this a major refit that it is going through?

Vice Adm. Shackleton—No. It is a maintenance period. It is not major in the context of some of the major work that can be done.

Senator HOGG—I just had in the back of my mind that there was an endeavour to lift the through-life of this platform?

Vice Adm. Shackleton—Not in this particular period. Not in this maintenance period.

Senator HOGG—That will come further down the track?

Vice Adm. Shackleton—I think it will be a condition assessment. Our desire would be not to go to that level of expenditure on this platform.

Senator HOGG—If I can move on to a different issue, in the last addition of the *Navy News* an article, that cites yourself as being the source, says that you identified problems and anomalies with conditions of service that needed fixing. One of those was FBT reporting. Is that the same issue that we heard earlier on in these proceedings? I do not know if you are familiar with it.

Vice Adm. Shackleton—No, I am not sure what was said earlier.

Senator HOGG—Maybe Mr Harper might know.

Mr Harper—It may be related in that some of the savings which we were looking to make were related to changes in some of the allowances but I think what the Admiral is speaking about and what was reported in that article may go to what is on group certificates.

Senator HOGG—I will just quote the article. I am just trying to find out if they are one and the same or is there another source of difficulty. It says that the 'FBT reporting no longer applies to removals in the same locality for service reasons. More work is progressing towards removing other FBT exemptions.'

Vice Adm. Shackleton—That is a conditions of service FBT reporting. Is General Willis here?

Mr Harper—I think that is related to one of the issues which Commodore Lemon was discussing yesterday. Because that particular condition has now moved to 100 per cent exemption, there is not any FBT payable.

Vice Adm. Shackleton—The notion there was that that was brought to my attention in the issues affecting Navy people and the process which I went through was to deal with that internally and add that to the list of activities that we were addressing which has resulted in the outcome you see.

Senator HOGG—All right. I was just trying to identify if it was one and the same and it seems, from what you are saying, to be that way.

Mr Harper—I believe it is, Senator.

Senator HOGG—Just in the broader sense, have you identified other anomalies that need to be addressed in terms of conditions of service?

Vice Adm. Shackleton—I think that the Navy will obviously be involved in the present Nunn review which is essentially addressing all remuneration and conditions of service in one form or another. We will be inputting our advice to the Defence team which is building that submission. I think there are always issues with Navy. Seagoing allowance and submarine service allowance, for instance, are presently before the Defence Force Remuneration Tribunal for part of its regular review of allowances and conditions of service.

Senator HOGG—And how are conditions of service affecting your retention rates?

Vice Adm. Shackleton—They do. People see that remuneration is important. Conditions of service are important in that context. Seagoing allowance and submarine service allowance has an impact on people.

Senator HOGG—At the end of April, a report appeared in a Sunday paper. It was the *Sun-Herald* outlining an incident in the Taiwan Strait between Australian Navy ships and Chinese ships. What actually happened?

Vice Adm. Shackleton—The ships were en route from Hong Kong to Pusan in Korea and they passed through the Taiwan Straits. That does take them through Chinese territorial waters, but they were transiting under the rights of ships travelling on the high seas. It is accepted in international law that ships transiting from one point to another may penetrate international waters provided they do not stop, conduct military exercises or otherwise behave in a provocative manner, such as flying aeroplanes and the like. And our ships transited in a straight line. They were challenged by a Chinese ship. We replied that we were exercising our lawful right of free passage and they continued on to their destination and no further problems were encountered.

Senator HOGG—How often would your vessels use the Taiwan Straits?

Vice Adm. Shackleton—I do not think there is any fixed number.

Senator HOGG—No. Is it a regular sort of occurrence?

Vice Adm. Shackleton—It is about once a year.

Senator HOGG—And is there a protocol whereby you let the Chinese authorities know that you are traversing those straits or—

Vice Adm. Shackleton—No. It is an accepted fact in international law that you do not have to notify people when you are transiting from one level to another.

Senator HOGG—When the incident took place and you were challenged, what sort of challenge was it? What sort of ships were involved on their side?

Vice Adm. Shackleton—It was via a radio channel. There is an international frequency which we monitor, obviously, and the Chinese called us on that and we responded. I think the words that were used by the Commanding Officer of *Newcastle* were, 'I am exercising my lawful right to free navigation in accordance with the Law of the Sea.' The Chinese government, as you know, raised a formal complaint and it was dealt with by the Department of Foreign Affairs.

Senator HOGG—Right, but what sorts of ships did they actually use?

Vice Adm. Shackleton—I think in this case it was a small corvette, but I could provide you with those details.

Senator HOGG—All right. How close did they actually get to our ships? Was it 100 metres, 200 metres, a kilometre?

Vice Adm. Shackleton—I do not have those details, but there was no report of anybody putting themselves so close that they thought there was a risk of a collision.

Senator HOGG—And is it standard procedure when vessels proceed through the straits that they are challenged in that manner?

Vice Adm. Shackleton—I understand that the Chinese challenge most foreign warships that go through the straits.

Senator HOGG—Do our ships actually slow down and stop or do they—

Vice Adm. Shackleton—No.

Senator HOGG—They proceed.

Vice Adm. Shackleton—Yes.

Senator HOGG—Does that affect relations with the Chinese navy? I understand there are efforts there to improve the relations.

Vice Adm. Shackleton—It has not been obvious to us. The Chinese have this approach where they challenge people passing to and fro, and I can only anticipate that they would make the same challenges to ships of other nations.

Senator HOGG—Are there alternative routes that could be used? I presume they would be fairly—

Vice Adm. Shackleton—That is the most direct route for travelling—

Senator HOGG—That is right, but they would be fairly circuitous, wouldn't they?

Vice Adm. Shackleton—We could have gone on the eastern side of Taiwan but it would have added distance to the trip.

Senator HOGG—Were other nations consulted about the incident that we experienced?

Vice Adm. Shackleton—No.

Senator HOGG—No other nations were there, just Australia?

Vice Adm. Shackleton—Just Australia.

Senator HOGG—All right. Thanks very much.

Senator CALVERT—Would it be appropriate for me to ask a couple of questions about the Fremantle patrol boat?

CHAIR—Certainly, Senator Calvert, this would be the appropriate time. We have had some questions on it already but we will have some more.

Senator CALVERT—When?

CHAIR—We have had some. We had a day on general policy and overview, so they have come up.

Senator CALVERT—When you assessed the *Jervis Bay* for performance, was it the Navy that did the performance testing or do you have an agency like DSTO that does that work for you?

Vice Adm. Shackleton—It was combined effort between Navy and DSTO.

Senator CALVERT—Are you planning a similar type of operation for the replacement of the Fremantle patrol boats?

Vice Adm. Shackleton—The process we would go through is that tenderers put in their bids and we would do a functional performance evaluation and a technical evaluation which would involve the DSTA and our own marine engineering people within the Navy and the DMO. We would make an assessment based on that as to whether the maker's claims could, in fact, be justified or substantiated from our perspective. No doubt we would seek some clarifying answers to some questions and then we would do some more analysis as to which of the ships met our needs the best.

Senator CALVERT—So generally you put out a wish list of what you would like and then once it is assessed you pick out what you think is the best value for money—

Vice Adm. Shackleton—If I put out a wish list it would be huge but—

Senator CALVERT—The reason I asked is that there is a Tasmanian trimaran group. Have you had anything to do with them or are you aware of them?

Vice Adm. Shackleton—No, I have not, Senator.

Senator CALVERT—I know that DSTO were doing an assessment of what they have developed because the Royal Navy are developing something similar for patrol boat capability.

Vice Adm. Shackleton—The Royal Navy have a trials vessel called a *Triton* which is a trimaran, a novel hull design for which they are doing trials at the moment to assess its suitability for building into a larger class of ship. It is fully instrumented and calibrated so that they can understand its performance in different sea states, and the like. I would have thought that that kind of technology is probably five to ten years away from being of a sufficient maturity where you could consider it for real application. But certainly from our perspective we are interested in that.

Rear Adm. Scarce—We are aware of the Tasmanian firm. My trial boat team have been down there to have a look and there have been discussions about the requirements from, I think, about late last year.

Senator CALVERT—Again, I do not know what the situation is. It is aluminium built and obviously there are advantages and power to performance and efficiency to consider but whether it is what the Navy is after is another question, I guess.

Rear Adm. Scarce—There will be an RFT, Senator, and they will be capable of responding, and the rest of industry will be interested.

Senator CALVERT—Good, thank you.

Senator SCHACHT—Back to the *Jervis Bay* and the larger catamaran. Would it be possible, without too much structural change to the Incat design or the Austal design for large catamarans, to be able to land a helicopter, like a Black Hawk, on the proper deck?

Vice Adm. Shackleton—Black Hawks are very heavy helicopters—

Senator SCHACHT—Or a variation thereof?

Vice Adm. Shackleton—I would think that the deck strengthening and superstructure strengthening for one of those vessels would be probably quite substantial.

Senator SCHACHT—Because of strength not because of the weight because—

Vice Adm. Shackleton—It is the combination of the weight of the aircraft when it is actually on deck and the impact when it is landing.

Senator SCHACHT—I see. When you were looking at the *Jervis Bay* was fuel supply for the range for bluewater operations one of the issues that you looked at and a problem?

Vice Adm. Shackleton—It is, but as you know, those catamarans are built for the ferry market and there is a constant trade-off between payload and fuel. That is literally the issue. We were able to get the matching right for Darwin to Dili. Where ferries run across channels, for example, in the English Channel, the distances are shorter, you can take more capacity and travel faster, but for shorter periods of time. For us it would be an issue. For example, to take it from Perth to South Africa nonstop would be a significant problem. It is a very long way. One of those ships would have almost no chance of doing that because of fuel consumption. It would need to be refuelled on route.

Senator SCHACHT—Or it would go a lot slower.

Vice Adm. Shackleton—Even going slower, with the fuel consumption rates of those platforms, they use a lot of fuel.

CHAIR—Just before we leave the Fremantle—

Senator SCHACHT—Mr Chairman, I have to go to another estimates committee, but before I leave, I want to raise a matter on behalf of a constituent of my colleague, Mr Sawford, the member for Port Adelaide. A company in Adelaide called W.G. Porter and Sons has raised with my colleague, and written to the Minister for Defence, the fact that they are disappointed that they cannot tender for maintenance work. A letter from Admiral Barrie on 13 March 2001 pointed out that the contract, AWB776, which is for the maintenance of all support craft operated for and on behalf of the RAN, is now covered by a national fixed price contract with DMS—Defence Maritime Services. They complain that they are now locked out. You may have a legitimate reason that they are not big enough to tender for the overall ongoing arrangement. Have you, or any of your officers, had a direct conversation or contact with W.G. Porter and Sons about what they call their complaint that they were not able to tender—others might call it a dispute or an issue of management?

Vice Adm. Shackleton—We have a national contract and we went that way because it was the most cost-effective way for us to do it. I will ask Rear Admiral Scarce to comment on that.

Rear Adm. Scarce—I was not aware of that complaint. An RFT was sent out nationally and the competition was held. DMS won the contract and this is the first time that I have been aware of any particular concern.

Senator SCHACHT—I suspect that they may not have been able to bid for what I presume is quite a large contract.

Vice Adm. Shackleton—Yes, it is big.

Rear Adm. Scarce—It is a 10-year contract.

Senator SCHACHT—So they are saying that, for the next 10 years, they are locked out of bidding for any smaller amount of work unless they bid for something through DMS. Your main argument is that the 10-year contract is the most cost-effective way to achieve the delivery of service to the Navy.

Rear Adm. Scarce—A lot of infrastructure goes with that contract and anything less than that was judged not to be cost effective.

Senator SCHACHT—A 10-year term is a long time. You have measurements and processes to ensure that the taxpayer does not get ripped off, drip by drip, or overcharged over that period with one prime contractor?

Rear Adm. Scarce—That is correct.

Senator SCHACHT—If you would not mind, Rear Admiral, I might arrange for you to talk later directly to Mr Sawford and this company in Port Adelaide.

Rear Adm. Scarce—Yes.

CHAIR—What is the extended life of the Fremantle class now?

Vice Adm. Shackleton—Do you mean the remaining life?

CHAIR—Yes.

Vice Adm. Shackleton—Our plan is to start to introduce new patrol boats, I think from 2004 to 2005. We will obviously run the existing boats until then. As I think I have told this committee before, we will try and structure our maintenance approach so that as the boats we want to take out of service first become obvious to us, we will start to spend less money on them so we can harvest some maintenance savings and put that into the new boats.

CHAIR—Are any of them unserviceable now?

Vice Adm. Shackleton—No. None of the boats are unserviceable to the point that you cannot use them, but because of their age, they are all showing different levels of wear and tear. It would be fair to say that the maintenance effort is comensurate with that.

CHAIR—So the oldest ones, or the ones that have done the most work, are now—

Vice Adm. Shackleton—I would have to check. I can get that information for you, but I think the oldest one is about 15 years old.

CHAIR—And it would, or may be, the one that is least used now?

Vice Adm. Shackleton—No, there is no absolute relationship. It is based on serviceability at the time. Some boats exhibit for a period of time more maintenance problems than others do and then they go for a period of time when they are more capable of running.

CHAIR—When you have 15 boats which, for one reason or another, show great differences in their serviceability, have some been knocked about more than others?

Vice Adm. Shackleton—Typically, often as not the problems come in the engine area. The engines take a fair bit of wear and tear. We have some that have different degrees of hull damage, but we can patch them. As you know, we have a lift in Darwin so that we can take the boats out of the water and do that kind of work. Maintenance is on a case by case management plan for each boat.

Rear Adm. Scarce—We have just completed a structural hull survey of the 15 patrol boats. All were found to be structurally sound. Whilst the Chief of Navy is correct in that they will have different levels of maintenance depending on their age, we are not concerned about the structure itself.

Senator WEST—Has a decision been made on what will happen to the submarine *Otama* once it is disposed of by the Navy?

Vice Adm. Shackleton—There is no final decision. There are a number of people who would like *Otama* to be gifted to their organisation. We at the same time, though, wish to conduct some trials on the submarine, which will allow us to understand some submarine design characteristics and the behaviour of the properties of a submarine under different conditions. We are in the process of discussing those trials with the United States Navy, who are interested in doing that with us. Those trials will take some time, but, equally, my understanding is that those trials are non-destructive, so we should be in a position where, after we have done the assessment process, we can gift the submarine to some appropriate organisation.

Senator WEST—When do you think that decision will be made?

Vice Adm. Shackleton—My expectation is that it will be about nine months to a year before we are in a position to do that.

Senator WEST—To gift it or to make the decision?

Vice Adm. Shackleton—Probably to make the decision.

Senator WEST—What sites are being considered, or what requests are being considered?

Vice Adm. Shackleton—We have had a number of requests. Rear Admiral Scarce's shop deals with this.

Rear Adm. Scarce—There have been two primary requests: one from Geelong and one from Hastings.

Senator WEST—Hastings, I understand, is in the minister's electorate, isn't it?

Vice Adm. Shackleton—That is correct.

Senator WEST—So the minister will have some fun when it comes to making this decision, won't he, if he is still the minister?

Rear Adm. Scarce—The minister has given carriage of this matter to Dr Nelson.

Senator Ian Macdonald—Senator, I get tired of the suggestion—

Senator WEST—I get tired of your interruptions.

Senator Ian Macdonald—that government ministers act in that way. I know that you treat others by the way your governments used to operate, but it is fairly inappropriate to continue to impute improper motives to ministers and parliamentary secretaries doing their jobs.

Senator WEST—That is okay, Minister. I am very pleased that the minister is taking the appropriate action that will ensure probity, transparency and all of those things—that is what this is all about, and it is to be commended—not like some of his colleagues. What is going to happen to the *Brisbane* when she is decommissioned?

Vice Adm. Shackleton—The *Brisbane* decommissions in October this year. I think, as I have briefed this committee before, there are a number of state governments interested in using the *Brisbane* as a dive wreck. Since that time, we have had some interest expressed from a business group in Brisbane to purchase the ship or to take the ship and put it into a dock and feature it as part of a museum or attraction in Brisbane. We are yet to see the proposal proper, so it is not possible to assess how realistic it might be. We are in the process of discussions with the Australian War Memorial to identify what parts of the ship we could put in the War Memorial for preservation for historical purposes, should the *Brisbane* opportunity not be appropriate.

Senator WEST—When will those decisions be made?

Vice Adm. Shackleton—I think to some extent it depends on how soon the business interest in Brisbane is able to bring its plans together. We do not have any absolute rush to come to a final conclusion in the term, although obviously sooner would be better.

Senator WEST—Once the *Brisbane* is decommissioned, will Navy have a severely limited anti-air warfare capacity?

Vice Adm. Shackleton—The FFGs are fitted with the same surface-to-air missile system that the *Brisbane* presently has. The overall weapons system in the *Brisbane* I think is, in performance terms, better than that in the FFG as it presently stands. Part of the intention of the FFG program is to look at the anti-air warfare system in the FFG and see what we can do to ensure that we are not left with a capability gap. That was what the CDF was talking to you about yesterday.

Senator WEST—When is that going to be?

Vice Adm. Shackleton—The FFG upgrade program is an approved project and is in the course of initial phases of implementation. Our intention is that those ships be given an adequate level of capability until the end of their life.

Senator WEST—Is *Brisbane* is not providing core capability?

Vice Adm. Shackleton—She is, but as you would know we are, through the white paper process, looking at a larger ship to provide an enhanced anti-air warfare capability, with the

intention that three or four of those ships replace the existing six FFGs, probably from about 2011, 2012, 2013-ish.

Senator WEST—So *Brisbane* going in October is not going to have much effect. What is the C3 capability?

Vice Adm. Shackleton—Command, control and communication.

Senator WEST—Is *Brisbane* essential as part of the C3 capability?

Vice Adm. Shackleton—*Brisbane* has some features that other ships do not have. For instance, it has a long-range three-dimensional radar which allows you to measure height simultaneously with range and bearing, which is very useful when you are controlling fighter aircraft. We think there are ways of getting around that with the advent of AWACs, or using procedural methods, which will see us through until we get some other capabilities in service later on.

Senator WEST—They will see you through, but will they be as effective as the *Brisbane* and her capabilities?

Vice Adm. Shackleton—I think the cumulative effect of them all will allow us to be confident that we can deal with what we have got to deal with.

Senator WEST—Did you say the *Brisbane* goes in October?

Vice Adm. Shackleton—That is correct.

Senator WEST—Will they be on line by then?

Vice Adm. Shackleton—The FFG upgrade program does not start to deliver ships for a number of years yet. The FFG fire control systems and the missile systems as they stand right now are adequate for our purposes but will not stand the test of time.

Senator WEST—Will you be able to have enough C3 capability?

Vice Adm. Shackleton—The FFG capability, coupled with the modifications that will come through the FFG upgrade program, will be adequate for what we need.

Senator WEST—As good as *Brisbane* or just adequate?

Vice Adm. Shackleton—Adequate.

Senator WEST—Has consideration been given to keeping *Brisbane* in service for longer?

Vice Adm. Shackleton—Yes, we have considered it, but in real terms we do not regard it as a viable proposition.

Senator WEST—What are the annual operating costs of *Brisbane*?

Vice Adm. Shackleton—I will have to take that on notice. It is not simply the operating costs; the people who are required to operate that ship are a key issue. It is a steam plant—the last in the Navy. We are now using sailors who were serving on the *Hobart* and the *Perth* to man that ship. To seriously consider extending its life would be highly problematic.

Senator WEST—Are Navy uniforms made in Australia?

Vice Adm. Shackleton—As far as I am aware, yes.

Senator WEST—You do not know whether the uniforms are made in Australia?

Vice Adm. Shackleton—The uniforms that we use are ordered through a tri-service support contract.

Senator WEST—Who is responsible for that?

Rear Adm. Scarce—Army is responsible, as the single service manager, for ordering uniforms. That comes under the province of CJLOG.

Senator WEST—They can be well briefed to be able to tell me, when they appear here in a few minutes, where Navy's, Army's and RAAF's uniforms are made.

Rear Adm. Scarce—I will take that on notice for the DMO, since that is not a responsibility of Army. That is a responsibility of the DMO, and the Chief of Joint Logistics has that responsibility within the DMO.

Senator WEST—So Army does the ordering?

Rear Adm. Scarce—The Army element of the CJLOG organisation does the ordering of uniforms, but CJLOG works for the DMO, not for the Chief of Army.

Senator HOGG—Can we have details of where the RAN's fleet has been involved in collisions or accidents in recent times, and the cost of those accidents.

Vice Adm. Shackleton—I am sure I can get that for you, Senator. Do you have any particular collisions or accidents in mind?

Senator HOGG—I just want to get some idea of how often we are damaging the ships of the Navy. If it is just a small scrape of paint, I am not interested in that; I am interested in those which are of some substance. If you can give us a picture over a period of time, that would be helpful.

Vice Adm. Shackleton—I can do that.

Senator HOGG—One of the things that concerned me when I read the PBS—I have just been discussing it with one of my colleagues—was a statement in the PBS where you say that priority is being given to crewing the fleet. It raises the issue as to the current personnel status of each ship, what shortages there are and the categories of each of the Navy's current ships.

Vice Adm. Shackleton—The manning of ships does get priority. It is my direction that ships are posted to 100 per cent. That being said, there are sometimes shortages in categories which prevent that. If those shortages in categories impact on safety, we will have amelioration factors around that. It is not my intent to send ships to sea that are not safe to go to sea.

Senator HOGG—I would not expect it would be. I am just trying to get a feel for this. Your directive that they are to be posted to 100 per cent must have some longer term effects on your ability to keep that rate up.

Vice Adm. Shackleton—The issue that I think you are referring to is the combined effect of recruiting and retention, and there is no doubt that we need to do better in this area. Having ships manned to the levels that we have puts a lot of pressure on shore positions, and we have to prioritise where our people are in those positions so that we try and get the balance right. We try to achieve that balance, as I think I said in my opening remarks about the sea-shore time, so that people do get respite from sea service, which is arduous and hard work.

Senator HOGG—Has that ratio changed in recent times as a result of the crewing difficulties that exist? How has the ratio changed?

Vice Adm. Shackleton—We have a number of people who are at sea now longer than we would normally have them go to sea, but a high proportion of those people are volunteers to do extra sea service. We have some people at sea who are not in that category who we do need to be at sea because of the jobs that they perform. There are some people who have very long lead times, such as the maintainers for some of our advanced fire control systems who have to go through years of training. There is a long lead time for that so we try to run a just-in-time process for those kinds of people. The net effect of all of that is that we proactively manage the people in the ships on a constant basis.

Senator HOGG—Do you know if that is affecting your capacity to retain your crew?

Vice Adm. Shackleton—I think there is certainly pressure on people who are doing sea service. It is part of the reason why we try to put a lot of effort into support structures ashore for families. We do have a number of measures which are designed to avoid this sort of circumstance going beyond reasonable limits. One of those is what we call ‘pers tempo’. That limits the number of days per year an individual is permitted to be away from his home port. On top of that, we have a number of rules which say how long ships need to be alongside, and we tie some of that to school holidays. So, wherever we can, we try and acknowledge that people in ships also have family commitments and being at sea over school holidays sometimes does not make a lot of sense. Wherever we can, we try to program ships so that those factors are taken into account.

Senator HOGG—Have you done any surveys of the response of the spouses or partners to some of the difficulties that you are facing in terms of crewing, given that they are not your direct responsibility in one sense but they nonetheless must play a significant role for the people who crew your ships? Have you done anything there?

Vice Adm. Shackleton—I cannot say that we have any statistical basis for an assessment, but families of navy people have never been slow at saying what they think—and frankly I would like to encourage them to keep it that way—and we regard them very much as part of the navy family. I can only say that we understand the problems that people have and we are trying to ensure that we do not exacerbate circumstances where that can be avoided. We do go to a lot of trouble. For instance, if a ship has an individual who has a family problem we will almost certainly find a way to send him home so that he can deal with it. We will go without that individual on the ship and we will fly him back to wherever the ship is after he has managed to deal with it, or we will find other ways from our shore support system to provide family support to the wife or the husband and the children, as necessary.

Senator HOGG—Has involvement in East Timor placed extra pressure upon your resources in terms of crewing?

Vice Adm. Shackleton—No. To some extent, in an operational sense, East Timor was almost no different to how Navy does business anyway. The nature of Navy is one based around deployment. Almost anywhere from Australia is a long way, so we do tend to spend a lot of time away from home.

Senator HOGG—Thank you.

Senator WEST—What would be the impact on Navy of New Zealand withdrawing the services of its A4 aircraft?

Vice Adm. Shackleton—We will have to find an alternative to the target and training features that those aircraft do provide for us. That requirement has always been factored into the Air Force lead-in fighter project, so we will be seeking to gain access to that aircraft as soon as it is available. We may well have to find other ways in the interim between when New

Zealand A4s go out of service and the lead-in fighter is available to provide target services to us.

Senator WEST—They provide you with target and training services. What other services do they provide you with?

Vice Adm. Shackleton—When I say ‘target service’, I mean target services in the broad. They fly fast and low and are used for close in weapons training, antimissile training, fighter control training and airspace management training. I am sure we will be able to strike an arrangement with Air Force to provide some alternative, but I know Air Force in its own way has its own issues to deal with.

Senator WEST—When do we expect the lead-in fighter?

Vice Adm. Shackleton—I do not have a date here.

Senator WEST—It is all right. We can ask that when we get to RAAF. What is the cost of what the New Zealand Air Force is providing?

Vice Adm. Shackleton—We have a contract with New Zealand, which I think is to the tune of—

Mr Wallace—In net terms, it costs us between \$2 million and \$4 million a year to get the service from the RNZAF on a cost-sharing basis.

Senator WEST—Thank you. Presumably you will want to take this on notice, but can you please give me, for Navy, a list of all publications and newsletters that are produced weekly, fortnightly, monthly, quarterly or annually, together with the purpose of the publication, the annual costs and the annual estimated cost for each?

Vice Adm. Shackleton—Yes, we can do that.

CHAIR—Thank you, Admiral Shackleton and Mr Wallace.

[2.38 p.m.]

CHAIR—We will move to output 3, Army capabilities. General Cosgrove, do you wish to make an opening statement?

Lt Gen. Cosgrove—No, thank you. We are ready for your questions.

Senator HOGG—Why is there a decline—as I understand it—in the army resources in the budget for this year?

Mr Williamson—A decline? There is a zero per cent change. I think it is about minus \$2.2 million, from memory.

Senator HOGG—I understood that Army was to be one of the major winners around the place. Am I missing something out of this?

Mr Williamson—Overall, Army has a slight variation. As you would appreciate, there are some variations within our overall line. There are some real increases, some price increases, and there are some accounting adjustments that have been running through. Overall, I think in the broad we have some increases in our military salaries, which reflect an increase in our average funded strength. There are increases in our supplies expenses, but there are some decreases through capital use charge depreciation and things like that, which overall net us out to about a \$2 million variation.

Senator HOGG—For each battalion or regiment, are you able to tell the committee what the difference is between the actual request for ammunition made this financial year and what they actually received to train with; what it was for the last financial year; and what the

estimates are for the next financial year? One of the complaints we continually get is that various units do not have sufficient ammunition.

Lt Gen. Cosgrove—I will answer that in the broad, because our bidding for ammunition has tended to be somewhat historically based. The rationale for consumption has tended to be inherited from the calculated usage rates or training needs rates of previous years. There has seemed to be a lack of detail and rigour in that. I have commissioned an explosive ordnance study—which will pick up everything from Army's highest calibre weapons through to small arms, and include along the way specialist ammunitions such as explosives et cetera that engineers might use—in order to quantify what we need by way of ammunition, so that if you were to put that question to me on a future occasion I would be able to point to a document and explain the rationale to you.

Senator HOGG—Are you able to give us an idea now what the bids are for this year and what they actually received? I was at a unit recently, talking to one of the troops there, and he told me that he had got 200 mortar shells for the year. That was obviously not his bid. If you talk to them, they will all tell you that they want more.

Lt Gen. Cosgrove—Yes.

Senator HOGG—I understand that. You get to the argument of how long is a piece of string. If we could get some idea as to what their demands are, it would be helpful.

Lt Gen. Cosgrove—I can tell you that the budget guidance for explosive ordnance for Army in 2000-01 was \$62 million, which was \$40 million less than forecasted requirements—\$102 million. That was assessed to meet Army's directed readiness requirements and East Timor operations.

Senator HOGG—That included ordnance for East Timor as well?

Lt Gen. Cosgrove—Sure. The budget for explosive ordnance was then supplemented for East Timor by appropriations of \$2.6 million for deployment and \$17.9 million for force generation. That left a shortfall of \$19.5 million. In order to meet training needs et cetera, without regard to those figures that I just gave you, we did intrude into stocks in a calculated way. An additional \$30 million was allocated from capital for remediation of stocks. That funding was not directly to support consumption, but to re-establish stocks. The issue is that these figures tend to be historically based and there is no central document that I can show you at this stage—although I would be able to do so when our ammunition study is concluded—which would tell you the basis upon which we make provision for ammunition.

Senator HOGG—When is your munitions study due to be finished?

Lt Gen. Cosgrove—It has just got under way, and it will be finished within this year. It will be a complicated document in that it will not just speak about types of ammunition, but about things like training and shooting policies and why you expend amounts of certain types of ammunition to achieve a set standard. It would be my expectation to have it within the calendar year.

Senator HOGG—And until you have that, you are still working on the old bids system where the various commanding officers put in their bid and you give according to what you have got at your disposal—is that correct?

Lt Gen. Cosgrove—That is right. Adjustments are made depending on special activities. For example, a unit that might be involved in Tandem Thrust might receive a shifted allocation partway through the training year, depending on usage and a judgment on whether

the special activities on that exercise might justify it. But that is a micro-management technique.

Senator HOGG—Are you able to give us any idea at this stage of, let us say, what a particular battalion might bid by way of ordnance—ammunition?

Lt Gen. Cosgrove—I do not have the details with me.

Senator HOGG—Can you take that on notice, so that we have got some sort of feel for what the state of play is like before you have finished your study, because undoubtedly, once you have finished your study, the committee will come back and ask you the same question—what is the state of play like at this point in time—so that we have a comparison or a basis on which to compare what you are doing.

Lt Gen. Cosgrove—Senator, I will do that, but you would appreciate that what I would show you in the interim will not sit within a context of another judgment as to what all battalions need. A particular battalion from, say, Townsville on the highest level of readiness will have a perceived need based on historical usage as to what constitutes a shooting standard that they must achieve. I want that to sit within a whole-of-army context which says, ‘Yes, you’re up at the top of the list, and then the ones just below you need a slightly different amount,’ all the way down to units on lowest readiness, which may not be infantry battalions but which will still need some ammunition.

Senator HOGG—That could even include reserves.

Lt Gen. Cosgrove—It does include reserves. Every soldier in the Army will have a shooting requirement as part of their Army individual readiness notice, so there is a dollar figure to be attached to every soldier for shooting.

Senator HOGG—That should be one way of overcoming the complaints that we receive when we move around, that they do not receive sufficient ammunition. You did say that back in 0001 there is \$102 million not used—is that correct? Did I interpret that correctly—did you use \$62 million?

Lt Gen. Cosgrove—No, I actually read some points and I will read it out again and see if I repeat what you heard. The FY0001 budget guidance for explosive ordnance was \$62 million. That turned out to be some \$40 million less than forecasted requirements, so it was simply—

Senator HOGG—So you forecast \$102 million and \$62 million was the rate of use?

Lt Gen. Cosgrove—No, it was the guidance; that is what we were given.

Senator HOGG—That is what you were given—you asked for \$102 million?

Lt Gen. Cosgrove—Yes. That was an original amount and then I read some other figures where it was supplemented—

Senator HOGG—Yes, you did. It was supplemented by \$2.6 million and \$17.9 million; is that correct?

Lt Gen. Cosgrove—That is right.

Senator HOGG—And that still left a \$19.5 million shortfall, I understand.

Lt Gen. Cosgrove—Right.

Senator HOGG—I just wanted to make sure I had those figures correct.

Senator WEST—Can I now move to Tandem Thrust and the parachute drop that injured 30. First of all, how many took part in the parachute drop?

Lt Gen. Cosgrove—I will give you the story, if you like—I was actually there. I did not see the jump but I was at the hospital the next morning.

Senator WEST—I can imagine.

Lt Gen. Cosgrove—There were 194 United States soldiers who jumped and 187 ADF forces, who were a combination of 3RAR and supporting units. US forces injured in the jump were 21 and Australian forces injured were 30. Of those 30, about 19 were casualties who required evacuation on the spot. I dare say the balance were young soldiers who presented subsequently saying, ‘I have a sore arm’ or ‘I have a sore leg.’ That would have been during the day following the jump. The sorts of injuries ranged from broken limbs and sprains to minor bumps and lacerations. We classify our casualties as priority 1, 2 or 3. All the casualties were priority 2 or 3, so nobody was felt to be critical in that assessment of casualties. We had seven who were rated 2B—those who in an emergency could move themselves; seven who were rated 2C—those whose condition would benefit by their being on a litter; and 14 who were rated priority 3—sitting patients. Of the overall number—they do not quite add up—there were two whose rating was unknown, people for whom we did not capture the data.

We budget for about a 10 per cent casualty rate on these drops. The reason, first and foremost, is simply the dangerous nature of the activity and the fact that there is a large number of people in the air at a given time and the drop zone is never a perfectly cleared, ploughed paddock with high-jump mats to catch people. There are going to be casualties and 10 per cent is the usual expectation. It was slightly higher on the night for the following reasons. The jump took place in the early hours of the morning. It was a particularly cold morning in Shoalwater Bay training area. I think the temperature was about two degrees. This meant that the parachutists descended as mother nature intended, without any thermal updraught, which quite often on a night jump will help soften the landing.

The next point was that there was no moon. The moon did not rise until very late in the morning, after the jump, and when it did rise it provided 10 per cent ambient light. It did not bathe the drop zone in light, even when it did rise. That was immaterial: it was not up when they jumped. The parachutists therefore came straight down, did not drift, and had reduced depth perception of the imminent arrival of the ground—or them to the ground. Ergo there were more injuries than we would normally get.

We plainly have to continue that highest order of risky jumping but, as a result of this, we have to look at ways in which we can reduce the risk at the obvious point—that is, when the soldiers arrive to the ground. There are ways of doing this, which are to perhaps illuminate the DZ and not have all the soldiers jump with full equipment. I should have pointed out they were all in full equipment. I have invited the land commander to look at these issues. I do need to point out that this is one of the hardest operational evolutions that we ask our parachutists to perform. There must be some level of expertise and training in this, and our intent would be simply to always review the risk factor in any jump.

CHAIR—Was any equipment broken? Were any weapons lost? Was there anything outside personal injuries that affected the operational aspects and experience of the jump?

Lt Gen. Cosgrove—Not to my knowledge was any significant equipment or reportable item lost. Undoubtedly, a lot of personal equipment gets damaged in that sort of jump. One young man was brought from the aircraft well before the drop zone when his reserve chute was accidentally deployed in the slipstream, and he was dragged from the aircraft by his throat. That young fellow is lucky to be alive. This is a very dangerous game.

Senator WEST—The US rate was 21 out of 194, and our rate 30 out of 187; have some comparisons been done as to why the US rate is getting down towards the 10 per cent level, but we are up at about 15 per cent?

Lt Gen. Cosgrove—No, not in a formal sense, and it may be nugatory. Let me explain why. The US forces jumped at a different time of the night, so the conditions, which were broadly the same all night, may have been somewhat at variance. The aircraft may or may not have flown a slightly different profile for that jump. I checked with the US forces lads who were in the hospital and asked them, as I went around, ‘How many jumps do you have?’ This was for me to get an idea of their experience. By and large, they had fewer jumps than our 3RAR soldiers. So the individual experience was not an issue. The parachutes were similar; they were jumping with their equipment as we jump with our equipment. I should tell you that a lot of the US soldiers are very large people, so they would not be floating down any slower than our soldiers. It is a worthy question to ask, but it does not appear as if there is an immediate issue of technique or tactics which I can point to.

Senator WEST—You say the injuries were category 2 and 3, but there were fractures.

Lt Gen. Cosgrove—That is right.

Senator WEST—Were they fractures of limbs?

Lt Gen. Cosgrove—Yes, they were generally fractures of lower limbs, although the lad who came out in an involuntary way at the end of his reserve chute cracked his collarbone.

Senator WEST—He was lucky he did not do his cervical spine. When the paratroops from 3RAR are in practice, how many aircraft do they use to undertake these drops?

Lt Gen. Cosgrove—Without getting into the precise detail—I am not personally a parachutist—they will generally have upwards of 40, but no more than about 60 parachutists, and they will obviously rely on the number of aircraft available. Because of the serviceability issue and the proficiency of the RAAF aircrew, that is a movable feast.

Senator WEST—So you do not know, when 3RAR is doing training out of aircraft, how many aircraft are available for 3RAR’s use?

Lt Gen. Cosgrove—There is no set number. In the game of training 3RAR for proficiency, they will take what they can get and they will bid for aircraft for activities.

Senator WEST—So for a whole-of-battalion drop, they may not know how many aircraft they are going to get?

Lt Gen. Cosgrove—Yes, they will know that, because that will be, if you like, part of the exercise arrangements between themselves and Air Force. But there is no set number that would be available constantly, so to speak. That is what I have understood by your question—whether they have a set number of aircraft dedicated for parachuting.

Senator WEST—If they say they are going to do a whole-of-battalion drop, do they actually get to do a whole-of-battalion drop in sequence, with X number of aircraft full for the whole battalion, or do they have one or two aircraft which take them through a cycle of pick-ups and drops?

Lt Gen. Cosgrove—Sometimes, by dint of careful coordination, 3RAR can get most of the battalion that is parachute capable up and in aircraft at the same time. That is unusual and that comes down generally to air crew proficiency, the number of airframes available and, of course, the design of the exercise.

Senator WEST—On how many occasions in the last three years have they been able to have the number of aircraft needed to do a whole-of-battalion drop in just one take-off and landing of an aircraft?

Lt Gen. Cosgrove—Can I take that one on notice?

Senator WEST—Yes, sure.

Lt Gen. Cosgrove—Remembering that there has been East Timor intrude, and we are actually recovering the parachute capability back to where it needs to be for contingency reasons. That is part of Tandem Thrust, et cetera.

Senator WEST—That is fine to go on notice.

Senator HOGG—There have been some recent articles about concerns raised by former members of the SAS regarding injuries they incurred in training; is Army reassessing its SAS training program and, if so, in what ways?

Lt Gen. Cosgrove—I have come unprepared for that question because I am not personally familiar with the claims by any of these past members of SAS. They simply have not got to me. I have become aware of them through the media, but I am not aware of them being drawn to my attention for any judgment or comment at this stage.

Senator HOGG—If they have not got to you personally, is it possible that they have got further down the line in the chain of command?

Lt Gen. Cosgrove—It may be. I will just look to see if any of my supporting—

Senator HOGG—I am sure if you have got a knight in shining armour there who is going to come to your rescue, they will. We will just go on. Could you take that on notice and get us the answer?

Lt Gen. Cosgrove—Yes.

Senator HOGG—In respect of the night vision equipment that Army now have—and I have seen it in operation—is Army experiencing any problems with personnel getting a night vision illness as a result of using the equipment?

Lt Gen. Cosgrove—Again, that one is unreported to me.

Senator HOGG—Could you take that on notice and find out for us if any people are experiencing problems; if there is a problem, how many are experiencing the problem and how the problem is being overcome.

Lt Gen. Cosgrove—Yes.

Senator HOGG—There is a request for tender out relating to design and construction work that is to occur at Victoria Barracks in Sydney. What is this work and what is the value of the work?

Lt Gen. Cosgrove—I can provide a partial answer to the likely nature of the work. But there is other detail there that may be a Defence Estate area. Headquarters Training Command, which has been located for some time at Georges Heights in Sydney, is moving to co-locate inside Victoria Barracks with other Victoria Barracks lodger units. In order to make that occur around the end of this year, there is a certain amount of work underway to provide accommodation and information systems and other services to the relocated headquarters. I am not familiar with anything further to do with tendering.

Senator HOGG—Thanks very much. The next issue has been drawn to our attention by a number of people. I have lost the article for the moment, but it is about Westbus. Do Army

have a contract with Westbus to provide transport for personnel from Georges Heights to other locations? Apparently, there are a number of irate people—on the basis of the complaints that we have received—who are upset that every morning at about 7 a.m. a Westbus tourist coach, described as being a very big one, drives down to Middle Head barracks and picks up people. When it comes back, there are generally only a handful of people on it and he feels it is a misuse of resources. It is the sort of thing that people latch on to and ring you up to complain. They think that Army should have better things to do with their money than fritter it away putting on a huge tourist bus when maybe a small 21-seater or something like that would do. Do you know anything about it?

Lt Gen. Cosgrove—It is not something I have got in my briefing pack, so can I please take that one on notice?

Senator HOGG—No, I did not think it would be. But I thought it would be useful to raise it seeing that you have got an admirer out there who is complaining about these things. If you can find out what the cost is, how many personnel use the service, the type of bus used and the purpose, that would be helpful indeed.

The other issue that we have raised with other groups is: are you able to provide—not today, but on notice—a list of all publications and newsletters that are produced weekly, fortnightly, monthly, quarterly or annually; the purpose of the publication and the annual costs or estimated annual costs for each of the publications? Would you take that on notice? We have a number of other questions which we will put on notice for you in due course. That is as far as we want to proceed.

CHAIR—Just before you go, General Cosgrove, were you consulted about the proposed parliamentary service experience that we have been offered?

Lt Gen. Cosgrove—Yes. It was a pretty easy one because it seemed to us to be such a useful exercise. Was there a particular item detail?

CHAIR—I just wondered whether you had had any takers yet.

Lt Gen. Cosgrove—I am not sure of that because, as you know, that program is being administered, I think, between perhaps the chair of the joint subcommittee and certainly—

CHAIR—The Presiding Officers, I think.

Lt Gen. Cosgrove—Yes, and Air Vice Marshal Brendan O’Loughlin, who was the sort of agent for Defence, and we are looking forward to our first intake.

CHAIR—Very good.

Senator WEST—Some of us are still waiting for our invitations.

Senator HOGG—I think there is a general invitation, Senator West.

Senator Ian Macdonald—I hope there is not a war then; they would not be much use to you.

Senator WEST—Excuse me, Senator Macdonald, there are some of us who have specialty areas that the Army and other Defence Force areas are short of.

Senator HOGG—Senator Macdonald, I am sure they would look after you in some capacity.

Senator WEST—They would always be able to use another lawyer.

CHAIR—I look forward to being a transport command pilot during the next outbreak of hostilities.

Senator HOGG—You could drive the big truck.

CHAIR—Thank you, General Cosgrove.

Lt Gen. Cosgrove—Thank you.

Senator WEST—You could find those qualifications could go very well.

Senator Ian Macdonald—You would not be allowed on the front line, Senator.

CHAIR—Or the second line, Minister.

Senator WEST—Nurses have been up there for a lot longer than some of the blokes have.

[3.07 p.m.]

CHAIR—We move now to output 4, Air Force capabilities. Welcome, Air Marshal McCormack. Do you wish to make an opening statement?

Air Marshal McCormack—Yes. Air Force provides combat forces that contribute to the ADF's capacity to defeat attacks against Australia, defend regional and global interests, shape the strategic environment, and protect national interests. These capabilities encompass air strike and reconnaissance, tactical fighter operations, strategic surveillance, maritime patrol, aircraft operations, and air lift and air support of air operations.

Within each area, Air Force is to achieve concurrently preparedness levels as directed by CDF for military response options with a warning time of less than 12 months, and also achieve a level of training that maintains core skills and professional standards across all warfare areas. The preparedness objectives for individual contingencies are set by COMAST in his operational preparedness directive following operational analysis of what is likely to be required to successfully achieve the outcomes of each individual military response option in CDF's directive. I then aim to set overall preparedness levels for each of my suboutputs so that, within available resources, the requirements of each individual serial in the preparedness directive can be achieved. This will also include the ability to conduct a number of serials concurrently drawing upon formal guidance from CDF for desired concurrency levels. The Air Force plan then provides the framework for management of the Air Force as a whole within the Defence organisation.

In particular, the Air Force plan defines the outcomes required for Air Force to achieve its assigned mission, including personnel and logistics outcomes. The capability outcome is supported by capability based management. Air Force capability based management provides the means to direct, monitor and assess Air Force capability, in particular preparedness. Air Force is currently undergoing a major revamp of the capability based management framework, including development of tools which will support a holistic assessment of Air Force capability by sub-output, capability element and capability function. This framework will provide clear links to military strategy and will also support the proposed directed level of capability contract.

In spite of resource constraints, Air Force has successfully met the performance targets as specified in the PBS. In the Air Force performance summary at page 46 of the PBS I note four short to medium risks which will need to be mitigated if Air Force is to achieve its capability targets. In summary, these risks are: Air Force has personnel shortfalls in a number of key areas; personnel and equipment shortfalls currently limit Air Force's ability to sustain operations; Air Force is confronted by a range of issues relating to the age of many of its key

platforms and equipment; and, finally, the maintenance of a regional capability edge will be a challenge over the next decade. I go on to outline these four areas.

The personnel issues are of concern to Air Force. We have recently completed an unprecedented period of high tempo operations which have placed significant strain on Air Force personnel. These pressures have been exacerbated by a period of substantial organisational change. As a consequence, recruitment and retention of key Air Force personnel is a priority. A key imperative for Air Force over the coming year will be the establishment of sustainable workloads and improving the occupational health and safety of our people, and, in parallel, the instigation of a range of targeted recruitment and retention initiatives.

Personnel and logistics shortfalls and reduced aircraft availability for a number of key platforms have impacted on sustainability of Air Force operations. Capability management initiatives will allow sustainability targets to be set and measured, and we will support a rebalancing and reprioritisation of Air Force resources.

A number of key Air Force platforms are experiencing a range of ageing aircraft issues, including fatigue, corrosion and spares availability. These issues result in increased maintenance effort, reduced aircraft availability and increased costs. The recent decision to progressively withdraw the B707 from service over the next two years, including the requirement for an interim air-to-air refuelling capability, is indicative of the magnitude of the decisions that we will face in coming years.

The maintenance of our regional capability edge is becoming increasingly difficult, given the proliferation of advanced weapons systems throughout the world and specifically our immediate neighbourhood. The white paper specifically includes some significant improvements for Air Force capability, including AEW&C aircraft, enhanced air-to-air refuelling, aircraft command and control systems, electronic warfare self-protection and precision stand-off weapons. In the longer term, the replacement of our strike, fighter and maritime patrol capability will present some significant challenges. Selective interoperability with coalition forces will also be imperative. Again the timely realisation of white paper initiatives will be the key.

As outlined, we have some problem areas in the Air Force, but we are well positioned to return to a balance of tasks against resources within the next few years. Mr Chairman, if you wish, Mr George Veitch can now address the costs of output 4.

CHAIR—Thank you, Air Marshal. That would be good.

Mr Veitch—Mr Chairman, Senator Hogg has raised some issues with the previous outputs concerning the movement in output price. In terms of the output 4 price, you will notice in the PBS that the increase is \$41 million or 0.8 per cent. However, when you take into account some issues to do with the difference between price and costs that Mr Harper explained yesterday, in fact the movement in the Air Force output cost is \$129 million, or plus 2.4 per cent.

CHAIR—Could I interrupt you there, I am sorry. I think there is some pressure on time for my colleagues. Would it be possible for you to table that document?

Mr Veitch—I could table the document but—

CHAIR—You would prefer to speak to it?

Mr Veitch—Maybe just for one or two minutes. It gives the flavour for the overall increase, and that would be consistent with the last two outputs.

CHAIR—Please go ahead.

Mr Veitch—In essence, and consistent with the reasons explained in the document on pages 47 and 48, there are three principal areas of increase. First of all, there are a number of people related variations of \$70 million. That can be explained in terms of pay increases and retention and recruiting initiatives, in the main, and also a number of positions are being civilianised under the DRP.

In terms of logistics related costs and the like, including East Timor funding, there is an increase of about \$152 million, which covers a whole range of issues, including price, the cost of remediating some of our logistics shortfalls and also equipment to do with East Timor and the like. Consistent with the other outputs there is a fairly large movement in assets and asset related expenses—a negative of \$93 million. The large portion of that is a change in the capital use charge rate from 12 per cent back to 11 per cent. There are also some issues in non-recurring write-off expenses, but that adjustment of minus \$93 million that I have just explained is largely technical and accounting changes.

CHAIR—Thank you for that explanation, Mr Veitch.

Senator HOGG—If that statement and the previous statement are tabled now we can get them copied and have access to them.

CHAIR—Yes, certainly. Air Marshal McCormack, if you could table your document.

Air Marshal McCormack—Yes.

CHAIR—Are you able to table yours, Mr Veitch?

Mr Veitch—It is really more a briefing note.

CHAIR—I think we have it in *Hansard*.

Senator HOGG—That is fine.

Senator FAULKNER—As you are aware, Mr Chairman—and I think Air Vice Marshal Conroy is aware of this—some of my questions probably go to DMO issues. To try and save time I am asking them in this program. I do not know if you are aware of that, Air Marshal McCormack, but it is something we organised yesterday to try and save a bit of time. Basically they go to the general issues of the VIP fleet.

Air Marshal McCormack—Yes.

Senator FAULKNER—I am aware that some of them probably do significantly trespass into the DMO area.

CHAIR—I am glad you explained it, Senator Faulkner. I knew that Air Vice Marshal Conroy understood, but I do not think Air Marshal McCormack was here yesterday. The committee is happy with that.

Senator FAULKNER—In relation to the new VIP fleet, have all the contracts now been finalised?

Air Vice Marshal Conroy—It might help if I could give a short statement of how things have progressed since we last spoke here in February.

Senator FAULKNER—I think that would be useful, Mr Chairman. A status report would probably save us some time, I suspect.

CHAIR—Go ahead.

Air Vice Marshal Conroy—The new SP aircraft are still due to enter service progressively from mid to late 2002, so the delivery schedule has not changed. However, there have been some changes to events as I forecast them at the February meeting. There has been a delay in the establishment of the maintenance and support arrangement contract. In February I stated that we had hoped to have the maintenance support agreement in place around May, and then intended to publicise the completion of the contract. We now do not expect to have an agreement until August.

Negotiations were delayed because knowledgeable Qantas personnel and project office staff were occupied with detailed fit-out centre negotiations and other project management activities. Qantas have agreed to a negotiation timetable. We made this concession because we needed to address the critical path, not the non-critical path. There has been a delay in the fit-out centre contracts. In February the SLC was told that we expected to finalise fit-out centre contracts in March, and freeze aircraft fit-out designs in May. We now expect fit-out contracts and design freeze for the 737 BBJs in early June, and the Challenger 604s in early July. There has been a change to the seating arrangements in the smaller aircraft, the Challengers.

The Federal Aviation Authority in the US has objected to one of the proposed fold-down crew attendant seats in the interior fit-out design for the Challenger. A redesign under consideration by PM&C, but not yet agreed, would see two of the current aft area seats replaced by a three-seater sideways lounge with one place being reserved by the crew attendant, and this would retain the VIP passenger seating capacity at eight. The fourth change that I wish to advise you of, Mr Chairman, is the deletion of the requirement for the 44-seat configuration for the larger aircraft, the 737 BBJ. PM&C have already agreed to delete the requirement for the 44-seat configuration for the BBJs.

This decision will save approximately US\$1.5 million of capital costs at fit-out and reduce operating costs for reconfiguration and storage. The time and cost of reconfiguration would have meant that this configuration was rarely used and we discovered because of the narrowing of the rear fuselage area of the 737 that we would have had to have specially designed smaller tourist class seats to acquire and it just became an option of no great return to us. Instead of having three configurations we now will be proposing two, one of them 26 passengers and six crew and the other 36 passengers and six crew. I trust that will be of use to you, Senator.

Senator FAULKNER—It is and I appreciate it very much. Thank you, Air Vice Marshal. What about the value of the contracts? You did give us, of course, some information previously on this. Is there any update you are able to provide or has that slippage in some of the time lines you have mentioned had an impact in terms of being able to indicate to the committee what the final value of contracts is?

Air Vice Marshal Conroy—I think I have mentioned before that the project management agreement, which is the agreement with Qantas Defence Services to get these aircraft through fit out, was \$A4.1 million.

Senator FAULKNER—Yes.

Air Vice Marshal Conroy—I would be reluctant to disclose our budget for the project management agreement before we have actually completed the negotiations with Qantas Defence Services with your indulgence. The leasing costs of the aircraft at exchange rates of US54c to the Australian dollar will amount to something in the order of \$A32 million per annum.

Senator FAULKNER—I am sorry. What was that figure?

Air Vice Marshal Conroy—\$A32 million per annum.

Senator FAULKNER—That is at US54c?

Air Vice Marshal Conroy—Yes. It is very sensitive to the exchange rate, of course.

Senator FAULKNER—Of course. It is subject to the vagaries, if you like, of the exchange rate. Have you worked out on the current exchange rate as of today what that figure is?

Air Vice Marshal Conroy—You could proportion it on the basis of 54 over 51.

Senator FAULKNER—I know but I just wondered if you had worked it out.

Air Vice Marshal Conroy—No, I did not bring my calculator with me.

Senator FAULKNER—Are you just leaving that hard work to the committee, Air Vice Marshal? We really appreciate that. You mentioned in your opening statement the changes that have been made in terms of the fit-out to the BBJs. That was something, I think, that had been in abeyance at our last hearing. I also hear what you say about the three configurations now becoming two configurations as I understood the evidence you gave. If you like, it is a 26 plus six crew configuration. What is that best described as?

Air Vice Marshal Conroy—That is the VIP configuration.

Senator FAULKNER—Yes, the VIP configuration. And a 36 plus six staff—what is that one called?

Air Vice Marshal Conroy—I think we could call it a service support configuration.

Senator FAULKNER—In relation to the Challengers, we went through some of the more specific details of the fit-out. Are we up to the point of you being able to outline to the committee some more detail about materials being used and the like today? I assumed we would be, given the evidence at the last hearing, but I do appreciate that there might be some slippage there also.

Air Vice Marshal Conroy—Meetings have been held with PM&C, and through them the PM's office, to discuss the matter of the international aircraft layouts and decor. The guidance that has been given and that we are passing on to the fitout contractor is that the interior ISPA decor is to be as close as practicable to that of the domestic aircraft. There will be, of course, minor exceptions because the two companies do not source their materials from exactly the same place. We are trying to make them pretty standard in terms of decor.

Senator FAULKNER—What are the exceptions likely to be? The detail of the configuration has not changed, apart from dropping off one complete configuration—they have been reduced from three to two. But has the internal detail of the two remaining configurations changed at all?

Air Vice Marshal Conroy—That has not changed in any substantial way that I am aware of.

Senator FAULKNER—Any insubstantial way?

Air Vice Marshal Conroy—There was a meeting held in the US last week where there was a tendered cost out of the fitout centre, Ozark Aircraft Systems, that exceeded our earlier estimations and our allocated budget. We sent Qantas and one of our own observers across for negotiations. We believe we have achieved an acceptable cost outcome, but there has been some minor change in fitout design, such as deletion of a border strip for the carpeting on the floor and some minor exclusions to desirable elements in the galleys to bring the fitout back

within budget. Those sorts of things are still occurring. We have not totally finalised the marginal aspects of the fitout.

Senator FAULKNER—The replacement of individual seats with a lounge seat arrangement, was that in the—

Air Vice Marshal Conroy—Domestic aircraft.

Senator FAULKNER—I see.

Air Vice Marshal Conroy—If you can imagine club seating of four plus four, the rear four unfortunately will not be total club seating. It will have to go to a lateral bench three-seat lounge in order to accommodate the crew attendant, if it is agreed. That has not been formally signed off yet.

Senator FAULKNER—This lateral bench is along the windows, is it?

Air Vice Marshal Conroy—Yes. I believe there is a similar arrangement in the current Falcon 900s.

Senator FAULKNER—These fitouts, as you have indicated, have been discussed with PM&C for both the Challenger 604s and the BBJs?

Air Vice Marshal Conroy—They have, yes.

Senator FAULKNER—What is the process? Has that been formalised a little more since we last met?

Air Vice Marshal Conroy—The meetings are conducted formally between the principals, my Director General, Airlift, Maritime, Training and Support, and the FAS of the International Division in PM&C. Most of the meetings are held at working level and are normally attended by one member from the PM's office, one from PM&C and the number of people that are needed out of my project office.

Senator FAULKNER—The customer or client input comes via the PMO and PM&C representatives?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—Do you know whether they have been seeking any broader consultation with other users?

Air Vice Marshal Conroy—I am unaware of that. We have this single point of contact with the customer community—these meetings.

Senator FAULKNER—You gave us the figure for the leasing contract. Is that contract figure written in US dollars?

Air Vice Marshal Conroy—A rather complicated arrangement has been made whereby we are billed in Australian dollars and we pay in US dollar equivalents.

Senator FAULKNER—I am really asking about the contract price, or the leasing price. Is that written in US dollars?

Air Cdre Monaghan—As part of the contract arrangement, a currency swap arrangement was put in place. As we understand that, the lease payments are set in Australian dollars, but we will pay in US dollars. The swap between those two amounts will be set at the time that the aircraft delivery occurs—the exchange rate.

Senator FAULKNER—The actual lease payment contract figure is in Australian dollars?

Air Cdre Monaghan—That is correct. It is set in Australian and US dollars because the payments will be made in US dollars.

Senator FAULKNER—But surely there is a figure—I must be misunderstanding this—in the lease or in the contract. Wouldn't it be written in either US or Australian dollars?

Air Cdre Monaghan—The figure will be written in Australian dollars, but at the time that the aircraft is delivered a currency swap arrangement will be set and we will pay a fixed US dollar amount back.

Senator FAULKNER—When you say 'will be written in Australian dollars'—

Air Cdre Monaghan—The advice we have is that the rate will be set at the time of aircraft delivery.

Senator FAULKNER—What was the figure you gave me before, Air Vice Marshal?

Air Vice Marshal Conroy—It was \$A32 million.

Senator FAULKNER—That figures is what, just so that I am clear?

Air Vice Marshal Conroy—That is the estimated leasing cost.

Senator FAULKNER—It is an estimated leasing cost.

Air Vice Marshal Conroy—It is an estimated annual leasing cost.

Senator FAULKNER—The key word is 'estimated'?

Air Vice Marshal Conroy—Yes, because the—

Senator FAULKNER—That is what I am trying to understand. I think I now understand the evidence that the air commodore has provided to us. That was an estimated figure?

Air Vice Marshal Conroy—That is correct.

Senator FAULKNER—So that we are clear and in order to finalise the picture, what is your expected date of finalisation of this contract—the lease payments?

Air Vice Marshal Conroy—It is at the point of delivery of each aircraft. In the case of the BBJs, they are currently estimated to be delivered to us on 15 April 2002 and 17 June 2002. In the case of the domestic Challenger aircraft, it is 31 May 2002, 31 August 2002, and 1 October 2002.

Senator FAULKNER—So mid-calendar year 2002 you will be looking very closely at the vagaries of the Australian dollar, and exchange rates will become a matter that Aerospace Systems will taking a close interest in?

Air Vice Marshal Conroy—We do about \$1.1 billion business a year, and a lot of it is in overseas currencies. It is a constant headache whether we have the VIP program or not.

Proceedings suspended from 3.35 p.m. to 3.51 p.m.

CHAIR—The committee is resuming its consideration of the particulars of proposed expenditure for the Department of Defence. We are presently on output 4, Air Force capabilities.

Senator FAULKNER—Before we leave this question of the fit-out, in the last round, Air Vice Marshal Conroy, you would recall that we just touched on the entertainment that was available in the BBJs. Is that the in-flight entertainment service? Is that still going to be supplied on the BBJs through a consol in individual seats? Is that still the case?

Air Vice Marshal Conroy—Yes, that will be case. There is no tourist class compartment anymore, so every business class seat will have one of those fold-out video monitors.

Senator FAULKNER—That is what I assumed. So there will be an in-flight entertainment service in each seat. To go back to the question of the entertainment service or package itself, I think you indicated last time around that you would expect a contractor to supply that. Are there any details as yet on who that contractor might be and what they will be supplying?

Air Vice Marshal Conroy—I think we will be sweeping that up in the maintenance and support agreement contract—the one that is yet to be negotiated—as an obligation on the contractor, Qantas Defence Services, to provide.

Senator FAULKNER—Is this likely to be audio, video and the like?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—But at this stage you cannot give us any detail of that?

Air Vice Marshal Conroy—No, I cannot, except to say that in the 737s there will be a DVD, a video player, CD players and in-seat monitors.

Senator FAULKNER—Will a separate contractor be providing those in-flight entertainment services?

Air Vice Marshal Conroy—If there is, I would expect that that separate contractor would be at arm's length from us and from the Commonwealth. They will be engaged by Qantas. I do not think Qantas does this type of work in house. I think they probably have some separate arrangement but it would be opaque to us.

Senator FAULKNER—Can you confidently predict to the committee that there will be plenty of different videos and audio channels for those who are travelling?

Senator Ian Macdonald—I do not think the officer could confidently predict that.

Senator FAULKNER—Would you be able to assist us, Senator Macdonald?

Senator Ian Macdonald—I certainly could not, but if you want me to take it on notice to the minister, I will do that for you.

Senator FAULKNER—Yes, I would like to know, now that we understand what is available—video cassette players, the DVD players, the CD players, and the in-flight entertainment system—and now that you have offered, the number of audio and video channels. I would also like to know who is providing them.

Senator Ian Macdonald—I suppose it would be the same as on international flights, Senator. You would probably know about that.

Senator FAULKNER—That is not a supposition that I am willing to make. I wonder, given that you have kindly offered to find out the information, if you could do so.

Senator Ian Macdonald—I certainly will pass that on to Mr Reith for his attention.

Senator FAULKNER—Air Vice Marshal, can we look a little into the future to when the BBJs come into service? How will the 707s be phased out and when? I think you made some brief remarks about this in the status report that you gave the committee a little earlier. Can you give us a little more detail about what current expectations are in terms of the future of the 707s, how and when they will be disposed of—understanding the evidence that you have given to the committee in relation to the BBJs, that you were expecting delivery of one on 15 April 2002 and one on 12 June 2002.

Air Vice Marshal Conroy—Perhaps I could throw it to the Chief of the Air Force. He has been examining the 707 future as part of his capability management process.

Air Marshal McCormack—The 707 was becoming very expensive to maintain. It is an old aircraft which would require a lot of maintenance in the near future. We have already withdrawn one from service and we will be withdrawing the other four from service over the next 18 months to two years. They will be disposed of, I guess, through the administrative services. We do not do that ourselves.

Senator FAULKNER—What about timing? Air Marshal, I appreciate it was your opening statement that touched on the 707s.

Air Marshal McCormack—Yes.

Senator FAULKNER—Hearing what you say, and understanding that—one down, four to go, effectively—have you got a clear timetable for seeing those 707s out of RAAF service?

Air Marshal McCormack—Yes, we have. As they come up for major servicing, they will not go into major servicing; they will be left on the ground—the same as the one that has been brought out of service. It was due to go into Qantas in February and it was considered not effective to put it into servicing because of the cost and the time it was going to take. As they come up for major servicing they will be grounded.

Senator FAULKNER—Can you provide the expected times of those services so the committee does have an understanding about the phase-out of the 707s? I do not expect you to have that at your fingertips today, but if you could provide that, it would be helpful.

Air Marshal McCormack—Yes, we can provide that.

Senator FAULKNER—And if you could very briefly explain to the committee the processes after grounding or decommissioning, or whatever the appropriate expression is.

Air Marshal McCormack—That is done outside the Air Force. We do not dispose—

Air Vice Marshal Conroy—Disposal will be the DMOs responsibility.

Senator FAULKNER—Let us take the currently grounded 707s. What will the process with that be—just to give us a bit of an insight. I do not need much detail, just an understanding of how this works.

Air Vice Marshal Conroy—The first thing we would look at is how much of it we wish to convert to spares for the other four. Then we would work out a strategy to see whether there is a buyer, whether we can get any decent amount of money for it as a whole piece of kit and whether it is for spares, and then what are we going to do to break it down eventually to sell to scrap. Those are the processes.

Senator FAULKNER—Is there much resale capacity for 707s of this age, and where?

Air Vice Marshal Conroy—People have estimated to me that if we could find a buyer it would be in the order of \$1½ to \$2 million.

Senator FAULKNER—Have you got a date, Air Marshal, which we could have now which would indicate that time by which all 707s were out of service and grounded as far as the RAAF is concerned?

Air Marshal McCormack—As I said, by the end of next year we would assume that they would all be out of service.

Senator FAULKNER—Is there any change in terms of their current functions or capacity as we work through the phase-out process?

Air Marshal McCormack—No.

Senator FAULKNER—One of the issues that is properly raised here—and something that I have raised in parliament—is this general issue of how safe or unsafe the 707s are for the RAAF personnel or others who are flying in them. I would be interested to hear your comments on this particularly in the light of the Prime Minister's statement in relation to concerns about safety and that being the one of the key imperatives in terms of the need to upgrade the VIP fleet.

Air Marshal McCormack—Senator, I have a section that is solely responsible for the technical airworthiness of aircraft for the whole fleet. They advise me on those issues. It is not so much a problem with the safety of individual flights; it is the serviceability rates that we have with the aircraft at the moment that are causing the problem and the fact that in the near future to maintain safety we will have to do major refurbishment to the wings of 707s. We only fly serviceable aeroplanes but there is much higher chance of minor unserviceabilities causing an aeroplane not to take off at the appropriate time. I have no concern about the actual safety of any individual flights but because of the unserviceabilities the five aircraft were giving us an average of only 1½ aircraft online at any one time, so it just becomes economically unsupportable.

Senator FAULKNER—If there were a safety risk to, say, the VIP aircraft passengers I would have thought that instinctively there must be a safety risk also to RAAF personnel, and that is the reason I have asked these questions in the parliament. It seemed to be a natural corollary that if it was unsafe to be a passenger on one of these things it was unsafe to crew on it.

Air Marshal McCormack—I am not sure of the exact words used but I would suggest that all of our aircraft when they fly are safe. As I said, the problem is that unserviceability rates are very high.

Senator FAULKNER—Am I to understand from this—and the minister might care to answer or whoever is appropriate—that safety is a reason or a factor for upgrading, in the light of that evidence, the VIP fleet?

Senator Ian Macdonald—Perhaps I could take that on notice for the minister.

Air Vice Marshal Conroy—The airworthiness authorities looked at our fleet—and I am responsible for its deeper maintenance, Senator—and said that if we wished to continue safe operations past 2005 we had to have certain extensive structural modifications done in the next deeper maintenance cycles that are coming up. Some of those modifications are so extensive that they could not be done by Qantas at Mascot and would have to be sent to the United States.

A price tag was put to that and that then prompted the decision making that the Chief of the Air Force has outlined. It is not a matter of them not being safe at the moment. It is a matter of looking into the future and seeing what has to be done and what has to be spent in order to continue to assure ourselves that the operations of these aircraft are safe. Then we felt the bill to be fairly uneconomic to proceed.

Senator FAULKNER—I understand that. Effectively, you are saying that you can really give an assurance on the safety issue; understanding the issues about maintenance, the long-term viability and on the other issues that have been raised. But I imagine—and I want to be clear on this—that if you had safety concerns about the 70s then they would not be in the air. Is that a fair conclusion to draw?

Air Marshal McCormack—Yes, that is true.

Senator FAULKNER—I turn to another issue. This touches on some questions that Senator Macdonald asked at a previous estimates committee, but I want to be clear on this. What is the maximum range for the Challenger 604 aircraft?

Air Vice Marshal Conroy—While the Challenger aircraft is considered a domestic aircraft, it 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 exact range is dependent on a number of operational factors, such as loads, luggage, winds and the temperature of the day.

Senator FAULKNER—Yes, but you would not set off on a trip and hope you had a tailwind so that you would get there, would you?

Air Vice Marshal Conroy—No.

Senator FAULKNER—Even I know that.

Air Vice Marshal Conroy—That is right. You have statutory reserves and planning—

Senator FAULKNER—Is there a figure, a kilometreage or nautical mile measurement, that goes to range?

Air Vice Marshal Conroy—We could publish them but they are not that meaningful. I think it is more meaningful, for the purposes of explaining the capability, to explain it in the way that I have done. But we can draw some figures, if you like, from the performance information from the manufacturers.

Senator FAULKNER—I ask you this because I am interested in a comparison between the Challenger 604, the existing Falcons, and maybe the updated Falcon 900s and Falcon 2000s. Maximum range is a pretty important issue, is it not? I ask not what the Challenger 604 might be able to cope with but how that compares with other aircraft when there is, if you like, a competitive environment.

Senator Ian Macdonald—Would it be helpful if we tried to get the manufacturer specifications on distance capacity for all of the aircraft types that you have mentioned? That might be the best way to answer.

Air Vice Marshal Conroy—We will do that for you. This was not like a high jump competition in which the winner is the one that goes over the highest bar. The competition was run against a threshold and I think all contenders satisfied the threshold capabilities that we specified in our request to tender.

Senator FAULKNER—What was your threshold?

Air Vice Marshal Conroy—Transcontinental, Sydney to Perth, against the wind in winter.

Senator FAULKNER—I appreciate that you have taken the more detailed question on notice, or at least I think that was what Senator Macdonald was doing. Can you indicate to me which aircraft—the existing Falcon or the Challenger 604—has the longer range?

Air Vice Marshal Conroy—I would expect that the Falcon 900 has the longer range, but I will take it on notice.

Senator FAULKNER—Okay. What about the seating capacity of the Challenger 604?

Air Vice Marshal Conroy—The seating capacity is intended to be eight VIPs plus crew.

Senator FAULKNER—What is the seating capacity of the current Falcons?

Air Vice Marshal Conroy—Fourteen seats, I think.

Senator FAULKNER—So one is eight plus crew and the other is 14 including crew?

Air Marshal McCormack—No, 14 plus crew.

Senator FAULKNER—I am trying to compare oranges with oranges.

Air Marshal McCormack—Fourteen seats behind the curtain, yes.

Senator FAULKNER—And the Challenger 604 has eight seats behind the curtain?

Air Marshal McCormack—Yes.

Air Vice Marshal Conroy—Do you want me to explain the rationale as to why we went that way, Senator? We examined manifests over a period of time. With respect to the Falcon 900 fleet, we found that 60 or 70 per cent of the flights had fewer than eight passengers aboard. So an eight-seater would seem to have been the optimum sizing for that domestic aircraft.

Senator FAULKNER—How many engines does the Falcon have?

Air Vice Marshal Conroy—Three.

Senator FAULKNER—And how many does the Challenger have?

Air Vice Marshal Conroy—Two.

Senator FAULKNER—What does that mean for incidents like the recent one where ministers were on board? Is the number of engines significant in this sort of thing?

Air Vice Marshal Conroy—The safety factors for twin engine aircraft to get certification are such that there should be no great concern about a twin engine configuration vis-a-vis a three engine configuration.

Air Marshal McCormack—Most manufacturers are now going to two engines because of cost effectiveness, and also they are now allowed to fly extended range operations over the water, three hours out from the nearest airfield.

Senator FAULKNER—What would be the comparative maintenance profile if I compared the current Falcon with the Challenger 604? How often would you have to do maintenance on these aircraft? Is it similar or are there any differences?

Air Vice Marshal Conroy—I would imagine they are similar.

Air Marshal McCormack—The Falcon 900 is older and therefore you would expect it to be having more problems. Any aircraft has a bathtub curve of maintenance problems. The new ones have a few problems while you sort it out, then it settles down and then after a while the curve rises quickly.

Senator FAULKNER—I appreciate that. At the moment I suppose I am comparing the existing Falcons with the Challenger 604. It might be that a more valid comparison would be between the new updated Falcon 900 and the Challenger 604—and I accept that the point you make, which is a very valid one, would not apply in that regard. What about parts availability, comparing a new Falcon with a Challenger 604?

Air Vice Marshal Conroy—My comment before related to new Falcons, not the old ones. We have had the current Falcons for about 12 years. We would expect them to go into a more intensive maintenance cycle and be more expensive to maintain. Quite clearly, the newer aircraft have less superseded technology and out-of-production parts to them and therefore you would expect a dividend with the newer aircraft.

Senator FAULKNER—I am interested in understanding the question of operational flexibility of the existing fleet, in the medium sized aircraft area, compared with the new fleet, with the Challenger 604s. I have struggled with this for some time, and I must say I am still struggling with understanding whether there is in fact going to be any greater operational flexibility or whether the operational flexibility will be less with the new fleet.

Air Vice Marshal Conroy—The logic of the decision to go to the eight seater aircraft had a presumption that usage patterns of the future would be similar to the usage patterns of the past. If that still pertains, then the average loading would be around six or less.

Senator FAULKNER—But what we do know, of course, is that the Falcon has got a longer range, considerably more capacity—you referred to the difference between three and two engines—and there are the comparative maintenance and parts availability issues. I still struggle to understand how the new fleet has more operational flexibility. I am not saying that it does not, but I am not a technical expert and I wondered whether you could give me some level of confidence that there is greater flexibility.

Air Vice Marshal Conroy—I think the greater flexibility comes in the combination of the BBJs and the 604s together. You will recall the availability problems of the 707 were such that a substantial amount of flexibility had been progressively lost over time, particularly with regard to having a spare if something went wrong. So now we have two of these international aircraft that are available for those tasks that clearly have a passenger complement in excess of the eight that the 604s can handle.

Senator FAULKNER—Within the Air Force, did you consider the possibility of replacing the 707s and perhaps keeping the Falcons, possibly with a refurbishment? Was that given any consideration?

Air Vice Marshal Conroy—That was looked at at one stage, Senator. It was not favoured. I would have to go back and look at the records.

Senator Ian Macdonald—When was this actually assessed? It was some time ago, wasn't it?

Air Vice Marshal Conroy—During the tender evaluation we had difficulty with non-compliant tender responses, and we were considering our options. I was aware that we looked at that possibility during those subsequent negotiations.

Senator Ian Macdonald—Put a month of the year to it, approximately. Was it a year ago, two years ago, three years ago, 10 years ago, one month ago?

Air Vice Marshal Conroy—Eighteen months to two years ago.

Senator FAULKNER—Are you able to share with the committee now the price differential? I understand that basically this came down to two consortiums. Correct me if I am wrong; I am putting this in layman's language but I am a layman. It really came down to one consortium, Boeing and Challenger; the other consortium was Airbus and Falcon. Is that a fair way of describing where the final choice came down?

Air Vice Marshal Conroy—My memory was that the Westpac bid had both Challenger and Falcon in it, and gave us the options. The one that was most competitive was Airbus and Challenger. There was a substantial price advantage to the Challenger bid as opposed to those that contained Falcons.

Senator FAULKNER—Are you saying that it really came down to Airbus and Challenger versus Boeing and Challenger?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—Are you able to provide any information to the committee now about the price differential between the two medium sized aircraft? I am now talking about Falcons versus Challenger 604s.

Air Vice Marshal Conroy—I do not immediately have that available, Senator. Can I take that on notice?

Senator FAULKNER—Sure. You might also take on notice the matter that I raised before about any price options—just exploring this issue of replacement of the 707s and keeping the Falcons, possibly upgrading them or refurbishing them and whether there was any assessment of that. You have indicated that there was an assessment of that. You might go to what the costs of that and its competitiveness might have been. Would you look at that for us and see whether there is anything you are able to assist us with?

Air Vice Marshal Conroy—I will see whether we have got anything, Senator, but I would say that that would have been a most unattractive option for the Air Force. They are struggling with ageing aircraft as it is, and to give themselves a further legacy was something that I think the customer community would not have been very happy about.

Senator FAULKNER—Yes, and you are talking about the current Falcons here being an ageing aircraft too.

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—Could you explain to the committee what the 2C checks are in relation to the Falcons?

Air Vice Marshal Conroy—No, I would have to chase that up as well.

Senator FAULKNER—Aren't these 2C checks, which I understand are the most extensive maintenance that a Falcon undergoes, being undertaken at the moment? But, again, I am not a technical expert.

Air Vice Marshal Conroy—I would have to take that on notice.

Senator LEES—We just get in an aircraft and sit there and somebody else does the flying. We are expecting you fellows to—

Senator Ian Macdonald—He said he would get some advice. He is not personally qualified to comment on that.

Air Vice Marshal Conroy—Hawker Pacific has the contract to conduct the deeper maintenance of these aircraft on our behalf. It is an outsourced activity.

Senator FAULKNER—I understand that. What I am asking is really whether what I thought were described as the 2C maintenance checks have just been undertaken. They are really in effect, if you like, the most extensive maintenance checks that a Falcon undergoes during its operational life. That is what you are taking on notice for me so I appreciate that. What I have not asked but what I would obviously like to know is, if they have undergone these checks, how they have scrubbed up, which I think is reasonable.

Air Vice Marshal Conroy—My understanding is that we have extended the leases in order to carry us through to the 2002 point, but to date we have avoided substantial extra investment in deeper maintenance. But if we extend them much further we will start wearing the cost of that deeper maintenance. That has been my understanding. I will have to go and check the details of the maintenance schedules and the technical maintenance plans for the Falcon 900s to answer your question.

Senator FAULKNER—If you could, I would appreciate that. If I could move to the recommendatory process that applied here in relation to the VIP fleet. I am talking now about recommendations to government. I wonder, in terms of the configuration of the VIP fleet, who made recommendations to whom? Would you be able to just quickly let me know how that process worked?

Air Vice Marshal Conroy—The general concept is that when the project was first put together it was put together in the capability systems area. There was, from memory, a working group that did involve both materiel people and the operation requirements people out of Aerospace Development and PM&C. Together they defined broad requirements that were reflected ultimately in the requests for tenders.

Senator FAULKNER—Yes, but those broad requirements went to whom for approval? Did they go to the Prime Minister? There is an involvement here of Prime Minister and Cabinet which I think I knew. Does that mean that the working group reports to the Minister for Defence or the Prime Minister in this instance?

Air Vice Marshal Conroy—I would have to check the historical documents; it is a bit too long gone. I cannot remember precisely remember the process that was followed.

Senator Ian Macdonald—When was all this assessment done? You said 18 months ago approximately.

Air Vice Marshal Conroy—The tenders closed some 18 months to two years ago. We are talking about three or four years ago that this process was—

Senator Ian Macdonald—The officer has said that he will take the question on notice. It would be a question for Mr Reith, going back three or four years, and I am sure this has been done to death in subsequent estimates committee hearings in any case. It is a matter for Mr Reith whether that is seen to be part of the 2001-2002 budget estimates. These decisions and the appropriations were all made some years ago and it is I suspect difficult to go back three or four years to try to find the sort of detail you are seeking. We will take it on notice and see what we are able to do.

Senator FAULKNER—It does not seem to be too complex a question to ask: who the working group reported to and whether it was the Minister for Defence or the Prime Minister.

Senator Ian Macdonald—Even from my limited experience with this committee, Senator, a perusal of the *Hansard* of the last estimates shows that we traversed all those sorts of things. That may be of assistance to you.

Senator FAULKNER—I do not believe that we did. I want to be assured of something else. I want to be assured that a preliminary recommendation was not revisited, having gone to the Minister for Defence or the Prime Minister that a different recommendation did not go forward. I would like an assurance on that if I could.

Senator Ian Macdonald—I will take that on notice for Mr Reith.

Senator FAULKNER—I would appreciate that. Have there been any price changes to the Challenger aircraft, over and above the RFT, which were not flagged in the RFT, Air Vice Marshal?

Air Vice Marshal Conroy—The Bombardier Challenger price has not changed since the November 1999 rebid process that we put everyone through. That was to try to get an affordable outcome because of the non-compliant end responses I mentioned before. The average lease cost has actually fallen in real terms by approximately \$US11,000 per year per

aircraft. No significant changes to the terms of the conditions of the contract have occurred that would have materially reflected back on the selection process.

Senator FAULKNER—Has there been any involvement of any other departments, apart from Defence and Prime Minister and Cabinet that you mentioned in the working group, through the tender and contract process?

Air Vice Marshal Conroy—Not to my recollection.

Senator FAULKNER—I think you would know though. You could give me an assurance, for example, that no issues outside of immediate concern to Defence—broader trade issues or anything like that—were brought to bear on the decision in relation to the awarding of this contract?

Air Vice Marshal Conroy—Except to state that normal staffing processes sought views, I think, from Finance a couple of times about their view on cross-border leasing and finance leases versus operating leases, but you would expect us to do that in any case.

Senator FAULKNER—I would. I was thinking more of any other sorts of trade-offs. For example, I think that there was a suggestion that a trade issue—that is, the trade dispute with Canada over salmon—might have got in the way of this. I do not give that any currency but I think it is reasonable for me to ask you for an assurance that that did not occur.

Air Vice Marshal Conroy—Categorical, Senator.

Senator FAULKNER—Thank you. In relation to the general processes that we have been speaking of: was there any prioritisation of the large aircraft—Boeing versus Airbus—over the smaller aircraft, Falcon and Challenger? The primary issue for Defence was the question of establishing the larger aircraft as having some priority over the medium-sized aircraft. I am not suggesting there was but I just want to understand that.

Air Vice Marshal Conroy—Noting that the Challenger featured in the best of both bids, the key issue was any margin of preference for the larger aircraft and whether that had any great significance. The main issue, of course, was trying to get a contract that, in total affordability terms, presented us with a new VIP fleet with costs that were comparable with what we were doing before.

Senator FAULKNER—Do we still have the acronym AWACS for the airborne early warning craft?

Air Vice Marshal Conroy—AEW&C.

Senator FAULKNER—Yes, but how do we pronounce that these days?

Air Vice Marshal Conroy—AEW&C.

Senator FAULKNER—Okay.

Air Vice Marshal Conroy—You could say wedgetail, if you wished.

Senator FAULKNER—I have not heard that one before. Well, let me use wedgetail. Was there any linkage between the VIP tender and the decision on the airborne early warning craft?

Air Vice Marshal Conroy—There was a linkage, but it could not be taken into account in the evaluation for the SPA. We realised that we should get some economy of scale discount between the two acquisitions, namely the AEW&C and the VIP. We realised that it was going to be very difficult to get a discount applied to the SPA process because it was a lease. Therefore, we asked the AEW&C tenderers to include an offer of what discount they would

give us on their tendered price for the AEW&C should we subsequently select the same company's aircraft for the SPA. If you recall, the Raytheon consortium was offering us an Airbus-based AEW&C product and the Boeing consortium was offering us the 737-based product. Both complied, and in the case of the Boeing bid, there was an offer of \$US9 million should we acquire another two aircraft through the SPA contract. That \$US9 million has subsequently been reduced from the price of the AEW&C total contract, but it was not discounted in the comparative pricing information of the SPA evaluation. It was not taken into account.

Senator FAULKNER—So you accept that there was a linkage?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—And in fact, there was a price effect, if you like, of the linkage.

Air Vice Marshal Conroy—Yes, to the AEW&C contract.

Senator FAULKNER—But how do you ensure, in that circumstance, that you have a fully open, transparent and proper tender process?

Air Vice Marshal Conroy—Because it was not taken into account in the evaluation of the SPA. \$US9 million in \$3 billion is a bit of a drop in the ocean. It did not influence the outcome one way or the other.

Senator FAULKNER—I am trying to understand how you are able to give me that assurance.

Air Vice Marshal Conroy—Because the source evaluation documentation is there and subject to audit. The price comparisons show that the Boeing consortium was the best value for money. It was cheaper in dollar terms and at no stage was the discount to be offered against AEW&C taken into account in the evaluation.

Senator FAULKNER—Is this sort of cross-linkage normal in Defence contracts?

Air Vice Marshal Conroy—I have not seen it before, but the intent is to get the best deal for the Commonwealth as a whole in the marketplace. While we had the leverage to screw down or screw back the AEW&C price, we took that opportunity.

Senator FAULKNER—But did all the tenderers understand that from the beginning?

Air Vice Marshal Conroy—Yes, I believe they did understand.

Senator FAULKNER—Are you sure of that?

Air Vice Marshal Conroy—Yes, I believe that they did.

Senator FAULKNER—Was there any ministerial or prime ministerial involvement in the AEW&C linkage?

Air Vice Marshal Conroy—No. If my memory serves me correctly, the deputy secretary of acquisitions decided that we should include that condition in the AEW&C competition.

Senator FAULKNER—How were other tenderers informed of that?

Air Vice Marshal Conroy—It was a clause in the RFT for AEW&C.

Senator Ian Macdonald—What is the RFT?

Air Vice Marshal Conroy—A request for tender.

Senator Ian Macdonald—So it was actually in the tender documents?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—Have those tender documents been made available to the committee previously?

Air Vice Marshal Conroy—They are public documents.

Senator FAULKNER—I assume the RFT is. If I hunt for that I will find that clause.

Air Vice Marshal Conroy—I will take that on notice and get it for you, if you like.

Senator FAULKNER—Thank you. Was there any variation in the actual bid through the RFT and the contract price?

Air Vice Marshal Conroy—A substantial one? You would recall me saying that neither consortium bid anything like compliant and that was because the risk assessors from the various finance companies had taken certain views of the terms and conditions that we had put in the RFT that we did not recognise as being cost drivers. I have to admit to a lack of familiarity with the commercial marketplace when it comes to aircraft leasing. We then had to identify what these cost drivers were. They were inadvertent cost drivers and, through a process of clarification and rebidding, we extracted those cost drivers from the total process and drove the tendered prices down as a consequence.

Senator FAULKNER—Was there any input from the Minister for Defence or his office in the VIP aircraft tender selection process?

Air Vice Marshal Conroy—None whatsoever.

Senator FAULKNER—Was there any input from the Prime Minister or his office in the VIP tender selection process?

Air Vice Marshal Conroy—None whatsoever.

Senator FAULKNER—Was there any input from the Minister for Defence or his office in relation to the AWACs linkage?

Air Vice Marshal Conroy—No, there was not.

Senator FAULKNER—Or from the Prime Minister and his office in the AWACs linkage?

Air Vice Marshal Conroy—No. As I said, that was a direction given to me by the deputy secretary of acquisitions.

Senator FAULKNER—Was there any indications from ministerial or prime ministerial sources about a preference for Boeing or Challenger?

Air Vice Marshal Conroy—No, there was not.

Senator FAULKNER—Was an original proposed decision put to the Minister for Defence and was that rejected by him or his office for further consideration?

Air Vice Marshal Conroy—No.

Senator FAULKNER—Has there been a probity or compliance audit of the VIP contract process?

Air Vice Marshal Conroy—Not to my knowledge, but we fully expect one.

Senator FAULKNER—What are your normal Defence processes there in relation to compliance audit?

Air Vice Marshal Conroy—An area could be selected by the Inspector-General's department through Management Audit Branch for an internal audit—an MAB audit—or at any stage an activity could find itself subject to ANAO scrutiny.

Senator FAULKNER—So at this stage there has been no probity or compliance audit conducted or flagged?

Air Vice Marshal Conroy—No, but in a dealing like this we would obviously expect at some stage to be subject to extended scrutiny.

Senator FAULKNER—Do the Commonwealth procurement guidelines apply in relation to this particular contract—the VIP contract?

Air Vice Marshal Conroy—They apply in general, but it is normally the capital equipment manual that defines our governance of the process.

Senator FAULKNER—When you say they apply in general, you could satisfy the committee that they have been adhered to?

Air Vice Marshal Conroy—I believe so. I think the procedures inside the DMO extend on those procurement guidelines.

Senator Ian Macdonald—The request to tender documents would make reference to that, would they?

Air Vice Marshal Conroy—Yes, Senator. They specify how the bids are going to be evaluated and under what process.

Senator Ian Macdonald—So when you get that material, Senator, you will be able to see all that.

Senator FAULKNER—I do not think this is in your area, Air Vice Marshal. I suspect this is in Air Marshal McCormack's area, so we will play the change-up ball, I think. But thank you for that. I want to refer you, Air Marshal, to a couple of news stories that appeared yesterday in relation to the use of VIP aircraft. Did you see those? One was on page 2 of the *Daily Telegraph*, headed 'VIP service for sister of minister'—it is quite a large story—and the other was in the *Herald Sun*, in Melbourne, at page 5, headed 'LibAir tots up hefty bill'. I do not know whether you saw those or not. They were probably in the Defence clips.

Air Marshal McCormack—Yes, I did.

Senator FAULKNER—I want to understand the current guidance in relation to use of VIP aircraft. There has been no change to those who are able to authorise the use of the VIP fleet, as I understand it, but I think it would be useful for you to confirm that.

Air Marshal McCormack—Mr Chairman and Senator, perhaps it would be worth while if I were to just run through the process. There are two areas of flights of the VIP aircraft. One is training by the squadron, and that is authorised by the squadron commander.

Senator FAULKNER—I am sorry, I missed that.

Air Marshal McCormack—We fly about 4,000 hours a year in the Falcons, and there are two uses of them. One is training for the crews, and that is authorised by the commanding officer of the squadron. The other one is the use by VIPs. Those uses are authorised by the Governor-General, the Prime Minister or the Minister for Defence. The manifests for training flights we keep in house. The manifests for the VIP flights are provided to 34 and, if necessary, 33 Squadron by the authorising office. The actual manifests—there could be some variations—are sent to my headquarters and then they are compiled into a six-monthly

compendium. They are sent across to be checked against the ministerial records and then presented to the minister for tabling in parliament.

Senator FAULKNER—So VIP flights can be authorised—I think I am using the correct terminology, but correct me if I am wrong—by the Governor-General, the Prime Minister or the Minister for Defence, in relation to the use of the squadron for VIP flights?

Air Marshal McCormack—That is affirmative, Senator.

Senator FAULKNER—Thank you for that. And then there is a list of authorised users of the VIP aircraft, which is different, isn't it?

Air Marshal McCormack—You are now getting into the area where we can use the aircraft under certain circumstances. In other words, senior military people can use the aircraft. That is done through the Minister for Defence office, but I think you are talking about the ones authorised by the Governor-General, the Prime Minister and the Minister for Defence.

Senator FAULKNER—Yes.

Air Marshal McCormack—They give us the manifests and we take whoever is on the manifest.

Senator Ian Macdonald—Who flies on it is not a question for the Air Force; that is a question for the minister.

Senator FAULKNER—The general process is a question for the Air Force. And then there is a number of entitled people who can request VIP flights, isn't there?

Air Marshal McCormack—Yes.

Senator FAULKNER—It may not be the right terminology. What are they called?

Air Marshal McCormack—It comes under a defence instruction which states:

In relation to the carriage of VIPs in RAAF aircraft, the term VIP includes the following persons:

- a. members of the Royal family;
- b. the Governor-General;
- c. the Prime Minister;
- d. the President of the Senate;
- e. the Speaker of the House of Representatives;
- f. Ministers of the Commonwealth Government;
- g. the Leader of the Opposition and the Deputy Leader of the Opposition in the Commonwealth Parliament;
- h. the Leader of the Opposition in the Senate;
- i. the leaders of other parties represented in the Commonwealth Parliament, as determined from time-to-time by the Prime Minister or Minister for Defence;
- j. Commonwealth Government Parliamentary Secretaries, when travelling at the direction of the senior portfolio Minister;
- k. some Commonwealth Parliamentary Committees and Delegations;
- l. other Members of the Commonwealth Parliament, when the approving authority is satisfied that travel by SP aircraft is warranted by special circumstances;

m. Governors of Australian states and the Administrator of the Northern Territory, on the occasion of their taking appointment and final departure;

n. the Chief of the Defence Force, Vice Chief of the Defence Force and Service Chiefs of Staff; and

o. persons visiting Australia, representing their nations, of comparable status to other entitled persons.

Senator FAULKNER—That group of people—how do you describe them as ‘entitled’?

Air Marshal McCormack—I am sorry?

Senator FAULKNER—What is the collective noun for those people?

Air Marshal McCormack—It just says ‘entitled persons’.

Senator FAULKNER—‘Entitled persons’, yes.

Air Marshal McCormack—But that means the leader, the person who is authorised by those three people to use the aircraft.

Senator FAULKNER—Run that past me again?

Air Marshal McCormack—It means that if, for example, as a chief of staff I am the entitled person, I can take people with me to support me in my duties. It does not say that nobody else other than that can travel.

Senator FAULKNER—No. I am interested in this pattern that has developed in relation to what have effectively become taxpayer funded commuter flights—particularly from Melbourne to Canberra and Adelaide to Canberra. Are you able to indicate to me in relation to a significant number of flights—70 flights from Adelaide and Melbourne to Canberra in an 18-month period from January 1999 to June 2000, which are the subject of this article—who authorised those flights?

Air Marshal McCormack—At this stage, Senator, I could not, but it will be in the compendium that we will put together. The ones for more than six months ago would already have been tabled in parliament, and the ones from this last six months will be tabled shortly.

Senator Ian Macdonald—They would be one of three people, wouldn’t they—the Governor-General, the Prime Minister or the Minister for Defence?

Air Marshal McCormack—That is correct.

Senator Ian Macdonald—So if a minister travels, he only does so on authorisation from one of those three people?

Air Marshal McCormack—Yes. That is what I said at the beginning.

Senator FAULKNER—Is there any guidance about the relationship with commercial flights and the use of VIP aircraft on routes like Melbourne to Canberra and Adelaide to Canberra?

Air Marshal McCormack—We have no guidance at all. It depends on the authorising officer.

Senator FAULKNER—Has there historically been guidance in this area?

Air Marshal McCormack—We use guidance for ourselves; but that is my own people.

Senator FAULKNER—Could you share with the committee what is the RAAF guidance?

Air Marshal McCormack—If it is economical and timely to use commercial aircraft, we do.

Senator FAULKNER—Can you be more definitive about ‘timely’?

Air Marshal McCormack—No, I cannot; that is a judgment factor.

Senator FAULKNER—Has there previously been some guidance in relation to when flights can be used and the relationship of a prospective VIP flight with a commercial flight?

Senator Ian Macdonald—What do you mean ‘previously’, Senator—in the last 10 years, 20 years or two years? What do you mean? You said ‘previously’.

Senator FAULKNER—Air Marshal McCormack has indicated that there is no current guidance in this area. I believe that there was guidance in this area during the life of the last Labor administration, and I am trying to find out when that might have been changed.

Senator Ian Macdonald—I thought that you would have understood from the officers’ answers that these really are not issues for them; they are obviously issues for the Minister for Defence, the Prime Minister or the Governor-General. If you are asking those questions, I am quite happy to take them on notice for Mr Reith.

Senator FAULKNER—At the moment I am asking about RAAF guidance or RAAF regulations, and so far Air Marshal McCormack has indicated that the RAAF guidance is that they are economical and timely to use—

Senator Ian Macdonald—You are talking about the RAAF area. I am sorry, I misunderstood you, and I suspect that others might have, too, but if that is what you are talking about, perhaps Air Marshal—

Senator FAULKNER—I think the questions are clear.

Air Marshal McCormack—We have no guidance in writing on when to use or not to use VIP aircraft for entitled persons.

Senator FAULKNER—In relation to RAAF guidance—‘economical and timely to use’—what other guidance does the RAAF have in relation to use of the VIP fleet, or is there any other guidance?

Air Marshal McCormack—No. If you are talking about my usage, I mainly use it for visiting heads of services coming to Australia. That would probably be my most common use.

Senator FAULKNER—Is the guidance ‘economical and timely to use’ a Defence instruction?

Air Marshal McCormack—No.

Senator FAULKNER—Is it written down anywhere?

Senator Ian Macdonald—He said there were no written guidelines.

Air Marshal McCormack—No that I know of, Senator.

Senator FAULKNER—Why do you say that there is this guidance?

Air Marshal McCormack—For example, if I wanted to take someone from Canberra to Williamstown, and the only flights these days are via Sydney, it would be much more economical and timely for me to send the person direct in a VIP jet to Williamstown. Similarly, East Sale is very difficult to get to by commercial means.

Senator FAULKNER—I am talking about 70 flights from Adelaide to Canberra and from Melbourne to Canberra in an 18-month period when there is any number of available commercial flights.

Senator Ian Macdonald—That is not a matter for the RAAF, as we have been talking about. You are now talking about RAAF guidelines. If you want to talk about other VIP guidelines, as I indicated before, I am quite happy to take the question on notice, and refer it to the minister for a response. As you well know, Senator, the general guidelines—and I am not an expert on them—are that senior ministerial staff can travel on VIP aircraft where ministers are travelling. The article that you mentioned referred to a senior ministerial staffer.

Senator FAULKNER—It did, but it also referred to a whole raft of ministers—in this case cabinet ministers. That is what I am referring to. I have not got to a senior ministerial staffer yet.

Senator Ian Macdonald—You are talking about an article in yesterday's newspaper which—

Senator FAULKNER—Yes. Who authorised the 70 flights?

Senator Ian Macdonald—As I said before, I will take that on notice and ask Mr Reith, because it is either Mr Reith, Mr Howard, or Sir William Deane. I assume, from my own experience, that it would be Mr Reith, so I will take the question on notice for him.

Senator FAULKNER—Is the Air Force aware of any regular scheduling now for VIP flights from Canberra to Melbourne, Melbourne to Canberra, Adelaide to Canberra or Canberra to Adelaide prior to or post parliamentary sittings?

Air Marshal McCormack—As far as I am aware, all flights are done on an individual basis. There is no prepared schedule of VIP flights—they are done through the VIP office at 34 Squadron.

Senator FAULKNER—I appreciate that each flight might be individually authorised, but if a pattern like this develops—and it has—surely there would be a bit of pre-planning in relation to the Air Force. This has become a consistent pattern now for a considerable period. There is a significant use of RAAF resources in relation to these flights.

Senator Ian Macdonald—But the officer has already answered that. It does not matter how many times you ask him, he cannot have a different view. You would know what it is about because, under the last three years of the Labor government, there was a total of 2,523 flights of this type, as opposed to a total, under the last three years of the coalition government, of 1,707 flights. You would well know these sorts of things, because I am quite sure that you and your colleagues were part of those 2,523 flights.

Senator FAULKNER—Actually, the comparison between the 70 flights is 11. You may not be aware, Senator Macdonald, that of those 11 flights between Melbourne and Canberra that occurred during the life of the Keating government, eight were connecting with commercial flights from Perth, where there was no connecting flight to Canberra. Two of those did not have any Labor politicians on them at all—they were all non-Labor politicians. In that period that we are talking about—

Senator Ian Macdonald—Do you have a question for the committee?

Senator FAULKNER—from January 1999 to the year 2000, there were 70 flights exclusively for the use of Liberal ministers and their staff. There was no attempt at all to invite any non-Liberal parliamentarians on board. That is a completely different pattern from what occurred during the life of the last parliament. If you want to talk about comparisons, that is the comparison you ought to consider. If you want some examples of them, I will give them to you.

Senator Ian Macdonald—So say you, Senator Faulkner—

Senator FAULKNER—Like the flight on 17 September 1995—

Senator Ian Macdonald—but nobody will take any notice of what you say.

ACTING CHAIR (Senator Ferguson)—Order!

Senator Ian Macdonald—If there is a question here, we are happy to take it.

Senator FAULKNER—I am just about to ask you—

Senator Ian Macdonald—Senator Faulkner might want to wriggle out of his 2,523 flights, but that it is not a matter for this committee. I would appreciate a question.

ACTING CHAIR—Minister, I was just about to ask Senator Faulkner what his question was.

Senator FAULKNER—My question is this: why is there now a policy, which never existed before the election of this government, to have exclusive Liberal Party VIP flights to Melbourne and Adelaide? That has never been the case historically. No-one can ever point to it occurring in the past—

Senator Ian Macdonald—Says you!

Senator FAULKNER—Says me!

ACTING CHAIR—Order! Let us not have a debate.

Senator FAULKNER—So says the schedule of special purpose flights. So says the flight manifest.

Senator Ian Macdonald—Let me answer your question. Why has there been this policy? I do not know that there is this policy. You allege that but, as with many things with you, you allege them, get your headline and then are proved to be wrong the next day.

Senator FAULKNER—So you do not know.

Senator Ian Macdonald—Because it is not my policy area, I will refer your question about a change in policy to Mr Reith. When you get the facts of that, you might like to ask another question.

Senator FAULKNER—I would like to ask another question now. I would like you to ask him what the difference is between the situation that now applies—the exclusive Liberal Party flights—and the flight that took place on 17 September 1995 from Canberra to Melbourne, for example, which had on board Senator Chamarette; Mr Evans, Liberal MP; Mr Prosser, Liberal MP; Mr Tuckey, Liberal MP; Mr Williams, Liberal MP, and a Mr Haywood, who I assume was a staffer. There were no Labor parliamentarians at all. Why under the life of the Labor administration did you have flights like this, when currently you have these ‘Lib-Air’ frequent fliers going on 70 flights in an 18-month period, involving only Liberal Party members and senators and hangers-on? Why the change of policy?

Senator Ian Macdonald—You have asked me that question. I take it, from that, that you are inviting me, the Minister for Defence and the Department of Defence to go back in detail through all of the flights that occurred under a previous government to give you reasons why, you allege, they are different now. I thank you for that authorisation.

Senator FAULKNER—I am asking you for the guidance. They are all public.

Senator Ian Macdonald—I am sure the minister will be grateful for your authorisation—

Senator FAULKNER—I hope he is, because he has got a lot of explaining to do. I really hope he is.

Senator Ian Macdonald—to go back to the Labor years and to work out why 2,523 flights were used by these VIP aircraft in the last three years of the Labor government. Thank you for the authorisation, I will take the question on notice, and we will, I am sure, be delighted—

Senator FAULKNER—Good.

Senator Ian Macdonald—to look into those 2,523 flights and make comparisons with the 1,707 flights that have gone on in the last three years of this government.

Senator FAULKNER—While you are at it, you might compare it with the so-called mercy flight that a lot of Western Australian parliamentarians, Labor and non-Labor alike, members and senators, know about—that is, a Western Australian flight that still is, as it always has been, either bipartisan or even tripartisan. That still seems to exist. What is the difference between the Western Australian flight and what happens with these special side deals for all the Liberals in Melbourne and Adelaide?

Senator Ian Macdonald—We will take that up and we will look through all the special deals for Labor politicians and just some of the things that were on the aircraft in those days. I thank you for your authorisation to go and look into it.

Senator FAULKNER—While you are at it, can clarify the staff travel as well?

Senator Ian Macdonald—What do you mean?

Senator FAULKNER—Can you clarify whether staff are entitled to travel on their own or if they have to travel accompanying their minister? What is the government's policy on that?

Senator Ian Macdonald—I will get those rules for you.

Senator FAULKNER—I would be very interested.

Senator Ian Macdonald—I offered to do that half an hour ago without you having to shout.

ACTING CHAIR—Order! I do not think there is any point in having a slanging match or a debate. Questions can be asked and questions can be answered. Those that are not can be taken on notice. But let us not talk over the top of each other and have a slanging match.

Senator FAULKNER—Can we clarify those issues? Specifically, I would like to know whether Mary Wooldridge was accompanying her employing minister on the flights that she took. Can you help us with that?

Senator Ian Macdonald—As I have said three times now, I will get the rules for you about senior staff, senior advisers, travelling on flights with ministers.

Senator FAULKNER—She is not with a minister.

Senator Ian Macdonald—So you say, Senator.

Senator FAULKNER—That is right. I do say that.

Senator Ian Macdonald—Let us get the facts. Let me get you the rules. Senator, we know from your record in the Senate that you make these allegations. You are then confronted with the truth and proved to be wrong more often than not. That is why we never take any notice of what you say. We will get the facts and we will refer that to the committee when we have those answers, which I have offered to do three times already.

Senator FAULKNER—Is it true that the sister of federal health minister, Dr Michael Wooldridge, took 17 taxpayer funded flights on the VIP aircraft from Melbourne to Canberra and Canberra to Melbourne?

Senator Ian Macdonald—I will find out, if that is a question you are putting on notice to me, whether Ms Wooldridge, who is a senior adviser to Senator Minchin, has travelled on VIP aircraft. I guess we will also look back into those 2,523 flights in the last three years of the Labor government and see how many advisers travelled with ministers on VIP flights in those days. That way we will be able to give you a comparison that will be useful to you.

Senator FAULKNER—And when you are doing this, find out whether it is a rule that senior staff members are supposed to accompany their minister on the flights. Senator Minchin was in like a big brown dog on this as well, but the thing is that Senator Minchin, who took 24 flights, was going from Adelaide to Canberra, Canberra to Adelaide, but not so Mary Wooldridge. So what are the rules that apply there, Senator Macdonald?

Senator Ian Macdonald—I have told you now five times, Senator, that I will find that out and we will make a comparison with all the Labor staffers who used to travel. I think you will find that the rules will be pretty much the same.

ACTING CHAIR—The minister has indicated he will take these questions on notice. If Senator Faulkner has further questions, he should ask those questions and they will be taken on notice, rather than having a continuous slanging match.

Senator FAULKNER—Some of these questions do not need to be taken on notice.

ACTING CHAIR—Okay, ask them, but if he is going to take them on notice—

Senator FAULKNER—The easiest way to cover up and duck away from answering these questions about abuse of taxpayers' money and abuse of VIP flights is to take them on notice.

Senator Ian Macdonald—Mr Chairman, I object to these—

Senator FAULKNER—I am not going to accept it.

ACTING CHAIR—They are your allegations, Senator Faulkner.

Senator FAULKNER—I am not going to accept that they be taken on notice. Let us turn to Senator Macdonald himself.

Senator Ian Macdonald—Mr Chairman, if I can explain: I am a representative minister. If there are questions to the Minister for Defence, obviously they have to be taken on notice because I am the representative minister and I do not know the answers. Senator Faulkner says he will not accept it. I am sorry, Mr Chairman; the committee will have to accept—

ACTING CHAIR—I am about to remind Senator Faulkner that any person at the table is allowed to take a question on notice.

Senator FAULKNER—Mr Chairman, of course an officer at the table or a minister can take a question on notice. I make the point—and it is a valid one—that that is what you do when you are trying to cover up. In this instance, Senator Macdonald is trying to cover up.

Senator Ian Macdonald—It is what you do when you are a representative minister who is not in charge of the Department of Defence. Were I in charge of the Department of Defence, I would be able to answer you. Were Mr Reith sitting here now, he would be able to answer you. Regrettably, Senator, because of the way the Senate works, Mr Reith cannot sit here, so someone else has to represent him; and quite obviously, they do not have Mr Reith's knowledge of these issues so the questions will have to be taken on notice, whether you like it or not.

Senator FAULKNER—Air Marshal McCormack, is the document titled 'Procedures governing the carriage of VIPs in RAAF aircraft' still current? The copy I have is dated 1 January 1996.

Air Marshal McCormack—That is the latest version, Senator.

Senator FAULKNER—Is that still current?

Air Marshal McCormack—That is DI(AF) OPS 4-2?

Senator FAULKNER—Yes.

Air Marshal McCormack—That is current.

Senator FAULKNER—Thanks for that. You, Minister, of course, took a VIP flight to the Indian Ocean territories from 30 April to 3 May this year, didn't you?

Senator Ian Macdonald—I have taken several, Senator.

Senator FAULKNER—This year?

Senator Ian Macdonald—I should never take your word, but certainly, some time this year, I have taken a VIP flight to Norfolk Island, as territories minister, and to the Christmas and Cocos islands, as I have done once or twice last year as well, as I do more often than not in my role as territories minister.

Senator FAULKNER—Let me say at the outset that I do not think it is inappropriate that the territories minister take a VIP flight to territories if there is no other way of travelling there. I would be the first to acknowledge that, as I always am reasonable on these sorts of issues. That is not at issue. Can you tell us who accompanied you?

Senator Ian Macdonald—No, I can't.

Senator FAULKNER—I can.

Senator Ian Macdonald—Why did you ask me if you already knew the answer?

Senator FAULKNER—Because I wanted to see whether you are going to admit who was on the flight. You are willing to duck away from the other questions but you won't be able to duck away from this one.

Senator Ian Macdonald—There is no chance of me ducking anything from you, Senator Faulkner.

ACTING CHAIR—Order!

Senator Ian Macdonald—The plane was full. I can't remember. But you put them to me, if you have got the answer.

ACTING CHAIR—Please ask your question, Senator Faulkner.

Senator FAULKNER—I want to know whether Senator Grant Tambling was on the plane.

Senator Ian Macdonald—Yes, he was.

Senator FAULKNER—I think his wife may have been on the plane. Was Mrs Tambling on the plane?

Senator Ian Macdonald—Yes, she was. That is correct.

Senator FAULKNER—One of your staff members was on the plane?

Senator Ian Macdonald—I think more than one, Senator, but anyhow, keep going.

Senator FAULKNER—Mr Connole was on the plane?

Senator Ian Macdonald—Yes, that is correct.

Senator FAULKNER—Mr Reid?

Senator Ian Macdonald—Yes, that is correct.

Senator FAULKNER—Mr Mrdak from the department of territories?

Senator Ian Macdonald—Yes, I think that is correct.

Senator FAULKNER—Mr Harris from the department of territories?

Senator Ian Macdonald—Mr Harris was there; he is not from the department of territories, though. He is from my department but not from the territories section.

Senator FAULKNER—From the Northern Australia Forum?

Senator Ian Macdonald—Yes.

Senator FAULKNER—Ms MacLean, staff member for Senator Tambling?

Senator Ian Macdonald—Senator Tambling certainly had a staff member, yes.

Senator FAULKNER—Ms Blaskett, the assistant director of the territories office, in Perth?

Senator Ian Macdonald—She was with us for part of the trip.

Senator FAULKNER—And Mr Ron Kelly?

Senator Ian Macdonald—Yes, I think so.

Senator FAULKNER—Who is Mr Ron Kelly?

Senator Ian Macdonald—He came with Senator Tambling and was authorised by the minister in accordance with the rules.

Senator FAULKNER—Who is Mr Ron Kelly?

Senator Ian Macdonald—I am not sure—he is a person. What do you mean by that?

Senator FAULKNER—I know that he is a person!

Senator Ian Macdonald—What do you mean, ‘Who is he?’ Do you mean, what does he do?

Senator FAULKNER—Why don’t you front up to the committee and tell the committee who he is?

Senator Ian Macdonald—What do you mean when you ask who he is?

Senator FAULKNER—What is his political role?

Senator Ian Macdonald—I am not quite sure what you mean by his political role. What do you think he is?

Senator FAULKNER—I think he is the Country Liberal Party candidate for Lingiari. That is who I think he is.

Senator Ian Macdonald—He could well be, yes.

Senator FAULKNER—Yes, that is who he is. So he travelled with the official party?

Senator Ian Macdonald—Mr Kelly was certainly on the flight.

Senator FAULKNER—Can you explain, in relation to the categories for entitled persons, how the Country Liberal Party candidate for Lingiari managed to find himself on this VIP flight to the Indian Ocean territories?

Senator Ian Macdonald—These are matters, again, for Mr Reith. My limited understanding—and I will take this on notice for Mr Reith—is that if there is room and someone is prepared to pay for the commercial flight then they are able to go.

Senator FAULKNER—He paid for it?

Senator Ian Macdonald—I will have to take that on notice for Mr Reith. I do not know as I did not operate or run the flight.

Senator FAULKNER—That is not a question for Mr Reith. That is a question for the RAAF.

Senator Ian Macdonald—No, it is not a question for the RAAF. They do not police these sorts of things.

Senator FAULKNER—How would Mr Reith know? Wouldn't the Department of Finance and Administration know?

Senator Ian Macdonald—Because, as you have been told for the sixth time now, flights are authorised by the Minister for Defence, the Prime Minister or the Governor-General. One of those three has authorised the flight and the passengers, and I will refer to Mr Reith on that.

Senator FAULKNER—I want to know into what category, in relation to the current guidelines that apply, Mr Kelly, the CLP candidate for Lingiari, fitted, and I want to know now.

Senator Ian Macdonald—Okay.

Senator FAULKNER—Thank you.

Senator Ian Macdonald—I take your question, and I will refer that to Mr Reith.

Senator FAULKNER—No. This is your flight.

Senator Ian Macdonald—No, no.

Senator FAULKNER—This is your rort.

Senator Ian Macdonald—No—

Senator FAULKNER—This is your rort, Senator Macdonald.

Senator Ian Macdonald—No, Senator, someone else besides me authorises the passengers on that flight, and those are the rules. I will take that on notice, get you the rules and get you the explanation, which is what I said I would do five minutes ago now.

Senator FAULKNER—Is it true that the guidelines for VIP flights set out a list of categories of entitled persons? Is that true?

Senator Ian Macdonald—Again, I confess not to be expert on that. I will take it on notice to the minister who is responsible for that, Mr Reith, and I will refer that to him.

Senator FAULKNER—Air Marshal McCormack could confirm that for us.

Senator Ian Macdonald—No, he could not.

Senator FAULKNER—Yes, he could. He could confirm whether or not the guidelines for VIP flights set out a list of categories for entitled persons. Of course he could, and I would like to ask him.

Senator Ian Macdonald—He has told you before that the people who are entitled are those from whom the manifest comes: the Governor-General, the Minister for Defence or the Prime Minister.

Senator FAULKNER—Air Marshal McCormack, is it true that the guidelines for VIP flights set out a list of categories of entitled persons?

Air Marshal McCormack—Yes, they do but they also specify that, when approving the use of flights:

... the approving authority will ... nominate all other members of the VIP party whose travel is approved.

Senator FAULKNER—That is right. I appreciate that you have read from paragraph 6 of DI(AF) OPS 4-2—the list of entitled persons. Can you confirm that?

Air Marshal McCormack—That is affirmative.

Senator FAULKNER—Then we go to paragraph 7 of this instruction:

In addition to the above entitled persons, SP aircraft may be provided for other persons in particular circumstances or emergencies when the Prime Minister or Minister for Defence considers it justified.

Could you confirm that is paragraph 7 of those guidelines?

Air Marshal McCormack—That is affirmative.

Senator FAULKNER—Turning to paragraph 12:

Carriage of persons other than members of a VIP party on SP aircraft is as specified in DI(G) LOG 01-14 - Carriage of Passengers in RAAF Aircraft and DI(AF) AAP 361.001 - *Manual of Air Movements*. Normally, such persons may be carried on non-VIP positioning flights only. Travel will not be approved on VIP segments unless exceptional circumstances exist, and then only with the approval of both the VIP and the approving authority.

Could you confirm that that is paragraph 12?

Air Marshal McCormack—I can confirm that, but I believe that refers to the carriage of ADF personnel because that 'DI' is what the air movements people do for carriage on all military aircraft.

Senator FAULKNER—I am interested in this issue. I would like to know a little more about the RAAF elements of this particular flight. Could you confirm that this flight—and I am speaking about the VIP flight to the Indian Ocean territories on 30 April and 3 May 2001—returned to Cocos Island on 2 May?

Air Marshal McCormack—I do not have that information with me.

Senator FAULKNER—There are some very interesting issues that I think we will be able to bring out here and I would like someone from operations to be able to answer these questions. I have flagged with the RAAF that I wanted to ask questions in relation to this area of the estimates. I would like to know what the reason for this flight returning to Cocos Island was, and then the reason for its flying back to Christmas Island. I want to know whether RAAF personnel were kicked off—that is my terminology: it might have a bit of a spin on it—were not able to be seated on this VIP aircraft though the CLP candidate for Lingiari was.

Air Marshal McCormack—I could not answer that, but that information will be tabled in the normal course of events.

Senator FAULKNER—I appreciate that it is tabled. I understand that and I acknowledge that, but this is of special interest to me. I am sure it will be of special interest to the committee and, I suspect, to the public more generally. I really want to get to the bottom of this.

Air Marshal McCormack—I will have to take that on notice because I do not have that sort of information available on individual flights.

Senator FAULKNER—I would like to know what the cost of that flight was. I would like to know whether approval was given on a cost recovery basis and, if it was not, why it was not. I would like to know whether the cost has been recovered and, if so, how much was paid. I would like to know the details of the flight. I would like to know the reason for the flight returning to Cocos Island on 2 May 2001 and then flying back to Christmas Island. I would like to know what happened to the staff member who was left behind so that the CLP candidate for Lingiari managed to get a seat on this flight, and I would like to know the extra cost. Could all those issues be taken on notice?

Senator Ian Macdonald—Certainly I will take them on notice, and I am happy to do that.

Senator FAULKNER—You see, what we have here is the Australian taxpayer funding a political trip for a political candidate to the Indian Ocean territories, courtesy of the VIP flights. That is unprecedented and, frankly, Minister, that is indefensible and outrageous.

Senator Ian Macdonald—Senator, as usual, your allegations are wild and rarely substantiated. You make these fine speeches; rarely do they turn out to be accurate. We will take the question on notice, as I have said twice already, and get you the information that you seek.

Senator FAULKNER—Air Marshall, I want to know if this flight was conducted on a cost-recovery basis. I think I have indicated that to you. If it was, when was the cost-recovery basis agreed to?

Senator Ian Macdonald—These are matters for the minister, not the Air Marshall, but I will take them on notice as I have said three times. Continuing to ask the same question is not going to get you a different answer every time.

Senator FAULKNER—I also want to know when the cost was recovered.

Senator Ian Macdonald—You asked that before and I said I would take it notice.

Senator FAULKNER—Haven't you satisfied yourself about some of these issues or do you just think it is all right to rot the system and have a political candidate go on the flight?

Senator Ian Macdonald—Senator, I am not like the Labor Party. We do not rot things which is what your lot were pretty good at. Nothing is achieved by sitting here trading insults although I know that is your *modus operandi*, but I will take the questions on notice as I offered to do and we will happily get you an answer.

Senator FAULKNER—You were the minister on the flight. Why was the CLP candidate for Lingiari on your flight to the Indian Ocean territories?

Senator Ian Macdonald—I have answered that once already, but with the qualification that I am no expert, and I have indicated that I will get a fuller answer for you from the relevant minister.

Senator FAULKNER—I am asking why he was on your flight.

Senator Ian Macdonald—I have already answered that.

Senator FAULKNER—No, you haven't.

Senator Ian Macdonald—Yes, I have.

Senator FAULKNER—You have just taken it on notice.

Senator Ian Macdonald—No, I gave you my understanding of the rules, but I quite clearly said, 'I am no expert, so I'll qualify my response by saying I'll take it on notice and get you a proper answer from the minister.'

Senator FAULKNER—You see, the modus operandi here is, not only are you going to cover up the Lib air flights—

Senator Ian Macdonald—Mr Chairman—

Senator FAULKNER—from Melbourne to Canberra and Canberra to Melbourne, and Adelaide to Canberra and Canberra to Adelaide—

Senator Ian Macdonald—I am used to being insulted by the likes of Senator Faulkner—

Senator FAULKNER—you are also going to cover up your own flights.

Senator Ian Macdonald—but in this committee, I would hope that you would not allow those sorts of allegations to be made uncontested.

Senator FAULKNER—You do not want any accountability about this—

Senator Ian Macdonald—I am quite happy about the accountability—

Senator FAULKNER—No, you are not.

Senator Ian Macdonald—I am seeking the chair's—

Senator FAULKNER—You have been exposed.

Senator Ian Macdonald—I am seeking the chair's assistance in the abuse and name calling that you are so noted for, Senator—

Senator FAULKNER—I am seeking answers to my questions.

Senator Ian Macdonald—I will happily take them all on notice.

Senator FAULKNER—Yes, but I want answers now.

Senator Ian Macdonald—I will happily take them all on notice.

Senator FAULKNER—I would have thought that the committee was entitled to answers to these reasonable questions now, from you as the senior minister on that flight.

Senator Ian Macdonald—The committee is entitled to answers. That is why I will get them accurate answers so they will not have to rely on your wild accusations for which you have become renowned, Senator.

Senator FAULKNER—It was your flight; why don't you answer the questions now?

Senator Ian Macdonald—I have answered the question—

Senator FAULKNER—Why was the CLP candidate for Lingiari on the flight?

Senator Ian Macdonald—I have answered that and I am not going to repeat it, but if you have a look at *Hansard*, you can read it there. If you have a look at the tape of this, you will see my answer there, qualified, I might say, by saying that I am not an expert on these things and I will get you the full and complete answer from the relevant minister.

Senator FAULKNER—It beggars belief that you will not say to this committee why a CLP candidate was using a VIP flight, on which you were the senior minister, to the Indian Ocean territories, and you will not allow this committee to explore this issue, and why you will not be accountable for your actions in relation to the CLP candidate for Lingiari being on that flight. This is a new low.

Senator Ian Macdonald—If you say it enough times, someone in the media might pick it up for you, which you have no doubt arranged. But I have answered that question. Any fair observer will be able to read the *Hansard* and see my answer. You obviously do not listen.

You never want to hear the answer; you only want to make the wild accusations. The answer is there. You will get a fuller answer, as I have offered, from the relevant minister.

Senator FAULKNER—Are you aware of the fact that, in relation to your own VIP flight from 30 April to 3 May this year, a crew member had to be left off the flight because Mr Kelly, the CLP candidate for Lingiari, was occupying a seat. The VIP flight actually had to return to Cocos Island from Christmas Island to pick a crew member up. Are you aware of that?

Senator Ian Macdonald—No, I am not. I was aware that we had extra passengers from Cocos Island—

Senator FAULKNER—Yes, you had Mr Kelly.

Senator Ian Macdonald—Who?

Senator FAULKNER—You had the CLP candidate for Lingiari on the flight, in contravention of all practice, all guidelines and all proper process and, frankly, it is a total abuse of taxpayers' money.

Senator Ian Macdonald—No. Mr Kelly travelled the whole distance—well, part of the whole distance—but I think we had additional passengers from Cocos Island to Christmas Island. I know one of number was the administrator, Mr Taylor, but there may have been others as well. We will get all that information for you.

Senator FAULKNER—I suggest you refresh your memory; you will need to.

CHAIR—Are there any further questions?

Senator FAULKNER—There are many more questions, but I will not be asking them now.

CHAIR—Thank you for that advice.

Air Marshal McCormack—There are three things that were asked for by Senator West and Senator Hogg that I might be able to deal with now.

CHAIR—Please do.

Air Marshal McCormack—The first question was about the battalion drop. You asked the Chief of Army about the number of aircraft used for a battalion drop. It is eight aircraft for a battalion drop—six for people and two for equipment. We normally program two spare aircraft, and they are programmed to do a full battalion drop one or two times a year. At other times, it is just training from a smaller number of aircraft.

Senator WEST—If you have 10 aircraft—six for people, two for equipment and two spare—are you able to provide them—

Air Marshal McCormack—We program those aircraft for those specific exercises.

Senator WEST—Thank you.

Air Marshal McCormack—The second question was about the RNZAF A4 aircraft and the effect on support for Navy. The Hawk support for Navy will reach full capability in 2003. Most of the aircraft have been delivered now, but they are still very much under training. Also, there is a software development problem—it is not really a problem; it is a program, to come in 2003, that will enable the aircraft to emulate radars. We were counting on the RNZAF to support the fleet until that program came on board.

Senator WEST—When is the RNZAF fleet opting out?

Air Marshal McCormack—At the end of the year.

Senator WEST—At the end of this year?

Air Marshal McCormack—Yes.

Senator WEST—So there will be two years—

Air Marshal McCormack—We will be able to do some of the support, but we will not be able to provide the full support for Navy until 2003, and that was programmed in quite a while ago.

Senator WEST—Do you mean 2003-04?

Air Marshal McCormack—I mean the calendar year 2003. The third question was about the dump at Amberley. We have information now that Amberley and Collex—who are contractors for the dump—have an agreement that they will monitor the risk of bird-strike. If that is raised at all by the dump, the authority to use the landfill will be withdrawn.

Senator HOGG—I know you have taken that on notice. I know you are carrying the message. Would you go back with a further question there: who is doing the monitoring, and how often will they be reporting on the issue?

Air Marshal McCormack—At the moment the whole thing has just been decided, in very recent time, and my brief says that Defence and Collex will implement a legal agreement for implementation of a bird management plan that incorporates extensive regional and on-site monitoring of birds, reporting and auditing, and corrective and preventative action.

Senator HOGG—Is that legal agreement a public document?

Air Marshal McCormack—It has not been done yet, but they have agreed to do this.

Senator HOGG—If there is a document, it may well be handy for those people who have an interest in it to be able to get their hands on it.

Air Marshal McCormack—At this stage there is only agreement in principle between Collex and Defence.

Senator HOGG—I accept that. I want now to go back to something.

CHAIR—Is it on this matter, Senator Hogg? I understand that both Mr Harper and Mr Bain have some answers to questions asked earlier this day.

Senator HOGG—If they have other answers, yes, I think it is appropriate that we get those on the record.

Mr Harper—If I might start, then, Chair: we have a number of matters which should not take too much time. When Dr Hawke was here, he indicated, I think, that we might have had 25 SES people leave since a certain date. I think I might have suggested on advice last night that that figure was 27. What I would like to do is to table a document which shows the SES separations since July 1999 and gains after July 1999, and also to indicate that Defence currently has three SES officers engaged as non-ongoing employees. That relates to some discussion as to whether Defence had any SES officers on contract.

Senator HOGG—What is a non-ongoing employee? It is a novel term.

Mr Harper—It is a novel term but I think—

Senator HOGG—Are they employees, or aren't they?

Mr Harper—They are employees. My understanding—I would not be an expert; there may be experts behind me—is that they are employees who are engaged for a certain period of time. So they are non-ongoing after that period of time has expired.

Senator HOGG—Non-ongoing means that their previous employment is still continuing, or have they finished their previous employment with Defence and are now taking up a further contract which has a limited life span?

Mr Harper—It means that they are with Defence at the moment, but in a non-ongoing capacity. They are not permanent in the sense that the vast bulk of Defence's SES officers are. So they may—I am unaware of the particular circumstances but I speak by way of example—have a contract to stay with Defence for a certain temporal period, a certain time, or until a particular task is completed.

Senator HOGG—Are these non-ongoing employees employees who have previously taken a redundancy?

Mr Harper—I do not know.

Senator HOGG—If you would just take that on notice, Mr Harper, and find out for us, please, that would be helpful.

Mr Harper—Certainly.

Senator HOGG—How many of them did you say there are?

Mr Harper—Three.

Senator HOGG—Is this a common practice, or an emerging practice, within Defence?

Mr Harper—If there are only three of the over 100 SES employees that we have, it is probably hard to say that it is common, and I do not have enough information to say it is emerging. To me it seems reasonably unremarkable. There was also some discussion that I think General Willis was involved in, about Melbourne University Private. I will table a document of three and a bit pages that addresses—

Senator HOGG—Those are the questions raised by Senator Carr?

Mr Harper—That is right, which we undertook to get back promptly.

Senator HOGG—Have you forwarded a copy of those answers to Senator Carr?

Mr Harper—If we have not, we—

Senator HOGG—No, it is all right; I am getting a nod. I was just curious if you had done it as part of your process, that is all.

Mr Harper—I personally have not, but it is a happening thing. Senator Hogg asked questions relating to the disclosures for the expenditure on the Anzac ships project. Yesterday evening, Senator Hogg asked why the cumulative spend for the Anzac ships project was lower in the portfolio budget statements for 2001-02 than the figure reported in the Defence annual report for 2000-01. It is probably related to Defence moving its reporting to the accrual system. There had been some confusion relating to the proper treatment of two ships in that project, which were being purchased on behalf of New Zealand. It seems that for several reports over the last couple of financial years, at times we have reported eight ships, at other times we have reported 10 ships, and on one occasion we have confused the two. The annual report for 1999-2000 was based on 10 ships.

Senator HOGG—You will have to take me through this slowly.—

Mr Harper—The annual report for 1999-2000 was based on 10 ships. The previous PBS had an error. I am advised that we provided the approved project costs for eight ships, but the estimated spend for 10 ships. The last PBS—

Senator HOGG—The approved cost was for eight ships, but the spend—

Mr Harper—Was for 10. However, the latest PBS for 2001-02 had the correct approved project cost and the correct cumulative expenditure for eight ships, which reflects the reporting format agreed with the National Audit Office. I will table information, which provides the two sets of figures—that is, for eight ships and 10 ships—to assist the committee. The bold numbers highlight the figures that were actually published.

Senator HOGG—What was correct? Is there anything that I can take as correct? You know my style—I try to go from one to the other.

Mr Harper—I suspect—

Senator HOGG—You suspect that I am going to have more difficulty?

Mr Harper—I suspect that the document may take more than a cursory read.

Senator HOGG—You have a keen sense of humour!

Mr Harper—Dr Hawke was asked for an indicative cost of the Capstone program, which we are running. The pilot has just been completed. Our indicative cost, which I have to the last dollar, was \$167,835, but a significant amount of that would have been development costs in working up the first program, and we imagine that the figure for subsequent years will be much closer to \$50,000—it will be \$50,000.

Senator HOGG—Can I stop you there. The development costs therefore were in the order of \$110,000. That seems quite hefty when one considers that there is the senior leadership group and these are for new people who are entering the senior leadership group to familiarise themselves with whatever the senior leadership group does, which I understand, but \$110,000 in development costs—and forgive me if I am out by \$5,000 or \$10,000 there, but it is of that order, \$100,000 to \$110,000—seems very hefty indeed. I would like to know what actual development costs were involved in that first course, if I am correctly interpreting that they are of the order of \$110,000—nearly \$117,000 if one takes your ongoing cost of \$50,000 as being the likely course cost for Capstone. Can you take that back and—

Mr Harper—I will have to take it on notice.

Senator HOGG—I understand that you will have to take that back. Were there any other costs? There was the \$167,000; were there any other costs? Is that everything?

Mr Harper—That is what I have described on the piece of paper in front of me as an indicative cost. Where Senator Hogg was asking for a breakdown of matters relating to FBT savings following evidence given by Commodore Lemon, there is an estimate of \$13.6 million for FBT savings, which comprises two main items: exemption for remote housing allowance for FBT purposes, \$5.4 million; and a similar reduction in respect of discharge related removal and travel costs, \$7 million. Both of those represent ongoing savings.

Senator HOGG—Would they be ongoing of that order?

Mr Harper—I would imagine so.

Senator HOGG—Because that raises the issue then of that \$18 million that you have saved.

Mr Harper—Yes, which I will go on to. In previous years, FBT amounts were paid and Defence intends to approach the tax office to recoup a total of about \$18 million paid in 1997-98 and 1998-99 in relation to the discharge related removal and travel costs. With respect to the current estimates of those amounts which, if the tax office were to agree, would be received in 2001-02, the figure in respect of 1997-98 is \$8 million; in respect of 1998-99, the figure is \$10 million.

Senator HOGG—And you are saying that, subject to negotiations with the tax office, you are expecting those moneys to come back in 2001-02?

Mr Harper—Yes.

Senator HOGG—Are they reflected in the budget?

Mr Harper—I don't have—

Senator HOGG—This \$13.6 million is part of \$50 million in savings; I understand that.

Mr Harper—I understand that they are not included in the budget.

Senator HOGG—Right. So there is another \$18 million of receipts.

Mr Harper—Yes, which would be once-off.

Senator HOGG—I accept that it is a once-off.

Mr Harper—I should also mention that there was as well an amount of \$7.6 million in respect of 1996-97. We have already approached the tax office in that respect. Subject to their agreement, we would expect to receive that in this financial year.

Senator HOGG—In this financial year?

Mr Harper—Yes. We have already approached the tax office on that one.

Senator HOGG—So you have already approached them and they have agreed to the repayment of that \$7.6 million? When you say 'approached', I assume that means they have agreed to the demand that you have placed upon them?

Mr Harper—I would not like to confirm that here and now but—

Senator HOGG—Take that on notice. Will that be shown in the annual report somewhere so that when we go hunting through the annual report we are not trawling over this issue again—that it is clearly identified, I recognise it and just move on. Is that possible?

Mr Harper—I am sure that there is a way in which we can advise the committee of what transpires whether it be by the annual report or by a note to the committee.

Senator HOGG—I am thinking mainly of the annual report. You get people like me who go to the PBS, the annual report, PAES, next PBS, and so on—and hopefully not too many more of those. Maybe you can assist the committee.

Mr Harper—Thank you. We will do our best.

Mr Bain—I have been asked a number of questions by Senator West, Senator Hogg and Senator Hutchins which I would like to go through. Firstly, I need to correct some evidence that I provided this morning in relation to Randwick. Senator Hutchins asked whether Defence had been formally approached in respect of the \$1.3 million legal fees spent by Randwick City Council and I indicated that they had not. I have since become aware that a letter was received by the Minister for Defence, Mr Reith, on 28 May and I have been informed by the parliamentary secretary's office that that letter has arrived and it specifically raises the issue of the \$1.3 million spent by the council.

Senator HUTCHINS—Have you had requests for legal costs before in these sorts of cases to your knowledge? Has the council asked for you to pay their legal costs supposing you did not win the case?

Mr Bain—We have been involved in three other cases, Senator, and we were successful in those three.

Senator HUTCHINS—So this is up to the discretion of the minister, is it, or the department?

Mr Bain—We will have to take advice on this matter. My understanding is that in matters that come before the Land Environment Court the parties are expected to bear their own costs. I am unaware if costs have been awarded, and I do not believe that they have, but that is something we are going to have to have a look at.

Senator HUTCHINS—If someone was even prepared to consider it, who actually makes a decision? Is it infrastructure or is it the minister's office?

Mr Bain—I think that it is a broader issue than just infrastructure and it probably goes wider than just Defence in relation to paying court costs of this nature.

Senator HUTCHINS—Is it appropriate or fair to ask for that question to be put on notice and for us to have an answer back at some stage?

Mr Bain—I will take that on notice, Senator.

I have a few answers to questions. In relation to Randwick, senior counsel was Tim Hale, SC; junior counsel was Michael Wright; and the court comprised the Hon. Justice Angus Talbot with the assistance of Commissioner Dr Roseth. The cost of the Oxley Corporate Holdings study is estimated to be some \$25,000. It has not been completed yet. I had indicated that we had had two meetings with Randwick council. One was on 17 May between the mayor and senior council staff, and Mr Blackley and the planning manager, Anthony Fitzsimmons. The second meeting was on 28 May, between council officers and the defence planning manager, dealing with some technical aspects of the property. We were asked about the size of Mentone. Chiquitta Park is 1.5 hectares. I think I indicated when we were talking about Jezzine Barracks that it was five or six times larger. In fact, it is 10 times larger—it is 15 hectares. I can also confirm that the playgrounds at Tindal were repaired earlier this year and all have been open since that time.

Senator Hogg, you sought information in relation to leases in Canberra. I will need to provide fuller details to respond to your request. But, very quickly, Campbell Park offices have 2,250 people—that covers really all of the defence groups; Northbourne House—which is leased and has Emergency Management Australia, training and the chief finance officer's personnel—has 235 people; Fern Hill, which is leased, has 100 personnel for the Defence Science and Technology Organisation; one that I omitted before, Deakin, which houses the information system people, is leased from Telstra and has 340 people; and Tuggeranong, which we mentioned is leased, has 275 people, which includes the DMO, personnel executive and information systems. There are also a number of offices in Fyshwick for about 300 people. This involves DMO, the military police and, while it is not quite office accommodation, there are the Navy combat data system people.

In relation to the sale and lease-back of defence properties in 2000-01, the lease costs for Pitt Street are \$8.6 million for the first year; for Wollongong, \$1.1 million; and for Bourke Street in Melbourne, \$4.2 million.

Senator West asked a question in relation to Mulwala: when were the contamination issues first looked at? In fact, the initial soil and ground water testing occurred during the construction—it was called Project REFA, which was the Relocation Explosives Factory Albion Project—in 1987, which identified evidence of contamination. There were a number of studies during the 1990s, driven largely by the ADI sale process. That confirmed that the site had been subject to a variety of contaminants over the previous 50 years. A comprehensive program of characterisation activities commenced in 1999 and will be completed this year. I indicated to Senator West where those studies were.

In relation to the Richmond study, Senator West asked when we were aware that the Hawkesbury council was undertaking its own study. That was known in September 2000 and we received a first draft report, undertaken by Pricewaterhouse Coopers, in February 2001.

I would like to table a list of those property disposals that contribute to defence revenue of \$178 million in 2001-02. To assist the committee, I have indicated those properties that have slipped from 2000-01, which were indicated in an earlier answer at a hearing in February this year.

I table a breakdown of the cost for the Russell child-care centre. You also asked for the population of the Russell precinct. It is 5,000. It is probably worthwhile adding the Campbell Park area as well, which is 2,250.

Senator HUTCHINS—If I remember, Mr Bain, we were advised that there were about 80 children as well.

Mr Bain—I should confirm that. It is 80 children.

Senator HUTCHINS—Including Campbell Park?

Mr Bain—Yes, so the total population is 7,250.

Senator HUTCHINS—There are 80 child-care spots?

Mr Bain—That is correct. You might recall that I mentioned the DIO facility which, I am informed, is available to DIO and DSD personnel only during the holiday period. In relation to other child-care centres, we have recently constructed ones at Enoggera—we spent about \$1.4 million in current-day prices for 75 people; at Tindal, \$1.5 million for 73; at Palmerston in the Northern Territory, \$1.6 million for 70 personnel. The Russell estimate of \$2.4 million needs to be tested, and it will be, to make sure that it is compatible with the other facilities. That will be done through value management as we get closer to the construction period. Senator Hogg, I have one last area you asked about—wharves. The advice I get on Fawcett Point at Lismore is, ‘never heard of it’.

Senator HOGG—Never heard of it. I might have it wrong.

Mr Bain—Could I suggest, and we could follow up more for you if you like—

Senator HOGG—Someone has given me a wrong direction.

Mr Bain—There is the suggestion that it might relate to TS Lismore, which is a naval cadet unit at Ballina. They may have some wharf facilities there. They are not the responsibility of the Department of Defence. Perhaps if you could provide more information we could clarify it for you.

Senator WEST—Yes.

Senator HOGG—All right. If we can we will.

Mr Bain—Other wharves that Defence is repairing or constructing are at *Creswell*, in Jervis Bay, \$5 million—replacing a wooden wharf; the Darwin naval base, \$11 million, to accommodate extra patrol boats and one extra landing craft—that has essentially been completed; Twofold Bay at Eden, a wharf for the Navy ammunition facility, \$20 million, for ammunitioning of the east coast fleet—it replaces the facility in Sydney Harbour sold at Newington; and an interim upgrade at Point Wilson at \$2.5 million. The Eden project is scheduled to commence in October and is currently in tender. At Townsville, Defence has contributed to the local port authority \$1.2 million to improve berthing facilities at wharf 10 to meet the specific requirements of HMAS *Manoora* and *Kanimbla* and that will be complete in December 2001. At the Darwin port roll-on roll-off facility, Defence has contributed \$2.4 million to repair the pontoon to enable the docking of *Manoora*, *Kanimbla* and *Tobruk* and that is currently 30 per cent complete. There is future work also planned for wharves at Stirling, Cairns and Garden Island.

CHAIR—Have you finished, Mr Bain?

Mr Bain—Yes.

CHAIR—Because Dr Brabin-Smith will not be here tomorrow evening, and because of the change in the format of the estimates, we would like to question you now and Senator Hogg has indicated that half an hour should be enough and hopefully we can get rid of output 5 in that way.

Senator HOGG—We will have to come back to you, Air Marshal.

Senator WEST—Sorry, Air Marshal.

CHAIR—You will be back, Air Marshal.

Senator Ian Macdonald—Mr Chairman, the air marshal has better things to do as well. Is it any use if I offer to sit for another half hour?

Senator WEST—Minister, no.

Senator HOGG—The difficulty will be that if we do not do it tomorrow we come back on Friday. Friday is the spillover day for these particular sets of estimates. What we are trying to do is to accommodate a range of people, and we are going to run into some difficulties no matter which way we turn. We were having some discussions with Parliamentary Secretary Campbell's staff, the chair of the committee, me and the secretary of the committee to try to arrive at what might best serve all purposes. It was not easy.

Senator Ian Macdonald—Senator, there are two elements you leave out of the arrangements. One just happens to be the minister, and the other happens to be the department. It is okay for everyone else to make arrangements, including Senator Campbell's office, but someone has got to tell the department and someone has got to tell the minister.

Senator HOGG—I am sorry, the other person—

Senator Ian Macdonald—As far as I was always told—

Senator HOGG—Minister, the other person we had involved in the discussion was Mr Corcoran, from the department.

Senator Ian Macdonald—You have told me that he was not.

Senator WEST—That is not what Mr Corcoran is indicating from behind.

Senator HOGG—Mr Corcoran is indicating that he was privy to the discussions. I think if I ask Dr Brabin Smith the questions we will get out of here just after 6.30.

Senator Ian Macdonald—My point was this: is there any use in my sitting half an hour into the dinner hour so that we can accommodate the air marshal and Dr Brabin Smith—

Senator HOGG—I think the air marshal has walked out.

Senator Ian Macdonald—All right.

Senator HOGG—You have then got the problem that you are going to have DVA roll up at 7.30 and a half-hour dinner break.

Senator WEST—That is not fair to Hansard and the secretariat.

Senator HOGG—It has been pointed out to me that the air marshal has returned.

Senator WEST—It might be that the air marshal has something on tomorrow evening. Then his deputy has to come. That is acceptable.

Senator HOGG—Can I start the questioning to Dr Brabin Smith?

Senator Ian Macdonald—Please do.

Senator HOGG—The Prime Minister announced last year an extra \$10 million, from \$8 million to \$18 million, to PNG as part of Australia's Defence Cooperation Program, to assist with a restructure and a downsizing, but after protests by the Papua New Guinea defence forces the government backed down from its reform agenda. Is Australia still taking back that extra \$10 million?

Dr Brabin Smith—The money has not been spent. It was not transferred to the government of Papua New Guinea.

Senator HOGG—So it was never transferred in the first place?

Dr Brabin Smith—That is right. We are currently, to some extent, treading water while the government of Papua New Guinea decides what it wants to do next in terms of the reform of the PNG Defence Force.

Senator HOGG—So that money is still allocated in the budget, should it still be necessary. Has it been carried forward into next year's budget?

Dr Brabin Smith—It is not clear at this stage how costly Australia's contribution to reform of the PNGDF would be. It is fair to say that the government has a strong commitment to helping the government of PNG on this one, and my sense is that, should extra money be required, then the government will find it.

Mr Carmody—There was some extra money spent on Papua New Guinea towards the end of last year, which was the element of the special assistance package to feed soldiers in the PNGDF, which we probably covered in the previous session. So there was more spent in Papua New Guinea than was originally programmed during the year.

Senator HOGG—Was any of that out of the additional \$10 million? Or was it within the allocated budget?

Mr Carmody—It was within the Defence Cooperation Program budget.

Senator HOGG—Thanks. Undoubtedly you would be aware of the reports that surfaced in the media that the PNG defence force was concerned about an Australian takeover. Where did that emanate from, do we know? And what was our response?

Dr Brabin-Smith—The dissident element in the PNG defence force was quite small and in fact you could argue that the most publicly vocal part of it consisted of former members of the PNG defence force rather than serving members. As events unfolded so it became clear that those members of the PNGDF who felt disaffected were making a distinction in their minds between the ongoing support through the defence cooperation program on the one hand and what some had perceived incorrectly as being an Australian push through the eminent persons report on the other. The eminent persons group report was instigated by the government of Papua New Guinea and carried out through the good offices of the Commonwealth of Nations.

Senator HOGG—Moving on now to the decision by the New Zealand government to bring about a new structure for its defence forces, was Australia consulted on the issue?

Dr Brabin-Smith—We were not consulted in a formal sense. We got wind of what the government of New Zealand was inclining towards. I can put it in these terms, Senator Hogg, the government of New Zealand is as jealous of its sovereignty as we are of ours. We were cautious in the comments that we passed to them.

Senator HOGG—I just thought in view of the degree of interoperability that has existed in the past between their forces and ours whether there has been any consultation on that basis?

Dr Brabin-Smith—They certainly let us know what they were thinking of and we were advised before the public announcement of what they were intending but it would be wrong to believe that we worked hand in glove.

Senator HOGG—No, I was not implying that for one moment. The US Secretary of Defense last week warned Americans to be prepared for war and not to be lulled by a sense of post-Cold War security. Is this a view shared by the government and has the US formally passed this same message on to us as an ally? It comes from an article in the *Australian* international news, 'Be prepared for war, US told.' Have you seen that?

Dr Brabin-Smith—I saw something along those lines in the press cuttings. I have not seen anything looking like the original text of this nor do I know what the context was in terms of preparing for war or otherwise. I do not think that the government's policies have changed since the publication of the white paper in December last year.

Senator HOGG—All right, thank you. Do we know if this was a subject of discussions between the minister and the secretary when he visited earlier this year?

Dr Brabin-Smith—It would be unusual for an official, Senator Hogg, to say what might or might not have passed between an Australian minister and a minister of another country.

Senator HOGG—Is Defence undertaking any work in relation to the ANZUS treaty? Is it being reassessed in any way?

Dr Brabin-Smith—Not in any formal sense.

Senator HOGG—In the informal sense is it?

Dr Brabin-Smith—The ANZUS treaty forms the background against which we build and nurture and take further our defence and security relationship with the United States.

Senator SCHACHT—In the context of the ANZUS treaty, can you take on notice and provide us with information as to whether any American congressman has visited Pine Gap

since our last election? The American Senate committee structure has changed due to the circumstances of Mr Jefford from Vermont changing to an independent. The speculation is that the senate committee chairmanship will change to democrat—it has not been resolved yet, it is right in the process—and that means there will be new secretaries of the Senate defence and foreign affairs committees. Would you expect that one of the new chairmen would put a request in, at some stage in the intermediate future, to get an official visit, an inspection tour, of Pine Gap?

Dr Brabin-Smith—I will take the questions on notice. I think they probably fall more in the bailiwick of the Deputy Secretary for Intelligence and Security to answer, the designated occupant of which is sitting on my right here.

Senator HOGG—Does the government believe that there are areas of the alliance that need improving or whether a new treaty for the new century should be put in place?

Dr Brabin-Smith—I am not aware of the government believing that a new treaty needs to be put in place.

Senator HOGG—Is Defence aware of a strategic review that has been done by the Pentagon that highlights the Pacific as the most important region for US military planners and calls for new long-range arms to counter Chinese military power? I refer there specifically to an article that was in the *Sydney Morning Herald* of 18 May headed ‘Washington targets the Pacific’. It says:

A confidential Pentagon strategy review has cast the Pacific as the most important region of military planners and calls for the development of new long-range arms to counter China’s military power.

Dr Brabin-Smith—Is that a reference to a review being conducted by Andy Marshall?

Senator SCHACHT—Who is Andy Marshall?

Dr Brabin-Smith—He might be the guy who is carrying out this study.

Senator WEST—It is an article out of the *New York Times*.

Senator SCHACHT—It says:

The review is part of a broad effort by the Defense Secretary, Rumsfeld.

Dr Brabin-Smith—The new administration in Washington has launched several reviews, in particular a review by Dr Andrew Marshall who is head of the Office of Net Assessment in the Office of the Secretary of Defense. There are many additional reviews running. The Marshall review is being very tightly held. It is strongly rumoured that the administration will put greater focus on Asia-Pacific than previous administrations. I believe also that the review will highlight the potential benefits for new generation weapons of longer range and greater precision.

Senator HOGG—Do we have any concerns in Australia about China trying to increase its presence and influence in the Asia-Pacific?

Dr Brabin-Smith—I think concern is the wrong word. We try to work with China to get a high level of mutual understanding and to get a sense of inclusivity with respect to stability and security within the Asia-Pacific region.

Senator HOGG—Does the US proposal for NMD pose any threat of triggering a missile race in the Asia region as a result of China increasing its missile capability?

Dr Brabin-Smith—As you are aware, Senator Hogg, issues of the strategic balance are highly complex. The United States itself has moved away from the term ‘national missile defence’—NMD—to talk about missile defence more generally; by that, in this context, it

means defence against ballistic missiles of all sorts. The complexities include the balance between conventional weaponry and nuclear weapons; the balance between new technology and old technology on the conventional side; and, within the strategic nuclear part of this consideration, the balance between offensive weapons—that is to say, the missiles themselves—and ways to defend against them.

My own reading of the United States is that they will take particular care not to go from the present situation, which is currently perceived as a stable system, into a situation that overall is any less stable. That has yet to be demonstrated; it is early days, in my view, in the consideration of what is an enormously complex matter.

Senator HOGG—What strategic impact is the US proposal on NMD likely to cause in our region?

Dr Brabin-Smith—At this stage it is too early to say. I think that the concepts are insufficiently developed and the United States itself—

Senator HUTCHINS—Dr Brabin-Smith, I wonder whether I could just ask a question on the missiles—and I am pretty much a novice in this. There seems to be some debate about this missile system: one part is about whether there is a need for the Americans to go into it and another part is about whether this is the right system to go into. I see that there is some debate about land based missiles as opposed to sea based missiles. From what I have read, if they base their capacity in Alaska, that does not provide any strategic cover for, say, a country like us. Would I be correct in that?

Dr Brabin-Smith—On that specific question—

Senator HUTCHINS—Whereas I understand that the sea based ones seem to contravene the 1972 anti-ballistic missile treaty. I wonder whether you would care to comment on that in terms of our own regional security and our being under the ANZUS umbrella.

Dr Brabin-Smith—Yes. The United States, as I read it, has yet to decide the way ahead. There are many options, and I am pretty clear in my understanding that they will explore a very wide range of possibilities—a wider range than had been contemplated in the later months of the previous administration. It is a bit early to come to any definite conclusions on which way they would prefer to go—they themselves do not know yet—and what the consequences might be for us.

In terms of the ABM treaty, the Australian government has made it clear that we have a preference for the treaty to be renegotiated rather than unilaterally rescinded. I think it is important to add in this debate—which probably will continue for many years and not just months—that the ABM treaty was put in place at a time basically of a bipolar relationship, a hostile relationship between America and the former Soviet Union. No other nations are party to it. The Soviet Union has turned into Russia and, again, in my reading of the situation, the US does not regard Russia as an enemy. Therefore, the context in which the ABM treaty was put in place has changed very significantly.

Senator HUTCHINS—Do you have a view about the rogue state theory that I have read about—that is, that whoever they may be, they are the threats to security?

Dr Brabin-Smith—It is true that the United States has a concern about these states—indeed, states of concern—and we are aware of the background to that concern.

Senator HOGG—I have a couple more questions, so bear with me for a few moments—they are short questions. Is Defence still in possession of Sandline equipment which was—

Dr Brabin-Smith—Can I take that one on notice?

Senator WEST—It is being stored at Tindal, I think.

Senator HOGG—An article in the *Courier Mail* of 11 April states:

The Defence Department is storing two combat helicopters on behalf of an international mercenary force which has not ruled out an involvement in regional conflicts.

It goes on to say:

... Sandline International, which uses a Brisbane-based firm for legal advice, has retained ownership of two Mi-24 helicopters stored at the Tindal RAAF base near Darwin.

Mr Carmody—I understand that that is correct.

Senator HOGG—If they are being stored, what is the cost of storing them and what will ultimately happen to those helicopters?

Mr Carmody—I will have to take those questions on notice. I do not know the—

Senator HOGG—No, I did not expect that you would know the answer, but it is an interesting question, and I have raised it at a number of estimates hearings.

Senator WEST—We have been following it for a number of years.

Senator HOGG—Another article that I have come across is headed ‘Tempest brews in Asia-Pacific’. Can you tell the committee what the tempest is about? I understand that it is a military framework for 21 countries. Are you aware of that?

Dr Brabin-Smith—Can you give us a clue?

Senator HOGG—It is in the *Far Eastern Economic Review* of 12 April this year—I do not expect that you have read all of these things, Dr Brabin-Smith—and it states:

It’s code-named Tempest, involves the militaries of 21 countries under the United Nations banner and is the first of its kind in the world. Over the past year, the countries have been drawn together under a blanket of secrecy to work out a system for rapid deployment on humanitarian missions in the Asia-Pacific region. Earthquakes, floods, disease outbreaks and influxes of refugees are among issues that will be tackled by Tempest’s multinational planning-augmentation teams.

Dr Brabin-Smith—The code word ‘Tempest’ is lost on both Mr Carmody and me.

Senator WEST—It is page 8 of the *Far Eastern Economic Review* of 12 April.

Senator HOGG—I will give you the clipping—you can take it away. If you take it on notice, I would like to know if Australia is involved. If we are involved, when did we become involved, and who else was part of it? The article is not overly precise on those details, and this seemed to be the proper opportunity to pursue that.

Senator Ian Macdonald—For the record, what was the date, the paper and the author?

Senator HOGG—It was 12 April 2001, and it was in the *Far Eastern Economic Review*.

Senator WEST—On page 8.

Senator HOGG—On page 8.

Senator Ian Macdonald—Is there an author?

Senator WEST—No.

Senator HOGG—No, it is just under the heading ‘Intelligence’, Minister.

The other issue I want to raise very briefly is that there was an ANAO report on the Defence Cooperation Program and at paragraph 16, page 12, it said:

The systems, procedures and practice used to administer DC were not effective in preventing and detecting misallocations and budget overspends in program administration nor in the execution of projects. Financial data could not be exchanged adequately with other Defence and Department of Foreign Affairs and Trade systems with which interaction was required—

and it goes on:

There is scope for improvement in the management of individual projects and other DC activities. There were many instances where internal good practice guidelines regarding documentation of details in approving, implementing and concluding projects were not followed—

Further on it says:

... Projects also lacked effective monitoring systems and procedures.

That is concerning because when one looks at the range of projects, whilst they are not enormous necessarily in their individual costs, the ANAO report seems to be critical of the Defence Cooperation Program and its management by you, I would assume. What is your response to that? There were seven recommendations by the ANAO—one was agreed to with qualifications and the rest were agreed to by the department. How are you going to implement those recommendations to ensure that there is a better management of the Defence Cooperation Program?

Mr Carmody—There were a range of recommendations and we have plans in place to implement all the recommendations. As you outlined very clearly, one was agreed to with qualifications. With respect to the remaining ones in terms of system control there are some procedures in place. I make the point though that in the overall statement the ANAO audit also made a number of very positive statements about the Defence Cooperation Program in aggregate. But certainly we have taken the points that they have made in terms of system administration. Some of them are in terms of how Department of Defence systems link with Department of Foreign Affairs and Trade systems and how funds are identified at certain prices when they are transferred. We now download from the Department of Foreign Affairs and Trade their financial information weekly instead of monthly to try to overcome that, and there are a range of procedures which have been put in place to rectify the points that were raised.

There are a couple of recommendations with regard to development of Defence cooperation objectives which were made as well. We felt that there are a number of quite clear objectives in the Defence white paper which, of course, was issued after this audit period. The Defence white paper lays out very clearly a range of strategic objectives and we will link the Defence Cooperation Program to those objectives and link it through the Defence International Engagement Strategic Plan which is now almost complete which will link clearly white paper objectives to results.

Senator HOGG—The thing that really attracted me was recommendation 3 which says:

The ANAO recommends that Defence review its public reporting on DC program performance indicators and targets, with a view to disclosing information sufficient to discharge its accountability for public funds spent on DC and enabling an informed assessment of DC program performance.

I understand that you have agreed with that and that is very good, but that highlights one of the areas where I have always had a concern, namely the transparency, the accountability and the discharging of the accountability. In looking at the program in the PBS this year, it struck me that, in many instances, the cost last year was the cost this year. That did not seem to indicate that there had been any change in the program whatsoever, even in respect of inflationary or other costs that might accrue in that time. I know that we are dealing only with

small amounts, so I can understand that in some cases. You have my comments. I am aware of the time.

Mr Carmody—I would like to respond to the comment about costs. In a number of specific instances, the costs this year are the same as those programmed for next year and the amounts are not necessarily all that high. With some of these programs, the best guide for next year's expenditure is what is actually occurring this year. There is a degree of stability, specifically with the small South Pacific nations in terms of their expenditure—unless something like a Solomon Islands or Fiji incident occurs. I think that we have tried to outline the larger Defence cooperation spends quite well and you can see that there is some very clear movement between one year and the other.

Senator HOGG—You know me, Mr Carmody, I read the PBS closely.

Mr Carmody—You certainly do, Senator.

Senator WEST—What is happening with the strategic policy institute?

Dr Brabin-Smith—Before I respond to that question, I will say to Senator Hogg that we would be delighted to talk at great length about the Defence Cooperation Program. But it is somewhat anomalous that we take 13 pages to describe \$62.5 million, whereas in other parts of the explanatory notes, we take three pages to describe \$5 billion.

Senator HOGG—That is a very good point, Dr Brabin-Smith.

Senator WEST—We have noted that.

Senator HOGG—I have noted that over a long period of time.

Dr Brabin-Smith—You are a scholar and a gentleman, Senator.

Senator HOGG—We will take up the cudgel for you.

Senator Ian Macdonald—They do that so you have all the information so you do not have to ask them anything, but it does not seem to work.

Senator WEST—I think it is doing very well. What is happening with the strategic policy institute?

Dr Brabin-Smith—The government is at an advanced stage of establishing the board of governors.

Senator WEST—So when is the institute going to be up and running?

Dr Brabin-Smith—I would imagine within a modest number of months.

Senator HOGG—Very nicely said—modest!

Senator WEST—Yes, given that this has been rather modest in its pace of foot, I understand—

Senator Ian Macdonald—You could be a script writer for *Yes, Minister*.

Dr Brabin-Smith—Thank you, Minister!

Senator WEST—Some years ago, you ceased funding the strategic defence policy centre at ANU. Is that correct?

Dr Brabin-Smith—I do not know that we had ceased funding it as such. We still have a relationship with it.

Senator WEST—Does that relationship still exist?

Dr Brabin-Smith—Yes.

Senator WEST—At the same level as on previous occasions?

Dr Brabin-Smith—Funding has dropped in recent years.

Senator WEST—By how much?

Dr Brabin-Smith—Can I take that on notice?

Senator WEST—Yes, certainly, because it is my understanding that the strategic policy institute will be giving a lot of the advice, or a lot of similar advice, to what was given by the strategic defence policy centre at ANU. Are there any gaps in your strategic information and input because of the reduced funding to the policy centre at the ANU and the delays in getting the institute up and running?

Dr Brabin-Smith—I think in many ways we see the Australian Strategic Policy Institute having a charter which is broader and beyond that of the strategic and defence studies centre at the ANU. Indeed, I was talking to Professor Dibb last week and he was talking about the benefits were there to be doctoral fellowships and perhaps post-doctoral fellowships which would prepare people to perhaps go and work in ASPI.

Senator WEST—I see. So is Mr White going to head up the ASPI?

Dr Brabin-Smith—That will depend on the board. It is true that a selection process has been held and Mr White came out top of that list. However, his appointment is for the board to consider.

Senator WEST—How long is it since Mr White came out at the top of the list?

Dr Brabin-Smith—I cannot remember when the interviews were held.

Senator WEST—Was it some time ago?

Dr Brabin-Smith—Yes.

Senator WEST—Are we talking in terms of months or years?

Dr Brabin-Smith—Months.

Senator WEST—Moving on to the board of governors, when do you expect to see them appointed and when do you see the institute up and running? Is there a time frame?

Dr Brabin-Smith—Board members are currently being approached. If the individuals concerned agree to accept the invitations, it will be a shorter period, maybe a month or a month and a half. It really depends. The speed at which this will progress at the moment will depend on whether the people approached to be on the board accept the invitations.

Senator WEST—Is there a window-type time frame in which you expect the board to be approved and the institute to be up and running?

Dr Brabin-Smith—If the individuals approached to be on the board all say yes, I would expect it to be up and running possibly in July.

Senator WEST—But it has been in the preparation stage for some considerable time, has it not?

Dr Brabin-Smith—That is right.

Senator WEST—So I should not hold my breath.

Dr Brabin-Smith—I think you could afford to hold your breath now.

Senator WEST—I do not have great power to hold my breath, so—

Dr Brabin-Smith—I am being optimistic.

Senator WEST—Good. I would also like from your section a list of all publications and newsletters that are produced weekly, fortnightly, monthly, quarterly or annually; the purpose of the publication; and the annual costs or estimated annual costs for each of those. I am happy for that to go on notice.

Dr Brabin-Smith—Can you give me a context for the question?

Senator WEST—Does your organisation put out publications or newsletters?

Dr Brabin-Smith—I think the answer is that we do not, but I will check.

Senator WEST—That is fine.

Senator HOGG—And if you do not do that, it does not matter. I have indicated to the chair that we will now put a number of other questions on notice.

CHAIR—Thank you, Dr Brabin-Smith and Mr Carmody.

Dr Brabin-Smith—Thank you for the opportunity.

CHAIR—As Senator Hogg said, a number of questions may be put on notice and they will be handed to the department.

Proceedings suspended from 6.43 p.m. to 7.32 p.m.

DEFENCE PORTFOLIO

In Attendance

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

Department of Veterans' Affairs

Portfolio overview

Corporate and general matters

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

1.1 Means tested income support, pension and allowances

1.2 Compensation pensions, allowances etc

1.3 Veterans' Review Board

1.4 Defence Home Loans Scheme

Mr Bill Maxwell, Division Head, Compensation and Support

Mr Paul Pirani, Branch Head, Legal Services

Mr Murray Harrison, Manager, Information Management Unit

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

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

Mr Bruce Topperwien, Executive Officer, VRB

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

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

2.1 Arrangement for delivery of services

2.2 Counselling and referral services

Mr Geoff Stonehouse, Division Head, Health

Ms Narelle Hohnke, Branch Head, Health Services, Health

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

Mr Chris Harding, Branch Head, Specialist Business Advisor

Outcome 3—The achievements and sacrifice of those men and women who served Australia and its allies in war, defence and peacekeeping services are acknowledged and commemorated.

3.1 Commemorative activities

3.2 War cemeteries, memorials and post-war commemorations

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

Ms Kerry Blackburn, Branch Head, Commemorations, Corporate Development

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

4.1 Communication and community support to the provider and veteran community

Mr Geoff Stonehouse, Division Head, Health

Mr Barry Telford Branch Head, Housing and Aged Care

Mr Bob Hay, Branch Head, Strategic Support

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

5.1 Incapacity payments, non-economic lump sums

5.2 Medical, rehabilitation and other related services

5.3 Individual Merits Review

5.4 Advisory and information services

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

Mr Geoff Kavanaugh, Director, Output Pricing and Ownership

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

Dr Neil Johnston, Secretary, 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

Mr Geoff Kavanaugh, Director, Output Pricing and Ownership

Australian War Memorial

Outcome 1—Australians remember, interpret and understand the Australian experience of war and its enduring impact on Australian society.

General questions.

Major General Steve Gower (Rtd), Director

Mr Mark Dawes, Assistant Director, Corporate Services

CHAIR—We now move to consideration of particulars of proposed expenditure for the Department of Veterans' Affairs and I welcome the minister and officers of the Department of Veterans' Affairs and the Australian War Memorial. The committee will first consider the portfolio overview and then consider outcomes in numerical order. The committee has resolved that the deadline for the provision of answers to questions taken on notice at these hearings is Wednesday, 18 July 2001. Minister, do you wish to make an opening statement?

Senator Ian Macdonald—No, thank you.

Senator SCHACHT—Firstly, Dr Johnston, I think that the PBS this year is a little more understandable than last year's. I actually found a comparison between this year's budget and last year's budget that was all very useful and the explanation about the various initiatives are a little clearer in the documents. We had an hour and a half last year trying to get on top of which way to read the PBS—upside down, back-to-front or chuck it in the bin. So I congratulate you on your discussions with Finance in making the document a bit more understandable, but I do not think that it overcomes the general problems of accrual accounting to make it user-friendly for estimates in total. I apologise, Mr Chairman, if I accidentally jump out of overview into more specific areas but I will try to keep that in some sort of order. I note from the portfolio overview, Mr Johnston, that the total appropriation, including the War Memorial issue, is \$8,841,904,000. On page 19, it has last year's estimated actual budget figure, \$8,679,217,000. Is that correct? Have I got that right?

Dr Johnston—That is correct, Senator.

Senator SCHACHT—I presume the estimated actual for the year about to be completed of course includes those initiatives announced in the budget that were to be paid out of this financial year. That is correct, isn't it?

Dr Johnston—I would expect so, Senator.

Mr Farrelly—That is correct.

Senator SCHACHT—So when we see the figure on page 19 of \$8,679,217,000 as estimated actual, and we take out of there the \$247 million for Japanese POWs, what else do we take out?

Mr Farrelly—Regarding the POWs, if you go to table 1.2.2 on page 20 overleaf, that gives you a walk through of the changes between additional estimates and estimated actual. And if you look at the column called 'post AEs measures'—

Senator SCHACHT—Right.

Mr Farrelly—The amount of \$351,325,000 includes \$246,325,000 for POWs, being the administered part, and \$105 million for the \$300 payment to pensioners.

Senator SCHACHT—How much was the \$300 payment worth?

Mr Farrelly—\$105 million.

Senator SCHACHT—And that is out of this year's budget?

Mr Farrelly—Yes.

Senator SCHACHT—I want to go down to the bottom of that same table. I see under outcome 1, departmental appropriations, \$2.5 million. Is that administration?

Mr Farrelly—Yes, that is right. That is the departmental costs.

Senator SCHACHT—Associated with those initiatives?

Mr Farrelly—Yes. There is \$1.5 million for the POWs and \$1 million for the \$300 payment.

Senator SCHACHT—The \$300 is a one-off in the budget papers. So next year there will be no need for that \$1 million because Finance will take it back from you, of course. Are you going to be able to keep any of the \$1.5 million for ongoing administration or will it all have been completed for the POW payment?

Mr Farrelly—Whatever is not spent would be rolled over.

Senator SCHACHT—I am intrigued. The POW issue is a bit like the administration in determining particular civilian internees, which I will come back to later. Mr Farrelly, you might have enjoyed yourself by reading my speeches and remarks in the Senate debate on this a week or so ago. You probably did not, which is probably a smarter thing to do. How did you reach an estimate that it would cost \$1.5 million to administer the POW one-off?

Mr Farrelly—I can give you a breakdown of those costs.

Senator SCHACHT—This is very good, Dr Johnston. I am interested in the cost, but I am interested in how you arrived at the cost because this is a one-off—a special initiative.

Dr Johnston—I think you have to be careful in the way you approach those costings. A budget at any point in time is a sum total of the parts—that is an obvious statement. In the short term we make the resources available to implement the government's policies, and this is an estimate of what that will cost.

Senator SCHACHT—But I want to know how you made the estimate. That is all I am asking. I just want to know: do you have to pay for 10 people to go searching for all the lists of civilian internees that may have taken place or do you send off something on the Internet or do you send out coded messages to wherever? That is what I am interested in.

Dr Johnston—I suspect a general answer rather than the precise detail of it is probably more helpful.

Mr Farrelly—That is right. Estimates are made, for example, for staffing to say how much effort it will take from the department now to implement this. Diverting effort naturally from the normal work creates backlogs. Therefore, we ask Finance for funding. We do not expect to put new people on to do this. We need to divert existing people.

Senator SCHACHT—So they are all contract?

Mr Farrelly—No. We would be diverting existing DVA employees away from their current work. Therefore, backlogs would develop. Hence, we ask Finance for coverage to clear those backlogs once this work is done. So, for example, we would have funds in there to deal with overtime to clear backlogs.

Senator SCHACHT—I see. In the end it will be overtime.

Mr Farrelly—In the end it will come out somewhere.

Senator SCHACHT—So no increase in staff, but in the end staff will be expected to do overtime to make up the backlog in their normal area.

Mr Farrelly—Correct.

Senator SCHACHT—What is the estimation of the overtime payment?

Mr Farrelly—The estimate is of the order of \$250,000.

Senator SCHACHT—For how many staff?

Mr Farrelly—I have not got that; I have got a dollar figure of \$250,000. That would translate into an average rate of five people—five ASL.

Senator SCHACHT—Five people, \$250,000?

Mr Farrelly—At an average salary of \$50,000 a year. So five people's worth of effort.

Senator SCHACHT—Yes, five people, but how many actual people will get the overtime? 200? 50?

Mr Farrelly—Yes. It would be—

Senator SCHACHT—Do you get overtime, Mr Farrelly, for working this out?

Mr Farrelly—I do not get any overtime at all, regrettably, but it would be in the—

Senator SCHACHT—I think you should join a better union.

Dr Johnston—He does get a performance bonus.

Senator SCHACHT—I see, a performance bonus, of course.

Mr Farrelly—I would expect there to be 100, or something like that.

Senator SCHACHT—About 100?

Mr Farrelly—Yes.

Senator SCHACHT—Do you know where you will be recruiting them from, or is it just someone who puts their hand up?

Mr Farrelly—I could not say.

Senator SCHACHT—Who handles that?

Mr Farrelly—It will be done within each—

Senator SCHACHT—Who handles the administration?

Mr Farrelly—Each state would manage their own arrangements to clear their own backlogs.

Senator SCHACHT—But when the staff are put on to this job to answer already the many phone calls that are coming in, which area in each state branch are they pulling people out of to answer the phone on this issue?

Mr Maxwell—Perhaps I should enter the debate at this point.

Senator SCHACHT—It is not a debate; it is questions.

Mr Maxwell—To date the phones have been manned by people diverted from their other tasks within the national office here in Canberra. When we get to the stage of actually talking to the individual people concerned and receiving claims from those needing to make a claim, that will be handled out in the state offices using the compensation staff that normally handle compensation claims.

Senator SCHACHT—Okay. I will return later to the issue of that initiative. I want to go back to the general figures in the budget. So we take out the \$2.5 million administration cost that is a one-off for this year, and take \$351 million out of the total estimated additional estimates and that reduces the figure to about \$8.170 billion or something like that? Is that right? You might have the correct figure there. If you had not taken that money, what would the figure have been? About \$8 billion?

Mr Farrelly—Yes, that is right.

Senator SCHACHT—About \$8.100 billion or something like that?

Mr Farrelly—Let me calculate it.

Senator SCHACHT—When we get back to that figure and get the one-offs out, that shows that there has been about a \$500 million increase in the budget appropriation for veterans. Is that correct?

Dr Johnston—In this budget for the current financial year?

Senator SCHACHT—Yes, for the coming year. You take these one-offs out that have gone through—the \$350 million-odd. Is that right? Sorry, it gets down to below \$8 billion—I made a mistake. It is about \$7.980 billion or something, isn't it?

Mr Farrelly—If you took out the effects of the \$353 million-odd going through, you would wind up with, say, \$9 million being the net variation between additional estimates and the estimated actual.

Senator SCHACHT—But in the additional estimates column of 2000-01, the year just about to be completed, the total appropriation is \$8.3 billion. We take out the \$350 million that is a one-off special that the parliament carried last week and that reduces the appropriation of the expenditure to about \$7.960 billion. Is that right?

Dr Johnston—I think that I can handle your question in the following way: if you turn to pages 21 and 22, you will see a listing of all the measures impacting on the department for the next financial year and the four forward estimates years. At the bottom of page 22 there is an indication that the total budget impact is \$299.8 million gross. I can say to you that, in net terms, after you allow for offsets in terms of changes in appropriations for other departments as a result of measures announced for the Department of Veterans' Affairs, the total impact of the budget is some \$87 million. So corresponding to the \$299 million—

Senator SCHACHT—Okay. I will come back to the calculation. I just want you to tell me what will be the estimated expenditure, when you take out the new initiatives that were passed by parliament last week—that were put in this year's budget just ending. Therefore, my calculation is that the savings issue that you have picked up from other departments is next year. They are not giving it to you for this year.

Dr Johnston—Are you wanting to find the figure for this financial year? That is also at the bottom of page 22 and that shows you that the figure in the first column is \$45.7 million.

Senator SCHACHT—On page 22?

Dr Johnston—Page 22, at the bottom of the page, total of all measures.

Senator SCHACHT—Yes.

Dr Johnston—For the appropriations budget 2001-02 it is \$45.725 million.

Senator SCHACHT—Yes. Are you suggesting—

Dr Johnston—That is the gross impact on the Department of Veterans' Affairs appropriations of the budget measures.

Senator SCHACHT—I know that. That is not the point that I am trying to make. I just want you to tell me, as a simple accounting procedure, if everything goes as you would expect, how much will the department have spent in total for the year ending 30 June 2001 so that I can then compare what we expect you to spend for 2002, which is \$8.6 billion?

Mr Farrelly—We are expecting to spend, at the end of 2000-01, \$8,679,217,000. So for the current financial year, our estimated actual—

Senator SCHACHT—I am sorry, I see. I made a terrible mistake earlier on. I was reading estimated actual at the last column as this coming year's budget. Sorry, I made a mistake. And we go to the figure for the budget for 2001-02, and that is \$8,748,701,000. So the budget for the department has gone up about \$70 million?

Mr Farrelly—Correct.

Senator SCHACHT—Right.

Mr Farrelly—\$69,484 million.

Senator SCHACHT—Yes. Is that less than the CPI for the anticipated year?

Mr Farrelly—CPI—

Senator SCHACHT—Is in the figures already.

Mr Farrelly—If you look there at the indexation adjustments, we have been provided with \$241,822,000.

Senator SCHACHT—So the figure of what you get—the increase up to \$8.7 billion—does include a CPI figure that is across all portfolios?

Mr Farrelly—Yes.

Senator SCHACHT—Thank you. I am sorry I made that mistake earlier on, which led to your confusion. Last year in the estimates, Dr Johnston, we had a long discussion—I do not think that we ever quite reached agreement on the interpretation—regarding some money the budget set aside for initiatives for home care, et cetera. One way or the other there was a cut in efficiencies, et cetera, of about \$80 million. I think the initiative started from 1 January to find the savings to pay for some of those initiatives. I know that we are only halfway through the year, but are you on target—after only six months of operation—and is the finance department satisfied that you are on target to meet those savings to fund the initiatives announced in last year's budget?

Dr Johnston—I think that you raised this question in different words possibly at the last estimates.

Senator SCHACHT—I keep raising it all the time, because it is of interest.

Dr Johnston—There has not been sufficient experience yet to gauge the reasonableness of those estimates and at this point they still stand. As I mentioned at the last hearing, we have a comprehensive and thorough evaluation of that initiative, and the Department of Finance and Administration is part of the steering committee for that evaluation. That work is proceeding.

Senator SCHACHT—One of the things that was suggested where the savings could be made is that, if the department could reduce the visit to doctors by veterans from an average of 15 to 14 per annum and reduce the number of bed days in hospitals by one or something, you would meet the targets. Is there any indication that better management of the provision of ancillary services will result in you meeting the target of one less visit to the doctor a year?

Dr Johnston—I think it is too early to say.

Senator SCHACHT—We will revisit that in November, except that there could be an election and after that we will be able to revisit it in another form. You said that Finance has not in any way queried yet the operation of those things you signed off on last year.

Dr Johnston—We have the confidence in the sister agencies at this point and the way we are going about the introduction of that measure.

Senator SCHACHT—One of the new initiatives of last year's budget was the provision of additional counselling and medical services to Vietnam veterans and their families as a result of a morbidity study, et cetera, in particular of some children who suffered from spina bifida, cleft palate and cleft lip. Have you had any record yet of expenditure in that area, the actuals where you are starting to spend money to meet those initiatives?

Mr Kilham—I cannot give you a figure for the actual expenditure, but it is quite small at this stage. There are about 30 children who have registered in that scheme.

Senator SCHACHT—Is that across all of those areas of spina bifida, cleft palate and cleft lip?

Mr Kilham—That is correct.

Senator SCHACHT—I thought it might have been a bit early. Is that the expected number of registrations you will have gotten from the morbidity study?

Mr Kilham—No, we would anticipate there may be more, but the scheme has been partly advertised. So it is a fairly low response rate at this time.

Senator SCHACHT—Dr Johnston, while we were overseas one of the veterans told us that within the last month an announcement was made in Australia that the calculation of the impact on veterans' children in one of these studies—an error was made that the level of incidence of such things as, I think, spina bifida and cleft palate was not as high as first thought because of the miscalculation. Do you have any information to provide to us, firstly, as to what the calculation meant and, secondly, irrespective of that, whether the government is still committed to providing this extra assistance to those children.

Dr Johnston—I would think in terms of an explanation it is probably better that we take it on notice. We can certainly give you an explanation of the reason for the revision. It is, in a formal sense, the responsibility of the Australian Institute of Health and Welfare. They have made announcements—

Senator SCHACHT—Have you asked for a refund of what you paid them for the work they did?

Dr Johnston—They, of course, have managed a very large study on Vietnam veterans' health. This is just a small part of that very wide ranging and, I might say, seminal study. These things happen and we have to move on.

Senator SCHACHT—I know these things happen, but first of all there is no stepping back from the commitment to provide—

Dr Johnston—The minister has made it very clear that the measures stand.

Senator SCHACHT—So you have not sent them a firm but polite letter with an explanation of how they got it wrong, or the department has not?

Dr Johnston—We understand fully the error that was made or the miscalculation that was made. There is a common understanding between us and the institute on what that means. The institute has announced that there will be a revision to its conclusions.

Senator SCHACHT—And they have said sorry?

Dr Johnston—As you can imagine, they are very apologetic to us and to veterans for that sort of mistake.

Senator SCHACHT—They have not offered a percentage refund on what they have charged for the error?

Dr Johnston—Not at this stage.

Senator SCHACHT—You might well ask for it. I would be interested to see how they respond. Has there been any expenditure yet on the extra counselling service that is provided to Vietnam veterans and their families?

Mr Kilham—Yes, there has, my substantive position as national director of the counselling service. We have established a range of initiatives primarily aimed at suicide prevention in response to the findings of the health study. We have appointed a range of additional counselling staff to our centres. We have also been appointing contract positions to do community development work with the sons and daughters of Vietnam veterans. Since the legislation went through, the increase in sons and daughters seeking counselling assistance has increased by a factor of 25 per cent. In fact, since the announcement of the budget initiatives, the increase has been closer to 80 per cent in approximately one year.

Senator SCHACHT—What is the 80 per cent in raw numbers? One hundred, 200, 50?

Mr Kilham—No, probably 500 to 600.

Senator SCHACHT—Five hundred to 600 have sought access to the counselling services in this particular area?

Mr Kilham—That is correct. That is of the total number of approximately 90,000 sons and daughters.

Senator SCHACHT—Given that there are 90,000, I am still somewhat surprised at that large number of 500 or 600 who have thought it necessary to get access to counselling.

Mr Kilham—Some come to the service for the purposes of gaining information. The pattern at this stage is that they seek counselling assistance for three to four sessions only. So there is quite a different pattern to the presentation of Vietnam veterans and their partners.

Senator SCHACHT—Good luck with the initiative, anyway. In last year's budget the department took over the running of the home care. How much has been expended on the new home care initiative? Are there any figures yet on how many have been helped?

Mr Telford—There are two groups that I need to preface my remarks with—there is the group who are coming across from the Home and Community Care Program as is and there are other groups of veterans and war widows who are seeking assistance under the home care program for the first time. We have treated those two differently inasmuch that the preference has been given to those veterans who were not in receipt of any services to date. So we gave them preference to access to our services. As at 29 May, we had undertaken 10,300 assessments of veterans and war widows.

Senator SCHACHT—That is in five months?

Mr Telford—Yes.

Senator SCHACHT—Or did you start last year?

Mr Telford—No, we started in January. That has resulted in the approval of 14,600 services. It is important that those are the people who, in the main, have not been in receipt of any current services under Home and Community Care. The other ones who will come across from the program are gradually coming across as we identify them.

Senator SCHACHT—So the 10,000 assessments and the 14,000 services are all ridgy-didge, brand new.

Mr Telford—Not necessarily. Until such time as we get the details of those who are currently in receipt of HACC services, we are relying upon them saying, no, they are not getting any services. So there may be cases where they are confused or they do not realise it is a HACC service.

Senator SCHACHT—What was the number coming across from HACC—20,000?

Mr Telford—Yes.

Senator SCHACHT—So already in five months you may be up to well over 50 per cent of what HACC was doing, anyway?

Mr Telford—Not necessarily. Of that 10,000, the figure I cannot give you is how many people resulted in getting service. That figure was not available to me. So they're assessments which may not have resulted in delivery of a service.

Senator SCHACHT—Obviously if 10,000 were assessed and 14,000 services were provided, some people quite rightly got access to two or three services?

Mr Telford—Absolutely.

Senator SCHACHT—This is not an urgent matter, because it is too early yet, but could you give us a breakdown at the November estimates, subject to election timing, of the new clients you are picking up and the breakdown of who got what. That would be very useful and, in fact, it would probably be better to put it in the annual report, Dr Johnston, if that is possible. The report ends 30 June, the following year, anyway.

Mr Telford—All of the Home and Community Care services and our own services are subject to report in the provision of government services report published by the Productivity Commission, and they will be published in that document towards the end of this year as well as in our own publications.

Senator SCHACHT—Is that annually in the report of the Productivity Commission?

Mr Telford—Yes.

Senator SCHACHT—I did not know that. I think it would be better to put it in the Department of Veterans' Affairs annual report.

Dr Johnston—We will want to, because we have got a good story to tell.

Senator SCHACHT—Absolutely. I am sure the minister would want it there as well to show the success of it. I turn now to page 32 of the PBS headed 'Measures affecting outcome 1: restore war widows pensions relinquished upon remarriage prior to 1984.' Let me get this clear: up until 1984 any widow who remarried lost the pension but, if you remarried after 1984, you got the pension. Those who remarried before 1984 did not get the pension, like everybody else; is that correct?

Dr Johnston—That is correct.

Senator SCHACHT—I think some government people have been almost implying that the Labor government in 1984 took the benefit away. The benefit was not there for anyone. The government of the day provided the benefit to those widows who remarried after 1984. This government is now providing it to all widows irrespective of when they remarry. That is the basic position, is it not?

Mr Maxwell—When they remarry, yes

Senator SCHACHT—Yes, of course. I turn to the figures you have in the outlays on the top of page 32. The departmental impact is the administration cost, is it?

Mr Farrelly—Yes.

Senator SCHACHT—Does that mean you are going to have to employ extra staff?

Mr Farrelly—I would expect so, yes.

Senator SCHACHT—You have a system whereby widows post-1984 are already getting the payment, presumably those people can continue to work and get it; there are now no exemptions or cut-offs or cut-ins. Once the widows provide their evidence, they automatically get it. What can't the existing staff—and I am not trying to overwork staff or do them out of a job—do that? I am intrigued as to why you need extra resources.

Mr Farrelly—It relates back to the pricing review that we agreed with Finance. We agreed to a forward-funding mechanism whereby our base funding was linked to movements in the treatment population—the treatment population being Gold Card and White Card holders. Our forward estimates of the treatment population are reducing and, under the pricing review, we lost resources under the pricing agreement. This measure has the effect of increasing the number of Gold Card holders. Therefore, under the pricing review agreement we get money back from Finance.

Senator SCHACHT—I see. Because you also get Gold Card holders with an increase in other benefits as well?

Mr Farrelly—Correct.

Senator SCHACHT—I see. How many extra staff do you think it will require?

Mr Maxwell—There is always an element of additional work in this sort of measure. In this instance it involves inviting and receiving claims from people we have not heard of for years.

Senator SCHACHT—I understand that. How many extra people?

Mr Maxwell—Again, the same staff who handle these measures handle normal compensation work, and they will handle POW \$25,000 claim and all other ongoing work. This is a matter where some additional staff may be required. Overtime will certainly be required.

Senator SCHACHT—What is the overtime figure, Mr Farrelly?

Mr Farrelly—I could give you an estimate of what this translates to, quite apart from overtime, in terms of staff. It is about 18.

Senator SCHACHT—If you have those figures, you can provide them to me on notice. I am watching the clock. There is a deadline of 11 o'clock tonight, which I will be punched out on so I want to make sure I get through everything. The payment jumps in the year following this coming year by some \$30 million. Is that because you expect it to take a while for people to take this up? Why is it such a jump? In 2001-02, another full 12 months, there is another \$9 million and then in the following year, 2002-03, it jumps to \$40 million and then there is a consistent pattern. I would have thought most of the widows would have been in for this as soon as they can in this coming financial year. Why is it only \$9 million? Have I missed something?

Mr Maxwell—I think the start-up date is 1 January, which probably explains it.

Senator SCHACHT—Thank you. Go no further. I cannot see that that start up of 1 January is written there. This was raised last year on another benefit and I get queries from the veteran community as to why, if taxes are put up on budget night—excise on cigarettes or

beer; the usual trick—you can't put the benefit up from budget night as well or at least 1 July? What is the reason, apart from Finance trying to do you out of some money?

Mr Maxwell—There is an issue of managing the overall cost of the budget strategy for this department. But it is quite customary for entitlement measures like this to date from 1 January.

Senator SCHACHT—I know it is customary, but that is not the reason, is it?

Mr Maxwell—There are lead times.

Senator SCHACHT—Will you get most of the war widows proactively into the system before the end of this year so that they will be ready to get their cheque on 1 January?

Dr Johnston—As you would understand, that would be our objective. That gives us time to do that.

Senator SCHACHT—Did you get the figure of 3,000 widows from White Card records or other payments?

Mr Bayles—The 3,000 is an estimate that has been derived from some information that we had about the number of widows who were remarried prior to 1984 and lost their war widows pension. We have extrapolated that figure over a long period of time and developed a demographic model with the agreement of Finance to estimate and work out how many are alive today.

Senator SCHACHT—Do you know how many have died between 1984 and the present time?

Mr Bayles—I cannot tell you off the top of my head, but we could check that.

Senator SCHACHT—If you could provide me with that; it is just out of curiosity more than anything. It is a bit of a grim figure to talk about, people falling off their perch, to quote Rusty Priest. Nevertheless, that happens. I want to now move down to the Japanese POWs and the civilian internees, which is all paid for out of the bill that went through the parliament the other day. I had an opportunity during the second reading and the committee stages to ask some questions.

I want to ask this question. We know what the list is. You put in there the figures for actual POWs and how many are alive pretty accurately. I understand all of that: I have a list. At the committee stage in the parliament I raised questions about the assessment of civilian internees—where you get a list from and how people were identified. Last week I asked Immigration and Multicultural Affairs, which is in charge of issues of naturalisation of Australian citizens and citizenship issues, whether you had had a chance to talk to them. They said they had not had a chance to discuss with you the definition of what might be an Australian citizen before there were, under law, citizenship arrangements or passports for Australian citizens. I think they said the best thing they could provide you with was that, if you were born in Australia, you have an Australian birth certificate through the various state departments of hatch, match and dispatch—the birth registration office. They saw that as a reasonable start. Do you agree with that, whoever is handling this?

Mr Maxwell—Perhaps I should start, Senator. There is actually a list of the Australian internees.

Senator SCHACHT—How do you know they are Australian internees when they do not have an Australian passport at the time?

Mr Maxwell—At the time they were deemed Australians and the Red Cross recorded them as such. The Australian records of the day identified them as such. I think that is a good starting point. The question—

Senator SCHACHT—Do you think that will stand up legally when someone tries to prove that they are an Australian citizen and that the Red Cross list was a bit deficient?

Dr Johnston—I do not think that Mr Maxwell is suggesting that. He is suggesting that there is at least a list that is a reasonable starting point. You do need a more clear definition of entitlement, and Mr Maxwell will now turn to that, I assume.

Senator SCHACHT—Do you agree, Mr Maxwell, that the first definition would be: do you have a birth certificate issued in Australia—that you were born in Australia any time up till the Second World War? Is that the first definition you would accept?

Mr Maxwell—That is certainly one of the first that I would accept. The question would become slightly more complicated with those children born of Australian passport holders or British passport holders with Australian birth certificates who were overseas at the time of the infant's birth.

Senator SCHACHT—What are you going to rule on them? Are they in or out?

Mr Maxwell—I will pass to Mr Pirani, who will cover some of the difficult definitional issues involved.

Mr Pirani—The test that was used is one that is already in the Veterans' Entitlements Act for allied and Commonwealth veterans, and it was the test of domicile which has a legal meaning. Domicile is often used when you have difficulties ascertaining a person's residence or a person's nationality. It is a legal test that is well known, and that was one of the reasons it was adopted.

Senator SCHACHT—That is domiciled in Australia?

Mr Pirani—That is correct, Senator.

Senator SCHACHT—I understand that for veterans of the First World War they were domiciled in Australia, they came back and lived in Australia and they had a birth certificate, like my grandfather and like everyone else's grandfather or great-grandfather. It was very easy. What I am interested in is how do you determine someone who migrated from Great Britain, lived in Australia in the twenties, and in the thirties went and worked at Rabaul in PNG, which was an Australian colony? They were there for 10 years. They may well have married, maybe an Australian lady with a birth certificate from Australia, and had several kids, two or three kids. They were interned. They may have all survived or she may have got out and he may have been interned. He may have survived, he may have been executed. In that definition, the widow, because she is Australian, I presume would be able to claim. Her husband was a British citizen with a British passport, born in Great Britain, lived some time in Australia, went and worked for a British coconut company in Rabaul. Does he qualify and, therefore, does the wife who was not interned qualify for the \$25,000?

Mr Pirani—The legal test there depends on the husband's domicile. The fact that the husband was a British citizen counts against him. However, the fact that he was resident in Australia for a period, during that time he would have been able to form a domicile of choice to be in Australia. The question is: did he retain that when he went back overseas immediately before he was interned? That is an issue where the person would have to provide some evidence as to what the domicile was of the person at the particular time.

Senator SCHACHT—He got executed, so that would be around 60 years ago. His widow may have remarried. If she remarried she is not eligible. Say she has not remarried. She is now obviously in her seventies or eighties, and she is going to be expected to turn up with some records, is she, to show that her husband spent some time before the war in Australia?

Mr Pirani—Clearly she would have to assert that there was some information pointing to that.

Senator SCHACHT—She can assert it; she can turn up at the hearing.

Mr Pirani—What we also did with the legislation was to have the beneficial test in relation to looking at the evidence—what happened to evidence over a period. Those provisions that are in section 119 of the Veterans' Entitlements Act were transposed across into the new legislation so that the commission is to have regard, when it is making these decisions, to evidence that might have disappeared over a period, et cetera, in making its decision. Clearly, the fact that the person was here in Australia for a period and married an Australian would, I suggest, point strongly at least to some inference that they were domiciled in Australia.

Senator SCHACHT—If the person was a British citizen who came via Australia for a very short period on their way to work in this British coconut company in an Australian colony and subsequently met an Australian woman in PNG who had a birth certificate, that would be a more difficult case for that person to prove, I presume?

Mr Pirani—Indeed. They need to provide some evidence or assert that there was an intention to permanently reside in Australia.

Senator SCHACHT—After the war, or before?

Mr Pirani—At any time in the future.

Senator SCHACHT—At any time in Australia after the war or before. If she can prove in this case that he had a 10-year job up there, that had it not been for the war he would have returned to Australia in 1950 and lived here working for the British coconut company or something else, that would be reasonable evidence to be put that could be judged that she is eligible for the payment; is that right?

Mr Pirani—That is correct, Senator. There are cases where a person has been overseas under a term of contract and their period overseas has not changed their domicile.

Mr Maxwell—Senator, I need to correct one of your statements. The fact of remarriage would not debar.

Senator SCHACHT—Because it is the same as widows. Thank you for that, Mr Maxwell. I raised in the Senate a specific case that relates to the broader issues here of compensation from the Japanese. In my own state, there is a very well-known lady, Jan Ruff-O'Herne, who publicly came out in the early nineties as having been a comfort woman. She was forced to be a comfort woman, to use that euphemism, but let us put it brutally: she was forced into prostitution as a young girl in Java. Her father was Dutch and her mother was Javanese. She has no connection with being a citizen of Australia or, at that stage, being domiciled in Australia. After the war and after that dreadful experience, she married a British citizen and migrated to Australia, I think in the fifties. She took out citizenship, and they lived in Australia and have paid their taxes ever since. She has been trying to get the Japanese government to pay compensation to all comfort women and has very courageously come out and talked about her dreadful experience. I understand clearly she is not eligible for the payment.

Mr Maxwell—That is right, Senator.

Senator SCHACHT—I know we have to have rules in these matters in public administration, and I am a defender of the rules as much as anybody, but in view of the fact that the Japanese made some payments to the POWs, according to the material put out by the minister, that in the early fifties there were some modest payments made as compensation to POWs and the Japanese, including to Australian internees, I think, and given the extraordinary circumstances of this woman, would it be possible for the government to consider using—I know we do not have a minister here at the desk at the moment—the finance minister's fund, or whatever it is called?

Dr Johnston—An ex gratia payment?

Senator SCHACHT—An ex gratia payment.

CHAIR—I really do not think you can ask that.

Dr Johnston—You need to write to the minister on this one if you—

Senator SCHACHT—I wish the minister were here. I want it on the record that I think, in all the circumstances, if ever there were a case for an ex gratia payment, this is it. This woman has been an Australian citizen for a long time and what she has done internationally has been extremely courageous. When I went to South Korea with the veterans and Dr Johnston for the 50th anniversary, I met the vice minister for foreign affairs in Korea and we talked about the Japanese denying their own history and what they did with the comfort women of Korea—the 200,000. They had heard what this woman had done from Australia in trying to force the Japanese to pay compensation. I think, in our own interests, an ex gratia payment of \$25,000 would probably do Australia's standing in South Korea and generally a lot of good. I think in straight humanitarian terms this woman deserves the payment but I will write to the minister about that. It is a bit unfair to put it to Senator Macdonald, because he is not the minister in this area. But I think this case should be one that is viewed generously in the circumstances. I do not know whether anybody in the Department of Veterans' Affairs has read the book or seen the documentary made by her daughter on her experience, but it is an extremely moving experience about a very unusual and brave woman. So I will write to the minister about that.

I am not going to go through every possible example of civilian internees. It may be on the inside of the line or on the outside. I presume that, in the end, there will be some disputes and they will end up in the process of the AAT, et cetera, and we will see how that goes. I have raised this in the debate in the parliament. Why did the government insist on the deeming rate being applied to the payment if it is invested and earns interest? I would have thought this is compensation. Why could it not be excluded from being hit with the deeming rate? As I work it out, it would mean that, if someone has about \$20,000 or \$30,000 in investments—property, shares or whatever—and this \$25,000 comes along and they invest it, it is about a \$1,200 assessment increase. They will be assessed as having an asset if they have other benefits payable from Centrelink or from the government.

Dr Johnston—This is a quite customary distinction between exemption from an assets test and from taxation of the initial payment of \$25,000, and the treatment that might apply if the individual chooses to retain that in their bank or as an investment. It is quite customary to treat any income as income for these purposes.

Senator SCHACHT—But, Dr Johnston, you are saying that if a person chooses to blow it all in the first 12 months on a trip overseas or at the casino or something that there will be no deeming because they have used the money. However, for people who take a mature view and

invest it to help them with their income, they will suffer a penalty on assessment for other benefits.

Dr Johnston—They do not actually suffer a penalty.

Senator SCHACHT—They get assessed and it could be \$1,200.

Dr Johnston—Even if they are assessed, they are still better off as a result of saving and investing those proceeds.

Senator SCHACHT—They are not as well off as if they did not have the deeming feature. I can understand that on a range of other benefits but this is a special one-off benefit compensation for what these people suffered. It is to be paid as compensation and yet it seems that, right at the end, there is a little niggling tax put on it. I just do not see why this particular benefit ought to be taxed with the deeming arrangements.

Dr Johnston—We are getting close to debating policy. All I can give you are the facts, that this is not an unusual distinction.

Senator SCHACHT—But it is an unusual benefit that we are providing.

Dr Johnston—It is one that still leaves the veteran better off, and it is a matter of judgment on what the most appropriate policy is.

Senator SCHACHT—Did you get any technical advice from the Taxation Office that if you did not put the deeming feature on a loophole may occur for people to avoid tax or some other matter?

Dr Johnston—It is true that, if we sought to exempt future income streams from the income and assets test in the welfare or the veterans administration, it raises a question of how that should be treated for tax purposes. So it does intrinsically become a more complex measure to administer. But, as you say, it is a point of choice. The treatment that the government has announced is quite standard for these sorts of payments.

Senator SCHACHT—But this is not a standard payment. This is a unique payment recognised by the community and trumpeted by the government as a very special payment and that the government is very generous. I do not argue with that. But right at the end there is this little niggling thing about the deeming rate being put on. I saw a letter in the *Australian* last week. I do not know whether it was brought to your attention. A relative of the lady who rang up about it got an answer from the hotline that seemed somewhat confused. She took it as though she might not get the full amount. Did anyone see that letter in the *Australian* last week?

Mr Maxwell—I do not recall the specific letter. Whilst I hear what you say about the special nature of the payment, I make the observation that, were this prisoner of war in question in receipt, for example, of a TPI pension and had other means such that he or she could save a significant portion of the fortnightly pension, that amount in the bank would also be subject to the deeming rules. It really is a standard treatment of income streams.

Senator SCHACHT—I think I have made my point.

Dr Johnston—And I think we have replied as far as we can.

Senator SCHACHT—The debate on that will continue.

Senator Ian Macdonald—I think that issue was in the legislation, which I think you supported.

Senator SCHACHT—Yes, but when I supported it, I spent an hour on it in the committee stage. I could have delayed the bill and asked for it to be referred off to a committee and have it all investigated for two or three months, but we accepted that people wanted the payment to be made as soon as possible.

Senator Ian Macdonald—My only point about that is—and, regrettably, I did not hear your contribution in the debate, but it would have been, as usual, vigorous and perceptive—you would have had the minister there to answer the reasons.

Senator SCHACHT—I had Minister Vanstone who, with all due respect, came in on duty and got copped with the committee stage and I in no way blame her for the fact that she had not been briefed beforehand, because she was not expecting questions in the committee stage.

Senator Ian Macdonald—I was just going to say you had the minister there. She would have been able to answer.

Senator SCHACHT—She did.

Senator Ian Macdonald—Rather than the officials, who really cannot take it any further.

Senator SCHACHT—The officials told her, and she told me, but that is not the point.

Senator Ian Macdonald—No. But, as the officials say, it is a decision the government made in accordance with normal practice in these sorts of things.

Senator SCHACHT—The dispute we have is that I do not accept it is a normal payment.

Senator Ian Macdonald—All right.

Senator SCHACHT—When the British government made the decision to pay their POWs of the Japanese a payment similar to what we now pay—they announced theirs about a year ago, I understand—the publicity implied that this was done by the British government because those POWs were about to take a court action against the Japanese government in some international court to claim compensation, and that the British government decided—for international relations with a friendly democracy like Japan these days—that that would be something best avoided. So one of the reasons given is that this will be signed off by those people in England and that that action will not proceed. Is there anything in the view of the government here, in the sense of the British experience, that this also means that any claims by individuals against the Japanese government for slave labour—all those sorts of things—can no longer be claimed?

Dr Johnston—There has certainly been no statement by the government to that effect; although it has been on the mind of the prisoner of war community that the nature of dialogue between governments in years past has made claims by them possibly more difficult, or they have seen it as making them more difficult. But the government, in making its announcement on these measures, has certainly not sought to limit any further claims by veterans from the Japanese community or governments or corporations.

Senator SCHACHT—Because of the announcement by the British government, this is a significant one in Australia, in any context—the amount of money being paid to POWs and internees. Did the department get any reports from our embassy in Japan that when the announcement was made in the budget there was any coverage on this issue in Japan?

Dr Johnston—I am not aware of any such reports but, to be fair to the embassy, we have not actually asked.

Senator SCHACHT—You might take it on notice. I think it might be useful to actually ask. Amongst the veterans there is still a considerable grievance that the Japanese have not

acknowledged fully the barbarity of the way they treated not only Australian prisoners of war but also POWs and internees from other Asian countries, as well as British, Americans, New Zealanders, Indians, et cetera, and countries they occupied. It might be a useful thing to bring it to the attention of the Japanese government that we felt the treatment they dished out to our veterans, our then service people, required us to make a substantial compensation payment.

Dr Johnston—I think you are making a policy suggestion that you should be making to the minister or the government.

Senator SCHACHT—All I am asking is—

Senator Ian Macdonald—I cannot speak for the government on these issues, and I doubt that they would. Let me refer your suggestion to Mr Downer. He may want to respond to you on that. I take the suggestion in good faith.

Senator SCHACHT—Thank you. I think that there are other countries, such as South Korea and China, that would have a similar view as our veterans about Japan acknowledging that treatment. We now turn to the issue that was always going to be unavoidable—I raised this in the debate in the parliament last week or the week before—that is, the POWs from the European theatre of war. I accept the minister's comment that 36 per cent or 37 per cent of POWs of the Japanese died in captivity. Six per cent of prisoners of war in German or Italian camps died. So there is a quantum difference in treatment, quite clearly. Individually, you can come across, as I did on a trip to Crete, individual Australian POWs of the Germans who had individual experiences that were pretty rugged, to say the least, and they were lucky to survive. They obviously expressed a view that maybe they should get some compensation. The ones I am particularly interested in are those who were put into slave labour by the Germans—into slave labour camps. I mentioned one in the parliament. One of the veterans was put into a slave labour coalmine in Poland for 12 months in pretty awful circumstances. I note that the Germans are still looking at questions of payment of demand for slave labour that they used during the Second World War. If the government will not pay any compensation to the POWs in the European theatre, at the very least again, Minister, could you put it to Mr Downer to check where other countries are at on the slave labour issue alone and see whether a class claim of the several thousand Australians who were in POW camps in the European theatre—

Senator Ian Macdonald—I will pass that on both to Mr Scott, who may have answers to that, and to Mr Downer. My understanding—I guess this has been said during my short period outside the room—is that to a degree the Australian government's approach was mirrored on what the Europeans had done. I would think that if the Europeans do something different, that may be something the government would look at in the future. As you acknowledge, it is a policy issue and it may well have been looked at. I will try and see for you if it has and get a response to your suggestion.

Senator SCHACHT—Thank you.

Senator Ian Macdonald—I do not want to be inflammatory, but is it something you would be proposing?

Senator SCHACHT—As the minister said in a radio interview we both participated in in Adelaide—and he said it at a recent RSL conference and I said the same thing—we know what the budget implications are. It is a large amount of money if you extend it to what would be 7,000 or 8,000 POWs and their widows. In fact, someone from Veterans' might be able to help me. What is the figure from the European theatre of war, the Second World War?

Mr Bayles—There are apparently 8,000 prisoners of war of Europe who were taken captive. We know that there are about 1,500 alive and we estimate there are about 2,600 widows. So you are talking about a group of about 4,000.

Senator SCHACHT—It is \$100 million.

Mr Bayles—The cost is about \$100 million.

Senator SCHACHT—What both the minister and I agreed with, Senator Macdonald, is that once you open the lid, the issue is on the table and will be debated. I do not think I am misquoting the minister at a recent RSL conference in Sydney that we both attended. It was raised from the floor by a member of the RSL. He said that the issue was clearly on the floor and that he would listen to representations from the POW association and the veterans community. My answer is the same. I think that once you have done this there is a difficulty of maintaining the fence. No matter how much barbed wire or electrification you put through it, someone is always going to find a pair of snippers to get through and try and claim some money.

Senator Ian Macdonald—I would venture a guess, but in the area of international relations we should not leave it to ministers whose portfolio it is not to be guessing. Again, it may well be that the German government has given some indication, as you suggested. By referring that to the relevant ministers, we will see if we can get a better response for you to keep you in the loop.

Senator SCHACHT—I have no doubt that during the coming election campaign you and I, along with all the others, will be asked in surveys and questionnaires from POW associations what is our view about these matters. I suspect we will both deal with it and try to work out priorities of whether the payment can be made in some form or other or work out what assistance can be given. I cannot give any commitment on behalf of the opposition. I make that quite clear.

Senator Ian Macdonald—I was just going to finish by saying that it is an issue that so far has been dealt with in fairly much a bipartisan way. I am sure that the colour of our politics does not in any way influence the feeling we have for those of our fellow citizens who fought and served in concentration camps in defence of their country. As I say, we will find out what we can and keep you in the loop as best we can.

Senator SCHACHT—There is one particular query I have just realised I have. One of my colleagues—Anna Burke, the member for Chisholm—has had a query from a war widow eligible for the payment. She has asked what the effect of the money will be on her application for state housing rental and so on, the implication being that with this \$25,000 payment, the state housing commissions, love them as we all do, may say, ‘You have gone up to a new level and your subsidised rent may go up. You are not eligible.’ I wondered whether the department has had any discussion with state governments. All I can say is, no matter whether they are Labor or Liberal, state government administrations have a wonderful way of trying to slice off any benefit we give individuals to be suddenly collected and transferred into the pot of raising funds for their own activities. This has been going on for years by governments of both Labor and Liberal persuasion.

Senator Ian Macdonald—I certainly agree with that at the current time, with two exceptions, but anyhow.

Senator SCHACHT—Three exceptions, if you count the Northern Territory.

Senator Ian Macdonald—That was the two. Which is the other one?

Senator SCHACHT—The ACT.

Senator Ian Macdonald—The ACT is always very generous. Have we had any conversations?

Dr Johnston—No, but I am sure the minister would be happy to write to his state counterparts.

Senator SCHACHT—Can I leave it with you on notice, because they want an answer about this and I just do not know. I think it would be outrageous if a veteran found that their rental subsidy from the state housing commission, or whatever you call the authority in the various states, went from being \$30 a week to \$15 a week because they said, ‘You have now got \$25,000 in the bank.’

Dr Johnston—This is a state jurisdiction. We will draw it to the minister’s attention. He may want to write to the state ministers.

Senator SCHACHT—I think I would write firmly to the state ministers, because I think this will be inflammatory in the veterans’ community if it occurs.

Senator Ian Macdonald—Senator, can I suggest to your colleague that she might write to whichever—I did not catch which state she was in.

Senator SCHACHT—Victoria.

Senator Ian Macdonald—Anyhow, she might write to the state government. As Dr Johnston has indicated, we will refer that to Mr Scott. I am sure that if he is able he will happily write. If he does, he will send a copy of the letter to—

Senator SCHACHT—I appreciate that.

Senator Ian Macdonald—In fact, we might start off by saying to the Victorian government that Senator Schacht has suggested we should do this.

Senator SCHACHT—I do not mind. Irrespective of whether they are Labor or Liberal, my views about state governments are very well known and have been expressed on many occasions. I turn now to the one-off payment for the aged which, again, was in the budget. How many veterans under the veterans administration will receive the \$300 one-off payment? It says in the brief that there are 2.2 million—and that includes everybody in Centrelink and everywhere else—but how many of our good customers are going to get it?

Ms Ricketts—Approximately 355,000 veterans who are in payment with us will receive that payment.

Senator SCHACHT—Is it going to be paid this month?

Ms Ricketts—We expect that money to be in the bank on payday 14 June.

Senator SCHACHT—Is there any significant group of veterans who get other benefits from this who are not going to get the \$300 payment because they are excluded because of various rules such as an age rule or whatever it may be?

Ms Ricketts—The payment is directed to aged persons. That means that for veterans with qualifying service receiving a service pension it is 60 years for males and 56½ for females. Other veterans who are below those ages are not eligible.

Senator SCHACHT—How many of those do you think there are?

Ms Ricketts—I do not have that figure off the top of my head, I am sorry.

Senator SCHACHT—Would it be 100,000?

Ms Ricketts—No.

Senator SCHACHT—What about 50,000?

Ms Ricketts—No.

Senator SCHACHT—I would have thought 355,000 is pretty close to the upper limit of your total beneficiaries, is it?

Ms Ricketts—Yes, it is.

Senator SCHACHT—So it might be another 20,000.

Ms Ricketts—I would prefer not to speculate.

Senator SCHACHT—Take it on notice, please.

Ms Ricketts—Yes.

Senator SCHACHT—Before I turn to outcome 2, I want to raise some general issues that come somewhere through several areas of the PBS, Dr Johnston. I refer to the radiation material and Rabbit Roff—I think that was her name—and the publicity that came from that and the sudden acknowledgment from the British government that, yes, there was a document. As I understand it, that material was already acknowledged in the McClelland royal commission. Is that correct?

Dr Johnston—The material referred to in the Rabbit Roff report?

Senator SCHACHT—Yes.

Dr Johnston—Yes, that was already available during the McClelland royal commission.

Senator SCHACHT—Has anything else become available publicly through any method that has not been acknowledged as being available to the McClelland royal commission that relates to the issue of radiation of our servicemen?

Dr Johnston—That is a very sweeping question, Senator, if I can put it that way. We are not aware of any significant material that has come to light that was not already known to the McClelland royal commission.

Senator SCHACHT—I refer to the further report about a program that never took place.

Dr Johnston—That is correct.

Senator SCHACHT—Was that mentioned or available at the time of the McClelland royal commission?

Dr Johnston—Some of the material was known to the McClelland royal commission, although the McClelland royal commission did not examine that issue in depth. Some of the material that is reported to have been found in a neighbourhood garage has file reference numbers from a file that is not in the archives collection. So some aspects might be information that was not in the archive files.

Senator SCHACHT—That material that was in the garage, have you now had access to it?

Dr Johnston—Yes.

Senator SCHACHT—Does it seem reasonable that it contains information that ought to be carefully checked, or does it have nothing to do with the issue at all?

Mr Maxwell—As far as we can tell, most of the material referred to in the garage or woolshed, or whatever it was, was indeed available to the royal commission, as Dr Johnston

said. It has been studied. Indeed, a lot of it has been in the public domain for many years. In relation to the references to the other files that are not in the archive collection, we have not yet had access to them.

Senator SCHACHT—The other files which no-one has seen?

Mr Maxwell—What I am saying, Senator, is that Australian Archives does not hold that file number amongst its collection. So its whereabouts at this stage I am unable to speculate on.

Senator SCHACHT—Do we have any knowledge or speculation about what is in that document? If we do, is it a document that would be of particular interest to any health study?

Mr Maxwell—As I understand it, Senator, it relates to the proposed experimental trial that never took place. Therefore, I think it would be of marginal, at best, interest to a health study.

Senator SCHACHT—Is there any evidence around that documents—I am not saying by conspiracy but by inadvertence—held by the British government were not made available to the McClelland royal commission that would have been useful to have access to?

Mr Maxwell—I guess I am not placed to give you a definitive comment on that. As far as we are aware, no.

Senator SCHACHT—Dr Johnston, have the minister or the government given any further consideration to treating service people who were at Monte Bello and Maralinga during the tests and that with the completion of the compilation of the list of participants—

Dr Johnston—The nominal roll.

Senator SCHACHT—Yes, the nominal roll. Has there been any consideration that they may be eligible to get a broader range, if not the equivalent, of veterans' entitlements?

Dr Johnston—Senator, you are asking a policy question. We are not in a position to answer that question. The minister in his public statements is emphasising the importance of preparing an authoritative nominal roll and conducting a mortality study to try to provide some scientific basis for further consideration of the health of those people.

Senator SCHACHT—Do we have any idea yet how many are on that roll, the names that have been collated?

Mr Maxwell—We do, and I might ask Mr Bayles to comment in perhaps more detail if required. In essence, we have a considerable number. I think the number is 17,000 or thereabouts.

Senator SCHACHT—17,000?

Mr Maxwell—But that in essence, I have to say, is drawn mainly from the efforts in the 1980s when the other studies were done. We know from experience that after the Donovan study and the royal commission there were people who came forward to us saying, 'I understand my name's on the roll, but I actually wasn't in the program at all.' So we would need to verify that list of names.

Senator SCHACHT—So although the maximum figure is 17,000, it is probably less?

Mr Maxwell—I suspect it will be less.

Senator SCHACHT—But we do not know how many. While I am on radiation matters, do we have any further information about whether our personnel who may have been seconded to British or NATO units during the various wars in the Balkans and also the Gulf War may have been affected by the use of weapons with depleted uranium?

Mr Maxwell—We have no further information on what we discussed on previous occasions in these committee hearings. The Gulf War health study is progressing quite well. A considerable number of Gulf War veterans have already undergone medical examinations. It will still be some considerable time though before the results are available.

Senator SCHACHT—Is there any medical evidence that weapons or ordnances with depleted uranium in them are something that you would not exactly want sitting in a chair next to you?

Mr Bayles—The minister set up an expert committee to report to him on that issue of the health effects of depleted uranium. That expert committee is formed around the Repatriation Medical Authority with the addition of a couple of experts. That expert committee is due to report to the minister by the end of July on that particular issue.

Senator SCHACHT—Dr Killer, who is one of the advisers to the Repatriation Commission, is in the room. Is Dr Killer involved in that study? He is shaking his head saying, ‘No.’

Mr Maxwell—No, Dr Killer is not involved.

Senator SCHACHT—Is Dr Horsley involved?

Mr Maxwell—Peripherally as a departmental adviser providing input.

Senator SCHACHT—Who from the department is chairing the committee?

Mr Maxwell—No, the committee is actually under the chair of Professor Ken Donald, who is the chair of the RMA, the Repatriation Medical Authority.

Senator SCHACHT—But who is on the committee from the department?

Mr Maxwell—The committee does not have departmental membership as such.

Senator SCHACHT—It has a secretary?

Mr Maxwell—No, the secretariat is also drawn from the RMA secretariat. It is an independent body.

Senator SCHACHT—Okay. It is totally independent. So you do not even know what they are talking about. Do you have someone attending the meetings?

Mr Bayles—Yes, we do.

Senator SCHACHT—Thank you.

Dr Johnston—The matter is managed by Mr Maxwell and his staff.

Senator SCHACHT—So Mr Maxwell, do you attend or one of your staff members attend as an observer of the meetings?

Mr Maxwell—Generally speaking, I have received—

Senator SCHACHT—Okay, that is fine. We look forward to the report of that on depleted uranium and also the Gulf War study. Earlier this year and last year, Dr Johnston, the government approached, in a spirit of bipartisanship, discussion about the Tange report and military compensation—about draft legislation being drafted and then being put into the parliament, I think, at the beginning of the spring session and then sitting as an exposure draft for six months or 12 months until some time next year when it would be debated after a full Senate committee has worked its way through it—a major piece of legislation. The opposition has said that in principle we do not oppose the process of drafting legislation. We reserve the right that the devil is in the detail and may well have discussions about that. I just wonder if

you could tell me what progress has been made in the drafting, based on the Tange report and the new military compensation act.

Dr Johnston—As you have observed, there has been a process of consultation with the veteran community, the defence community and the opposition. The possible approach has been discussed further within government and between government departments. The government is now considering the best basis on which to proceed.

Senator SCHACHT—What?

Dr Johnston—The government is now considering the best basis on which to proceed.

Senator SCHACHT—What do you mean by ‘to proceed’? It has been several months since we were approached. Aren’t you actually drafting the legislation?

Dr Johnston—There is no drafting of the legislation at the moment.

Senator SCHACHT—I know sometimes bureaucracy can be slow and government can be slow, but we were approached months and months ago on getting a specific timetable ready so that the legislation would be introduced no later than the beginning of the spring session to sit in the parliament for six to nine months as an exposure draft for everybody in the veteran community. If you have not started drafting, that means, I would suggest, with an election coming up, you are not going to meet the deadline of putting forward a bill that may be several hundred pages into the parliament this year. Is that correct?

Dr Johnston—I think that is probably correct.

Senator SCHACHT—Why were we asked and had several meetings to get this, with some process of speed, underway and now it has not been drafted? I was waiting for the thing, at the beginning of August, to be put into the parliament.

Dr Johnston—Those consultations were very important and at the time we did think that matters would move reasonably quickly.

Senator SCHACHT—But what has happened?

Dr Johnston—The matter is still being discussed.

Senator SCHACHT—I understand, Dr Johnston, that the veteran community has overwhelmingly agreed, like we have, to proceed with the drafting. There have been consultations with the veteran community going back a year, 18 months. You have called people in and they have agreed. Has there been any announcement that you are not proceeding with the drafting?

Dr Johnston—The government has not announced a timetable for proceeding with the matter. My guess is that it will not be proceeding this year.

Senator SCHACHT—It will not be proceeding this year?

Dr Johnston—I do not think so. But I think that you are asking questions of policy. I can say what the—

Senator SCHACHT—Senator Macdonald—

Dr Johnston—Process has been at this point.

Senator Ian Macdonald—Perhaps I can cut it short by saying that it is a very, very complex piece of legislation. There is a lot of consultation. Apart from that, I cannot contribute much further and I can only refer that to Mr Reith.

Senator SCHACHT—Who is it?

Dr Johnston—I think Mr Reith and Mr Scott both have an interest.

Senator Ian Macdonald—These are Mr Scott's estimates. So I will refer it to Mr Scott.

Senator SCHACHT—Of course! Ding dong! I know what has happened. You have got a new defence minister who has not been noted for being generous on compensation to workers. Has Mr Reith indicated, Senator Macdonald, that he is not in favour of the Tanzer report on compensation and the principles contained therein?

Senator Ian Macdonald—You will not think me evasive when I say that I really had not even heard of this issue until five minutes ago. I will refer that to Mr Scott and get a response for you.

Senator SCHACHT—I have always tried in opposition since I have been shadow minister to operate in a very bipartisan way. We could have told the government to go jump nine months ago, stick it right up the bin or anywhere else you want to put it—not worth the trouble.

Senator Ian Macdonald—But Senator—

Senator SCHACHT—But then to find—and we were told and I was told at the meetings, 'These are the deadlines that we want to meet. This has been agreed in government.' You rightly said to me, Dr Johnston and your staff, 'We will not waste our time drafting this monumental piece of legislation of 700 to 800 pages if, on the basis that the day it is tabled, the opposition announces, 'We are not going to vote for it and it is going to die in the Senate.' I said, 'I understand. We don't want you to waste time and resources. We want to have our discussion, our own briefings'—me and Mr Laurie Ferguson—and we agreed. I just have to say: why weren't we informed? I have to say, Dr Johnston—and to you, Minister—if there has been a delay, the courtesy should have been that I and Mr Ferguson should have been informed that there is now a delay and that this legislation will not be available this year.

Senator Ian Macdonald—Do not talk to Dr Johnston like that. As he indicated, it is a matter for me. The time until 11 o'clock is yours. If you want to use it making speeches, that is fine. The officers cannot give you an answer. I have given you the only answer that I can give you, and that is that I will refer it on to Mr Scott for a response to you. As I say, say what you will—it is your time—but I and no-one else at the table can help you any further.

Senator SCHACHT—The officers at the table know exactly what is going on but, because it is a policy issue, they cannot answer. I understand that.

Senator Ian Macdonald—Okay. We all understand that, then.

Senator SCHACHT—But I have to say that, with understanding, the new Minister for Defence has put the knife right through this and has used his position to scuttle preparatory work.

Senator Ian Macdonald—That is speculative. I find Mr Reith a most generous and compassionate person and he is—

Senator SCHACHT—That is something out of the comedy hour!

Senator Ian Macdonald—He is very compassionate.

Senator SCHACHT—Where are the dogs and the balaclavas?

Senator Ian Macdonald—If you—

Senator SCHACHT—Generous!

Senator Ian Macdonald—If you are interested in the estimates, let us move on. We have answered that.

Senator SCHACHT—Senator Macdonald, I asked a very innocent question—

Senator Ian Macdonald—Yes, but—

Senator SCHACHT—About how the progress was, with no forewarning or knowledge, and what do I find? It is all put off. I have to say, we will meet again tomorrow night as the delayed Defence appropriations—not Veterans' Affairs, because we will finish tonight at 11 o'clock. But I think in this case it would be courteous if the minister, via yourself if you are at the table tomorrow night—

Senator Ian Macdonald—I certainly will not be.

Senator SCHACHT—Whoever the minister is tomorrow night—if the advisers who sit here from Mr Scott's office can, at least out of courtesy, give us some answer just on the record before we finish Defence and Veterans' Affairs estimates tomorrow night. I will move on.

Senator Ian Macdonald—Right.

CHAIRMAN—We might take a break now, Senator Schacht.

Senator SCHACHT—I do not need a break.

CHAIRMAN—I think the committee has to take a break and I am sure that the officers of the department would like a short break.

Senator Ian Macdonald—We can trade off no break for an hour earlier finish.

Senator SCHACHT—No, no.

Proceedings suspended from 9.02 p.m. to 9.16 p.m.

CHAIRMAN—We will further consider the particulars of the gross expenditure for the Department of Veterans' Affairs.

Senator SCHACHT—I turn to the issue of nursing homes and veterans. I wonder if Dr Killer could come forward, please.

Dr Johnston—Senator, could I ask: are we moving to outcome 2—just in terms of managing people's—

Senator SCHACHT—I would not ask people to leave, given my chaotic way of reading the PBS. I think I have dealt with outcome 1. In fact, I am up to outcome 2. But you never know, some of these things swing backwards a lot. I have a separate list of issues that I want to raise. Dr Killer, are there any further developments coming from the coroner's inquiry into the Alchera Home matter?

Dr Killer—My understanding is that two of the veterans had requested intervention by the coroner and the coroner had directed the police to interview the veterans and the relevant persons involved. These police reports bring some sort of finality but still have not yet been presented to the coroner.

Senator SCHACHT—Thank you. Dr Killer, you take a very proactive role, which I have complimented you on before, in the aged care issue for veterans in nursing homes and so on. Are there any other nursing home issues where you felt obliged to be proactive and seek more information about the treatment of veterans?

Dr Killer—As of now there have been no other nursing home problems brought to my attention where I have been required to get further information.

Senator SCHACHT—In the parliament today—I think today—a colleague of mine, Julia Irwin, the member for Fowler, raised a complaint on behalf of a constituent, a Mrs Veronica Keene, on behalf of her 78-year-old father, Gordon Smithers, who is a former prisoner of war of the Japanese. Prisoners of war of the Japanese seem to keep getting into strife, through no fault of their own.

Her father was put into a nursing home called Yagoona Nursing Home at Yagoona Road, Yagoona, in Sydney. According to Mrs Keene, the nursing home was unduly inclined for Mr Smithers to be accommodated for 63 days. Mrs Keene, having not slept for two days, was uncertain what she actually authorised in respect of the stay period. Apparently her father had been at the Liverpool Hospital because of ill health and they, after a period of time, recommended that he go to a nursing home, and it was the Yagoona. Mrs Irwin stated that Mrs Keene advised that the nursing home was overcrowded, smelly, unhygienic and that food was served to patients on stained plastic plates. Her father was accommodated in a small room with insufficient heating in the women's section. Mrs Keene's sister-in-law and her daughter can confirm the inadequacies of the nursing home.

Following the intercession of the Liverpool RSL, the Department of Veterans' Affairs relocated Mr Smithers to Lady Davidson Hospital at Turramurra after only 24 hours in the nursing home. Mrs Keene has now received an account from the nursing home for a 12-day stay. As the authoriser for her father's DVA payment she is unwilling to pay the account and believes the DVA should pursue the matter. Mrs Keene is also concerned that the period of her father's stay in the nursing home should not be deducted from the 63 respite days she is entitled to as a carer. That is the example. You have not heard of that particular matter?

Dr Killer—No.

Senator SCHACHT—Has the DVA heard of that example?

Dr Killer—Apparently Mr Telford can—

Mr Telford—We were aware of this. As you indicated in that letter, there was a call put in to the Department of Veterans' Affairs by an RSL pensions officer from Liverpool. The department facilitated the movement of the veteran from that current arrangement to Lady Davidson. As is the way with these complaints, the minute that we hear of any particular concern, then, in conjunction with our colleagues in Health and Aged Care, we look at what is appropriate care for him.

Senator SCHACHT—Has the DVA visited the Yagoona Nursing Home?

Mr Telford—Not to my knowledge, and it would be inappropriate for them to do so.

Senator SCHACHT—Inappropriate?

Mr Telford—The protocols that we have in place with Health and Aged Care, who are responsible for running—

Senator SCHACHT—You are mad if you rely on Health and Aged Care. You will get into real strife relying on them.

Mr Telford—We, in conjunction with them and their regimes for visiting, would be talking to them about it. We are dealing with a complaint from one person.

Senator SCHACHT—So you accepted the complaint and Mr Smithers was shifted to a hospital, correct?

Mr Telford—Correct. He was in that nursing home for respite.

Senator SCHACHT—For respite.

Mr Telford—He has now been shifted—

Senator SCHACHT—To a hospital.

Mr Telford—To a hospital.

Senator SCHACHT—Because the respite was not too crash hot apparently?

Mr Telford—I cannot comment on that.

Senator SCHACHT—Why did you agree to assist Mr Smithers to be shifted if you did not know what the condition of the nursing home was?

Mr Telford—It was not necessarily the condition of the nursing home. It was to do with the fact that he was more appropriately placed in a palliative care facility. That was the judgment of the people who were treating and advising on his condition.

Senator SCHACHT—His own doctors, et cetera?

Mr Telford—I do not know who that was who provided the advice. But advice from a range of people.

Senator SCHACHT—So someone does not accept that when the Liverpool Hospital sent him to Yagoona he should not have been transferred to Yagoona for respite, he should have gone to another hospital? Is that what you are saying?

Mr Telford—I cannot comment on that.

Senator SCHACHT—Did he spend 12 days at Yagoona?

Mr Telford—That is my understanding.

Senator SCHACHT—Are you going to assist Mrs Keene in demanding that the bill for \$281 be adjusted and not be accepted in view clearly of some evidence that the care in the place was pretty awful?

Mr Telford—The arrangements are that the Department of Veterans' Affairs will pay the bill for 28 days of respite care. Our New South Wales office responsible for attending to this bill, now that it has been drawn to our attention, will be following that through with Yagoona, and I cannot comment beyond that.

Senator SCHACHT—So at least it is going to be discussed with Yagoona?

Mr Telford—I do not know what they will put in place, but I have drawn it to their attention.

Senator SCHACHT—Does that mean they are going to query the account?

Mr Telford—They may do.

Senator SCHACHT—I hope so. Dr Killer, you as an adviser to the repatriation commission have some independence in all of these matters from all of us in politics. That is probably to the advantage of the veterans community, I must say. In view of the claim by Mrs Keene, do you think it is appropriate—don't go Mr Telford; I'm coming back—

Mr Telford—No, I am just moving so the minister can sit back.

Senator SCHACHT—I see. Dr Killer, you have taken a proactive role. You have given evidence before about checking nursing homes and how, when you hear publicity, you will check whether there are veterans in a particular home. You have given that evidence before

here. I think the parliament would compliment you on taking that proactive role. Do you think the department should go and investigate Yagoona to see whether it is suitable for veterans to be put into that nursing home, when there is clearly some dispute about its quality?

Dr Johnston—If I can comment on that. I think you are putting—

Senator SCHACHT—No, sorry; I am putting it to Dr Killer.

Dr Johnston—As secretary of the department, I think you are putting him in a quite invidious position in answering your question.

Senator SCHACHT—He can tell me that. As I understand it, he is the medical adviser to the department and to the repatriation commission. Is that correct?

Dr Johnston—That is correct.

Senator SCHACHT—He has taken a Hippocratic oath and all of that sort of stuff, as I understand it, and irrespective of what you or I may say as bureaucrats or politicians, he has to give an honest medical assessment.

Dr Johnston—There is an inference that my staff otherwise are not giving you honest answers—

Senator SCHACHT—I am just saying that by omission sometimes—I find that Dr Killer has always been extraordinarily frank, sometimes to my advantage and sometimes to my disadvantage. I welcome it. I cannot see why he cannot answer that question.

Dr Johnston—I have no problem with Dr Killer answering your questions. I just wanted to comment that the way you framed it put him and the department in a most invidious position.

Senator SCHACHT—Let us say if it put Dr Killer in an embarrassing position I am sure he has plenty of courage to tell me that I made a mess of the question and he will tell me accordingly.

Senator Ian Macdonald—He is probably too polite for that.

Senator SCHACHT—I do not think Dr Killer is backward in explaining his position. I give him full credit for being an outstanding officer and being blunt and forthright about explaining what he is doing for the assistance of veterans' care.

Senator Ian Macdonald—I just think it does put officers—and I appreciate that perhaps this particular witness is not in the line of a normal departmental officer—that is correct, is it?

Dr Johnston—No, he is not—

Senator SCHACHT—As I understand it, Dr Killer is a medical adviser of the repatriation commission. Is that true?

Dr Johnston—Most certainly, yes.

Senator SCHACHT—You are the chairman of the repatriation commission. He gives you fearless advice.

Dr Johnston—As do all my staff.

Senator SCHACHT—As a doctor with particular requirements to provide medical advice irrespective—

Dr Johnston—I am not in a position to debate this with you. All public servants have a code of values and ethics which demand the utmost professionalism and impartiality of them. But by all means you should ask Dr Killer that question.

Senator Ian Macdonald—Again—and fortunately there is a chairman here to rule—unfortunately I was not present at the beginning of this and I am not aware of a way through the Department of Veterans' Affairs. If it was advice that Dr Johnston was giving me or the minister, then of course that is not a matter for this estimates committee because it is advice to the minister which is not discloseable.

Senator SCHACHT—It is policy.

Senator Ian Macdonald—As I said, I am not sure of the actual position that this witness, Dr Killer, is in. If his position is in the way of giving advice to the department who then give advice to the government, then again the same would apply, would it not? You would have a better understanding of this than I, Senator Schacht. You might be able to help me on that particular issue.

Senator SCHACHT—I accept that public servants cannot comment about policy, including Dr Killer. Policy discussions between the—

Senator Ian Macdonald—Or advice to the minister.

Senator SCHACHT—Advice, I agree. But he is a medical doctor employed by the repatriation commission that has certain statutory authority. He is employed as a doctor to provide medical advice. I do not think medical advice is the same as providing advice on policy matters. I think that doctors have their own ethics about what should be made public so long as the privacy of the patient is protected—to make public in terms of their own ethics and the famous Hippocratic oath.

Senator Ian Macdonald—Again, I came to this late. Were you asking Dr Killer for an opinion?

Senator SCHACHT—Dr Killer said that he has not been aware of the Yagoona example that I have raised. Mr Telford has openly and straightforwardly explained what the department has done, what they have dealt with since this complaint was heard. What I am interested in is whether Dr Killer, as a medical adviser to the repatriation commission, believes that the department should have a proactive role where they get examples of this to go and investigate and consult with Health and Aged Care about the level of care being provided for veterans. I think it is a very simple—

Senator Ian Macdonald—Again, you are asking Dr Killer to give an opinion, his view, his belief. With respect, I do not think that is a matter for any particular committee, unless that person's opinion is the crux of the inquiry. But certainly in relation to the 2001-02 estimates, to ask Dr Killer his opinion on whether the department or the government should have done this, that or the other I think is not only improper as a question but does put the officer in a pretty difficult position. Dr Killer might not be finding himself in that position, but I just think, having heard only half the argument, that it is difficult and I would ask you not to—

Senator SCHACHT—Over the last 15 or nearly 18 months at various hearings of this estimates for Veterans, we dealt with the Alchera case when evidence came forward here and in Aged Care about the treatment of certain veterans. Dr Killer explained his concern about the care given and about the circumstances that arose. As a result he said quite openly—and no-one disputed that he should say this—that whenever there was occasion—for example, I think there was Riverside in Victoria—he checked whether there were any veterans in the care of those particular nursing homes. I think we now have a veteran who was in Yagoona for 12 days who is in the care of the department. The department has taken action on request, but what happens if another veteran ends up there tomorrow?

Dr Johnston—Maybe I could comment—

Senator SCHACHT—What I want to ask, in the same way that I asked about Alchera and about Riverside at previous estimates—and I may have misphrased it or I may have phrased it badly—is: does Dr Killer have a view about the treatment—and he says he has not heard about it or about the visit—to ensure that we consult with Aged Care to say, ‘We are not happy that any future veterans end up in this nursing home.’

Dr Johnston—Maybe I could comment a little further and it might help move the issue along. I guess the difficulty I had with the way you framed your question is you seemed to be creating a divide between Dr Killer and his colleagues. I personally do not think that is fair to Dr Killer or to his colleagues. The reality is, as you know, that the department is active in following up the adequacy of care in aged care and nursing homes. It is not just Dr Killer who does this; it is the department overall. We have also, when we have been meeting with you, emphasised that we do work cooperatively with the Department of Health and Aged Care and we are respectful of their role and their responsibilities.

To date, this particular instance has been handled by the New South Wales office and neither Dr Killer nor Mr Telford has been personally involved in that to date. Mr Telford has indicated to you that we will be pursuing the issue of appropriate payments with the family. It is not unusual when veterans are unhappy with the residences that they are in that we try to facilitate an alternative placement if that seems more appropriate. Now that the adequacy of care of this nursing home has been raised, as it has in the parliament today, we will naturally follow this up with the Department of Health and Aged Care and examine the matter further. I would expect to do that with the involvement of Dr Killer.

Senator SCHACHT—Dr Killer, despite all of that hubbub, can you make an answer of any kind, and if you want to tell me to go jump that is your business and I will listen to it.

Dr Killer—The issue of aged care is a sensitive one in that Health and Aged Care have responsibility for residential accommodation. We have a responsibility for veterans and I think we have a moral responsibility for veterans also. So in a sense we have to work cooperatively with Health and Aged Care to get the best outcomes. Certainly if the case is brought to my attention, I would wholeheartedly go in and endeavour to find out the circumstances. Clearly our minister would want that, too, because we would not want veterans in any situation at all where they may be disadvantaged by the care that is being provided.

In this circumstance, again taking account of the sensitivities with Health and Aged Care but with the prime concern being the veteran and the family themselves, if it had been brought to my attention I would have worked very closely with our people in New South Wales to determine the exact nature of the problem. Any information we could bring to the situation we would certainly pass on to Health and Aged Care. We need to be proactive on some issues; there is no question about that.

Senator SCHACHT—That is the good answer that you gave me last year—and I compliment you for it—about being proactive. I think that is what the veterans community wants. I am not here trying to get you to embarrass anybody else. What I am interested in hearing is that, as a doctor, you are proactive and that veterans know they are going to get a fair shake and a fair defence when something may go wrong. There are other senior officers of the department as well, but you are the doctor. If Dr Horsley were here I would ask him probably similar questions on other matters. I expect as a doctor—certain ethical considerations have to be taken into account—you would always make comments accordingly. I think you and Mr Telford have given me the answer, and I look forward to an answer on notice from Mr Telford about the outcome of the negotiations over the account. I

also look forward, Dr Killer or Dr Johnston, to any further information and update about consultation and any outcome of consultation with Yagoona, that it is up to the standard such that we would be happy to have our veterans stay in it.

Dr Johnston, as you know there has been a fair bit of controversy on the issue of TPI pensions, and some elements of the TPI association have issued strongly-worded resolutions in the last 12 months demanding an upgrade of the TPI pension. There has been discussion at various veterans RSL congresses and TPI associations. The minister has indicated that he is quite open at any stage to have those discussions with the veterans community about any deficiency in the TPI. I think we all agree that the move to 100 per cent of average male weekly earnings is a big call on the budget and may lead to other sacrifices and other programs being cut for veterans to pay for such a proposal, if it was agreed to by the government. Nevertheless, does the government have any further view about the consistent complaint by TPI pensioners who are before the age of 55 or 60 and have not got the service pension? They may still have dependents and may still be the sole income earner for a family. There may be a couple of dependent teenage kids. Their claim is that the total benefits has put them in a situation where they are not doing as well as they would like. Has the minister had any further view about reviewing, even in that limited area, some way to deal with these complaints?

Dr Johnston—You are asking me a question of policy which I cannot take very far.

Senator SCHACHT—The minister has indicated that—

Dr Johnston—The minister has indicated that in this area he wants to continue to talk with the TPI community and the veterans community more broadly about their views and their priorities for attention in the area of TPI benefits. He has been very open about that in his speeches in recent weeks.

Senator SCHACHT—But because it is a policy issue in advice to the minister, you will not give me any further information of what even the department may be preparing for the minister on various alternatives to deal with this ongoing campaign?

Senator Ian Macdonald—You have answered your own question, Senator. But if there is something I can take to the minister, I will be very happy to do it.

Senator SCHACHT—I will wait to see what the minister may say at subsequent RSL and veterans annual general meetings over the next month or so.

Senator Ian Macdonald—That may even be quicker than an answer.

Senator SCHACHT—I suspect if there is going to be something it will be said to the veterans annual general meeting rather than to me as shadow minister. I presume there is one thing you can give me, Dr Johnston, in your very well-run department. How many representations has the department received about TPI issues in the last 12 months—about this issue of the rate being upgraded to something closer to average male weekly earnings?

Dr Johnston—I think it would be sensible for us to take that on notice and give you a considered response.

Senator SCHACHT—Okay. I appreciate that. I have to say, I could be here for another three hours going through all the stuff I have received on the TPI, but I will not. I might put some further questions on notice. I suspect that you have answered most of them directly to the associations anyway, but nevertheless—

Dr Johnston—We are talking widely, as you know, and openly with veterans groups about these issues. It is just a question of the role of an estimates committee hearing.

Senator SCHACHT—I have an individual constituent—this sounds strange to me, but he is absolutely putting it to me correctly—who told me that a veteran was taken by another veteran to a GP in a local clinic and they were told that they were unable to use their Gold Card on a weekend and they were obliged to pay \$51 for the consultation. Obviously many vets do not have \$51 in their pocket when they turn up. That clearly is outside the scope of what the Gold Card is supposed to produce, if the allegation is correct. The Gold Card should be accepted as full payment, should it not?

Dr Johnston—That is correct. If you could give us the details, we would be pleased to—

Senator SCHACHT—I will not raise the person's name here. I will get more detail and get it to you.

Dr Johnston—Thank you.

Senator SCHACHT—In relation to staffing numbers, Dr Johnston, you have drawn my attention to the PBS. You can draw it to my attention if I have missed it somewhere, but over the next 12 months will the staffing numbers continue to decline in the department as they have over recent years?

Mr Farrelly—The estimate is that we will drop by 41 staff from 2000-01 to 2001-02, so—

Senator SCHACHT—Through this year? A drop of 40-odd staff?

Mr Farrelly—Yes.

Senator SCHACHT—Is that because of the imposition of the efficiency dividend or is it that you genuinely, because of changes in technology or changes in processes, no longer need the 41 staff?

Mr Farrelly—A combination of the pricing review agreement with Finance, genuine efficiencies and so on.

Senator SCHACHT—And they will all be achieved by natural attrition?

Mr Farrelly—Not necessarily, no.

Senator SCHACHT—So there will be redundancies offered?

Mr Farrelly—We would expect so.

Senator SCHACHT—Could you give me a breakdown—take it on notice—of where the 40 expected positions will go from, in which states?

Mr Farrelly—Yes.

Senator SCHACHT—Could you also bring to me, since the budget in 1996, the total staff reduction numbers in the department? Do it per year and then do the total, including the one you have just outlined to me for the coming year, to the end of this calendar year.

Senator Ian Macdonald—We will take that on notice. I am not sure what Mr Scott's attitude is to matters arising before the current estimates committee we are dealing with. If it were me you would not get it.

Senator SCHACHT—We never get anything out of you.

Senator Ian Macdonald—Mr Scott may be more generous. We will take it on notice. It may not be terribly difficult to get, as well.

Senator SCHACHT—Someone might point out to me that it might actually be in every annual report.

Dr Johnston—The annual report has the information.

Senator SCHACHT—If you just tell me what pages to look at on notice, I will go and look it up.

Senator Ian Macdonald—If we go to that, I am sure Dr Johnston would get it for you.

Senator SCHACHT—In the next three out-years are you going to be hit with further staff reductions in the department under the efficiency dividend or—what did you call it—?

Mr Farrelly—The pricing review.

Senator SCHACHT—Yes, the pricing review.

Mr Farrelly—There are reductions scheduled, but we do not know what new policy will come along to offset that. It is in the future.

Senator SCHACHT—All right. I do not know whether this is a Veterans question or whether it is generally dealt with in Defence. The Prime Minister announced that a national service medal would be issued to all national service people from 1951 to 1972. Is that a veterans' affairs department responsibility or is it over in medals in the—

Dr Johnston—Department of Defence, in General Willis's—

Senator HOGG—Defence personnel. That's on tomorrow night.

Senator SCHACHT—Do you have the list in the department of all the national servicemen?

Mr Maxwell—No, we do not. The national service as a concept covers, as you know, many decades of Australian history. In the early period of national service, the national servicemen had no eligibility under the then Repatriation Act and we would not know about them. Likewise under the period in the sixties, we only know about the ones who were in fact conscripted and went overseas.

Senator SCHACHT—Right. I go back to Outcome 2 of the PBS, Dr Johnston, on page 40. Again, I am never quite sure why it turns out that we have in Outcome 1 a table on the new measures and then we have Outcome 2 and measures. I know you will explain to me under accrual accounting why this has to be done, but it does seem odd. When we have the war widows pension on Outcome 2 on page 40, there is further millions of dollars for each of the years. Is that additional to the millions of dollars on page 32 or is it included as part of it?

Dr Johnston—No, it is in addition and it reflects their entitlement to health care provisions.

Senator SCHACHT—So this is the health care provision that comes—

Dr Johnston—This will be the Gold Card entitlement.

Senator SCHACHT—This is the Gold Card?

Dr Johnston—Yes.

Senator SCHACHT—It says down towards the bottom of the explanation:

The transfer of responsibilities of Health Care for war widows from the Department of Health and Aged Care to the Department of Veterans' Affairs results in reduced expenses for the Department of Health and Aged Care.

Did you get your increase to pay for this by savings elsewhere—budget allocation—and did the allocation come from what the Department of Health and Aged Care said it cost them to do it so that is what you claimed that you would have to pay?

Mr Farrelly—The simple answer, I think, is that these people would be getting benefits from the Department of Health, so those costs—those funds—are simply transferred across to us.

Senator SCHACHT—The same amount of funds?

Mr Farrelly—Yes.

Senator SCHACHT—And is the benefit exactly the same?

Mr Farrelly—No, there is a net increase of cost that the whole measures cost \$86.8 million extra, whereas the total cost is much more than that because it has included the department of health component that is transferred from them to us to pay the whole of the cost.

Mr Maxwell—Senator, perhaps if I can give an illustration. At present I imagine a lot of these former war widows, soon to be again war widows, would be receiving age pensions from Centrelink. You cannot receive an age pension and a war widows pension. You have to transfer to us, pick up the war widows pension and, if extra income supplementation is required, they go for the ISS.

Senator SCHACHT—That is a good example. When you put this measure together, did the finance department say that while the complete saving of the old age pension for those people is automatically paid to you, it is given to you in the allocation on the basis that you will have to top it up because the war widows pension is something different, or do they say they crib something back off you, as Finance is usually wont to do?

Dr Johnston—No. The estimates that are shown on pages 21 and 22 are the gross costs and we have been resourced to meet the total gross cost there in the Department of Veterans' Affairs.

Senator SCHACHT—So if I went and got the PBS for Health and Aged Care, it would show the net loss. They would say that their budget papers should say, if we asked for it, what they no longer need to pay, right, on the figures?

Dr Johnston—It may be that the precise figures cannot be gleaned from budget documents, but the gross cost for that measure of \$209.2 million—

Senator SCHACHT—Pardon?

Dr Johnston—The gross cost or the gross allocation to us of \$209 million that is shown on page 21 corresponds to an estimated net cost after you take into account those offsets of \$86.8 million. So that illustrates the difference. We will actually have the gross allocations in our appropriation.

Senator SCHACHT—On page 40, there is the same argument about the Pharmaceutical Benefits Scheme from the Commonwealth and allied veterans aged over 70 from World War II with qualifying service. That is the same issue, right?

Dr Johnston—Yes.

Senator SCHACHT—Can I get this quite clear about the British, Commonwealth and allied veterans aged 70. For example, Russians who fought in the Second World War in the Soviet army would now be eligible for this as allies, correct?

Senator Ian Macdonald—I suppose it depends in which era they fought.

Senator SCHACHT—No, in the Second World War.

Senator Ian Macdonald—In the first part, when they started off they were on the German side.

Senator SCHACHT—They invaded Finland as their own separate war. It is a good question, Minister. That is what I want to come to.

Mr Maxwell—The basic test, Senator, is that an allied veteran cannot at any stage have fought against the allies. So it depends on the times of service—

Senator SCHACHT—Mr Maxwell, it turns out that Mr Krusivnefsky, 82 years of age, says, ‘No, of course I didn’t fight against Finland.’ You cannot disprove him. He cannot be disproved. He says, ‘I fought at Stalingrad’ or somewhere else. You give him a tick and he gets it because you do not have access to the Russian documents, do you?

Mr Maxwell—Fortunately, we do have access to the occasional Russian document. I am not certain whether Finland is a good example, but there are other examples. Italy is a good example. He may well have fought with the Axis powers and then, post a certain date in 1944—

Senator SCHACHT—3 September 1943, actually.

Mr Maxwell—Okay, sided with the forces that were engaging the Axis powers. Some of those people who were recruited only into that latter development will qualify. Somebody who had in fact served earlier would not.

Senator SCHACHT—What I am really after is: is there an element of trust in this about how you check? Can you expect the Italians, the Russians—who else changed sides at one stage? I think Bulgaria might have.

Mr Maxwell—A lot of the Balkans did.

Senator SCHACHT—The Balkan countries changed sides when the writing became clear on the wall. How do you check that they only fought on our side and not against us?

Mr Maxwell—It is a vexed issue and it can really only depend on the documentation available.

Senator SCHACHT—Do you have any idea how many allied veterans—not British or Commonwealth but allied veterans—will be eligible to get this extra benefit?

Mr Stonehouse—We estimate about 74,000.

Senator SCHACHT—How did you get the estimate? I congratulate you, but is there a basis of how you got 74,000? Is it from immigration or veterans organisations or a stab in the dark? I do not blame you for being cautious.

Mr Stonehouse—It is unfortunate that the census in Australia does not include a question, ‘Are you a veteran?’ We are relying on data and it is the same sort of process that Mr Bayles described previously with the number of war widows. We take a base figure and try to work it out from there as best we can.

Senator SCHACHT—Are there any other veterans’ benefits that allied veterans would get? Is there any other benefit—access to a service pension or something else they might get?

Mr Maxwell—Yes, indeed. Veterans of British, Commonwealth and all allied forces can qualify for the service pension provided they meet the qualifying service test and residency.

Senator SCHACHT—How many allied veterans get the service pension?

Mr Maxwell—I do not have that information with me, immediately.

Senator SCHACHT—But that is the basis on which you can make the estimation, I presume?

Mr Maxwell—That would have been a start.

Senator SCHACHT—Will there be any veterans who get this benefit on pharmaceutical benefits that don't get the service pension?

Mr Maxwell—I think so, yes.

Dr Johnston—The income and assets test means that some British, Commonwealth and allied veterans do not qualify for a service pension but will qualify for this.

Senator SCHACHT—It may be best to put this in the annual report and make it freely available. I ask you to at least take it on notice, but whichever way you want to handle it I would just like some more information about those numbers, because you know that the next issue they are still going to ask for—the allied veterans—is access to the Gold Card. That campaign never stops. I think you have given a much higher figure—there are estimations as high as 70,000 or 80,000 allied veterans that could be eligible for the Gold Card if it was so extended. I do not know whether that is true or not, but I have heard those figures mentioned.

Dr Johnston—We had that sort of figure some years ago, but because of the interest in Gold Card extensions you can imagine we have been trying to refine that estimate. I think it is better to be a bit more cautious.

Senator SCHACHT—Okay.

Mr Stonehouse—Senator, I would just like to correct something. I think I said 47,000. The figure is, in fact, 43,700. I apologise for that.

Senator SCHACHT—Thank you for the correction. I do not think that is a privileges offence. As time is getting on, I will not go through more of that output 2. The recent audit office reported on a couple of areas in terms of reviewing veterans appeals against disability compensation entitlement decisions. I am not going to go through the whole report, but I note in the recommendations it says that the DVA and VRB have agreed with these recommendations, which aim to minimise the level of appeals by continuing to improve the quality of investigation and the reasons for decision at the primary level. There is a consistent complaint—often individual veterans will complain about that process. I am not sure that you will ever get it perfect no matter how hard we try. What do you think you can do to improve the quality of investigation?

Mr Bayles—There are three things that we have in train at the moment which will address that recommendation. One is that we have done some further training of all decision makers who make decisions on compensation claims. That training occurred very recently, and we put as many claims assessors through that training as we possibly could. The second thing that we are doing at the moment is revising our quality assurance program and introducing computer systems to help that quality assurance program.

The third thing that we are doing at present is undertaking a review of the reasons for decisions that are produced at the primary level, which will require the decision makers to include a lot more information about the evidence on which they base their decision and their assessment of that evidence. That change will be occurring in about September-October, and there will be training of staff in how to produce those reasons for decision in that format. So there are three actions that we have in train at present or have at least started.

Senator SCHACHT—I notice in the five dot points in the recommendations in this little leaflet, which I think is provided particularly for members of parliament to save us reading the whole document, it says at the fourth dot point:

Better manage the risk to the timeliness and quality of reviews which arise from a diminishing pool of volunteer representatives.

You can take this on notice. Can you give us any idea of what the declining number of volunteers has been? In the end, when a lot of the World War II veterans pass on, who are these volunteers who do the preparatory work as compensation officers, health officers, et cetera, what is going to be the solution? We do not want to have to employ lawyers every week.

Mr Maxwell—It might be difficult to provide that information even on notice. In essence, the audit report is referring to an expected outcome in the years immediately hence. I do not know that I could put my hand on my heart today and say that we have a declined pool of advocates and representatives. It is more a reflection of the fact that they are all now, or in the main, in their mid-seventies if they are World War II or later representatives. At the moment there is a very healthy stream of Vietnam and subsequent conflict veterans entering the stage. To some extent this is a bit of strategic planning to guard against a possible shortcoming.

Senator SCHACHT—I notice within the summary, Dr Johnston, that by and large you get a reasonable tick from the audit office about the performance in this. They never absolutely say outright that you are perfect but this is a reasonable summary.

Dr Johnston—We work closely with the audit office. We thought we got a fair hearing in that report.

Senator SCHACHT—I think you got a reasonable report. I now turn to the other one, which is on information technology.

Dr Johnston—This is the report that has been released today?

Senator SCHACHT—It came in today, did it?

Dr Johnston—Yes.

Senator SCHACHT—Have people seen it?

Dr Johnston—Yes.

Senator SCHACHT—It just shows you I read my in-tray as well.

Mr Harrison, welcome back. I will not be asking you questions about outages and penalties being charged to the prime provider, but I notice that in the summary it says, amongst some dot points:

DVA IT delivery and support controls require some improvement over the Local Area Network and Windows environment and, in particular, in the regular review of access logs to IT systems. DVA only has a limited ability to identify the costs of the use of IT to deliver services and to link IT system performance measures directly to client quality and performance targets.

I know you have only had it today. Overall, I think the report is pretty reasonable for DVA. Is there any particular method and program or implementation to address a couple of those points that you might be able to do? If you have not had a chance to see this and you want to take it on notice, I am happy for you to take it on notice.

Mr Harrison—I am happy to answer. The issue about the logs on the LAN and Windows NT environment has been corrected already. We believe that is already fixed.

Senator SCHACHT—So you will be writing to the audit office accordingly, telling them that has been fixed?

Mr Harrison—We responded to this draft report in relation to the recommendations, and neither of the recommendations referred to that issue. So I do not think it is incumbent on us to respond to that comment in the report. As I say, we reacted to the recommendations.

Senator SCHACHT—What you are saying is that you think you have fixed it?

Mr Harrison—Yes, in relation to the logs. The two recommendations were in response to the other reference I think you made about—

Senator SCHACHT—Yes. It says that they made two recommendations aimed at improving the monitoring of the time taken to implement changes to systems and improve the development and use of IT performance measures.

Mr Harrison—Yes.

Senator SCHACHT—As to the first one—implementing changes to the system—are you able to do that?

Mr Harrison—We believe we have already done that.

Senator SCHACHT—And improving the development and use of IT performance measures?

Mr Harrison—It is an ongoing issue and is not an issue that we believe can be solved overnight. We are developing the IT component of the department's balanced score card in a certain way, part in response to this but part also in the sense that we wanted to do that anyway.

Senator SCHACHT—And since I last spoke to you the problem of outages has diminished further; there have been no major outages that have put the system down for periods that have affected the delivery of service?

Mr Harrison—I would like to be able to say that has continued, but the truth is we had a bit more difficulty in the last month or so. We did have a problem on the mainframe just after Easter where we lost it for a day.

Senator SCHACHT—A day?

Mr Harrison—Yes. It was quite a dramatic problem for us at the time. We were, in fact, proud that we recovered within the day, to be honest. Of late we have been running into a problem that we believe is mainly related to the fact that we have filled up the capacity of our mainframe. I am still negotiating the detail, but I hope to increase that capacity tomorrow night.

Senator SCHACHT—And you have funds in the budget to pay for that increased capacity?

Mr Harrison—Yes.

Senator SCHACHT—Have you reached agreement with the provider of the mainframe and the system for getting a rebate on the time that it went down?

Mr Harrison—We are still negotiating that.

Senator SCHACHT—Have you been successful in all the previous negotiations? I have asked this question before. I keep it as a regular one.

Mr Harrison—We have reached successful outcomes. They have won the odd argument or two, I have to say, but we are certainly not in dispute over any of those issues.

Senator SCHACHT—And you have not fallen into the black hole of the outsourcing program that the audit office and various others, and independent reports released in the last six months, have been very critical of—the outsourcing program in IT that took place or did not take place? You seem to have been separated from all of that.

Mr Harrison—We actually outsourced our mainframe back in the early 1990s and extended that outsourcing arrangement to what we call our desktop infrastructure just prior to the whole-of-government outsourcing initiative, which was the subject of those reports. I should add that the Audit Office is in the process of doing a current audit of our management of that outsourcing contract.

Senator SCHACHT—When does that contract come to an end?

Mr Harrison—It was a five-year contract that we are now into the fifth year of. The five years actually finishes in April next year, but it was extended for another six months when the department of finance and Commonwealth super came on to that contract in November 1997, so the contract actually finishes in November next year.

Senator SCHACHT—When do you go through the process of calling tenders for the new contract? When do you start that?

Mr Harrison—The contract has the provision for two-year extensions if we were to choose to take that option.

Senator SCHACHT—How will you make that decision?

Mr Harrison—We have begun that process by talking to experts in the field about the right way to go about it. We expect to make a decision by November as to what we will do—whether we extend the existing contract or go to the market. The reason we say that is that we believe we would need 12 months if we decide to go to the market.

Senator SCHACHT—Thanks, Mr Harrison. At the next estimates we will see where you are at with that process.

[10.08 p.m.]

Senator SCHACHT—Going to outcome 3, my questions may partly relate to the Office of Australian War Graves, but I also want to ask questions about the commemorative area. First of all, Ms Blackburn, it is good to see you again. Dr Killer said that all of the veterans returned well from Korea, Greece and Crete, so congratulations to you and the staff for successfully looking after the veterans in view of their age, particularly the ones from the Second World War. What was the total cost of putting together the visit to Korea?

Ms Blackburn—I have some information on Korea. Not all of the accounts are in, but the total is going to be close to about \$500,000.

Senator SCHACHT—What about Crete and Greece? What do you think that will be?

Ms Blackburn—I think that will be a little bit higher because of the higher costs in Europe.

Senator SCHACHT—Are there any more of these commemorative visits for veterans in the remainder of this year?

Ms Blackburn—There are none scheduled.

Senator SCHACHT—Is there any preparatory planning for 2002, which is the 60th anniversary of a lot of things which happened in 1942?

Ms Blackburn—Yes, but there is nothing on the agenda at this stage. We will look at a number of options and put proposals to the minister.

Senator SCHACHT—Next year will be the 60th anniversary of Coral Sea, Kokoda, Milne Bay and the defeat of Singapore. You did it very well at the 50th anniversary. Will they be high on the list?

Ms Blackburn—We would be working in conjunction with War Graves to look at proposals.

Senator SCHACHT—Apart from the First World War veterans who went back to France and Gallipoli, veterans from Greece and Crete from the Second World War celebrated the 50th anniversary. I do not know if the veterans went. One area that strikes me that unfortunately had a very high casualty rate was Bomber Command. After the prisoners of war held in captivity by the Japanese, I think the next highest death rate for Australians was that command. That was all through 1942, 1943, 1944 and 1945. Has anyone suggested that there should be some commemorative event for the veterans of Bomber Command who are still alive?

Dr Johnston—I think it is fair to say that that is another obvious possibility. As Ms Blackburn has indicated, there is no announced further program at the moment. We will need to go to the minister fairly promptly on this, I might add.

Senator SCHACHT—Yes, I know. I do not know whether you should have a commemoration for the bombing and burning down of Hamburg or the bombing of Dresden for Bomber Command in that sense. I am not sure the Germans would be too welcoming as we celebrated the burning of Hamburg.

Senator PAYNE—We are all really relieved.

Senator SCHACHT—I have a German name. I could go back and they could pronounce my name correctly.

CHAIR—A famous German name.

Senator SCHACHT—Yes, I know. He financed the first half of the Second World War for the Nazis. I am told he may be a second or third cousin. I do not know whether that is true or not, but Whitlam keeps telling me he must be. I think that the sacrifice by and loss of life in Bomber Command was pretty appalling.

Senator Ian Macdonald—Sorry, but who is Whitlam related to?

Senator SCHACHT—Whitlam always claimed that I must have been related to Hjalmar Schacht, Hitler's finance minister.

Senator Ian Macdonald—I see.

Senator SCHACHT—It is an in joke with Whitlam, as you could all imagine. I am sorry, it has nothing to do with this matter. In the budget there is a line for veterans' commemorative activities. For the year just ending it is \$9.6 million and then it goes down to \$6.7 million. Does that reflect that you do not expect next year to have the same number as the year just ending? It is on page 55.

Ms Blackburn—We did originally bid, as part of the four-year program, for differing amounts each year. The emphasis this year on Centenary of Federation meant that we wanted higher amounts, but I would have to take on notice the exact variations.

Senator SCHACHT—Say that again. Are you saying that the Federation Fund—

Ms Blackburn—No. We recognised that there would be additional emphasis on commemorative activities during this year, the Centenary of Federation.

Senator SCHACHT—I see what you mean—I misunderstood. Now that I have been on four of these veterans' commemorative visits in one form or another, and one privately on my own to Gallipoli and Egypt in 1999, it was clear in Greece, Crete and Korea more so than Sandakan—but even so it was there—that those veterans who did not make the assessment list of being granted the fully government sponsored trip with all the very good arrangements and all the backup services that went with it harboured some angst, to say the least. When you talked to those veterans who paid their own way, they felt that they did it much tougher in terms of service. Is the department likely to look at a way in which some further assistance can be given to those who are willing to pay their own way, particularly in relation to the provision of health services? Dr Killer was called upon a couple of times, as were the two nurses with the official party, to provide informal assistance to the unofficial party when they got into some strife. Do you think that that is an area that will have to be reviewed?

Dr Johnston—In the way you are posing your question you are raising real issues.

Senator SCHACHT—There is growing comment, and I am not sure that this is soluble because there is always a cut-off line, if you chose a group to go, the people who do not get in the group miss out. The people who are invited get everything provided, basically—their airfare, accommodation, a back-up service, jackets, clothing, et cetera. It is done extremely well and full compliments to the department for it. You have done as well as you could imagine. There are those who make their own way at their own expense, and sometimes with a tour provider. The tour provider is more interested, quite rightly, in making a profit, because that is what he or she is in business for. Therefore, there might be some cutting of the edges in the provision of care and service to those who are paying their own way as a group in a group tour. I just wondered whether the department would give consideration to, in some way, without blowing out budgets, providing some medical or care assistance, in particular, if called upon for that assistance?

Dr Johnston—We would continue to provide services when we are travelling jointly and so on in the way we did in Greece and Crete that you witnessed first-hand. More broadly, the way in which the department structures these sorts of official commemorative visits really depends on the continuing confidence of the veteran community and the appropriateness of that type of activity. Certainly, to date, I think it is fair to say we feel we have the confidence of the veteran community, through as fair a process as possible, to identify a representative group who can be seen as representing the veterans concerned and the Australian people in that type of activity and doing that properly.

Senator SCHACHT—I think that is by and large true. But I do remember at the Tasmanian RSL annual general meeting—I think it was several days before the trip to Greece and Crete—questions were asked from the floor by one veteran there about two Greece and Crete veterans from Tasmania who did not make the final team and was wondering why. The comment was made that some widows had been selected. I think there is every reason for widows to be selected, but there was certainly comment and discussion about people who had missed out. I am not saying that it is a growing comment; the comment is always there. I think you are going to be bedevilled by the success you have created with these trips that more and more people will want to go privately, if they do not make the official delegation, because it is such a spectacularly useful, commemorative arrangement. Therefore, I think there is going to be increasing demand that some extra additional services be provided to those tours.

Do you think it necessary that you have discussions with tour operators before they collect a group together and firmly insist that there be some health checks done on the veterans before they head off on the group tour? With some of the issues that occurred in Greece and Crete, it was probably marginal about whether some people should have been on that trip. I think, Dr Killer, my comment is not much different from your observation.

Dr Killer—On the Greece and Crete trip, as you are aware we had 20 veterans plus two representatives of the ex-service groups and the administration group. We had a large contingent from the ADF. It all came to about 87. In addition, there would have been 40 or 50 from other groups. The problems we had were not related to our veterans, who were well screened—and they were very well screened; they had to be—they were with the ADF. We also had substantial problems with those other groups. Two of them had quite significant health problems. I do not think we can force tour group operators to screen people but it makes a heck of a lot of sense that they should run the tape measure over these people. It is in the interests of the individual also because we had an 89-year-old there who was clearly quite confused.

Senator SCHACHT—Yes, I remember the gentleman.

Dr Killer—He was quite confused. He forgot to pick up his luggage, et cetera, et cetera. You do have an obligation. We always look after them. If we possibly can, we also provide health support to the other groups. But I understand where you are coming from. The numbers of others who are not official are increasing and any support that we can give is worth doing. But I think, if we can encourage them—we could not obligate or mandate—to look at the people who are coming on the trips a lot more carefully, that would be well worth while.

Senator SCHACHT—You mentioned the problem with some of the ADF.

Dr Killer—Some of the Defence people.

Senator SCHACHT—What was the problem?

Dr Killer—I cannot say specifically.

Senator SCHACHT—Okay.

Dr Killer—You expect it to be the veterans who you are taking and it does not necessarily turn out that way.

CHAIR—Self-inflicted wounds?

Dr Killer—No. I think we have probably said enough.

Senator SCHACHT—I have some questions relating to war graves. Air Vice Marshal Beck, what was the cost of the Greek memorial? I have to congratulate you and War Graves on the simple but very effective commemorative monument at Rethymnon. I have to say, after attending a number of Greek services and a number of others, I think that we won the premiership by a clear 10 goals on the performance of that ceremony in every way. So well done. What was the total cost of building that memorial?

Air Vice Marshal Beck—The costs I have to date total \$190,724. I probably still have an outlay of about another \$15,000. So, with security and the stands, the total cost would be about \$220,000.

Senator SCHACHT—Right. We are also building a war memorial in London. What is the anticipated cost of that?

Air Vice Marshal Beck—The cost of that is estimated at \$6 million or about £2 million.

Senator SCHACHT—Can you tell me what we are getting for \$6 million Australian?

Air Vice Marshal Beck—As you may know, we have agreed to the site, which is at Hyde Park corner. It is a very prestigious site.

Senator Ian Macdonald—I think I helped you choose that, didn't I?

Air Vice Marshal Beck—You did, minister. You were there at that same dinner. We tossed a coin.

Senator SCHACHT—It is ill-fated already.

Senator Ian Macdonald—I did at least pass the area that I later found that Air Vice Marshal Beck was looking at.

Air Vice Marshal Beck—In fact, Minister Scott was there just recently and he agreed and approved our continuing with the project at that site. But to define the nature of the memorial itself is a bit difficult at this stage. What we have agreed with the London authorities—and we are dealing with about 14 different bodies, but we are all part of a steering group and we are now an accepted part of that steering group—is that we will be responsible for what we will call a water wall. It could be a wall which will be both a visual and an acoustic barrier to the traffic noise in that area. Once that wall is in place, it completely changes the nature of the Hyde Park corner site; it is 1.5 hectares surrounding the Wellington Arch. The nature of that water wall might be about five metres high and 25 to 30 metres long, curving around the site with adjoining abutments landscaped to provide much-improved sound attenuation. We are in the process now of getting—

Senator SCHACHT—Is this a war memorial or is this a soundproofing job for the toffy residents of the West End of London?

Air Vice Marshal Beck—Actually, the truth is that it will be both.

Senator SCHACHT—No wonder Senator Macdonald has had his hand in it.

Air Vice Marshal Beck—This will certainly be a memorial to Australian effort in two world wars, both in support of Britain and in the defence of freedom, et cetera. It will have figurative elements. The treatment of water will, obviously, be a major theme. We are going through the process now of finalising the selection of a designer. Until we have detailed discussions with him, it is a bit hard to see where we will end up.

Senator SCHACHT—The \$6 million, do you have to pay a fee to access the lease on the land to the London council?

Air Vice Marshal Beck—No, we do not. Our ongoing fee will be a maintenance cost on maintenance of the site.

Senator SCHACHT—Six million dollars for a wall of water?

Air Vice Marshal Beck—Given the price of a cup of coffee over there, we reckon that we will be very fortunate to get out of it for \$6 million.

Senator SCHACHT—Do you hope to have an Australian designer or do we have to put up with an English designer?

Air Vice Marshal Beck—No, it will be an Australian designer. That has been agreed with all of the London authorities.

Senator SCHACHT—We are not after a German one, I can assure you of that.

Air Vice Marshal Beck—No, it will be an Australian designer of international renown.

Senator Ian Macdonald—I take it from your derogatory comments that I should not apply.

Senator SCHACHT—Queenslanders can apply but there has to be some limit, I suspect. I suppose we will end up with a Broncos rugby player or something on it. When do you expect that to be all finished?

Air Vice Marshal Beck—Anzac Day 2003.

Senator SCHACHT—The 64th anniversary? So it will be on Anzac Day. There are no commemorative arrangements for marking it being some 60-odd years on from the Second World War, for example, Bomber Command?

Air Vice Marshal Beck—There is nothing specific there. But, of course, we think the efforts of Bomber Command—not because I am an airman—will play a substantial part in the design of the memorial.

Senator SCHACHT—Will there be names on the memorial of those who lost their lives?

Air Vice Marshal Beck—No, there will not be names on the memorial. There will be, hopefully, some representative figures. How we do that for the three services plus the merchant marine for two world wars will be quite a challenge.

Senator SCHACHT—Good luck. Do you have any other proposals coming up for commemorative monuments other than these two—the one in Crete that has just been finished and this one in London?

Air Vice Marshal Beck—There are no new proposals, but we are looking to repair and overhaul some, particularly those in New Guinea, in preparation for the 60th anniversary in 2002. But there are proposals yet we have not yet put to the minister.

Senator SCHACHT—The War Graves appropriation, on page 55, is going from \$8 million to \$12 million. That reflects—

Air Vice Marshal Beck—That is the \$4 million extra in the first year for the London memorial.

Senator SCHACHT—The London memorial. I received only today a fax from a person who attended Gallipoli this year. They raised the issue that, because of the increasing crowds at even the new site and the lack of portaloos and other toilet facilities, people were actually, like good Australians, disappearing into the scrub for a comfort stop, et cetera, and that the crowd has already got too big for the facilities. I know that every year you have been pulling your hair out about how to keep handling this extraordinarily positive surge in interest in Anzac Day at Gallipoli. Do you have any comment about this year's commemoration—you told me that 15,000 attended—and about the sanitary provisions and other services to make it comfortable for people during the day?

Air Vice Marshal Beck—Two years ago we had one complaint about the lack of toilets. Last year we put 16 new toilets in and we had 100 complaints. This year we had 24 new toilets and we had 200 complaints. I think that is human progress. We are running out of space for toilets. They are very expensive. We spend \$US50,000 on toilets. This year I put them all at the dawn service site and bought another four.

Senator SCHACHT—These are temporary toilets?

Air Vice Marshal Beck—Temporary toilets.

Senator SCHACHT—You have purchased them outright so you will use them every year?

Air Vice Marshal Beck—We will use them for the next 20 years. The Turkish authorities installed some at Lone Pine, but there was no-one to maintain them. We will have to take on the maintenance of those toilets next year. But it is only one of our difficulties. I think we made major improvements, especially on getting people to both sites. We have got some more work to do there. But people need to understand the absolute total lack of any facilities of any kind there. There is no power and there is no water. We spent about \$US16,000 drilling for water.

Senator SCHACHT—Drilling for water?

Air Vice Marshal Beck—Drilling for water.

Senator SCHACHT—Did you find it?

Air Vice Marshal Beck—Yes, and we installed in-ground irrigation.

Senator SCHACHT—You might just take on notice the cost of what War Graves is putting in each year now for the recurrent expenditure of running the services at Gallipoli on Anzac Day.

Air Vice Marshal Beck—I can answer that. Our site preparation for this year was \$151,000. I would think that was a bit special because we produced a particular brochure for the Centenary of Federation. I think we can do it on an annual basis for about \$100,000. I am hoping to negotiate with New Zealand so that they contribute to that.

Senator SCHACHT—About \$250 from New Zealand?

Air Vice Marshal Beck—No, we sort of have an arrangement. They pay 20 per cent. They have honoured that commitment.

Senator SCHACHT—Is the upgrade of the graves in PNG not done from Commonwealth War Graves? That is an outright job for us?

Air Vice Marshal Beck—That is correct.

Senator SCHACHT—We look after PNG outright ourselves?

Air Vice Marshal Beck—We have a reduced annual payment to the Commonwealth War Graves Commission by virtue of our maintaining the 74 war plots in Australia and the South Pacific.

Senator SCHACHT—Congratulations on creating a success that gives you a headache each year, but I think every Australian is delighted by what is going on. I think at \$100,000 it is cheap given the response. Finally, did you have to make any contribution to the visit of the Australian cricket side to Gallipoli recently?

Air Vice Marshal Beck—I paid to have the flag poles reinstalled for the occasion.

Senator SCHACHT—I did not see you in the photograph batting in the scrub.

Air Vice Marshal Beck—No, I was not there.

Senator SCHACHT—Do you have any figures, apart for Anzac Day itself, of how many Australians on average are visiting through the spring, summer and autumn when the weather is reasonable each day?

Air Vice Marshal Beck—No, we do not know, but I have been there on many occasions and the numbers are quite considerable. The number of coaches passing through the peninsula is quite considerable right through the summer. So probably as many people avoid Anzac Day as attend it.

Senator SCHACHT—That is all I have on War Graves. Thank you, Mr Beck. Can I go to Major General Gower? The officers from commemorative should not go just yet; I might have a couple more. Which page are you on of the PBS, Major General Gower?

Major Gen. Gower—It starts on page 93.

Senator SCHACHT—Firstly, everything is in order for the anticipated opening of the new Anzac Hall?

Major Gen. Gower—Yes, the building itself was effectively completed on 24 April. It will open to the public for a soft opening on this coming Thursday and the building will be officially opened on 21 June by the Prime Minister.

Senator SCHACHT—In relation to expenditure on major capital works, within your budget is there a particular appropriation to establish the exhibits in the hall in this first year to get that up to the level you require?

Major Gen. Gower—The cost of the exhibitions was borne over the last few years from appropriation. The Federation Fund provided \$11.9 million for the construction of the building. On top of that, out of appropriation we found funding to put a cafe within the building. We thought that was most important. There was about \$2.2 million for the initial floor exhibits. We enhanced the landscape, and the foundation contributed to some of that cost.

Senator SCHACHT—Do you separate the cost of the exhibits in the various halls—the Vietnam exhibit, the First World War, Second World War, air force, et cetera? Do you break them up in your own budget—what it cost to run each of the exhibits and keep them running in a manner that the public expect?

Major Gen. Gower—We are moving into that with accrual accounting now. Having redeveloped over 60 per cent of the galleries in recent years we have a firm cost for those galleries, and of course with accrual accounting they are valued and depreciated.

Senator SCHACHT—I see here the capital user charge is \$62 million. Is that effectively what Finance values the contents of the War Memorial? Is that just the War Memorial without the contents?

Major Gen. Gower—That is based essentially on the assessed value of the collection.

Senator SCHACHT—That is the collection. I am intrigued how anyone in Finance could reach an estimation of the cost of the collection in the War Memorial. I would have thought that is beyond their ability. Do you make some estimate yourself?

Major Gen. Gower—It is done by an external consultant. It is an approved external consultant. We have had two undertakings so far to reach a valuation of the collection.

Senator SCHACHT—This is not an encouragement for you to do it, but has anyone suggested to you that some parts of the collection that are not on display are redundant to purpose and that they might be sold or auctioned to raise funds?

Major Gen. Gower—That suggestion comes up from time to time. We review the scope and diversity of the collection. In keeping with most museums, only a proportion of the collection is on display, be it on permanent exhibition or in a travelling exhibition. Having a broad collection helps give that scope, where you can bring things forward for a few years and then put them back into storage. Also, a lot of the works on paper have a limited exhibition time. Works on paper are only shown for about a year and they go back for conservation treatment.

Senator SCHACHT—Yes. How much of the budget is spent in the area of scholarly work—history academic work in preparing, collecting and writing about the Australian experience at war? If you want to take that on notice—

Major Gen. Gower—I can give you an outline, but I will give you a more detailed answer separately. We encourage some research from staff with our own scholarship, but also so they can contribute to the public's understanding of the collection to a greater extent. We do encourage summer scholars. These are mainly history students in their final year from the Australian universities. They come and spend about two months at the memorial during the holiday period. We normally put them on to work that we think is of importance in understanding the collection or adds to a travelling exhibition that is in the process of being planned. We did have a full research program for members of the public, but that is in abeyance at the moment.

Senator SCHACHT—There was a historian, who was coincidentally with us in Greece and Crete, on contract, employed by the memorial. I think he got as much out of being with the veterans as the veterans got out of him. I did note with some bemusement that up north of Thermopylae Pass he said that so and so units were in certain spots and the veterans said, 'No, no. Wrong hill. We were down here. The ridge was blown the day before.' It was a most illuminating discussion with the veterans. Sixty years on, their memories seemed to be pretty solid in what actually happened, which was different from what the historian had collected. I think he thoroughly enjoyed it, and so did all of us. But I also want to compliment him on his knowledge, both in Greece and Crete. He is doing a major project on the campaign there. Someone will remind me of his name.

Major Gen. Gower—Brad Manera. We also sent another member of staff on that particular trip, and we are pleased that the Department of Veterans' Affairs allowed that. Also, we sent a historian up to Korea, because it is really an unparalleled opportunity for these young historians to visit the sites and also to mix with people who actually were there. They are very much dependent on reading the written record and the sources, which historians love, of course. To actually go out on the ground and be exposed to the practicalities is very valuable for them.

Senator SCHACHT—As I said, I thought it was a very good extra dimension, the commemorative arrangement. Whether you pay for part of it and he pays for part of it or whatever, I think it is a very good outcome. All round, I think it added very strongly to the success of the commemorative arrangements. Do you have any exchange arrangements with other memorials or war museums such as the Imperial War Museum in London or ones in America?

Major Gen. Gower—We have spoken occasionally with the Imperial War Museum over a number of years about having exchange of, say, curators or historians. It always seems to founder on the living away from home allowance in the country. Having said that, we have had two very successful joint Australian War Memorial and Imperial War Museum battlefield tours—one recently at Gallipoli, where they sent about eight or nine historians and we sent about the same number and some of our curators, and another two years before where we went across to the Western Front. They have proved particularly valuable, because we draw on their knowledge and proximity to the area.

Senator SCHACHT—That is where the British historians tried to downplay the contribution of the Australian troops; is that right?

Major Gen. Gower—I think it is mutually beneficial for both parties. I think there were a lot of rivalries, of course, during the trip. We are thinking next year of doing Greece and Crete. So on that score, I think it is a very worthwhile collaboration. When any of our officers

are overseas they make a point of visiting the IWM or the National Army Museum at Chelsea, or indeed in Canada of going to the national war museum in Ottawa.

Senator SCHACHT—The Vietnam veterans still at various times are raising the issue of negotiating with the Vietnamese government to try and return the cross from Long Tan to Australia as a permanent part of the collection in the Australian War Memorial. Has the War Memorial itself been involved in any discussion in recent times with the Vietnamese about such an opportunity?

Major Gen. Gower—I am aware of that desire to have that cross come to Australia, but we have not been involved formally in the negotiations. I think the late Dr Ian O'Neill, the official Vietnam historian, when he used to visit Vietnam as part of his work with the history, may have taken part in some preliminary discussion, but it does not have any official standing.

Senator SCHACHT—You said negotiation, which I think is highly unlikely. But if it was successful, that would be a commemorative piece of memorabilia of some considerable significance which the memorial would be interested in appropriately displaying as part of the Vietnam collection?

Major Gen. Gower—I think that is one which would not be in store; it certainly would be on display. Talking about Vietnam, with Anzac Hall we are for the first time being able to put on display at Campbell an Iroquois helicopter, a Centurion tank from the Vietnam War, plus the artillery gun that the North Vietnamese captured at the battle of Coral. We tracked that down a couple of years ago. It was over in WA and the army kindly donated it to us. So for Vietnam veterans there will be an added dimension to going to Anzac Hall.

Senator SCHACHT—We look forward to the opening on the 21st. Thank you very much, Major General. Just a couple of small issues, Dr Johnston. Have you received representations that the GST exemption for TPI is not available for motorcycles and it should be? Has anyone dealt with that issue?

Mr Maxwell—Yes, we are aware that the GST exemption currently does not apply to motorcycles.

Senator SCHACHT—Did the sales tax exemption apply to motorcycles before the GST?

Mr Maxwell—It did.

Senator SCHACHT—Refresh my memory: what was the stated position of the government as to why motorcycles for TPI veterans would not be GST-exempt?

Mr Maxwell—I do not know that the government actually did state a reason as to why they would not be. The fact is that they were not. The minister has subsequently announced an intention to introduce a rebate scheme under the Veterans' Entitlements Act whereby the GST is rebated on motorcycles.

Senator SCHACHT—Does that require legislation?

Mr Maxwell—It will require regulation.

Senator SCHACHT—A regulation? And that will be coming through soon?

Mr Maxwell—I hope so.

Senator SCHACHT—Tabled in the parliament?

Mr Maxwell—Yes.

Senator SCHACHT—Do you have any idea what that would cost?

Mr Maxwell—I do not, actually. I do not expect it to be a massive amount of money.

Senator SCHACHT—The veterans motorcycle group would be about the biggest—

Mr Maxwell—There would be a few Vietnam veterans and veterans of like age, and perhaps younger, for whom the motorbike is a preferred mode of transport, but I do not think the vast number of veterans are in the age group where a motorcycle is much used.

Senator SCHACHT—So that figure is not in the budget papers?

Mr Maxwell—There is no figure there at all.

Senator SCHACHT—So when I get questions about it, there is really no official reason or explanation of why it missed out?

Mr Maxwell—I certainly do not have any official reason. But, as I said, the minister has announced a scheme to—

Senator SCHACHT—A rebate which, apart from being a roundabout way of doing it, effectively does the same thing. Dr Johnston, is the department still receiving any submissions from veterans complaining that they have been restricted in not being able to obtain legal aid to appeal their issue to the Administrative Appeals Tribunal?

Dr Johnston—There has been some dialogue in the state of Victoria. We have been involved in meetings with veteran representatives in Victoria to make sure that they are well informed about the concerns there. On a continuing basis we are working with the Attorney-General's Department to work with state attorneys-general to ensure that these schemes are administered as thoroughly as they can be.

Senator SCHACHT—A colleague of mine, Roger Price, has sent me a letter from one of his constituents who has a case before the Administrative Appeals Tribunal. I will not mention his name. The correspondence is quite voluminous. It states that '... has been informed that he is unable to obtain free legal aid as his military service is deemed not to be hazardous service by the Minister for Defence, and he is unable to pay legal aid himself. Therefore, he has been forced as a veteran to represent himself.' Is that an unusual case, that if you do not have hazardous service according to the definition you are denied legal aid?

Dr Johnston—It may be that the case refers to an application for legal aid under the military compensation scheme. I am looking at my colleagues to see if we have any other basis of commenting. It may be that you should refer the—

Senator SCHACHT—I raise this here, but I do not want to get into the personal details.

Mr Maxwell—I think, with respect—

Senator SCHACHT—I will raise it privately.

Mr Maxwell—I think it is an issue that we can only deal with in terms of the particular case. I think you will have to give it to us for some off-record advice.

Senator SCHACHT—Has the Victorian government been claiming that, from their observation and with the reduction in funding for legal aid over recent years, they have seen—at least anecdotally—that veterans have been denied access to legal aid at a higher rate? Is that what the claims of the Victorian government are? You said you were in discussions with them.

Mr Maxwell—I have been party to those discussions. The issue that I think lies at the heart of the concerns of the ex-service community and, indeed, some of the legal fraternity in Melbourne, is not so much the entire quantum of funds available but rather the definition of a

case into a complex or a relatively straightforward matter. Off that determination hangs a consideration of how much barrister time, for example, is available. So I think that is the nub of the argument.

Senator SCHACHT—But is the argument related to the fact that there is not enough money all round to meet the demands of the case?

Mr Maxwell—The argument at this point rather turns on the tests being applied by the legal aid commission or bureau in Melbourne. That is the issue we are currently addressing. It is definitional rather than quantum.

Senator SCHACHT—I have a number of cases which I just raise, but it would probably be best if we follow them up later—I do not want to get into the detail here of an individual. I have here a representation saying that Veterans' Affairs is initiating a new program called veterans home care—we were aware of that—which means all veterans will be assessed by telephone in order to find out whether they really need light house duties, that is, laundry, vacuuming, meal preparation. Is it true that this has been done by telephone in any case? That is one concern that was raised. It says: 'The most they can expect is approximately two hours a fortnight compared to the four hours approximately a week they had been getting. For the first time they will be required to pay \$5 per hour, to a maximum of \$20 a week, which is \$40 out of every pension.' I do not know whether those issues are totally relevant to Veterans', but as you have taken over veterans home care—

Mr Telford—Your first question was telephone assessment. Yes, that is the gateway into veterans home care. Every person who rings the 1300 number will be screened using a standard protocol. In that protocol there are various flags which will immediately alert the assessor that an in-home assessment may be required or should be undertaken. So the intention is to screen through that lower level need—those people who only need a couple of hours of home help a week or a month—and then to do those over the phone in a much more cost-effective way, and then to look at the more expensive in-home assessments for the more complex and chronic cases. That is proving to work very well.

Senator SCHACHT—I might ask you to give that in writing to me or take this up personally so this person can get that information back and then see what they say.

Mr Telford—The next one is—

Senator SCHACHT—The payment.

Mr Telford—There is a universal co-payment which has been applied to people taking up the service. One of the problems with the HACC program as it currently stands is that there is giant confusion amongst clients about whether they do or do not pay co-payments. This program has one co-payment which applies across the board. That being said, people who are currently in receipt of HACC services, which I think is the example you were alluding to, will transfer across to veterans home care and will retain the same level of service and the same level of co-payment they are currently paying. If that happens to be nil, then they will pay nothing under veterans home care. All of those arrangements will be grandfathered.

Senator SCHACHT—Again, I might get an answer later on in writing back to this person, and if they still think there is something awry they will raise it. I mentioned POWs. You mentioned the European issue. There have been a small number of POWs from the Korean War. Do you know how many there are?

Mr Maxwell—We do.

Senator SCHACHT—By the way, Mr Maxwell, how many of the Second World War POWs are on a full TPI?

Mr Maxwell—I will take that on notice, if I may.

Senator SCHACHT—Is it a high percentage?

Mr Maxwell—It is about 38 per cent of them.

Senator SCHACHT—They are on full TPI and the rest would be on a range of—

Mr Maxwell—On a range, and surprisingly there are a couple who have nothing or very little pension.

Senator SCHACHT—Can we go and get them genetically tested to find out why they are so good!

Mr Maxwell—I think it is more a mark of the breed that they are—they are fiercely independent.

Senator SCHACHT—That is what I am saying.

Mr Maxwell—To answer your other question, Senator, there were 29 taken prisoner in Korea, one died in captivity, 28 were repatriated. We know that 12 have died—ergo, 16 are still alive.

Senator SCHACHT—And how many of those are on TPI?

Mr Maxwell—Again, I will take that on notice.

Senator SCHACHT—Thank you. Is it true the GST applies to the red poppies we use at the funerals and the commemorative services? Did the GST apply to the poppies? I have to say that should be a reasonable case where we all agree it should be repealed—or rolled back, to quote a political phrase.

Mr Mackrell—The answer to that depends on the GST status of the organisation selling the poppy.

Senator SCHACHT—If the RSL is selling it; yes or no?

Mr Mackrell—If the RSL is registered for GST—actually, let me go back a step. The poppy is a symbol for a donation; so it is not actually a sale in terms of GST, it is a token.

Senator SCHACHT—So it is a charity?

Mr Mackrell—Indeed. It would depend on whether that individual ex-service organisation is registered for GST or if it is not. It might be simpler if we take it on notice and give you the explanation in writing.

Senator SCHACHT—If the local branch of the Magill RSL in my suburb is selling—for a donation—red poppies on Anzac Day for their dawn service, do they pay GST or not?

Mr Mackrell—It all depends on whether they are registered for GST. If they are a very small organisation, they may have chosen not to—

Senator SCHACHT—Is a sub-branch of the RSL—a small branch—lumped together with the general RSL, as a national or state organisation, or can they say, ‘We are a small branch. We have 20 members, a turnover of \$5,000, and therefore we are exempt’? Or do they get the whole lot lumped in as a national body or a state body?

Mr Mackrell—No. If they are a separate entity they can be exempt, and I am assuming that each of the branches you refer to are separate entities.

CHAIR—On that point, Senator Schacht, it being 11 o'clock, we shall shortly adjourn. But before I do so, I would like to advise the estimates committee that we have some questions on notice from Senator Allison, both on Veterans Affairs and on the Department of Defence, and I think they will be handed to the officials. I would like to thank you, Minister—

Senator SCHACHT—About questions on notice, there are some here as a result of some more information I said I would send forward. There may be a couple I have not got around to asking. What is the deadline for the committee to get these in? Is it the end of the week?

CHAIR—The return is the 16th. The end of the week would be appropriate.

Senator SCHACHT—Close of business Friday.

CHAIR—Thank you, Minister, for your forbearance. Thank you to the officers of the Department of Veterans' Affairs and Air Vice Marshal Beck and Major General Gower. I wish to advise that the committee is adjourned until 10.30 a.m. tomorrow.

Committee adjourned at 11.01 p.m.