

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

Portfolio overview and major corporate issues

Budget summary

QUESTION W19

Consultants and professional services

SENATOR: Evans

HANSARD: Written question

How much has been spent by the Department of Defence on consultants and professional services in each financial year since 1995–96 (including to date figures for 2002–03)? Please also break down this information between ‘consultants’ and ‘professional services’.

RESPONSE

See response to Senate Question on Notice 1186.

QUESTION W20

**Use of professional service providers (PSPs)
in the Defence Materiel Organisation (DMO)**

SENATOR: Evans

HANSARD: Written question

- a) Why has the DMO been unable to provide information on the number of PSP contracts in place, and the value of those contracts, in a timely and accurate manner?
- b) How much has been spent by the DMO on consultants and professional services in each financial year since it was established (including to-date figures for 2002–03). Please also break down this information between ‘consultants’ and ‘professional services’.
- c) How many PSP contracts have been entered into by the DMO in each financial year since it was established (including to-date figures for 2002–03)?
- d) Is it anticipated that the number of PSP contracts entered into, and expenditure on these contracts, will continue to increase? Why? What are the implications of this for the permanent workforce?
- e) How many PSP contracts are currently in place in the DMO? What is the total value of these contracts?

RESPONSE

See response to Senate Question on Notice 1186.

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Capability development

QUESTION W48

Capability definition

SENATOR: Cook

HANSARD: Written question

The DMO has recently called a tender for establishing a panel of Systems Engineers to assist with the development of Capability Definition Documents. Isn't capability definition the responsibility of Capability Systems?

RESPONSE

Yes, but given the Defence Materiel Organisation's experience with managing panels of suppliers, it is facilitating the engagement of suitably qualified people, on behalf of Capability Systems, to support the capability definition activity.

Capital Budget: Major capital equipment projects and major capital facilities

QUESTION 7

Defence Integrated Distribution System (DIDS) Project

SENATOR: Evans

HANSARD: Page 65–66

What was the cost to Defence of providing permanency to temporary DIDS employees working for 12 months or longer as the result of an industrial commission decision?

RESPONSE

Costs incurred up to 21 February 2003 in providing permanency to temporary DIDS employees working for 12 months or longer total some \$95,000.

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QUESTION 10

SeaSprite helicopters

SENATOR: Evans

HANSARD: Page 79

Please provide details of the new payment schedule with the prime contractor, Kaman International, for work on the SeaSprite helicopters in terms of outstanding payments against major milestones.

RESPONSE

The table below lists outstanding significant milestones and their contractual value under the terms of the new negotiated schedule, for the SeaSprite Helicopters. Dates against each milestone are for the expected achievement of that milestone, and are not the due date for payment. Payments normally occur some weeks or more later, after the milestone has been evaluated and accepted by the Commonwealth.

The milestone listed as item 1 in the table has been completed by the contractor but has not been evaluated in full by the Commonwealth and so payment has not yet been made. The remaining milestones have not yet been completed.

All amounts are in 1996 contract base date prices. The contract has provision for price variations using published government price variation indices at the time of payment. The financial guarantee amounts are current US dollars.

Outstanding significant milestones for the SeaSprite helicopters⁽¹⁾

No	Planned Milestone Date	Description	Outstanding contract payments pre milestone ⁽²⁾ (1996 base date prices)		Withheld financial guarantee pre milestone ⁽³⁾ \$US (actual)
			\$AUD	\$US	
2003					
1	1 January	Build 2B/3 critical design review	2,960,303	41,320,732	35,000,000
2	4 April	Build 2A critical design review	2,560,303	34,056,212	20,000,000
3	7 May	Simulator installation and test	2,160,303	33,655,612	20,000,000
4	1 July	Provisional acceptance	1,558,705	32,254,440	20,000,000
2004					
5	1 July	Build 2/3 software formal qualification testing	94,000	26,829,641	20,000,000
6	3 November	Acceptance of full mission flight simulator	-	25,500,000	20,000,000
7	5 November	Acceptance of aircraft No 1	-	23,500,000	20,000,000
8	30 December	Acceptance of aircraft Nos 2–11	-	3,500,000	5,000,000

Notes:

1. An additional \$US16,549,925 remains for spares and ground support equipment—payment will be made by earned value and is dealt with separately.
2. This column details total remaining payments held by the Commonwealth against the contract as each milestone is reached.
3. This column details the total financial guarantee held, in accordance with the contract, by the Commonwealth as each milestone is reached.
A combination of the outstanding contract payments and the financial guarantee held by the Commonwealth as each milestone is reached ensures that sufficient funds are available for the Commonwealth to complete the work by other means if required.

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QUESTION W21

Depleted uranium—ammunition

SENATOR: Nettle

HANSARD: Written question

- a) What ammunition containing depleted uranium has Australia used?
- b) When did it use this ammunition?
- c) What was the source of the ammunition?
- d) How much of the ammunition has Australia used?
- e) Where was it used?
- f) For how long was it used?
- g) When was the decision taken to cease using this ammunition?
- h) Did Defence provide advice to the Minister about the use of this ammunition? When did it provide the advice?
- i) What information did Defence rely upon in its advice to the Minister?
- j) What was the basis of the decision to cease using the ammunition?
- k) How much and what type of the ammunition was held in the Defence inventory at the time that the use of the ammunition ceased?
- l) What was done with this ammunition in the inventory?

RESPONSE

- a) Ammunition containing depleted uranium was used in the Phalanx 20mm close-in-weapons system on Royal Australian Navy ships.
- b) From 1981 until 1990.
- c) The ammunition was sourced from the United States Navy.
- d) Approximately 43,000 rounds.
- e) The ammunition was expended at sea during training exercises. A small quantity was broken down in 1982 for testing by the Nuclear, Biological and Chemical Defence School at *HMAS Penguin*. Further tests were conducted by the Australian Atomic Energy Commission at Lucas Heights in 1984.
- f) See response to b) above.
- g) The Navy began phasing out this ammunition in 1985–86.
- h) Defence is unable to establish whether or not the Minister was informed of the use of ammunition containing depleted uranium while that ammunition was in service. Records do show that the Minister was briefed in 1999 and the Minister Assisting the Minister for Defence was briefed in 2001 on the use of ammunition containing depleted uranium.

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- i) Defence relied upon internal documents relating to the use of the ammunition within the ADF and on information researched by the Surgeon-General of the ADF.
- j) The Navy ceased using the ammunition due to occupational health and safety considerations.
- k-l) There was no ammunition left in the inventory after 1990.

**Capital investment: Major equipment projects
and major capital facilities**

QUESTION W11

Air Warfare Destroyer study

SENATOR: Evans

HANSARD: Written question

- a) Has the study phase of Sea 4000 (Air Warfare Destroyers) begun?
- b) Has that project been put on hold while a decision is made about the Shipbuilding Sector Plan?
- c) Will the Sea 4000 project be started before the plan is implemented?
- d) Why has the decision on the Shipbuilding Sector Plan been delayed?

RESPONSE

- a) SEA 4000 Phase 1A studies have begun. Phase 1A incorporates an operational concept document, and a function and performance specification, for an air warfare destroyer and will be completed in June 2003. Phase 1B is the project definition phase that encompasses preliminary design activities culminating in costed concepts. Phase 1B has not begun.
- b) SEA 4000 preliminary design activities have been delayed until a shipbuilding strategic partner has been chosen. This is indicated in *The Australian Naval Shipbuilding and Repair Sector Strategic Plan*.
- c) Non-design-related activities of SEA 4000 have commenced. All other activities have been placed on hold until *The Australian Naval Shipbuilding and Repair Sector Strategic Plan* implementation commences.
- d) *The Australian Naval Shipbuilding and Repair Sector Strategic Plan* is still subject to Government consideration.

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QUESTION W12

Trooplift helicopters

SENATOR: Evans

HANSARD: Written question

In December 2002, the Prime Minister announced that the purchase of additional trooplift helicopters would be accelerated.

- a) What is the new schedule for delivery of the helicopters?
- b) Are there achievement targets for different phases? What are they?
- c) Has the project gone out to tender yet? If not, when will it?
- d) What part of the project will be “accelerated”? What does this mean in project management terms?
- e) What is the total budget for the project?

RESPONSE

- a)-c) The delivery schedule and phasing are currently under Government consideration.
- d) The delivery date of the helicopters is to be brought forward. Project management aspects will be settled when the acquisition strategy is finalised.
- e) The project budget has not yet been approved.

QUESTION W14

Upgrade of the Adelaide Class guided missile frigates (FFGs)

SENATOR: Evans

HANSARD: Written question

- a) What is the latest estimate of the delay with the project?
- b) Please provide an update of the problems that are being experienced with the combat system software. Include details of exactly what problems are being encountered with the combat system software.
- c) What are the latest estimates of when the first ship will commence the upgrade program, and when the last ship will be finished?
- d) Is Defence confident that the delay will not increase beyond two years? What action has been taken to ensure that the delay will not increase beyond two years?
- e) What are the proposed commencement/completion dates for the each of the ships that will be upgraded?
- f) When is it anticipated that HMA Ships *Sydney* and *Newcastle* will next be deployed to the Gulf (refer *Hansard*, Senate Foreign Affairs, Defence and Trade Legislation Committee, 12 February 2003, page 47)?

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- g) We have previously been advised that HMAS *Sydney* would commence upgrade in September 2003. Will this be altered by the deployment of HMAS *Sydney* to the Gulf?
- h) How much will it cost to upgrade each of the FFGs? Provide this information for each of the ships.
- i) In the response to Question W13 (a) from Senate Estimates on 21 November 2002, it was claimed that a two-year delay did not warrant a reconsideration of the viability of the project. If the delays increase further, at what point would the viability of the project be reconsidered?
- j) Which of the FFGs have been in the Gulf since the contract for the upgrade project was signed in June 1999? Please provide dates.
- k) In his response to question on notice 1041, the Minister for Defence stated in relation to the FFGs that ‘the overall combat system performance does not meet current capability requirements’. What are the implications of this statement for the HMAS *Darwin*, which is currently stationed in the Gulf?
- l) Is HMAS *Darwin* more vulnerable to attack given the inadequacies of its combat system?
- m) The Minister noted that the presence of the FFGs in the Gulf would be reviewed ‘should [the] environment change’ (*Hansard*, Senate, 19 August 2002, page 3191). In view of these comments, the Minister’s other comments about the deficiencies in the combat system software, and the clear ‘environment change’ that has occurred in the Gulf, has the presence of the FFGs in the Gulf been reviewed? If so, what was the outcome of this review? If not, why not?
- n) Given the FFGs’ deficiencies, was the option of recalling HMAS *Darwin* and not deploying any of the other FFGs to the Gulf considered? If so, what was the outcome? If not, why not?
- o) Were the inadequacies of the combat system on HMA Ships *Sydney* and *Newcastle* considered before it was decided to deploy these ships to the Gulf later this year? If so, why was it decided to proceed with the deployments? If not, why not?
- p) The Minister has claimed that ‘with regard to the FFGs, the oldest of them will not be upgraded to the same level’ (*Hansard*, Senate, 10 December 2002, page 7541). What do these comments mean? Why was this decision taken? When did it occur?
- i) Does this decision mean that the cost of the upgrade project will be less than previously anticipated, given that some of the FFGs will now be getting a lesser upgrade than first envisaged? If not, why not? Does this mean that we are paying the same amount of money for a lesser upgrade?
- ii) Which of the FFGs are affected by this decision (is it all four of the older ships, or just some of them)?
- iii) Does the decision to not proceed with the same level of upgrade for the older FFGs have any implications for the capability of these vessels? Please provide exact details of the differences in the upgrades.
- iv) Does the decision to proceed with lesser upgrades for the older FFGs have implications for the end-of-life dates in the Shipbuilding Sector Plan? If so, can new end-of-life dates be provided for each of the FFGs?
- q) What is the current total budget for this project?

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- r) The *Portfolio Additional Estimates Statements 2002–03* (page 62) state that the forecast expenditure on the project in 2002–03 is \$208 million. In response to Question W18 (a) from Senate Estimates on 21 November 2002, it was suggested that \$175 million was to be spent in 2002–03. Why are these figures different? What is the correct forecast for expenditure in 2002–03? Can a breakdown of forecast expenditure in 2002–03 be provided?
- s) How much of the budget for 2002–03 will be paid to ADI?
- t) How much of the \$642 million that has been paid to ADI to the end of 2001–02 was paid by ADI to subcontractors? Can details (including the name of the contractor, the amount paid and the basis of payment) be provided for all financial years since the project commenced?
- u) Which organisation now has the contract to develop the combat system software? Is ADI confident that there won't be any further slippage in the development of this element?
- v) In response to Question W21 (a) from Senate Estimates on 21 November 2002, it was indicated that the question of liability for delays had yet to be finalised. Has this issue been resolved yet? If not, why is it taking so long to be resolved, and when is it expected that the matter will be resolved?
- w) Please provide a copy of the liquidated damages clause in the contract with ADI.
- x) In response to Question W21 (c) from Senate Estimates on 21 November 2002, it was indicated that liquidated damages clauses are used to address 'performance shortcomings'? Is a two-year delay in a contract considered to be a performance shortcoming? If so, has the liquidated damages clause in the contract with ADI been invoked? If not, why not? If a two-year delay is not enough for the damages clause to be invoked, at what point will this occur? Why is this the case?

RESPONSE

- a)-o) See response to Senate Question on Notice 1182.
- p) See response to Senate Question on Notice 1039.
- q)-x) See response to Senate Question on Notice 1182.

QUESTION W15

Global Hawk (unmanned aerial vehicles)

SENATOR: Evans

HANSARD: Written question

- a) Did former Minister John Moore's announcement on 1 March 1999 relate to phase 1 of JP 2062?
- b) Was there a request for tender issued for phase 1 of the project? If so, when was the request for tender issued? How many organisations submitted tenders? Who were they? On what basis was the deal with the US Air Force chosen? If no RFT was issued, why not? On what basis was the deal with the US Air Force chosen (without a tender round)?
- c) What was the original budget for phase 1 of the project?

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- d) What is the cost of phase 1 of the project to date? Please provide a breakdown of expenditure on phase 1 for all financial years since 1998–99 (including 2002–03, if applicable).
- e) What was the original timing on phase 1 of the project? Has phase 1 now concluded? When did it conclude?
- f) Why was the Minister's office quoted as saying (see *The Australian*, 7 February 2003, page 5) that 'cost blowouts associated with the Global Hawk program might delay any final purchase decision'? What did that statement mean?
- g) Have any cost increases been experienced with the project? Why have these increases occurred?
- h) What implications do these comments have for phase 2 of the project? Is the timing specified in the Defence Capability Plan (DCP) still on target? If not, why not? What is the new timing for the year of decision?
- i) What about the delivery date? The DCP said 2007—is this still the case?
- j) Is the budget for phase 2 still \$100–150 million, as specified in the DCP? If the budget has changed, why is this the case? What has caused the changes to the budget?
- k) How would a delay to this impact on capability?

RESPONSE

See response to Senate Question on Notice No. 1183.

QUESTION W37

Air Force logistics systems

SENATOR: Collins

HANSARD: Written question

In relation to the CAMM2 system:

- a) What is the system designed to do?
- b) When was this contract first tendered?
- c) What experience did the contractor have in aircraft maintenance before they won the contract?
- d) How far has the CAMM2 system been rolled out?
- e) What percentage of aircraft maintenance are now using the CAMM2 system for ALL their work?
- f) What is a satisfactory length of time for this new system to be put in place?
- g) What penalties have been imposed on the contractor for any delays?
- h) What has been the cost to date? What was the quoted cost in May 1994?
- i) Has the contractor been paid extra funds to complete patch up jobs and other modifications since then?

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- j) Do maintenance crews on the Caribou fleet use the CAMM2 system?
- k) Are some aircraft maintenance crews still relying on a card system to keep track of spare parts? If so, what crews on which aircraft?

RESPONSE

- a) The Computer Aided Maintenance Management system version 2 (CAMM2) is an aviation maintenance management system that traces aircraft configuration and usage, and records and forecasts maintenance.
- b) Tenders were released in February 1993. The contract with Accenture (then Anderson) was signed in May 1994.
- c) Prior to commencing work on the system, the contractor's previous experience in aircraft maintenance management systems was based upon development of a work recording and asset management system for the UK Ministry of Defence in 1992.
- d) The system currently monitors Caribou, Hawk and F/A-18 aircraft. The geographic dispersion of the units that operate these aircraft means CAMM2 is physically rolled out to RAAF bases at Townsville, Amberley, Williamtown, Tindal, Edinburgh, Pearce and Wagga (for technical trade training).
- e) Three out of 19 of the ADF's aircraft types use the system, of which approximately 90 per cent of the aircraft maintenance tracking activities are performed by the system.
- f) The system involves complex software utilising around three million lines of code. US experience suggests that development and implementation of such a system would take between two and ten years. In addition, roll-out timeframes are dependent upon the operational tempo of units, the amount of retraining required to convert to the new system and the effort required to transfer data from the existing system to the new system.
- g) No. The Commonwealth is withholding approximately \$1.8 million from the contractor and will continue to do so until system acceptance occurs.
- h) The total cost to date for both phases is \$56.6m. In May 1994, the Phase 1 contract for prototype development was signed for a total of \$15.7m (December 1993 prices).
- i) The Phase 2 contract is fixed price. The rectification work being done as a result of the system failing acceptance testing in January 2001 is at the contractor's expense. The contractor, Accenture, has been paid \$0.68m to improve the software in line with evolving requirements that were not envisaged in the original scope of the project.
- j) Yes. The Caribou was the pilot site for Phase 1 and was the first aircraft to have the Phase 2 system installed in April 1998. Caribou maintenance crews have been using the system since then.
- k) No.

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QUESTION W38

Implementation of government policy

SENATOR: Collins

HANSARD: Written question

In June 2001, Peter Reith told a Defence Industry Conference that he wanted to implement the policy of unsolicited proposals from industry (known as UPIs). In October 2001, Cabinet approved Reith's proposals and it became government policy which would allow industry to provide innovative and cost effective solutions to Defence's capability needs.

- a) Why has this system (which is now government policy) not been implemented?
- b) In evidence to the Senate inquiry on 15 November last year, the President of AIDN expressed disappointment at the lack of progress in implementing the Unsolicited Proposals from Industry Policy. How has the Defence Materiel Organisation (DMO) responded to this criticism?
- c) When will the DMO publish the procedures for the management of Unsolicited Proposals?
- d) Will industry get an opportunity to comment on these procedures in their final form?
- e) What was the manning establishment of the DMO Industry Policy Division at the time of the announcement of this policy in June 2001?
- f) What is the current manning level of this division today?

RESPONSE

- a) to c) Development of the unsolicited proposals policy has involved the consideration of many complex legal issues. It has required liaison with numerous areas within, and outside, Defence to establish a robust and efficient mechanism for the management and evaluation of unsolicited proposals. It has taken considerable time to complete these processes. A draft unsolicited proposals policy has now been developed in conjunction with internal stakeholders, Defence industry and external legal advisers. The policy is expected to be released in the near future.
- d) Yes. The draft policy has been discussed with Defence industry members of the Contracting Consultative Forum, which includes an Australian Industry Defence Network representative. Comments received from industry have been favourable.
- e) In June 2001, Industry Division had 124 staff.
- f) Following the transfer of eight staff in the Intellectual Property section to Land Systems Division and the Defence Science and Technology Organisation in late 2002, the current staffing level of Industry Division is 116 staff.

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QUESTION W40

Financial management

SENATOR: Collins

HANSARD: Written question

At the Committee Hearing on 15 November 2002, concerning the AP-3C Avionics Upgrade Project (AIR 5276), the Chief of the Air Force, Air Marshal Houston, stated:

“Clearly, cost and time is. We know AP-3C was on budget and was 44 months late. I could always make that measurement”

- a) What is the current status of the AP-3C Avionics Upgrade?
- b) How much has it cost to run the Defence Materiel Organisation (DMO) project office for the additional 44 months? Please provide a breakdown of the costs involved including salaries, overheads and related expenses.
- c) What has been the cost of involvement of DMO senior management for the additional 44 months?
- d) Was Air Marshal Houston referring to the approved budget at the time the contract was let or some later budget that included variations? If some later budget, when and what amounts?
- e) Why are contractors allowed to move funds across Trust Accounts from site to site and state to state?
- f) Did ANAO, the Inspector General of Defence and Management Audit Branch or Defence register mismanagement of trust accounts with the Australian Securities and Investments Commission?
- g) How many contractors have Defence deleted or back burned over the past 12 months?

RESPONSE

- a) The Commonwealth has accepted seven AP-3C aircraft from the contractor, L-3 Communications, and an additional five aircraft are currently undergoing modification at Avalon in Victoria. L-3 Communications expects to complete the fleet modification by December 2004. All major software and integration problems have been resolved. The AP-3C gained full service release and supplementary type certification in November 2002. The Air Force has completed initial operational test and evaluation, with the conclusion that the AP-3C is at least as capable and, in most cases, vastly superior to the previous model P-3C.
- b) The cost of running the project office for the period from November 1998 to July 2002 when the aircraft was accepted is estimated at \$5.2m, comprising \$4.7m in salaries and \$0.5m in other expenses. The Commonwealth recovered \$5m in value against these, and related costs, under a commercial settlement with the contractor.
- c) As Defence Materiel Organisation senior management have oversight responsibilities for a range of projects, costs could not be apportioned for any individual project. Besides, senior management costs would be marginal relative to overall project management costs.
- d) Phase 2A to the AP-3C Avionics Upgrade project was approved at \$671.5m in November 1992. Apart from indexation and foreign exchange rate adjustments, real cost increases of

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\$37m were approved for additional Harpoon missile capability and improved logistics support.

- e) Defence does not have any special public monies or trust monies in relation to the AP-3C Avionics Upgrade project. In relation to trust accounts more generally, Defence will only establish “Special Public Money” or “trust monies” accounts if the money is held by the Commonwealth in a trustee capacity in accordance with the *Financial Management and Accountability Act 1997*.
- f) No. During 2002, the Australian National Audit Office conducted an assurance and control assessment audit of the management of trust monies in five organisations, including Defence. The Audit Office informed Defence that, in general, Defence’s administration of trust monies was adequate in terms of validity, accuracy and completeness of transactions. In addition, the auditor stated that Defence was adequately meeting most of its duties as a trustee.
- The Audit Office did find that management of trust monies in Defence could be improved. In particular, the Audit Office found that Defence should have accurately identified and classified monies to be treated as trusts or otherwise. This misclassification caused non-compliance with the legislation and resulted in the failure to meet its legal obligations as a trustee. Defence has agreed with the Audit Office findings and is now implementing remedial action to improve its management of trust monies.
- g) If the question relates to barring contractors from future dealings with Defence, then the answer is none. This is not Defence practice.

QUESTION W41

Air-87 reconnaissance helicopter

SENATOR: Collins

HANSARD: Written question

According to the Defence Annual Report 2000–2001, there has been a slippage of some 12 months in the payment schedule of project Air-87.

- a) What is the situation with the payment schedule now?
- b) What has been the effect of this slippage on the delivery schedule?
- c) When is the first aircraft planned to be delivered by the Defence Materiel Organisation to its customer, the Australian Army?

RESPONSE

- a) The payment schedule for the Air 87 acquisition contract comprises 60 per cent milestone values and 40 per cent earned value payments. Earned value payments are not scheduled to commence before June 2003.

The milestone payment schedule anticipated the achievement of 14 milestones by February 2003. To date, the Commonwealth has accepted five claims for milestone payments. The outstanding milestones, which are up to ten months overdue, relate to data deliverables and

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associated reviews. All outstanding deliverables are now substantially complete and are undergoing final technical acceptance.

- b) The planned in-service date remains December 2004. None of the slipped milestones have been on the critical path.
- c) By the December 2004 in-service date, two armed reconnaissance helicopters are to be delivered with sufficient logistic support to conduct Australian military-type certification and allow the Army to commence collective training of its crews.

QUESTION W44

Replacement patrol boats

SENATOR: Cook

HANSARD: Written question

(From a report in *Forecast International* and the *Norway Post*) In November 2002, a \$41 million Norwegian mine-hunter patrol boat (the “Orkla”) was destroyed and sank after an extremely rapid, almost explosive spread of fire. Analysis apparently showed that the culprit was a composite sandwich material in the hull construction. Apparently, the glass reinforced plastic (GRP) composite has low thermal conductivity when it is solid GRP, but the sandwich composite version appears to act as a fire accelerant.

- a) Am I right in my understanding that one of the short-listed tenderers for the Replacement Patrol Boats is offering a GRP hull construction?
- b) Is it a solid GRP or a sandwich composite version?
 - i) Was the fire risk of the sandwich version ever drawn to the attention of the Defence Materiel Organisation or the Minister?
 - ii) Was structural fire protection an essential SOLAS standard specified in the Request for Tender?
 - iii) If so, and the risk is of the kind referred to above, why was such a design allowed to proceed to Stage 2?

RESPONSE

- a) Yes.
- b) The hull offered by one of the shortlisted tenderers for the replacement patrol boats is solid glass reinforced plastic construction below the waterline, and sandwich glass reinforced plastic construction above the waterline.
 - i) The evaluation of tenderers’ responses looks at the level of fire protection and safety of the vessels that have been offered, in accordance with the request for tender requirements. The construction materials used in vessels are elements of a vessel’s total fire protection and safety system and are included in the elimination process.

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- ii) The request for tender in both Stage 1 and 2 required tenderers to offer replacement patrol boats that conform to International Maritime Organisation requirements (as if it were a commercial vessel) where applicable, such as the *International Convention for the Safety of Life at Sea 1974*. In particular, it required that replacement patrol boats meet the fire detection, prevention and extinction requirements of the current high-speed craft code for cargo craft, which is chapter ten of the convention.
- iii) An outcome of the process for providing the replacement patrol boats to the Navy is to ensure that the Navy operates safe vessels. The three shortlisted tenderers satisfied the requirements of the Stage 1 request for tender. In proceeding to Stage 2, tenderers have been required to supply a fire risk assessment report as a part of their Stage 2 response. In this phase, their offers are subject to more detailed assessment, including in the area of fire protection and safety. Before Defence accepts the new replacement patrol boat from the eventual contractor, the design will be assessed by an independent classification society. The Navy and the Defence Science and Technology Organisation are also involved in analysis of this important element of the replacement patrol boats.

Competitive tendering and contracting

QUESTION W23

Information and communications technology contracts

SENATOR: Lundy

HANSARD: Written question

Provide the following information for each contract entered into by the agency which has not been fully performed or which has been entered into during the previous 12 months (financial year 2001–2002) that are all or in part information and communications technology related with a consideration to the value of \$20,000 or more, including the following details for each contract:

- a) a unique identifier for the contract (eg contract number);
- b) the contractor name and ABN or ACN;
- c) the domicile (country) of the parent company;
- d) the subject matter of the contract, including whether the contract is substantially hardware, software, services or a mixture, with estimated percentages;
- e) the starting date of the contract;
- f) the term (duration) of the contract, expressed as an ending date;
- g) the amount of the consideration (AU\$);
- h) the amount applicable to the current budget year (AU\$);
- i) Is there an industry development requirement? If so, provide details of the industry development requirements (in scope and out of scope) and a full list of sub-contracts valued at over \$5,000, including all the information described in a) to h).

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RESPONSE

a) to i) Defence places some 11,000 orders per month for information and communications technology related supplies. There is currently no system in place, within Defence, that records the details of these orders in a form that would enable the specific questions to be readily answered. Given the large volume of transactions, the manual compilation of a detailed response to the question is not considered practicable or justifiable on cost grounds. Industry development requirements also have not been reported for this reason.

Defence is about to implement a Defence Contract Register that will enable similar questions to be answered in the future.

The following aggregate information has been compiled on an accrual accounting basis from the department's financial management information system for purchase orders valued at \$20,000 or above that were let since the start of 2001-02, including for the acquisition of military-related technology that forms the majority of purchases.

Totals 2001-02 and to 26 February 2002-03	No of purchase orders	A\$
Total Purchase Orders raised	1300	285.6m
Total Purchase Orders in active status	328	158.4m
Total Purchase Orders in closed status	972	127.2m

QUESTION W24

Information technology outsourcing

SENATOR: Lundy

HANSARD: Written question

Pursuant to *the Order of the Senate for Department and Agency Contracts* (as amended in September 2001) list of Defence Department contracts available online at http://www.defence.gov.au/dmo/id/cic_contracts/cic_contracts.cfm:

Can Defence please specify which of the contracts included in the list of contracts available online, pursuant to an order of the Senate, relate to the provision of information and communication technology products or services?

RESPONSE

Defence is not prepared to devote the considerable time and resources required to provide the detailed information requested.

The list of contracts pursuant to the Senate order contains details of over twenty-seven thousand contracts. The automatic identification of contracts relating to information and communications technology products or services is not available on the database. It would be a substantial undertaking for Defence to manually consider each of these records.

Additionally, information and communications technology are becoming increasingly pervasive and their acquisition is often incidental to other activities.

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QUESTION W25

Contract relationships in HMAS Cerberus

SENATOR: Collins

HANSARD: Written question

Can it still be said that problematic contractual relationships are unique to HMAS Cerberus?

RESPONSE

The situation experienced at HMAS Cerberus was unusual. It was caused, in part, by the lack of Defence expertise in contract management in the area responsible for managing facilities. The lessons learned, along with the guidance provided by the audit outcomes, have been drawn on to ensure a smoother contractual process at HMAS Cerberus and guidance to all other regions in Australia. Defence and Asset Services, which runs the comprehensive maintenance contract at HMAS Cerberus, have a positive working relationship and the maintenance contract is now running smoothly.

QUESTION W26

Failure to deliver on contractual obligations

SENATOR: Collins

HANSARD: Written question

- a) How many contractors have been pursued for failing to fulfil contractual obligations? Who are these contractors?
- b) How many contractors have been penalised for failure to deliver on the terms of the original contract? What penalties have these contractors received?
 - i) over the last month;
 - ii) over the last six months; and
 - iii) over the last 12 months?
- c) What contractors have been prosecuted by the courts for failing to complete contracts or for negligence?
- d) How often are contractors required to pay back funds for botched contracts? Who are these contractors?
- e) How many settlements have been achieved where contractors have been pursued for failing to fulfil their contractual obligations? What were the terms of settlement achieved where contractors have been pursued for failing to fulfil their contractual obligations? Who are these contractors?

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RESPONSE

a) to e) Defence is not prepared to devote the considerable time and resources required to provide the detailed information requested. Defence has devolved its contract management function to the many operating groups and line managers responsible for overseeing acquisition and through-life support processes. Given the wide variety of issues that can arise during the contract management process and the large number of Defence contracts, many dating back over a number of years, it is not practicable to maintain a central register of contract management issues.

In the normal course of project management, particularly in the area of complex capital equipment acquisitions, various issues arise which can vary from minor technical disputes through to instances of major contractual default. In much the same way as the issues themselves vary, so too can the courses of action Defence elects to pursue when such occurrences arise. Discussion and resolution of technical and engineering issues is a normal part of project management. Minor technical matters can run to thousands of issues over the life of a single large project. In the case of relatively minor contractual disputes, project staff will often seek to resolve issues with their counterparts in the contractor organisation. Where this fails, a formal meeting may be convened to discuss the issue. Where changes are required to the contract as a consequence of the discussions that take place, a formal contract change proposal will be initiated. In order to be approved, the change proposal would need to be fully documented and cleared by the relevant functional areas of the project and wider Defence organisation. Typically, this would necessitate involvement from engineering, technical, contracting and finance staff.

Where disputes are unable to be resolved by mutual agreement, Defence may seek to avail itself of the formal dispute resolution processes available in the contract. Defence only pursues formal dispute resolution processes or takes legal action against suppliers with the benefit of appropriate and considered independent legal advice.

Most complex Defence contracts also include liquidated damages provisions. Liquidated damages are not penalties. Where a breach of contract occurs, Defence may be entitled to recover damages, consistent with fundamental principles of contract law. Damages seek to place the aggrieved party in the position that it would have occupied had the breach of contract not occurred. Damages in this sense should be distinguished from 'penalties'. The parties to a contract may pre-agree damages that will be payable for specific breaches of contract. These pre-agreed damages are known as liquidated damages.

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QUESTION W29

Contractors and sub-contractors supervision and security clearances

SENATOR: Collins

HANSARD: Written question

Are contractors and sub-contractors working on Defence sites without supervision and security clearances?

RESPONSE

Contractors and sub-contractors employed by Defence are contractually required to have the clearances appropriate to the tasks to which they are assigned. Guards at access control points are required to check all passes, unless there is an electronic access control system, and to ensure that all personnel have current passes. Visitors and contractors who do not have a current pass are required to sign the visitor's book and have an escort for the duration of the visit.

Sites that have electronic access points require a visitor without the correct pass to phone a sponsor and be escorted while on the premises. Where there are no access control points, the person in charge of the base/unit is responsible for ensuring that people entering the premises have the correct clearance and need to be escorted.

QUESTION W45

Bids for contracts from Australia and overseas

SENATOR: Cook

HANSARD: Written question

I want to ask about how different bids are compared with one another during the evaluation of tenders.

- a) How are bids from Australian suppliers compared with those received from foreign suppliers through our overseas embassies or Foreign Military Sales mechanisms? I am assuming that an Australian company, even it was including in its bid supplies from overseas, would include all the admin costs and add-ons and so on.
- b) Is it the case that the price would include the GST and freight and customs clearance and technical support and warranty and portion of overheads etc.
- c) Let's say an overseas supplier is sourced through the Australian embassy. Would the price quoted by that supplier include things like freight costs to the embassy and Australia, customs clearance, GST, technical support, warranty?
- d) If it doesn't, doesn't that bias things in favour of the foreign supplier's quote? I mean, the Commonwealth will have to pick up the tab for the freight and the GST etc. if these things are not included in the supplier's quote.

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RESPONSE

- a) Commonwealth (and Defence) policy requires that tenders are evaluated on a value for money basis that ensures the maintenance of probity, confidentiality, ethics, fair dealing and accountability. It also requires that a level playing field is maintained and that tenders from Australian suppliers are compared with those from foreign suppliers. This ensures that Australian industry, including small to medium enterprises, has an appropriate opportunity to compete for Defence business.

Defence's practices and procedures for the evaluation of tenders are governed by its primary policy document for procurement, the *Defence Procurement Policy Manual 2002*. Guidance on the evaluation of tenders is contained in Section 5—Conducting Procurement, with detailed instructions in Chapter 5.6 (an electronic version is available at www.defence.gov.au/dmo/lsd/dppm.cfm). For any substantial procurement activity, a robust evaluation of the prospective suppliers and their submitted proposals is undertaken. Defence uses a variety of evaluation methodologies, depending upon the nature of the procurement in question. This includes both qualitative and quantitative methodologies, with the final decision being based on a qualitative assessment of value for money.

- b) An assessment of value for money includes all costs that need to be taken into account when supplying to Defence. This includes labour, materials, contractor overheads, contingency and freight costs. In terms of comparing overseas proposals with those submitted by Australian suppliers, freight costs would usually be a discriminating factor in favour of Australian companies.
- c) Standard Defence contracting templates (*Australian Defence Contracting (Strategic Materiel)* and *Australian Defence Contracting (Complex Materiel)*) place responsibility for the payment of taxes, duties and freight costs on the supplier. Standard Defence contracting templates require tenderers to provide a detailed breakdown of the tendered price including details of associated taxes, duties and freight, support and warranty costs.

Tenders are evaluated on a GST-exclusive basis to ensure a level playing field. Any GST payable is then addressed later in the context of formal contract negotiations with the preferred tenderer. GST is payable in respect of imported goods and services.

- d) Defence contracting policy and practices ensure that no bias in favour of overseas suppliers exists when it comes to placing contracts for Defence requirements. On the contrary, the Defence Procurement Policy Manual (see Section 3, Chapter 3.12) requires Defence purchasing officers to buy locally, provided that value for money is not compromised.

QUESTION W47

Commonwealth access provisions in contracts

SENATOR: Cook

HANSARD: Written question

What sort of access provision clauses are included in contracts to enable Commonwealth agencies to properly monitor a contractor's performance by checking its records and assets directly related to the contract?

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RESPONSE

Standard Defence contracting templates—*Australian Defence Contracting (Strategic Materiel)* and *Australian Defence Contracting (Complex Materiel)* contain access provisions. These provisions permit the Defence project authority, or any person authorised by the project authority, to access contractor premises, records and accounts connected with the performance of work under the contract. The standard clause permits the Commonwealth to copy records and accounts for the purposes of the contract. It also requires the contractor to include a similar clause in all significant sub-contracts.

Improvement initiatives

QUESTION W49

Project management methodology

SENATOR: Cook

HANSARD: Written question

Can we focus on the DMO's Project Management Methodology (PMM). This, we have heard, is based on the PRINCE approach.

- a) Can I just clarify that we have Project Managers, who report to a Project Executive who reports to a Project Board.
- b) The Board consists of various positions, "Senior supplier", "Senior user", "Sponsor" and so on. Can you just explain all these to me please?
- c) Who is the actual decision-maker, the Project Executive or the Board?
- d) Is the Project Executive a Service person or a civilian DMO person?
- e) Is it ever the case that a Project Executive will also be, say, the "Senior supplier" on the Board? If so, how can such an arrangement work?
- f) Is the Senior User someone who has a close interest in the project, or are they just a representative from the relevant force area? Do they get direction from their chain-of-command about how they contribute to the Board?
- g) How important is the Sponsor's input?
- h) How does the Project Executive relate to the Project Manager?

RESPONSE

a)-h) The Defence Materiel Organisation's (DMO) current project management methodology is called PMM Version 2. This version was released in February 2003. Version 2 is based on the high-level PRINCE2 process, but has been tailored to ensure it is consistent with Government processes, Financial Management and Accountability Act accountabilities, the DMO governance framework and processes, and the Defence Capability Life Cycle Guide issued by the Vice Chief of the Defence Force. Under Version 2 and earlier acquisition reforms, the

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roles and function of the project management methodology boards and other parties have been substantially changed to clarify accountabilities.

Under Version 2, the concept of a project board has been replaced by a project management stakeholder group. The group includes representation from the sponsor and in-service support and user communities, and is the formal source of stakeholder advice and input to the project. The group has no executive authority or control, or decision-making powers, with respect to the project. All decisions are made by DMO line managers.

The Under Secretary and DMO line management appoint project directors at a level appropriate to the complexity of the project. This individual project director is responsible and accountable through line management for delivering the project outcomes. Project directors can be drawn from either Service or civilian personnel.

Other portfolio issues

QUESTION W46

Quality Assurance Officers

SENATOR: Cook

HANSARD: Written question

I understand that Defence employs Quality Assurance Officers to check Australian suppliers' deliveries and issue a quality certification. Does this apply when supplies are delivered to embassies for forwarding to Australia?

RESPONSE

The acceptance of supplies on behalf of the Commonwealth is the legal responsibility of the contract authority. A contract authority is the individual responsible for the administration of the contract.

The contract authority appoints quality assurance officers to advise whether or not the supplies offered by the supplier meet the requirements of the contract, prior to acceptance. The contract authority may also decide to delegate to the quality assurance officers the acceptance function.

Where supplies are procured overseas, Defence maintains a number of memorandums of understanding with foreign government quality assurance authorities. These authorities can be used to perform quality assurance tasks to advise the contract authority whether or not the supplies offered by the overseas supplier meet the requirements of the contract.

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Defence outputs

Output 1—Defence operations

QUESTION 1

Despatch of Defence planning team to US Central Command

SENATOR: Evans

HANSARD: Page 9

On what date did the 18-strong planning team depart for the United States' central command headquarters?

RESPONSE

The 18-person planning team deployed to Tampa during the period 22–27 August 2002.

QUESTION 2

Defence advice to Government on military options

SENATOR: Faulkner

HANSARD: Page 12–13

What was the date on which the Chief of the Defence Force first provided advice to the Minister on military options that might be available in relation to a possible war with Iraq?

RESPONSE

Defence first provided written advice to the Government on 26 August 2002.

QUESTION 6

Purchase of nuclear, biological and chemical defence equipment

SENATOR: Hogg

HANSARD: Page 55

Please provide a list of all nuclear, biological and chemical defence equipment being purchased, together with the expected lead times for delivery of the items.

RESPONSE

For security reasons I am not prepared to release this information.

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QUESTION W1

Gulf deployment—personnel

SENATOR: Evans

HANSARD: Written question

How many ADF personnel were deployed in the Gulf region as at 1 March 2003?

RESPONSE

At 1 March 2003, there are approximately 2,000 ADF personnel in the Gulf region.

QUESTION W3

Service and support of Gulf Forces

SENATOR: Evans

HANSARD: Written question

- a) In terms of the forces deployed to the Gulf, will they be entirely maintained and serviced by ADF personnel?
- b) Will the ADF be relying on civilian personnel in the Gulf to service and support the deployment of those troops? If so, what functions will those civilian personnel be carrying out? (eg. maintenance of aircraft, servicing/repair of communication equipment)

RESPONSE

- a) No. ADF forces in the Gulf will also be supported by coalition partners, host nation contractors and regional contractors.
- b) Yes. Host nation contractors and regional contractors will provide support for domestic services and minor repairs to non-specialist military equipment.

QUESTION W43

SIEV-X

SENATOR: Collins

HANSARD: Written question

In relation to the vessel known as SIEV-X:

- a) Please detail the nature of the RAN investigations into the owner of SIEV-X.
- b) Please provide details, including any photographs, of the fishing boats that were identified by the P-3C Orions on the morning of 20 October 2001 (in particular, the boats that were identified at 0752, 0759, 0814 and 0819).

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RESPONSE

- a) There were no RAN investigations into the owner of SIEV-X.
- b) The purpose of the Operation Relex surveillance flights is to locate suspected illegal entry vessels. Consequently, contacts are investigated only to the extent necessary to ascertain whether or not they could be such a vessel. When legitimate fishing vessels are found, their type, location, time, direction and speed are simply noted and no additional effort or time is spent on more detailed investigation. The time and location of confirmed fishing vessels have already been provided in graphical form to the Senate Select Committee into a Certain Maritime Incident.

The table below provides all the information that exists on these fishing vessels. Digital photographs are taken to assist in the identification process. They are deleted once it is ascertained that the vessel is not a suspected illegal entry vessel and, therefore, no longer of interest. Consequently, there are no photographs of these fishing vessels.

Contacts in the morning of 20 October 2001

Local Time	Type ⁽¹⁾	Location	Direction ⁽²⁾	Speed (knots)
0752	III	0725S 10415E	060	4
0759	III	0702S 10432E	150	5
0803	III	0647S 10424E	270	5
0814	III	0714S 10450E	160	5
0819	III	0735S 10443E	180	4
1018	III	0831S 10837E	340	3
1020	III	0830S 10844E	234	4
1021 ⁽³⁾	III	0832S 10846E	023	5
1022	III	0831S 10850E	060	4
1023	III	0830S 10854E	213	4
1035	III	0850S 10817E	090	4
1037	III	0848S 10807E	080	5
1039	III	0851S 10803E	240	5
1040	III	0851S 10758E	046	4
1042	III	0849S 10752E	112	6
1043	III	0852S 10747E	090	5
1044	III	0852S 10741E	340	4
1046	III	0843S 10741E	090	4

Notes:

1. Type III vessels are motorised wooden fishing vessels.
2. Directions are in degrees true.
3. Two boats, one being towed.

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Output 2—Navy capabilities

QUESTION W4

Landing craft transport

SENATOR: Evans

HANSARD: Written question

Is the *HMAS Manoora* configured to transport and deploy the Army's landing craft currently onboard the *HMAS Kanimbla*? Were modifications required to allow the *HMAS Kanimbla* to transport and deploy the Army's landing craft currently onboard that ship? If so, when were those modifications made?

RESPONSE

Yes. HMA Ships *Manoora* and *Kanimbla* are both configured to transport and deploy the Army LCM-8 landing craft. Modifications were made to both ships after initial acquisition and were completed with delivery of *HMAS Manoora* in December 1999 and *HMAS Kanimbla* in December 2000.

QUESTION W39

Sea King Helicopter

SENATOR: Collins

HANSARD: Written question

In relation to the Sea King helicopter:

- a) What technical maintenance problems have been identified with the helicopter?
- b) Is there a maintenance problem with the aircraft's hydraulic pump? If so, what is the difficulty?
- c) Is there a problem accessing the pump? If so, when was the problem first identified? If so, is the problem design related? If so, what is being done to remedy this problem? If so, what problems could this cause during operations?

RESPONSE

- a) The helicopter has experienced normal levels of wear and tear, including some known airframe cracking and avionics obsolescence issues.
- b) No. In 2000, the utility hydraulic pump casings experienced cracking. This was assessed as normal wear and tear from the aircraft ageing. The problem was rectified with an in-country engineering solution, with the pump casing being re-designed and locally manufactured.
- c) There is no problem accessing the pump.

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Output 3—Army capabilities

QUESTION W13

Additional Commando Unit

SENATOR: Evans

HANSARD: Written question

In December 2002, the Prime Minister announced that establishment of an additional commando unit.

- a) Will all recruits to the new Commando Company come from within existing Army ranks?
- b) When is it expected that the Commando Company will be fully operational?
- c) Has the company been raised? What are the target numbers, for both key capability and support staff?
- d) Will the company have any counter-terrorist capability that the ADF does not currently have?
- e) How many recruits does the company have so far?
- f) How does the new Special Operations Command change the way our special forces are given their instructions—i.e, what does this new command arrangement mean in practice?

RESPONSE

See response to Senate Question on Notice No. 1187.

Output 4—Air Force capabilities

QUESTION W2

C-130Js

SENATOR: Evans

HANSARD: Written question

- a) When did the RAAF's C-130Hs enter service?
- b) Why aren't C-130Js currently capable of carrying out the 'whole spectrum of the aircraft's employment'?
- c) What roles can the C-130Js currently carry out? What roles is it intended the C-130Js will eventually carry out?
- d) Is there currently a shortage of crews for the C-130J? What is the extent of the shortage? What is the cause of the shortage?

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- e) An Audit Office Report (No. 30 2001–02) identified a number of problems with the C–130J. Can Defence confirm what has been done to address each of the concerns raised (eg the problems with vibrations that restricted the carrying of ammunition)?
- f) Have the C–130Js been accepted into service? If not, why not? If not, when is it intended that they will be accepted into service?
- g) In terms of the contract to supply the C–130Js, has that contract been fully paid out? Are there any outstanding payments under that contract? What is the current total value of the contract to supply the C–130Js? To date, what is the total amount paid by the Commonwealth under this contract?
- h) When will the C–130Js be provided with electronic warfare protection? What will be the total cost of providing this protection to the C–130J fleet?

RESPONSE

- a) 1978.
- b) When delivered to the RAAF, the C–130J–30 aircraft was cleared for air logistic support tasks only (as a replacement for the C–130E). The aircraft is being used extensively in the roles for which it has been cleared. The progressive clearances for the aircraft to carry out other roles require extensive test and evaluation processes to ensure that the aircraft can carry out the additional roles effectively and safely. The test and evaluation processes involve coordination between Air Lift Group units and other agencies, such as the Aircraft Research and Development Unit, the Defence Science and Technology Organisation and the Defence Materiel Organisation, and is a thorough and, therefore, time-consuming process. The current role expansion plan should see the aircraft cleared for all roles by the end of 2004.
- c) The C–130J–30 aircraft has been fully cleared for search and survivor assistance, medical evacuation and air logistic support roles. Airborne operations is the only intended role that the C–130J–30 has not been fully cleared to undertake. The aircraft has completed testing for paratroop operations and should be operational in this task by mid-2003. The aircraft has been cleared for operations into unsealed airfields and has completed tactical workload trials towards a full airborne operations clearance.
- d) C–130J crew numbers are yet to reach the desired level, but this is fully in accordance with the crew training and development schedule associated with the introduction of a new aircraft type. Crew numbers are expected to reach desired levels in the near future. Actual numbers are classified.
- e) The vibration environment in the C–130J is different to the C–130E and H variants because the new generation propeller has six rather than four blades. While the vibration environment has been assessed as benign to the aircraft and crew, there remain concerns about sensitive cargo and also about passengers seated in the area of the propeller arc. As a precaution, explosive ordnance that has not yet been cleared against the C–130J's vibration environment is not being carried and the exposure of passengers to the zone of the propeller arc is being kept to a minimum. Investigations are ongoing and involve Lockheed Martin, the Defence Science and Technology Organisation and similar United Kingdom and United States' agencies. The investigations may conclude that the vibration environment is not a concern.

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Until then, the Commonwealth is reserving its position to treat the matter as a latent defect, although funds have been reserved should they be required for any amelioration requirements.

The world-wide C-130J fleet is suffering high engine vibration levels and the root cause remains unclear to Lockheed Martin and the engine manufacturer, Rolls-Royce. Vibration levels are not high enough for the aircrew to discern, but are monitored by the computerised maintenance system and addressed by maintenance staff prior to any safety threshold being reached. The problem causes accelerated wearing of the engine torque-meter shaft, which is the drive shaft between the engine and the propeller gearbox. While Rolls-Royce is working on a permanent solution, the interim method of rectification is to replace the torque-meter shaft with a new unit of the same design. A latent defect claim has been lodged by the Commonwealth with Lockheed Martin.

f) Yes.

g) No, there are outstanding payments to be made against the contract.

The current value of the contract for the supply of the C-130J aircraft and associated supplies is US\$678.639m and A\$9.332m respectively.

The total amount paid by the Commonwealth as at 21 March 2003 was US\$624.920m and A\$8.987m respectively.

h) There is currently no endorsed plan, but Defence is examining options to put to the Government.

QUESTION W6

Air Forces in the Gulf

SENATOR: Evans

HANSARD: Written question

- a) Can Defence confirm what aircraft types are being flown by the US in the Gulf?
- b) Is the US flying F/A-18 aircraft? If so:
 - i) Have those aircraft been upgraded from their original configuration?
 - ii) Are those aircraft the equivalent of the F/C-18?
 - iii) Are those F/A-18 aircraft of the same or greater capability (in terms of their electronic warfare protection, sensors, avionics, communications and weapons systems) than those flown by the RAAF?
- c) Is the US flying F/C-18 aircraft?
- d) Is the US flying F/E-18 aircraft?
- e) Will our F/A-18s operate alongside US planes that will provide electronic warfare protection?
- f) Is it the intention that the RAAF's F/A-18s will fly combat missions should a conflict in the Gulf eventuate?
- g) Can Defence confirm what air defences Iraq possesses, in terms of its anti-aircraft missiles?

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- h) Are our F/A–18s capable of defending themselves against the missiles that Iraq is known to possess? Is the current electronic warfare protection equipment on the F/A–18s capable of countering those threats?
- i) Does Australia have more fully trained F/A–18 pilots than we have aircraft?

RESPONSE

- a) Defence is unable to comment on United States operational matters.
- b) The United States Navy and the United States Marines fly various configurations of F/A–18 aircraft.
 - i) The United States F/A–18s are in a range of configurations.
 - ii) There is no aircraft entitled F/C–18. The United States Navy and United States Marines fly the F/A–18C, which is a version of the F/A–18.
 - iii) They have similar capabilities.
- c) The United States Navy and United States Marines fly the F/A–18C.
- d) The United States Navy fly the F/A–18E.
- e) Normal coalition practice is to develop force packages that include electronic warfare protection.
- f) The Air Force flew combat missions in Iraq.
- g) No. This information is operationally sensitive and therefore classified.
- h) RAAF F/A–18 pilots exploit their extensive training and preparation to employ all aircraft systems, appropriate tactics and a coalition approach to maximise their effectiveness and minimise the threat presented by Iraqi air–to–air and surface–to–air defence systems.
- i) Australia has an appropriate number of fully trained F/A–18 pilots to meet the current capability requirement.

QUESTION W9

Defence aircraft

SENATOR: Evans

HANSARD: Written question

Can Defence provide the following information for each of the following aircraft platform types:

F/A–18A	F/A–18B	F–111	C–130H
C–130J	Hawk	PC–9	Caribou
P–3C Orion	B707	Sea King	Sea Hawk
Chinook	Iroquois	Kiowa	Black Hawk

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- a) When it entered service with the ADF?
- b) What is its current life of type?
- c) If upgrades are currently planned, indicate the year they will be delivered?
- d) How many of the original platforms were purchased?
- e) How many are currently in service?
- f) How many are currently not in service but retained by Defence?

RESPONSE

Department of Defence forwarded a letter of correction to the Committee on 15 May 2003 (see below). The table (also set out below), which formed part of the initial answer to the question, has been corrected to include the two figures referred to in the letter.

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Defence
Improvement

15 May 2003

Mr Brenton Holmes
Secretary
Senate Legislation Committee on Foreign Affairs,
Defence and Trade
Parliament House
CANBERRA ACT 2600

Dear Mr Holmes

A question on notice from the Senate Legislation Committee additional estimates hearing of 12 February 2003, which was recently provided by Defence, requires correction.

In answer to a written question from Senator Evans concerning aircraft platform types, Defence stated incorrect details regarding the F/A-18A and F/A-18B aircraft types. The details provided indicated that Defence currently has in service 54 F/A-18A aircraft and 17 F/A-18B aircraft. The correct details should read 55 and 16 respectively.

Please find attached the amended response. It would be appreciated if you could replace the existing response with this revision.

I apologise for any misunderstanding that may have arisen.

Yours sincerely

(Original signed)

Kerrie Moore
Acting Director
Statutory Reporting and Accountability

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

Attachment to question W9—Defence aircraft							
Aircraft	a) Initial year of service	b) Endorsed life of type	d) Year original platforms purchased	e) No of aircraft currently in service	f) Not in service but retained by Defence	c) Planned Improvements	Year of Delivery
B707	1979	2007	7	4	1	None planned	
Black Hawk	1987	2015	39	36	0	Mid-life upgrade	2010
C-130J	2001	2030	12	12	0	Electronic warfare self protection	Not yet determined
C-130H	1978	2008	12	12	0	Enhanced electronic warfare self protection Refurbishment	2005 2008
Caribou	1964	2010	28	14	4	None planned	
Chinook	1995	2025	4 in 1995 2 in 2001	6	0	Mid-life upgrade	2010
F-111	1973	2015-2020	43	28	7	Interim electronic warfare self protection AGM-142 missile integration Enhanced electronic warfare self protection Tactical reconnaissance and strike support	Mid-decade 2006 2009 2007
F/A-18A	1985	2012-2015	57	55	0	Radars, mission software, missiles	2003
F/A-18B	1985	2012-2015	18	16	0	Avionics and electronic warfare Structural refurbishment	2007 Not yet determined
Hawk	2000	2025	33	33	0	Radar emulation Radar simulation	2004 2005
Iroquois	1966	2007	42	25	0	None planned	
Kiowa	1971	2011-2012	55	41	1	None planned	
PC-9	1987	2010	67	65	0	Replace obsolete avionics	2005
P-3C Orion	1978	2015	20	19	0	Upgrade of systems to AP-3C standard Electro optic enhancement New data link	2004 2009 2010
Sea Hawk	1989	2023-2025	16	16	0	Electronic support measures/forward	2004-05

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

Attachment to question W9—Defence aircraft							
Aircraft	a) Initial year of service	b) Endorsed life of type	d) Year original platforms purchased	e) No of aircraft currently in service	f) Not in service but retained by Defence	c) Planned Improvements	Year of Delivery
Sea King	1975	2015	10 in 1975 2 in 1983 1 in 1997	7	0	looking infra red upgrade Mid-life upgrade Life of type extension and upgrade	2007-08 Not yet determined

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

Output 6—Intelligence and security

QUESTION W30

Issuing of security clearances

SENATOR: Collins

HANSARD: Written question

Has the need for issuing of 10,000 security clearances been resolved?

RESPONSE

Defence staff and contractors who have a need to access national security classified information are not granted access to that information without the level of clearance required by Commonwealth security policy. A recent press report wrongly interpreted evidence given by Defence to the Joint Committee of Public Accounts and Audit on 31 May 2002 about overdue security clearance re-evaluations to mean that there were large numbers of people accessing classified information and areas without having been security cleared. At that hearing, Defence indicated that there was a large backlog of clearance re-evaluations. People awaiting clearance re-evaluations have been issued with security clearances but those clearances have not been re-evaluated within the timelines laid down in the Commonwealth Protective Security Manual. As notified to the Secretary of the Attorney General's Department and the Auditor General, Defence has risk management strategies in place to ensure that the overdue clearance re-evaluations do not compromise its security. Defence has also greatly increased its vetting staff to aid in conducting both initial clearances and clearance re-evaluations in a more timely fashion.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence



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Campbell Park Offices
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Australia
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Mr B Holmes
Secretary
Senate Foreign Affairs, Defence and Trade Legislation Committee
Parliament House
CANBERRA ACT 2600

30 April 2003

Dear Mr Holmes

In my testimony to the Senate Foreign Affairs, Defence and Trade Legislation Committee on Thursday 21 February 2002 I answered a series of questions, asked by Senator West, in relation to the backlog of security clearances in the Department of Defence. Since that time, the Defence Security Authority has been working to improve the quality of its vetting management information system. I now know that the information supplied in February 2002, in respect of negative vetting, was based on flawed data and performance reporting frameworks. The remedying of those deficiencies has revealed a larger backlog than I reported.

In the interests of accuracy and transparency I wish now to report to the Committee that as at 4 April 2003, in respect of negative vetting (including both Defence personnel and Defence industry) there were 1313 clearances in relation to which processing time is falling within the benchmark timeframes we have established. For your information, those timeframes are: 8 weeks for a Top Secret clearance, 6 weeks for a Secret clearance, and 3 weeks for Confidential and Restricted clearances. Also as at 4 April 2003, there were 5 746 clearances on which processing time is falling outside those benchmark timeframes. As regards clearances due for mandatory re-evaluation there were, as at 4 April 2003, 22 482 clearance re-evaluations due but not yet initiated.

We have several initiatives in train to reduce the backlog. We have increased our staffing levels; adopted a 'national' approach that spreads the workload more evenly across our seven State and Territory offices; and partially outsourced the processing of less complex clearances. We also have projects in train to introduce the on-line submission of security clearance documentation and to streamline the security clearance upgrade process.

Yours sincerely

A handwritten signature in black ink, appearing to be "Margot McCarthy".

Margot McCarthy
Head Defence Security Authority

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

QUESTION W31

Checking clearance access

SENATOR: Collins

HANSARD: Written question

Who checks contractor's and subcontractor's clearance access (including after-hours)?

RESPONSE

Depending on the Defence site, entry checks are undertaken by Australian Protective Service guards, Defence personnel, contracted security staff or electronic access control. Defence selects the most appropriate means of access control in accordance with the assessed level of risk.

Business processes

Corporate services

QUESTION 8

Outsourcing of Defence health services in Victoria

SENATOR: Allison

HANSARD: Pages 67–69, 71

- a) Was the baseline costing estimation conducted according to the Commercial Support Program manual?
- b) Were members required in uniform (MRU) identified in the baseline costs as non-MRU?
- c) Why was the cost of wages for MRUs included in the baseline costing?
- d) Were the cost of ancillary services (gas, power, phone building maintenance, ground maintenance, patient transport cost, patients' meals etc) calculated in the baseline costing and, if so, how?
- e) Why were the costs of pharmaceuticals, vaccinations and so-called high-cost patients calculated in the in-service option baseline costing when the cost was to be borne by Defence?
- f) Was an opportunity cost of \$1 million per annum for rental of facilities included in the baseline costing for Defence? If so, why was Mayne Health only charged \$1 per annum?
- g) What has been the cost to Defence to date of the ongoing CSP health services outsourcing process across Australia and in Victoria?

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

- h) Please provide a breakdown of fees of consultancy firms contracted to carry out reviews of ADF health services, including travel and accommodation costs for public service people associated with the process, and for consultants. What are the estimated ongoing costs over the remainder of the process?
- i) What is the estimated 2002–03 budget for health services in Victoria? Please provide an analysis of the difference between \$8.6 million, the 2002–03 budget figure, and the \$28 million that Mayne Health is being paid.

RESPONSE

- a) Yes.
- b) No.
- c) The cost of wages for members required in uniform was not included in the baseline costing used for tender evaluation.
- d) No. Estimates of the cost of ancillary services were excluded from the baseline costing where these services would continue to be supplied by Defence. As such, they would represent continuing overheads to Defence.
- e) The cost of pharmaceuticals was included in the baseline costing used for tender evaluation only when they would be supplied by a successful tenderer and would result in a consequent saving to Defence. The cost of vaccinations was not included in the baseline costing used for tender evaluation, as they would continue to be supplied by Defence. The cost of high-cost patients was not included in the baseline costing used for tender evaluation.
- f) No. The successful tenderer will be offered the use of government facilities at a nominal rate only where Defence has mandated provision of health services from those facilities.
- g) \$4.818m.
- h) The table below represents payments to the consultants for all the reviews conducted by the health services evaluation area which include:
- market testing ADF health services in Victoria;
 - market testing ADF health services in the ACT and southern NSW;
 - review of health records;
 - review of pathology services;
 - account group 39 data base;
 - activity review and rationalisation of ADF health services in Sydney;
 - activity review and rationalisation of ADF health services in Western Australia; and
 - optometry services for ADF personnel across Australia.

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Answers to questions on notice from Department of Defence

The estimated travel and accommodation costs for Health Services Branch personnel, since the commencement of the ADF health services review process, was \$361,251.

The ongoing costs for consultants and travel and accommodation costs, including those for public servants associated with the process, have been estimated at \$2.5m.

Consulting firms providing professional services to reviews of health services	Estimated professional fees 1999–2002 \$	Estimated travel and accommodation costs 1999–2002 \$
PriceWaterhouseCoopers	426,887	51,634
Cogent Business Solutions	1,405,277	98,408
Australian Government Solicitor	462,260	23,121
Hoult Consulting	271,993	62,977
Keatsdale Pty Ltd	1,452,621	232,903
Michael Forward Consulting	160,160	37,143
EGIS	16,401	0
A J Selleck	13,688	642
Phillips Fox Lawyers	4,610	0
Blake Dawson and Waldron	30,563	94
HMA	91,100	13,425
Ernst and Young	200,069	5,180

i) The estimated 2002–03 budget for health services in Victoria (including Albury/Wodonga) is \$28.3m and is detailed in the table below.

j)

Component	\$m
Defence personnel and related costs, including overheads	15.9
External service providers including fee for service, contract health practitioners and agency personnel	10.6
Investment required in equipment	1.0
Other (eg repairs and maintenance to equipment)	0.8
TOTAL	28.3

In relation to the second part of the question, Defence has no knowledge of the \$8.6m mentioned. Furthermore, contract negotiations are still being undertaken with the preferred tenderer, Mayne Health, and as of 5 March 2003, a budget has yet to be agreed.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

QUESTION W7

Richmond Airbase

SENATOR: Evans

HANSARD: Written question

- a) Are there any current plans to dispose of the Richmond airbase in Sydney?
- b) In terms of current planning, what assumptions have been made about the operation of the base, e.g. that it will be operating for the next 5 years? 10 years?

RESPONSE

- a) No.
- b) There are no assumptions beyond the Prime Minister's announcement in 1998 that the base will be operational until at least 2010.

Woomera Testing Range

QUESTION W10

SENATOR: Evans

HANSARD: Written question

In relation to the Woomera testing range:

- a) On average, how many rockets/test flights are conducted at Woomera each year?
- b) What is the size range of the rockets or planes that are tested? (eg. 100kgs to 500kgs)
- c) What is the range of speeds they travel?
- d) Does Defence have concerns about the siting of the proposed radioactive waste repository near its Woomera weapons range?
- e) How far would the proposed nuclear waste dump be sited from areas that have been impacted by rockets and/or test flights? Is it less than 1km from one target area as reported?
- f) Does the risk assessment developed by the Department of Education, Science and Training for the nuclear waste dump site understate the risk of a rocket/test flight impacting with the waste dump site?
- g) What would happen if a rocket/test flight did impact with the waste dump?

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Answers to questions on notice from Department of Defence

RESPONSE

- a) On average, 60 weapons a year are dropped or fired on the Woomera instrumented range.
- b) Size ranges are bombs; 100kg to 1000kg, rockets/missiles; 100kg to 7676kg and aircraft; 2000kg to 60,000kg.
- c) Speeds range from 100 knots to more than Mach 2.
- d) That site 52A is located within the experimental range at Woomera does raise concerns for Defence. The Minister for Defence has discussed those concerns with the Minister for Science.
- e) The closest point of the Range E Target Area to site 52A is 1.5km. The closest point of that target area to the proposed perimeter fence around site 52A is less than 500 metres.
- f) Defence's submission in response to the draft environmental impact study provided a comprehensive analysis of the Department of Education, Science and Training's risk assessment methodology. This matter is under consideration by the Government. The Minister for Defence has stated that the draft environmental impact study was 'somewhat dismissive' of the possibility of an accident in relation to site 52A.
- g) Any speculation on a possible accident would be subject to so many variables that its value would be very limited.

QUESTION W16

**Defence property sales—sale of National Storage
& Distribution Centre Moorebank**

SENATOR: Evans

HANSARD: Written question

- a) When was the National Storage and Distribution Centre at Moorebank sold?
- b) Which organisation purchased the property?
- c) What was the sale price for the property?
- d) Has Defence leased back the property?
- e) What rent is being paid for the first year of the lease? What rent will be paid in the second and subsequent years of the lease?

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Answers to questions on notice from Department of Defence

- f) When was the decision first taken to sell the NSDC site?
- g) What is the total value of all building works that have been carried out at the NSDC site over the past five financial years? Can a full breakdown of these works be provided?

RESPONSE

See response to Senate Question on Notice No. 1190.

QUESTION W17

Defence property sales—sale of Russell Offices

SENATOR: Evans

HANSARD: Written question

- a) Has the Department of Finance and Administration engaged a property sales consultant to manage the sale process (it advertised for someone in October 2002)?
- b) How much is the property sales manager being paid? What are the terms of that contract?
- c) Has the sale itself been advertised?
- d) If so, how many organisations have expressed an interest?
- e) Has any thought been given to the future lease/rent arrangements?
- f) Where is the consideration of security issues associated with the sale of Russell Offices up to?

INITIAL RESPONSE

- a)-e) These parts of the question have been transferred to the Department of Finance and Administration which is the lead agency on the sale and lease back of Russell Offices.
- f) Defence and Department of Finance and Administration officials have been working in close consultation throughout the disposal process, and have prepared advice to Government in relation to security issues.

FURTHER RESPONSE

- a)-e) These parts of the question were transferred to the Department of Finance and Administration which is the lead agency on the sale and lease back of Russell Offices:
 - (a) Yes

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Answers to questions on notice from Department of Defence

- (b) The property sales agent was selected through a competitive process and the proposed flat fee of up to \$264,000 (subject to certain conditions), represents value for money to the Commonwealth. The terms of the property sales agent contract are commercially sensitive, and it is considered that disclosure of the contract terms would provide commercial advantage to the contractor's competitors.
- (c) No.
- (d) Not applicable
- (e) Yes
- (f) Defence and officials of this department have been working in close consultation throughout the disposal process, and have prepared advice to Government in relation to security issues.

QUESTION W18

Property sales and lease-back

SENATOR: Evans

HANSARD: Written question

- a) What progress is being made in selling the forecast \$722 million worth of assets in 2002–03?
- b) What about the \$560 million worth of proposed sales that has been carried over from previous years? Is this part of the \$722 million for 2002–03?
- c) What are the receipts from asset sales so far in 2002–03?
- d) Can a list of assets that have been disposed of so far in 2002–03 be provided (including the sale price of each of these assets)? When did each of these assets first come up for sale?
- e) Has Defence subsequently leased back any of these assets? If so, what are the lease arrangements and what rent is being paid?
- f) Can a full list of Defence property that has been sold and leased back be provided (including dates)? Can details of all of the leases, including the rent being paid, for each of these properties also be provided?
- g) Can a list of assets that Defence anticipates will be disposed of before the end of the 2002–03 financial year also be provided, including the anticipated sale price for each of these assets? When did each of these assets first come up for sale?

RESPONSE

See response to Senate Question on Notice 1185.

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Answers to questions on notice from Department of Defence

QUESTION W27

HMAS Cerberus Hospital's roof

SENATOR: Collins

HANSARD: Written question

Did Defence receive an engineering certification for HMAS Cerberus Hospital's unstable roof and building construction?

RESPONSE: Yes.

QUESTION W28

Contracts in Victorian bases

SENATOR: Collins

HANSARD: Written question

- a) Did Defence discipline staff for their mismanagement of contracts in Victorian bases including East Sale, Cerberus, RAAF Williams, Puckapunyal and Simpson Barracks?
- b) Were managers responsible for the mismanagement promoted and were whistleblowers discriminated against?
- c) Why did the Defence Department continue to hound whistleblowers, writing to the Australian Industrial Relations Commission to promote dismissals?

RESPONSE

- a) No. There is no record of any disciplinary action regarding alleged mismanagement of contracts at Victorian bases. There have been modifications of procedures and processes as a result of the audits and investigations of allegations that contracts were mismanaged.
- b) As the allegations of contract mismanagement were unproven, this had no bearing in regard to any promotions of managers from Defence Melbourne. No formal allegations of discrimination were addressed to Corporate Services and Infrastructure—Southern Victoria management.
- c) To the knowledge of Corporate Services and Infrastructure—Southern Victoria management, and from official investigations, the issue was never raised with the Australian Industrial Relations Commission. Therefore, there was no requirement to write to the Commission.

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Answers to questions on notice from Department of Defence

QUESTION W32

Additional laptop purchases

SENATOR: Collins

HANSARD: Written question

How many additional laptops, including confidential software, have been purchased for Defence because of theft in the past two years?

RESPONSE

There were 71 laptops stolen in 2000-01 and 64 in 2001-02.

QUESTION W34

SSL Asset Services

SENATOR: Collins

HANSARD: Written question

SSL Asset Services was the head contractor for *HMAS Cerberus* where there were 2000 building defects on one building and no drinking water at a Navy hospital. Some defects were considered potentially life threatening.

- a) Did Defence resolve the SSL Asset Services, Ridgewell contractual problems?
- b) Has SSL Asset Services been pursued for its mistakes at *HMAS Cerberus*?
- c) Has Defence sought to recover the costs of these mistakes? Did Defence prosecute the contractor? If not, why not?
- d) Why is there still \$25,000 in SSL Asset Services/Defence Trust Accounts for more than two years?
- e) Did SSL Asset Services charge Defence for works invoiced but not performed under their comprehensive maintenance contracts?
- f) Did the Department resolve the SSL Asset Services contract manager's problem of unfair dismissal?

RESPONSE

- a) No. The contractual dispute is between SSL Asset Services and the sub-contractor, Ridgewell. Defence was not a party to the contract.
- b) No.
- c) No. The ANAO audit report (para 2.16) states: "The ANAO acknowledges that it would have been impracticable for Defence to take legal action against DAS, since both were Commonwealth departments".

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Answers to questions on notice from Department of Defence

- d) Current investigations do not show this to be the case. A trust account is owned and operated by the comprehensive maintenance contract contractor under the terms of the trust deed. The account operates by Defence depositing monies into the trust account and the contractor issuing payment from the account. Payment is made following receipt of a correctly rendered invoice. The sub-contractor invoices the contractor, the contractor certifies the invoice and then invoices Defence twice a month with a statutory declaration that all monies due have been paid to sub-contractors. The agreed amount is paid into the trust account within ten working days (this can vary a little between contracts). The amount in the trust account varies during the period of the contract and is dependent upon the amount of works carried out during the period.
- e) Defence is not aware of any instances where SSL Asset Services submitted a claim for work not completed, except where progress payments were required. Under the comprehensive maintenance contract, Asset Services cannot invoice Defence unless they receive an invoice from a particular sub-contractor for General Building and Facilities Maintenance works. Regional contract management staff conduct random quality control checks on approximately 5 percent of all works performed.
- f) No. Defence had no role in the employment issues of the former Department of Administrative Services employees or their contractors.

QUESTION W42

Contamination of Defence sites

SENATOR: Collins

HANSARD: Written question

In relation to contaminated Defence sites:

- a) Has Defence got a record or register of staff exposed to contaminants on their sites?
- b) Has Defence cleaned up these contaminated sites?
- c) Does Defence have a record or register of contaminated sites and their contents?
- d) Has Defence notified personnel or staff of possible exposure?
- e) Has Defence held companies responsible for disposing contaminants on Defence sites?
- f) Who in Defence can give permission to use Defence establishments as contaminant sites?
- g) Have these contaminants been registered with the statutory authorities (state EPAs) and are there receipts for these disposals?
- h) What action have those commanding officers who are aware of contaminant problems taken to inform ADF personnel?

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Answers to questions on notice from Department of Defence

RESPONSE

- a) Yes.
- b) As potentially contaminated sites are discovered, a strategy is developed to manage the contamination. Issues that influence the management strategy include the type and extent of contamination and whether it can be contained without posing a threat to either human health or the environment. Remediating the site is the most likely action.
- c) Defence has started developing and populating a register of known Defence contaminated sites and their contents.
- d), h) Where it is judged that the contaminants on a particular site pose or have posed a threat to people, Defence limits access to the site and notifies personnel or staff of possible exposure.
- e) The approach to contractor-generated contamination would be consistent with Defence's general approach to contractor management: that is, a contractor would be required to take responsibility for any contamination it might cause and take appropriate remediation actions.
- f) In principle, Defence would not store contaminated materials from other agencies or jurisdictions as it would limit Defence's use of the site. Any request to store contaminated materials would be treated case by case, taking into account the nature of the request and the contaminated materials. The most appropriate decision maker would be decided case by case.
- g) Yes, refer to f) above.

Inspector-General

QUESTION 9

Inspector-General's investigation of health services

SENATOR: Allison

HANSARD: Page 78–79

Were there discussions between the Inspector-General's staff and the complainant who made allegations in relation to the outsourcing contract? If not, on what basis was a decision made that there was no prima facie evidence of fraud, misconduct or lack of probity?

RESPONSE

The acting Inspector-General talked to the complainant in response to a call from him about progress. The discussion did not go to the merits of the case. The complainant accepted that he would be receiving a response and did not raise further issues.

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Answers to questions on notice from Department of Defence

A decision not to intervene was made following a review of the material provided by the complainant, and briefing material prepared by the Defence Health Services area, in response to previous representations from the complainant.

In relation to further discussions with the complainant, see the response to question W35.

QUESTION W35

ANAO and Inspector-General Investigations

SENATOR: Collins

HANSARD: Written question

In answers to Question on Notice, Department of Defence, Budget Estimates 2002–2003, June 2002 Question #17, the Committee was told that it would be provided with the ANAO report and the two Inspector-General Reports 2002. The Committee has now been provided with the ANAO report and the Inspector-General Report entitled “Investigation of Allegations made about Defence Estate Organisation” dated 13 February 2001.

Did the Minister for Defence, ANAO and Inspector-General provide a debriefing to whistleblowers over the HMAS Cerberus matter over the past eight years? If yes, did the debriefing reach any resolution?

RESPONSE

An employee of the Inspector-General division debriefed an informant on 17 April 2001. The informant expressed thanks for the feedback provided to him, although he felt there were unresolved issues. The Inspector-General has offered to provide this individual with a further debriefing, in March 2003, on matters raised in the audit reports.

QUESTION W36

Destruction of files

SENATOR: Collins

HANSARD: Written question

The Sunday Mail on 12 January 2003 reports that bureaucrats and private contractors destroyed incriminating files and hid evidence during two Defence Department investigations into contracting scams at HMAS Cerberus. Such destruction is not recorded in the investigative reports of the Defence Department.

- a) Were such claims investigated but not reported? If so, please detail. If not, why not?

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Answers to questions on notice from Department of Defence

- b) Please brief the committee on documents that were not available for investigative purposes, particularly those believed to have been destroyed.
- c) Who destroyed these documents?
- d) How has the Defence Department dealt with those who destroyed these documents?
- e) How has the department sought to recover the information in these documents?
- f) Has the recovered information been forwarded to those who conducted the investigations?

RESPONSE

- a) to d) The initial investigation into allegations raised by an informant, and detailed in the Defence Inspector-General's report provided to the committee, indicated that some of the allegations could not be determined due to the unavailability of departmental records which, in the Inspector-General's view, should have existed. Departmental officials conducted searches for the missing files, without success. The Inspector-General's staff asked the informant to provide all information held by that person and interviewed current and former facilities staff in Victoria and Canberra. No evidence was found to suggest that files had been destroyed.
- e) The then regional Defence Estate Organisation attempted to reconstruct missing project files from documentation available to the regional office.
- f) The Inspector-General's staff had access to the reconstructed files.

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Answers to questions on notice from Department of Defence

People

Defence personnel

QUESTION 3

Inoculations for ADF personnel in Afghanistan

SENATOR: Evans

HANSARD: Page 19

Were any ADF personnel deployed to Afghanistan on Operation Slipper required to have an anthrax inoculation?

RESPONSE

Yes. Some members of the Special Forces deployed to Afghanistan on Operation Slipper were vaccinated against anthrax. Members who were not vaccinated received antibiotic prophylaxis instead.

QUESTION 4

Inoculations for Middle East deployment

SENATOR: Faulkner

HANSARD: Page 34

What is the number of ADF personnel who have been returned to Australia as a result of declining an anthrax inoculation?

RESPONSE: Fifty two.

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Answers to questions on notice from Department of Defence

QUESTION 5

Cost of inoculations

SENATOR: Hogg

HANSARD: Pages 41–42

What is the cost of the anthrax vaccination program for an individual's treatment and for the total program?

RESPONSE

The cost of individual treatment varies according to the vaccine used. The United States vaccine costs \$186 per person per course of treatment. The United Kingdom vaccine costs \$970 per person per course of treatment. Initially, the United Kingdom vaccine was supplied as it was the only one available at the time. We now have access to the United States vaccine.

As at 19 February 2003, the Defence Health Service had supplied 660 full-course doses of the United States vaccine and 972 full-course doses of the United Kingdom vaccine. The total value of these vaccines is \$1.07m.

The final vaccination program cost cannot be determined, as this will depend on the number of ADF personnel vaccinated.

QUESTION W5

Recruitment restrictions

SENATOR: Evans

HANSARD: Written question

Has there been a recruitment freeze or restriction in Defence in 2003? If so:

- a) When was it introduced?
- b) What is the nature of the freeze or restriction?
- c) Is the freeze or restriction currently in place?
- d) When is it intended that this recruitment freeze or restriction will be lifted?
- e) Why was the freeze or restriction put in place?

RESPONSE

Yes, restrictions have been imposed on the recruitment of civilian employees in Defence.

- a) The Secretary of the Department of Defence introduced the recruitment restrictions on 28 January 2003.

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Answers to questions on notice from Department of Defence

- b) The restrictions suspended all recruitment action for civilian vacancies of an ongoing (permanent) nature. In addition, no new (or extensions to existing) non-ongoing (temporary) employment contracts were to be signed. Professional service providers or consultants were also not to be utilised to undertake the duties of unfilled positions during the restrictions. The Secretary was willing to examine requests for exemption from the restrictions as deemed necessary.
- c) No, the restrictions were lifted on 2 April 2003.
- d) see response to c) above.
- e) The restrictions were imposed to limit further increases to civilian personnel numbers until a full analysis of the growth had been undertaken.

QUESTION W8

Number of office workers in Defence

SENATOR: Evans

HANSARD: Written question

In the report 'Energy Use in Commonwealth Operations 2001–02' from the Department of Industry, Tourism and Resources (see pages 242–247), there is information on the Defence portfolio.

In the table on p. 242, in the section on office tenant light and power, the table shows that in 1997–98 there were 12,477 people working in offices in Defence. The same table then shows this figure climbing to 16,802 people by 2001–02.

- a) Can Defence confirm that in 1997–98 there were only 12,477 office workers (both military and civilian) in the Defence portfolio?
- b) Can Defence confirm that in 2001–02 there were 16,802 office workers (both military and civilian) in the Defence portfolio?
- c) Why has the number of office workers in Defence jumped by 35 per cent in the last four years?
- d) What areas have been responsible for this significant increase in numbers?

RESPONSE

- a)-d) No. The figures in the questions are not an accurate representation of all office workers in the Defence portfolio. Rather, they relate to the number of people in particular types of office accommodation and are used to determine the energy efficiency of those types of buildings (energy consumption versus number of people in the building). In addition, the 1997–98 and 2001–02 figures cannot be directly compared, because while they relate to the number of people in particular types of office accommodation at those points in time, the actual buildings surveyed were not necessarily the same.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

QUESTION W22

Depleted uranium—health risks

SENATOR: Nettle

HANSARD: Written question

- a) Did Defence examine the health risks associated with the use of ammunition containing depleted uranium and exposure to environments in which this ammunition was used?
- b) If so, what was the outcome of this examination?
- c) Did Defence participate in the study undertaken by the Department of Veterans' Affairs of the health risks of depleted uranium?
- d) If so, what was the nature of that participation?

RESPONSE

a) to d) Yes. In January 2001, following concerns raised about the possible exposure of ADF personnel to depleted uranium in the Balkans, Defence commenced a detailed assessment of the extent of exposure of ADF personnel deployed to those areas of operations. Personnel who deployed to the relevant areas were identified and a detailed questionnaire was sent to them. The questionnaire was sent out as part of a health bulletin containing the ADF policy on screening of personnel who may have been exposed and detailed information on depleted uranium. Blood and urine screening was also undertaken as part of the assessment.

The questionnaire returns and the results of the screening tests were examined as part of the Department of Veterans' Affairs expert panel study of the health risks of depleted uranium. This extensive study report, issued in August 2001, found that the level of exposure of ADF personnel in the Balkans was likely to be very low. The study found that no adverse health outcomes were apparent.

In 2002, the Gulf War Veteran Health Study, in which Defence participated, also examined the matter of depleted uranium exposure and found that significant exposure was unlikely and no adverse health effects had been identified.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL ESTIMATES 2002—2003; February 2003

Answers to questions on notice from Department of Defence

QUESTION W33

**Medical Certification for HMAS Cerberus
and HMAS Creswell Hospitals**

SENATOR: Collins

HANSARD: Written question

Did Defence receive a medical certification/clearance from the Medical Board to operate HMAS Cerberus and Creswell Hospitals?

RESPONSE

Medical boards are certification bodies for medical officers and have no responsibility for the certification of health facilities. ADF medical officers, dental officers, nursing officers, radiographers, pharmacists and other health professionals are registered with at least one state or territory medical or health registration board within Australia.

Defence medical facilities, such as hospitals, seek AS/NZS 9001:2000 certification through quality organisations such as Quality Assurance Services, which is accredited by the Joint Accreditation System of Australia and New Zealand. The registration covers the quality management system for the provision of in-patient and outpatient health care services.

The health centre at Cerberus is a thirty-bed surgical and low dependency in-patient care facility, which is AS/NZS 9001:2000 certified. The health clinic at Creswell is very small with a part-time medical officer and is not AS/NZS 9001:2000 certified.