

Senate Foreign Affairs, Defence and Trade Legislation Committee

Additional estimates 2003–2004, 18 February 2004

Answers to questions on notice from Department of Defence

Portfolio Overview and Major Corporate Issues

Portfolio Overview

Implementation of Kinnaird Review of Procurement

QUESTION W2

Senator Evans

- a) Can a copy of the terms of reference for the Defence Procurement Advisory Board be provided?
- b) Who are the members of the Defence Procurement Advisory Board?
- c) How were the private sector members of the Board chosen?
- d) What fees/allowances are paid to the private sector members of the Board?
- e) How many times has David Mortimer been appointed to Government Boards/advisory bodies etc since 1996? Please list each of these appointments.
- f) What was the total cost of the selection process for the new CEO of DMO? Please provide a full breakdown of these costs, including all advertising, travel, executive search, interview and other costs.

RESPONSE

- a) A Charter, as opposed to a Terms of Reference, has been adopted by the Defence Procurement Advisory Board. The Charter outlines the Advisory Board's role and its governance arrangements. The role of the Defence Procurement Advisory Board is to:
 - i) Monitor the implementation of the Defence Procurement Review recommendations as agreed by Government.
 - ii) Provide advice and support to the CEO Defence Materiel Organisation (DMO) on strategic issues related to the direction and focus, objectives, planning, management and structure of the DMO, including how best to achieve cultural change.
- b) The members of the Defence Procurement Advisory Board will include the Secretaries of Defence, Finance and Administration and Treasury, the Chief of the Defence Force and four private sector members. Mr David Mortimer was announced as Chairman of the Board and Mr Malcolm Kinnaird as a member on 15 January 2004. The remaining two private sector appointments, Dr John White and Mr Kevin McCann, were announced on 8 March 2004.
- c) The Departments of Defence and Finance and Administration provided the Minister for Defence and the Minister for Finance and Administration with a comprehensive list of potential candidates. Candidates were nominated on the basis of their private sector experience. Candidates were screened via available information for potential conflicts of interest. The final selection was a matter decided by the Prime Minister in consultation with the Ministers.
- d) The private sector Board members will be paid at the rate of \$57,410 per annum for the Chair and \$24,240 per annum for members. Travel entitlements will be equivalent to those applying to the Remuneration Tribunal's Tier 1 in the Remuneration and Allowances for Holders of Part-Time Public Office (Determination 2000/06), as amended from time to time or in any replacement determination. Defence will reimburse reasonable out-of-pocket expenses on receipt of an itemised account.

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- e) Mr Mortimer has been appointed to the following Government boards or advisory bodies since 1996:

Chairman, Sydney Airport Corporation Ltd (May 1998 – June 2002).

Chairman, Bankstown Airport Ltd (May 1998 - December 2003).

Chairman, Hoxton Park Airport Ltd (May 1998 – December 2003).

Chairman, Camden Airport Ltd (May 1998 – December 2003).

Chairman, Essendon Airport Ltd (May 1998 – September 2001).

Member Defence and Industry Advisory Council (1999 - 2001).

Director, Australian Tourism Commission (September 1997 – present).

Deputy Chairman of Australia Post (June 2001 to present).

- f) The cost of the selection process for the new CEO of DMO was:

Item	Total inc GST (\$)
HSF fees ⁽¹⁾	109,266.00
HSF travel	1,736.21
HMA Blaze Advertising ⁽²⁾	96,913.36
Applicant Travel	7,083.34
Applicant Accommodation	720.00
Total	215,718.91

Notes

1. HSF was the executive search firm used for the selection process.
2. HMA Blaze is the company contracted by the Government to place all non-campaign government advertising.

Budget summary, financial statements and improvement initiatives

Grants Administered by Defence

QUESTION W31

Senator Evans

- a) Can a list of all discretionary grants in Defence be provided, including:
- i) a description of the grants;
 - ii) the number of people directly receiving funds/assistance under a grant;
 - iii) a breakdown on those receiving funds/assistance under a grant by electorate;
 - iv) the policy objective of the grants;
 - v) whether the grants are ongoing;
 - vi) the funding in each financial year of the forward estimates for discretionary grants, including:
 - how much funding is allocated;
 - how much is committed;
 - how much is unspent; and
 - departmental administrative expenses.
- b) an indication of whether an evaluation of the effectiveness of the discretionary grants program has been conducted:

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- if so, when that evaluation occurred; and
- if so, the conclusion of that evaluation.

RESPONSE

a)

- i) A description of the 2003-04 discretionary grants administered by Defence is as follows:
 - Army Military History Research Grants Scheme – a number of small payments made to support research into the role of the Army in Australia.
 - Defence Family Support Funding Program – a number of small payments made to community groups composed of, and benefiting, Defence families.
 - Royal United Services Institute of Australia – a single grant to promote discussion of defence matters and improve public awareness of defence matters.
- ii) The number of people directly receiving funds/assistance under a grant in 2003-04 is as follows:
 - Army Military History Research Grants Scheme – there are 12 recipients of grants under this scheme.
 - Defence Family Support Funding Program – this program does not provide funding directly to members of the public. Funding is provided to various support projects and services initiated by Defence families. Funding is also available to existing groups in the community composed of, or benefiting, Defence families. Ninety-two groups received funding under this program.
 - Royal United Services Institute of Australia – the grant provides assistance to the institute in promoting the discussion of national security and defence matters. There are no individual recipients of this grant.
- iii) A breakdown, by electorate, of organisations or individuals that receive funds or assistance under a discretionary grant is shown in the following table.

Army Military History Research Grants Scheme by Electorate 2003-04

State	Federal Electorate	Title of Work	Organisation/ Individual	Grant \$
NSW	Kingsford-Smith	The Draughtsman of Victory: Lieutenant General Sir Frank Berryman 1894-1981	Peter Dean	7,000
	Kingsford-Smith	The Minefield: Vietnam	Greg Lockhart	5,500
	Parramatta	Clinical Nursing in Casualty Clearing Stations, WWI	Elizabeth Harford	2,500
	Warringah	Australia, Greece and WWII	Maria Hill	7,000
	Werriwa	For the Troops and with the Troops: History of the RACMP, 1945-2000	Anthony Buckingham	500
VIC	Chisholm	Silent Seventh: An Illustrated History of 7 Division, 1940-46	Mark Johnston	900
	La Trobe	Hindenburg Line: 29/30 September 1918	Dale Blair	7,000
SA	Boothby	History of Field Bakeries, WWI	Peter Donovan	2,600
WA	Tangney	A A Conlon, the BBCAU and British Borneo, 1944-46	Bob Reece	5,000
NT	Northern Territory	Conflict and Cooperation: Australian Army and the	Alan Powell	3,500

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		Allied Works Unit, NT		
ACT	Canberra	History of the Australian Women's Army Service	John Moreman	5,000
	Canberra	Quinn's Post	Peter Stanley	3,500
TOTAL				50,000

Family Support Funding Program Grant by Electorate 2003-04

State	Federal Electorate	Organisation	Grant \$	
NSW	Bennelong	Defence Special Needs Support Group Recognised (National)	58,268	
	Total Bennelong		58,268	
	Fraser	Banksia House Interest Group	23,868	
	Total Fraser		23,868	
	Gilmore	Shoalhaven Defence Families Association Inc	33,528	
	Total Gilmore		33,528	
	Hughes	Anzac Village Pre School Association Incorporated	280	
		Coffee, Craft, and Chat	980	
		Family Welcome Service	4,115	
		Kidzplay Playgroup	921	
		The Junction Works Inc	751	
		Tiny Time Incorporated	3,057	
		Total Hughes		10,104
		Hunter	Little Diggers Playgroup	2,345
	Singleton Area Military Area Support Network Inc		15,130	
	Service Wives Initiating Self Help		3,411	
	Total Hunter		20,886	
	Kingsford-Smith	Anklebiters Playgroup	2,530	
	Total Kingsford-Smith		2,530	
	Lindsay	Baby Bombers Playgroup	2,009	
		Glenbrook Family Support Group Inc	9,241	
	Total Lindsay		11,250	
	Macquarie	RAAF Richmond Playgroup	4,604	
	Total Macquarie		4,604	
	Mitchell	Defence Special Needs Support Group Recognised (Hills Area)	590	
	Total Mitchell		590	
	Parramatta	Kissingpoint Cottage Inc	34,675	
	Total Parramatta		34,675	
	Paterson	Defence Special Needs Support Group Recognised (Williamstown)	930	
		RAAF Williamstown Toy Library	8,610	
		Williamstown Craft Group	2,125	
		Williamstown RAAF Playgroup	955	
		Williamstown TLC Network	12,055	
	Total Paterson		24,675	
	Riverina	Forest Hill Craft Coffee & Chat Community Group	10,520	
		Kapooka Community Centre Management Committee Inc	32,355	
		Kapooka Early Childhood Centre Inc	9,506	
		RAAF Wagga Playgroup	750	
		Wagga Wagga Defence Newsletter	14,550	

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	Total Riverina		67,681
Total NSW			292,659
VIC	Bendigo	Defence Special Needs Support Group Recognised (Albury/Wodonga)	300
	Total Bendigo		300
	Flinders	RAN Family and Friends Association Incorporated	25,048
	Total Flinders		25,048
	Gippsland	Central Gippsland Health Service	5,117
		East Sale Family Group Inc	4,538
		East Sale Kindergarten Inc	611
		RAAF East Sale Playgroup	1,632
	Total Gippsland		11,898
	Indi	Bandiana Neighbourhood House Inc	5,475
		Marjorie Hall Kindergarten	8,554
		Necana Association Inc	16,231
	Total Indi		30,260
	Jaga Jaga	Defence Special Needs Support Group Recognised (Melbourne North East)	580
		Little Macs and Affiliated Playgroups	545
		Mactier Community Centre Inc	2,033
		Mactier Craft and Secret Stitches	2,460
		Simpsons Voice Newsletter	4,080
	Total Jaga Jaga		9,698
	Lalor	Defence Family Centre, RAAF Williams	3,504
		Defence Special Needs Support Group Recognised (Melbourne West)	1,019
		Werribee Defence Community House Inc	34,760
	Total Lalor		39,283
	McEwen	Puckapunyal & District Neighbourhood Centre Inc	41,841
		Puckapunyal Kindergarten Association Incorporated	16,532
		Puckapunyal Playgroup Inc	2,915
	Total McEwen		61,288
Total VIC			177,775
QLD	Blair	Amberley Toy Library	1,229
	Total Blair		1,229
	Dickson	Defence Special Needs Support Group Recognised (Brisbane)	940
		Gaythorne Community Kindy & Limited Hours Care & Playgroup	2,329
		Pine Rivers Family Association Inc	6,317
		Pine Rivers Welfare Association Inc	600
		Playgroup Association of Queensland Inc	2,320
	Total Dickson		12,506
	Forde	Canungra Community Kindergarten	11,487
		Defence Special Needs Support Group Recognised (Canungra)	360
		Kokoda Barracks Community Association	7,087
	Total Forde		18,934
	Groom	Defence Special Needs Support Group Recognised (Darling Downs)	1,390
		Toowoomba Defence Families Support Association Inc	20,441

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		Tri-Service Defence Families Support Association Inc	27,495
	Total Groom		49,326
	Herbert	Defence Special Needs Support Group Recognised (Townsville)	620
		Families Representative Group	27,857
		Family Community Centre	31,075
		Katunga Playgroup	1,310
		The Vincent Neighbourhood House Group Inc	18,011
		Vincent Neighbourhood House Craft Group	1,855
	Total Herbert		80,728
	Leichhardt	Defence Community and Recreation Centre	40,108
		Defence Special Needs Support Group Recognised (Cairns)	617
	Total Leichhardt		40,725
Total QLD			203,448
SA	Bonython	Edinburgh Community Centre	62,290
		North East Defence Community	7,118
		SA Connection	37,769
	Total Bonython		107,177
	Mayo	Woodside Defence Families Association	11,805
	Total Mayo		11,805
Total SA			118,982
WA	Brand	Marilla House Community Centre Inc	31,792
	Total Brand		31,792
	Curtin	Karrakatta Community House Inc	51,149
		Special Air Service Regiment Auxiliary Inc	5,530
	Total Curtin		56,679
Total WA			88,471
TAS	Denison	Dowsing Point Community Centre	22,233
	Total Denison		22,233
Total TAS			22,233
NT	Kalgoorlie	Stitch and Yarn	3,583
	Total Kalgoorlie		3,583
	Lingiari	Casuarina Street Primary School	550
		Creative Craft Club	677
		Network Tindal Inc	3,000
	Total Lingiari		4,227
	Solomon	Defence Special Needs Support Group Recognised (Darwin)	940
		Larrakeyah Neighbourhood House Inc	27,817
		North Australia Area Family Support Committee Inc	34,222
		RAAF Base Darwin Community Centre	32,884
		Robertson Barracks Family Centre	7,083
		The Good Neighbours Scheme	15,438
		Top Ender Tri Services Newsletter Inc	35,762
	Total Solomon		154,146
Total NT			161,956
ACT	Canberra	Allen Main Memorial Pre School	3,685
		Duntroon Community Centre Inc	42,090

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	Total Canberra		45,775
	Fraser	Canberra Service Wives Craft Group (operating as Capital Crafters)	1,848
		Gungahlin Defence Families Playgroup	1,720
	Total Fraser		3,568
	Overseas	Butterworth Support Group	5,390
	Total Overseas		5,390
Total ACT			54,733
TOTAL			1,120,257

Grant to Royal United Services Institute of Australia By Electorate 2003-04

State	Federal Electorate	Organisation	Grant \$
ACT	Canberra	Royal United Services Institute of Australia	75,000
TOTAL			75,000

- iv) The policy objectives of the grants are as follows:
- Army Military History Research Grants Scheme – this scheme supports and encourages research into the role and involvement of the Army in the development of the nation.
 - Defence Family Support Funding Program – this program provides funds to support projects and services initiated by Defence families. It is also available to existing groups in the community composed of, or benefiting, Defence families.
 - Royal United Services Institute of Australia – the grant provides assistance to the institute in promoting the discussion of national security and defence matters, and improving public awareness and understanding of such matters.
- v) Defence does not administer any multi-year grants that continue beyond a 12-month period. Ministerial approval is sought for each year's funding.
- vi) The anticipated funding for grants in each financial year of the forward estimates is as follows:

Grants	2003-04 Budget Estimate \$'000	2003-04 Revised Estimate \$'000	2004-05 Forward Estimate \$'000	2005-06 Forward Estimate \$'000	2006-07 Forward Estimate \$'000
	1,874	1,874	1,911	1,949	1,988

The budget funding is fully allocated to the programs administered by Defence. No funds are committed, as grants are not multi-year. Funding is fully expended and \$0.150m is applied for departmental administration.

- b) Defence has not conducted any evaluations on the effectiveness of the discretionary grants program.

Capability Development

Budget Savings Arising from the Defence Capability Review

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QUESTION 2

Senator Evans

Hansard: page 35

Please provide details of the budget savings resulting from decisions on mine hunters, frigates, F-111s and the HMAS *Westralia* replacement.

RESPONSE

Refer to parts g) to j) of response to W4.

Defence Capability Plan

QUESTION W4

Senator Evans

- a) At the top of page 72 of the Additional Estimates Statements it is stated that ‘the Government has approved around 100 projects or phases of projects, with an all up cost of some \$17.3 billion’. Please provide a full list of these 100 projects or phases of projects. As part of this list, please include (for each of these projects, or phases of these projects) the code for the project (eg Sea 1390 Phase 2), the project name, the current total budget, the amount spent to date and the current delivery schedule.
- b) Please provide an annual breakdown of all projected DCP expenditure under the new Plan (for the full period of the DCP – ie 2004 to 2014).
- c) Please provide a list of all projects in the previous DCP (including individual phases of projects) that are not in the new DCP. Please indicate why these projects do not appear in the new DCP (ie whether they have been cancelled, deferred or already approved and under way etc).
- d) Please provide a list of all projects (including individual phases of projects) in the new DCP that were not in the old DCP.
- e) Please provide a list of all changes to budget/cost band and schedule information to projects in the new DCP that were also in the previous DCP. Include individual phases of projects.
- f) Please indicate how much money was to have been spent on equipment projects under the former DCP for each year in the life of the Plan.
- g) How much will be saved by the decision to replace HMAS *Westralia* with a second hand ship (rather than a new one)?
- h) What are the savings to the budget of the decision to retire two mine hunters and the two oldest FFG frigates? Please provide this information for each of these capabilities.
- i) Which two mine hunters are being laid up?
- j) What is the total saving derived from retiring the F111s in 2010?

RESPONSE

- a) Since the Defence White Paper was released, around 100 projects have been approved at a total cost of some \$17.3b. These projects are detailed at Attachment A. The list

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does not contain classified or sensitive projects or Capability and Technology Demonstrators.

- b) For commercial reasons, it is not in the Commonwealth's interests to disclose the total estimated cost of unapproved projects or details on the future estimated cashflows. Information on project cost bands has been provided in the DCP.
- c) Refer to public version of the Defence Capability Plan.
- d) Refer to public version of the Defence Capability Plan.
- e) For projects with an approved higher real cost estimate, refer to public version of the Defence Capability Plan.

Projects with an approved lower real cost estimate are ⁽¹⁾:

Proposal Number	Phase	Proposal Title	Year of delivery
AIR 5416	3	Enhanced EWSP for F-111	2003-04
JP 5408	2B	ADF GPS Protection	2006-07
LAND 40	2	Direct Fire Support Weapon	2006-07
SEA 1654	2A	Maritime Operational Support Capability – <i>Westralia</i> Replacement	2003-04

Note

1. This list does not contain projects whose estimated cost has changed because of updated price or exchange parameters, or projects where the approved real cost estimate has varied within a given cost band.

Projects with a changed year of decision are:

Proposal Number	Phase	Proposal Title	From	To
AIR 5276	6	Data Links for P-3C Orions	2004-05	2006-07
AIR 5405	1	Replacement Mobile Region Operations Centre	2004-05	2006 -07
AIR 5416	3	Enhanced EWSP for F-111	2005-06	2003-04
AIR 7000	2	Maritime Aircraft Patrol Capability	2007-08	2006-07
AIR 8000	1	C-130H Refurbishment	2003-04	2009-10 to 2011-12
AIR 8000	2	Battlefield Airlifter	2004-05	2006-07
AIR 9000	2	Additional Trooplift Helicopters	2001-02	2003-04
AIR 9000	3B	Seahawk Mid-Life Upgrade – Initial Design Activity	2003-04	2006-07
AIR 9000	3C	Seahawk Mid-Life Upgrade	2004-05	2007-08
AIR 9000	5A	Chinook Upgrade – Early Engine Replacement	2007-08	2004-05
AIR 9000	5B	Chinook Mid-Life Upgrade	2007-08	2009-10 to 2011-12
DEF 7013	4	Joint Intelligence Support System	2003-04	2008-09 to 2010-11
JP 126	2	Joint Theatre Distribution System	2003-04	2006-07
JP 2008	3F	Military Satellite Communications	2004-05	2005-06
JP 2008	4	Military Satellite Communications	2007-08	2011-12 to 2013-14
JP 2030	8	ADF Joint Command Support Environment	2004-05	2006-07
JP 2030	9	ADF Joint Command Support Environment	2008-09	2010-11 to 2012-13
JP 2044	3A	Space Based Surveillance Capability	2010-11	2008-09 to 2010-11
JP 2047	2A	Wide Area Communications Network	2002-03	2003-04
JP 2047	2B	Wide Area Communications Network	2002-03	2006-07

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JP 2047	2C	Wide Area Communications Network	2002-03	2009-10 to 2011-12
JP 2048	2	Amphibious and Afloat Support Study	Prior ⁽¹⁾	2003-04
JP 2048	3	Amphibious Watercraft: Life Of Type Extension	2004-05	2005-06
JP 2064	3	Geospatial Information Infrastructure and Services	2004-05	2009-10 to 2011-12
JP 2069	1B	High Grade Cryptographic Equipment	2004-05	2005-06
JP 2072	2	Battlespace Communications (LAND)	2004-05	2005-06
JP 2072	3	Battlespace Communications System (AIR)	2005-06	2007-08
JP 2080	2A	Defence Management Systems Improvement	2002-03	2003-04
JP 2080	2B	Defence Management Systems Improvement	2002-03	2003-04
JP 5408	2B	ADF – GPS Enhancement	2004-05	2006-07
JP 5408	3A	ADF – GPS Enhancement – Risk Study	2004-05	2006-07
JP 5408	4A	ADF – GPS Enhancement – Risk Study	2004-05	2008-09 to 2010-11
LAND 58	3	Weapon Locating Radar Life of Type Extension	2003-04	2005-06
LAND 75	3.4	Battlefield Command Support System	2003-04	2005-06
LAND 91	6	Small Arms Life of Type Extension	2006-07	2008-09 to 2010-11
LAND 112	4	ASLAV Enhancement	2004-05	2006-07
LAND 125	2B	Soldier Combat System – Preliminary Design	2002-03	2003-04
LAND 125	2C	Soldier Combat System – Final Design	2002-03	2003-04
LAND 125	3	Soldier Combat System – Acquisition	2002-03	2006-07
LAND 125	4	Soldier Combat System – Further Acquisition	2007-08	2009-10 to 2011-12
SEA 1654	2A	Maritime Operational Support Capability – <i>Westralia</i> Replacement	2004-05	2003-04
SEA 1654	3	Maritime Operational Support Capability – Auxiliary Oiler Replacement	2007-08	2011-12 to 2013-14
SEA 4000	3	Air Warfare Destroyer	2005-06	2006-07

Note

1. Prior indicates that the project was approved before the release of the Defence White Paper 2000.

Projects with a changed in-service date are ⁽¹⁾:

Proposal Number	Phase	Proposal Title	From	To
AIR 5405	1	Replacement Mobile Region Operations Centre	2007	2009-10 to 2011-12
AIR 7000	1	Global Hawk	2007	2009-10 to 2011-12
AIR 7000	2	Multi-mission Unmanned Aerial Vehicle	2016	2013-14 to 2015-16
AIR 8000	1	C-130H Refurbishment	2008	2013-14 to 2015-16
AIR 9000	3C	Seahawk Mid-Life Upgrade	2007	2009-10 to 2011-12
AIR 9000	5B	Chinook Mid-Life Upgrade	2010	2011-12 to 2013-14
JP 126	2	Joint Theatre Distribution System	2005	2008-09 to 2010-11

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JP 129	2	Airborne Surveillance for Land Operations	2007	2008-09 to 2010-11
JP 5408	2B	ADF – GPS Enhancement	2007	2008-09 to 2010-11
LAND 58	3	Weapon Locating Radar Life of Type Extension	2005	2007-08 to 2009-10
LAND 112	4	ASLAV Enhancement	2008	2009-10 to 2011-12
LAND 121	3A	Overlander – Field Vehicles and Trailers	2007	2008-09 to 2010-11

Note

1. This list contains projects whose estimated in service date has moved between bands.

- f) The following table shows the planned spending for Major Capital Equipment Projects at the time of the 2001 DCP (in December 2000 prices and exchange). As well as the DCP projects, the table also includes the last of the expenditure on projects that were in contract at the time of the White Paper.

2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	Total \$m
2,882	2,846	3,350	3,305	3,444	3,884	3,941	3,828	4,213	4,670	36,363

- g) At this stage it is too early to quantify the level of savings from replacing HMAS *Westralia* with an existing ship rather than having a new ship built in Australia. It should be noted that a number of factors underlie the current acquisition strategy. These include the need for a rapid replacement to comply with impending international marine pollution conventions and regulations governing tanker hull design, while at the same time undertaking the conversion work in Australia to contribute to in-country skills formation.
- h) The operating savings resulting from retirement of the two mine hunters from 2005-2006 are indicated below, with a total of \$187.8m over ten years.

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total \$m
Operating Savings	0.0	19.0	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	187.8

The two oldest FFG frigates are to be withdrawn without replacement from 2006. The operating savings are indicated below, with a total of \$678m over ten years.

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total \$m
Operating Savings	0.0	58.0	71.0	80.0	70.0	80.0	83.0	83.0	80.0	73.0	678.0

- i) The decision of which two mine hunters are to be laid up is dependent on the detailed planning being undertaken by Chief of Navy. The outcome of this is expected by the end of March 2004.
- j) Retirement of the F111s in 2010 will result in a total saving of \$486.9m over ten years, as indicated below.

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total \$m

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Operating Savings	0.0	0.0	0.0	0.0	0.0	8.7	51.0	145.4	138.4	143.4	486.9
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Defence Capability Plan Projects approved since the 2000 White Paper⁽¹⁾

ATTACHMENT A

Proposal Number	Phase	Project Title	Year of delivery	Expenditure to 30/6/03 \$m	Cost Band \$m⁽²⁾	Current in-service date
AIR 87	2	Armed Reconnaissance Helicopters	Prior ⁽³⁾	140	1500 to 2000	2004 -05
AIR 5077	3	Airborne Early Warning and Control	Prior	1026	2500 to 3500	2006-07
AIR 5333	1	2 and 3 Control and Reporting Units	Prior	33	200 to 250	2007-08
AIR 5376	2	F/A-18 Hornet Upgrade	Prior	533	1000 to 1500	2007-08
AIR 5401	1	Medium Tactical Airlift Capability	Prior	15	30 to 50	2002-03
AIR 5416	1	Echidna - Electronic Warfare Self-Protection for ADF Aircraft	Prior	41	75 to 100	2002-03
DEF 224	1	BUNYIP	Prior	6	10 to 20	2002-03
JP 2008	3E	MILSATCOM Ground Infrastructure	Prior	15	100 to 150	2003-04
JP 2048	1A	Amphibious Watercraft	Prior	7	50 to 75	2004-05
JP 2049	2	Australian Electronic Key Management System	Prior	6	20 to 30	2005-06
JP 2054	1A	e-Defence	Prior	49	100 to 150	2003-04
LAND 19	2B	Very Low Level Air Defence Weapon Simulator	Prior	2	10 to 20	2004-05
LAND 53	2B	NINOX - Unattended Ground Sensors	Prior	24	30 to 50	2006-07
LAND 53	1F	NINOX - Thermal Surveillance Systems	Prior	34	50 to 75	2005-06
LAND 121	2A	General Service Field Vehicles	Prior	3	75 to 100	2004-05
LAND 125	2A	Soldier Combat System - Study	Prior	4	10 to 20	2002-03
LAND 132	1	Additional Commando Capability	Prior	21	50 to 75	2003-04
SEA 1348	3A	Anzac Underwater and Surface Warfighting Upgrade - Harpoon Missile	Prior	58	150 to 200	2004-05
SEA 1397	4	NULKA Support	Prior	5	20 to 30	2001-02
SEA 1397	3	NULKA	Prior	32	50 to 75	2001-02
SEA 1401	3	Survey Motor Launch Upgrade	Prior	1	50 to 75	2005-06

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AIR 5190	1A	Caribou Life of Type Extension	2001-02	13	100 to 150	2002-03
AIR 5376	3.1	Hornet Structural Refurbishment - Stage 1	2001-02	10	30 to 50	2003-04
AIR 5376	3.2A	Hornet Structural Refurbishment Stage 2 - Engineering Study	2001-02	0	Less than 10	2006-07
AIR 5398	1A/2	Air-to-Surface Stand-off Weapon System	2001-02	300	350 to 450	2005-06
AIR 5416	1A	Echidna - Electronic Warfare Self Protection - Ground Environment	2001-02	2	20 to 30	2002-03
JP 126	1	Joint Theatre Distribution System - Study	2001-02	4	Less than 10	2004-05
JP 141	1A	Chemical, Biological and Radiological Response	2001-02	2	30 to 50	2007-08
JP 2030	7A	ADF Joint Command Support System	2001-02	34	50 to 75	2003-04
JP 2059	2A	Bulk Liquid Distribution - Ship to Shore	2001-02	9	50 to 75	2006-07
JP 2059	3	Water Desalinisation	2001-02	6	30 to 50	2003-04
JP 2060	1	Enhanced Deployable Medical Capability - Project Definition Study	2001-02	2	Less than 10	n/a
JP 2068	1A	Defence NOC	2001-02	n/a	10 to 20	2003-04
JP 2068	1B	Defence NOC - Shapes Vector	2001-02	2	Less than 10	2002-03
JP 2077	1	Improved Logistics Information Systems	2001-02	32	30 to 50	2004-05
JP 2088	1	Second Counter Terrorist Tactical Assault Group (2TAG)	2001-02	4	50 to 75	2007-08
JP 8001	3B	Deployable Joint Force Headquarters	2001-02	8	10 to 20	2002-03
JP 8001	3C.1	Headquarters Australian Theatre (Intelligence Support Facility)	2001-02	1	Less than 10	2001-02
LAND 19	5A	RBS-70 Life of Type Extension - CLOSED	2001-02	1	Less than 10	n/a
LAND 19	6	Additional Point Ground Based Air Defence	2001-02	17	100 to 150	2006-07
LAND 134	1	Enhanced Combat Training Centre	2001-02	8	75 to 100	2006-07
SEA 1390	4A	FFG SM-1 Missile Replacement	2001-02	0	10 to 20	2007-08
SEA 1428	2B/3	Evolved Seasparrow Missiles	2001-02	141	250 to 350	2004-05
SEA 1429	2	Heavyweight Torpedo	2001-02	55	350 to 450	2006-07
SEA 1439	3	Collins Class Submarine Capability Enhancements	2001-02	75	350 to 450	Annually
SEA 1439	4B	Collins Submarine - Replacement Combat System	2001-02	0	30 to 50	2005-06
SEA 1442	2B	Maritime Communication and Information Management Architecture Modernisation - Study	2001-02	1	Less than 10	2002-03
SEA 1448	1	Anzac Anti Ship Missile Defence	2001-02	2	Less than 10	2003-04

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AIR 5402	1	Air to Air Refuelling	2002-03	3	2000 to 2500	2007-08
AIR 5416	2	Electronic Warfare Self Protection for Tactical Aircraft	2002-03	0	250 to 350	2006-07
AIR 5999	n/a	Joint Strike Fighter Design Phase	2002-03	10	200 to 250	n/a
AIR 6000	1	New Aerospace Combat Capability – Options Determination	2002-03	2	30 to 50	n/a
JP 199	1	Special Operations Command	2002-03	0	50 to 75	2004-05
JP 2064	2	Geospatial Information Infrastructure and Services	2002-03	0	10 to 20	2004-05
JP 2070	2	Lightweight ASW Torpedo	2002-03	41	250 to 350	2005-06
JP 2072	1	Battlespace Communications Systems (Land)	2002-03	0	75 to 100	2005-06
JP 2077	1A	Improved Logistics Information Systems PDS	2002-03	5	Less than 10	n/a
JP 2084	1	High Frequency Surface Wave Radar (HFSWR)	2002-03	5	10 to 20	n/a
JP 2085	1A	Explosive Ordnance Warstock	2002-03	n/a	20 to 30	n/a
JP 2087	1	Incident Response Regiment	2002-03	2	10 to 20	2007-08
JP 5408	2A	ADF GPS Enhancement - Risk Study	2002-03	1	Less than 10	n/a
JP 5408	1B	ADF GPS Enhancement - Memorandum of Understanding	2002-03	0	Less than 10	n/a
JP 8001	3C.2	Accredited Deployable Secure Intelligence Facilities	2002-03	0	10 to 20	n/a
LAND 40	1	Direct Fire Weapon	2002-03	19	100 to 150	2005-06
LAND 75	3.3B	Battlefield Command Support System	2002-03	8	20 to 30	2008-09
LAND 106	2	M113 Vehicle Fleet Upgrade	2002-03	107	450 to 600	2006-07
LAND 139	1	Enhanced Bridging Capabilities	2002-03	0	10 to 20	n/a
SEA 1229	4	NULKA - Active Missile Decoy	2002-03	0	30 to 50	2004-05
SEA 1348	3C	Anzac Undersea and Surface Warfighting Upgrade Program - Mine and Obstacle Avoidance Sonar	2002-03	0	50 to 75	2005-06
SEA 1439	4A	Collins Combat System	2002-03	27	350 to 450	2006-07
SEA 1444	1	Patrol Boat Replacement	2002-03	4	350 to 450	2004-05
SEA 4000	1A	Air Warfare Destroyer - Non-Design Related Studies	2002-03	2	Less than 10	n/a
AIR 5276	5A	P-3C Orion EO Enhancement	2003-04	0	10 to 20	2009 to 2011
AIR 5276	8A	AP-3C Electronic Support Measures - Automatic Test Equipment	2003-04	0	10 to 20	n/a
AIR 5376	3.1A	Hornet Structural Refurbishment	2003-04	0	50 to 75	2003-04

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AIR 5376	3.2B	Hornet Structural Refurbishment Stage 2	2003-04	0	150 to 200	2006-07
JP 1	R	Harpoon Missile Upgrade	2003-04	0	30 to 50	n/a
JP 2025	5	JORN Upgrade	2003-04	0	50 to 75	2006 to 2008
JP 2047	2A	Wide Area Communications Network	2003-04	0	10 to 20	2005 to 2007
JP 2060	2A	Deployable Medical Capability - Early Acquisition	2003-04	0	Less than 10	n/a
JP 2065	1	Integrated Broadcast System	2003-04	0	10 to 20	2006-07
JP 2070	3	Lightweight Torpedo	2003-04	0	250 to 350	2007-08
JP 2077	2A	Improved Logistics Information Systems - Project Definition Study	2003-04	0	10 to 20	n/a
JP 2080	2A	Defence Management Systems Improvement	2003-04	0	Less than 10	2004 to 2006
JP 2085	1B	Explosive Ordnance Warstock	2003-04	0	150 to 200	2005 to 2007
JP 2089	1	Tactical Information Exchange Domain (Link 16) - Project Definition Study	2003-04	0	Less than 10	n/a
JP 2090	1A	Combined Information Environment Risk Reduction Study	2003-04	0	Less than 10	n/a
SEA 1102	3A	Laser Airborne Depth Sounder Replacement	2003-04	0	10 to 20	2005-06
SEA 1448	2A	Anzac Anti Ship Missile Defence Upgrade	2003-04	0	450 to 600	2008-09
SEA 4000	1B	Air Warfare Destroyer Study	2003-04	0	Less than 10	n/a

Notes

1. This list is correct as at 28 February 2004.
2. Pre-Expenditure Review Committee constant price basis.
3. Prior indicates that the project was approved before the release of the Defence White Paper 2000.

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Answers to questions on notice from **Department of Defence**

Replacement of Amphibious Heavy Lift Ships

QUESTION W8

Senator Evans

- a) Please outline the scale/dimensions of the replacement amphibious ships that are being considered by Navy under Phase 4 of Project JP 2048.
- b) What costs are involved for each of these options?
- c) What is the size of the options being considered?
- d) Where are the ships likely to be built? In Australia?
- e) Could ships of this size be built at any Australian shipyard? If not, how is it proposed that this problem be overcome?

RESPONSE

- a) The Navy is presently investigating two designs for amphibious assault ships of the type known as LHD. These are: the Mistral design, offered by the French shipbuilding group Armaris; and the multi-purpose Strategic Support Ship, offered by the Spanish shipbuilding group Izar. Overall dimensions for each of the two vessels are as follows:

	Armaris – Mistral	Izar – Strategic Support Ship
Length Overall	200.0 metres	230.8 metres
Length at Waterline	183.0 metres	205.7 metres
Beam Moulded	32.0 metres	32.0 metres
Full Load Displacement	21,300 tonnes	27,079 tonnes
Full Load Draught	6.2 metres	7.0 metres

- b) Estimates of costs for construction in the country of origin have been sought in a request for information issued to both Armaris and Izar in February 2004. Further cost information is unavailable at this time.
- c) See table at response to part a).
- d) The Defence Capability Plan issued in February 2004 states that: “The Government’s strong preference is to build these ships in Australia”.
- e) Defence understands that four Australian shipbuilding organisations, ADI, Australian Submarine Corporation, Tenix and Forgacs are currently developing proposals to build the ships in Australia, using existing or upgraded facilities in Sydney and Newcastle in New South Wales, Williamstown in Victoria, Brisbane in Queensland, Henderson in Western Australia and Osborne in South Australia.

Capital budget

Operating Leases for Leased Back Properties

QUESTION W1

Senator Evans

- a) What is the rent for each of the properties that have been leased back by Defence as part of its sale and lease back program? Please provide the rental amount for each property leased back. Please provide this information for 2003-04, 2004-05 and 2005-06.

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- b) Why was supplementation needed to cover the cost of the operating leases for the properties that had been sold by Defence during 2002-03 and then leased back?
- c) Was it anticipated at the time the properties were sold and leased back that supplementation would be necessary to cover the cost of the operating leases? If not, why not?
- d) Is it anticipated that supplementation/additional funds will be necessary to cover the cost of the operating leases for leased back property in future financial years? Why?

RESPONSE

- a) Please see following tables for each financial year.
- b) Supplementation is provided to cover the net cash impact of the difference between Defence's costs as an owner of the property and the cost of the lease.
- c) Yes. In accordance with Government decisions, supplementation is provided on a case-by-case basis after the lease has been finalised, at which time actual lease costs are known.
- d) Yes. Supplementation has been provided for the duration of each lease.

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Answers to questions on notice from **Department of Defence**

Department of Defence 2003-04 Rental Amounts⁽¹⁾

State	Site	Excluding GST (\$)	GST (\$)	Including GST (\$)	Period
ACT	Campbell Park	8,175,765	817,577	8,993,342	1 July 2003 to 30 June 2004
ACT	Weston Creek	2,231,983	223,198	2,455,181	1 July 2003 to 30 June 2004
NSW	Bondi Lady Gowrie House	315,225	31,523	346,748	1 July 2003 to 30 June 2004
NSW	Coogee Endeavour House	2,546,555	254,656	2,801,211	1 July 2003 to 30 June 2004
NSW	Defence Plaza Sydney	10,593,793	1,059,379	11,653,172	1 July 2003 to 30 June 2004
NSW	Moorebank (Defence national storage and distribution centre)	14,111,774	1,411,177	15,522,951	1 July 2003 to 30 June 2004
NSW	Pymont (Royal Edward Victualling Yards)	1,670,696	167,070	1,837,766	1 July 2003 to 30 June 2004
NSW	Wollongong Hydrographic Office	1,115,757	111,576	1,227,333	1 July 2003 to 30 June 2004
NT	Winnellie 84 Coonawarra Rd	376,301	37,630	413,931	31 July 2003 to 30 June 2004
VIC	Defence Plaza Melbourne	5,948,827	594,883	6,543,710	1 July 2003 to 30 June 2004
Total		47,086,676	4,708,669	51,795,345	

Note

1. Total figures may not add due to rounding.

Department of Defence 2004-05 Rental Amounts⁽¹⁾

State	Site	Excluding GST (\$)	GST (\$)	Including GST (\$)	Period
ACT	Campbell Park	8,410,165	841,102	9,251,267	1 July 2004 to 30 June 2005
ACT	Weston Creek	2,298,942	229,894	2,528,836	1 July 2004 to 30 June 2005
NSW	Bondi Lady Gowrie House	314,865	31,487	346,352	1 July 2004 to 25 June 2005
NSW	Coogee Endeavour House	2,622,951	262,295	2,885,246	1 July 2004 to 30 June 2005
NSW	Defence Plaza Sydney	11,017,544	1,101,754	12,119,298	1 July 2004 to 30 June 2005
NSW	Moorebank (Defence national storage and distribution centre)	14,535,127	1,453,513	15,988,640	1 July 2004 to 30 June 2005
NSW	Pymont (Royal Edward Victualling Yards)	1,720,817	172,082	1,892,899	1 July 2004 to 30 June 2005
NSW	Wollongong Hydrographic Office	1,149,230	114,923	1,264,153	1 July 2004 to 30 June 2005
NT	Winnellie 84 Coonawarra Rd	410,000	41,000	451,000	1 July 2004 to 30 June 2005

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Answers to questions on notice from **Department of Defence**

VIC	Defence Plaza Melbourne	6,186,780	618,678	6,805,458	1 July 2004 to 30 June 2005
Total		48,666,421	4,866,728	53,533,149	

Note

1. Total figures may not add due to rounding.

Department of Defence 2005-06 Rental Amounts⁽¹⁾

State	Site	Excluding GST (\$)	GST (\$)	Including GST (\$)	Period
ACT	Campbell Park	8,662,470	866,247	9,528,717	1 July 2005 to 30 June 2006
ACT	Weston Creek	2,367,910	236,791	2,604,701	1 July 2005 to 30 June 2006
NSW	Bondi Lady Gowrie House	nil	nil	nil	Lease terminates 25 June 2005
NSW	Coogee Endeavour House	2,701,640	270,164	2,971,804	1 July 2005 to 30 June 2006
NSW	Defence Plaza Sydney	11,568,421	1,156,842	12,725,263	1 July 2005 to 30 June 2006
NSW	Moorebank (Defence national storage and distribution centre)	14,971,181	1,497,118	16,468,299	1 July 2005 to 30 June 2006
NSW	Pymont (Royal Edward Victualling Yards)	1,772,441	177,244	1,949,685	1 July 2005 to 30 June 2006
NSW	Wollongong Hydrographic Office	1,183,707	118,371	1,302,078	1 July 2005 to 30 June 2006
NT	Winnellie 84 Coonawarra Rd	543,835	54,384	598,219	1 July 2005 to 30 June 2006
VIC	Defence Plaza Melbourne	6,496,119	649,612	7,145,731	1 July 2005 to 30 June 2006
Total		50,267,724	5,026,773	55,294,497	

Note

1. Total figures may not add due to rounding.

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Answers to questions on notice from **Department of Defence**

Advice on Sale of Australian Submarine Corporation

QUESTION W3

Senator Evans

- a) When was the request for tender for this project issued?
- b) How many organisations/individuals responded to the request for tender?
- c) On what date was Carnegie, Wylie and Company selected? When was the contract with this organisation signed?
- d) On what basis were Carnegie, Wylie and Company selected?
- e) Please supply a copy of the terms of reference have been given to Carnegie, Wylie and Company in respect of its contract to provide commercial advice on the sale of the Australian Submarine Corporation.
- f) How much are Carnegie, Wylie and Company being paid under this contract?
- g) When is Carnegie, Wylie and Company expected to provide a report to Government on this matter?

RESPONSE

- a) On 19 December 2003, the Department of Finance and Administration issued a request for proposal seeking a high-level review on the naval shipbuilding and repair sector in the context of the sale of the Australian Submarine Corporation.
- b) Three candidates were invited to offer proposals. Two candidates provided submissions and the third declined.
- c) Selection of the preferred contractor was made on 7 January 2004. The contract between Carnegie, Wylie and Company and the Department of Finance and Administration was signed on 16 January 2004.
- d) The company was selected on the basis that its proposal represented the best overall value for money to the Government.
- e) Carnegie Wylie and Company have been appointed to provide commercial advice internally to the Government on a range of issues associated with the naval shipbuilding sector and the Australian Submarine Corporation, it is therefore not intended that the terms of reference be released publicly.
- f) The company will receive a fixed fee of \$200,000 (inclusive of GST), plus disbursements for travel and accommodation.
- g) The company is expected to provide advice in late March 2004.

Major capital equipment

Patrol Boat Replacement Project

QUESTION 3

Senator Hogg

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Answers to questions on notice from **Department of Defence**

Please provide a list of the main project progress points, including the value of those payments and the dates on which they are to occur.

RESPONSE

The construction phase of the contract, involving construction of 12 new Armidale-class patrol boats for Defence, includes 167 milestones. The following table provides the main progress points and the value and date of payments to the contractor for each of these points during the construction phase of the contract. The total of these progress point payments does not equate to the value of the construction phase. Payments during the support phase will be made on a quarterly basis for days on which patrol boats are available for use by Defence under the contract, rather than milestones.

Armidale-class Patrol Boat Acquisition Milestone Summary

Main Progress Points during the Construction Phase	Value of progress payment \$m⁽¹⁾	Payment Date⁽²⁾
On completion of detailed design review	2,350,091	May 2004
On completion of structural plating for patrol boat one	3,430,789	September 2004
On completion of patrol boat one	5,778,012	April 2005
On acceptance of patrol boat one	1,928,873	June 2005 ⁽³⁾
On completion of structural plating for patrol boats two and three	6,861,578	March-April 2005
On completion of patrol boats two and three	11,556,024	October 2005
On acceptance of patrol boats two and three	3,857,746	October-November 2005
On completion of structural plating for patrol boats four and five	6,861,578	August 2005
On completion of patrol boats four and five	11,556,024	February 2006
On acceptance of patrol boats four and five	3,857,746	March 2006
On completion of structural plating for patrol boats six and seven	6,861,578	December 2005
On completion of patrol boats six and seven	11,556,024	June 2006
On acceptance of patrol boats six and seven	3,857,746	June-July 2006
On completion of structural plating for patrol boats eight and nine	6,861,578	April 2006
On completion of patrol boats eight and nine	11,556,024	October 2006
On acceptance of patrol boats eight and nine	3,857,746	October-November 2006
On completion of structural plating for patrol boats 10 and 11	6,861,578	August 2006
On completion of patrol boats 10 and 11	11,556,024	February-March 2007
On acceptance of patrol boats 10 and 11	3,857,746	March 2007
On completion of structural plating for patrol boat 12	3,430,789	November 2006
On completion of patrol boat 12	5,778,012	May 2007
On acceptance of patrol boat 12	1,928,873	June 2007
On completion of final acceptance	10,887,999	June 2007

Notes

1. Expressed in January 2004 prices, converted from contract price basis of October 2002.
2. Dates have been extracted from the effective dates in the contract.
3. Patrol boat one is scheduled for delivery in May 2003. Subject to satisfactory acceptance payment will be made in June 2005.

Project Air 87 – Armed Reconnaissance Helicopters

QUESTION W5

Senator Evans

- a) Is the delivery schedule outlined in response to part 4 of Senate Question on Notice 279 still current? If not, please indicate each change that has been made to this schedule.

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- b) Has the ‘liquidated damages’ clause in the contract for this project ever been used? Please indicate each instance in which this clause has been activated, and the amount of compensation paid to the Commonwealth on each occasion.
- c) Have any incentive payments/bonuses been paid to the contractor under the contract for this project? Please list each occasion on which a bonus/incentive payment has been made, including the basis for the payment, the date it was paid, and the amount that was paid.

RESPONSE

- a) The following major delivery dates are specified in the Armed Reconnaissance Helicopter Acquisition Contract. Changes from Question on Notice 279 are identified in the following table. Unless otherwise stated, the dates represent final delivery dates, with delivery undertaken progressively to support operational introduction and training.

Item	Final Delivery Date	Changes from Question on Notice 279
Aircraft one and two	15 December 2004	No Change
Staggered delivery aircraft three to 22	21 January 2005 to 21 April 2008	No Change
Training equipment	22 November 2005	30 March 2006 ⁽¹⁾
Ground mission equipment	1 February 2005	15 December 2005 ⁽²⁾
Ground flight test equipment	20 August 2006	No change
Ground electronic warfare self protection equipment	15 December 2005	No change
Software support capability	30 November 2004	No change
Program management	27 June 2008	No change
Systems engineering	27 June 2008	No change
Integrated logistic support	10 April 2008	No change
Logistic support analysis	14 November 2003	First delivery complete
Maintenance support	1 August 2003	First delivery complete
Support and test equipment	21 February 2007	No change
Spares (repairable items only)	15 February 2007	No change
Packaging, handling, storage and transportation	4 June 2004	No change
Technical data	4 June 2004	No change
Facilities	7 June 2002	Completed ⁽³⁾
Training system management	28 September 2007	No change
Courseware	November 2004	No change

Notes

1. Training system readiness was delayed by four months, due to a combination of late sub-contract signature and Defence’s requirements for improved visual system and motion base.
2. Ground mission equipment delivery was delayed due to sub-contractor performance. Delays will not affect in-service date.
3. The Joint Standing Committee on Public Works approved the last of the project facilities to be constructed at Robertson Barracks on 20 August 2003.

- b) Yes. The liquidated damages clause was applied on 1 May 2003 on an overdue system-level critical milestone, linked to the design review. As at 1 March 2004, the amount of compensation will be the maximum allowable under this milestone, which is \$200,000. Defence now has four months to elect how it intends to take delivery of these damages.
- c) To date, no incentive payments have been paid.

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Answers to questions on notice from **Department of Defence**

Airborne Early Warning and Control Aircraft Project

QUESTION W6

Senator Evans

- a) What was the unit cost of each of the six airborne early warning and control mission systems that are being purchased by Defence under this contract?
- b) Has the 'liquidated damages' clause in the contract for this project ever been used? Please indicate each instance in which this clause has been activated, and the amount of compensation paid to the Commonwealth on each occasion.
- c) Have any incentive payments/bonuses been paid to the contractor under the contract for this project? Please list each occasion on which a bonus/incentive payment has been made, including the basis for the payment, the date it was paid, and the amount that was paid.

RESPONSE

- a) There is no readily identifiable 'unit cost' for the six mission systems being acquired under this project, because the equipment sets do not appear as discrete entities in the pricing schedule under the contract.
- b) No.
- c) Yes, a number of performance incentive fee payments have been made to the contractor under the contract. These payments fall into two categories: a management performance incentive fee, which rewards the contractor for superior management performance, and an operational utility performance incentive fee, which rewards the contractor for superior system functional performance in nominated areas. Payments to date are summarised in the following two tables.

Management performance incentive fee payments

Date	Amount \$USm	Basis
January 2002	0.777	Met specified management-related criteria for the period June 2001 to December 2001.
July 2002	1.758	Met specified management-related criteria for the period December 2001 to June 2002.
February 2003	1.537	Met specified management-related criteria for the period June 2002 to December 2002.
September 2003	1.757	Achieved milestone 19 (radar/identification friend-or-foe dorsal antenna number one received) ahead of the contracted schedule.
October 2003	1.757	Achieved milestone 31 (initial first aircraft electrical power on) ahead of the contracted schedule.
October 2003	1.757	Achieved milestone 23 (system software build four installed in the systems integrated laboratory) ahead of the contracted schedule.
December 2003	1.757	Achieved milestone 25 (radar/identification friend-or-foe electronics for first aircraft received) ahead of the contracted schedule.

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Answers to questions on notice from Department of Defence

Operational utility performance incentive fee payments

Date	Amount \$USm	Basis
August 2002	0.964	Met specified operational-related criteria for superior designed radar performance.
January 2003	1.367	Met specified operational-related criteria for superior designed aircraft performance.
March 2003	0.211	Met additional specified operational-related criteria for superior designed radar performance.

Project Sea 1390 – FFG Upgrade

QUESTION W7

Senator Evans

- a) In relation to the response to Question on Notice W7(e) arising from Budget supplementary estimates 2003-04, please indicate the amount that the budget for this project will be reduced as a result of the decision to not upgrade the two oldest FFGs. Please also indicate the revised schedule for this project as a result of that decision.
- b) Has the 'liquidated damages' clause in the contract for this project ever been used? Please indicate each instance in which this clause has been activated, and the amount of compensation paid to the Commonwealth on each occasion.
- c) Have any incentive payments/bonuses been paid to the contractor under the contract for this project? Please list each occasion on which a bonus/incentive payment has been made, including the basis for the payment, the date it was paid, and the amount that was paid.

RESPONSE

- a) The financial result of the decision not to upgrade the two oldest Adelaide-class frigates is still to be finalised. Some savings will be realised from annual operating costs for spares, fuel, maintenance and other running costs, while other cost savings will be made under the current fixed-price prime contract currently being negotiated.
- b) To date, none of the Adelaide-class frigates has reached the contracted date that would allow the liquidated damages clause to be invoked. The delays to date for the training facilities are being incorporated into the revised schedule and incentive scheme.
- c) The prime contract provides for periodic performance assessment and payment to the prime contractor of a performance incentive fee against prime contract requirements. Performance incentive fee payments totalling \$1.5m were made to ADI at six-monthly intervals following contract award in June 1999, and concluded in June 2001. The specific breakdown of these payments is commercial-in-confidence.

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Answers to questions on notice from **Department of Defence**

Overseas Postings for Capital Projects

QUESTION W10

Senator Evans

Please provide a list of all capital equipment acquisition projects that currently involve the posting of personnel overseas.

- a) For each project can the following details be provided:
- b) the name of the project,
- c) the budget for the project,
- d) the number of personnel currently posted overseas,
- e) the maximum number of the personnel posted overseas,
- f) the date personnel were first posted overseas,
- g) the role of personnel posted overseas, and
- h) the total cost to date for the posting of personnel overseas.

RESPONSE

See following table.

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Name of Project	Budget for the project (to nearest \$m) \$m⁽¹⁾	Personnel currently posted	Maximum posted	Date first posted	Role of personnel	Total cost of posting to date (to nearest \$1,000)
SEA 1439 Replacement Combat System Phase 4A.	433	0.5	0.5	February 2004	Shared resource with Heavyweight Torpedo project. Provides conventional submarine operational input to requirements for both the replacement combat system and heavyweight torpedo projects to Naval Undersea Warfare Center teams.	Total cost figures not available. Previous advice provided in response to Senate QON 663 on 10 October 2002.
SEA 1429 Heavy Weight Phase 2.	416	6.5	6.5	March 2002	Responsible for: - systems engineering issues for the joint project office; - common broadband advanced sonar system development; - software engineering advice and support; - integrated logistics support; and - integration and weapon support advice to Naval Undersea Warfare Center teams.	Total cost figures not available. Previous advice provided in response to Senate QON 663 on 10 October 2002.
SEA 1428 Evolved Sea Sparrow Missile	665	3	3	December 2001	Responsible for providing configuration and data management, financial management and acting as the Australian National Deputy representative. Two of these positions are seconded to NATO Seasparrow.	\$55,000
JP2044 Phases 2A and 2B - Space Based Surveillance Capability.	8 and 164	3	3	One member in October 2002, the other two in January 2003	Responsible for: - liaising between Project Office in Australia and US-based procurement authority; and - providing information on Australian requirements and Australian procurement advice.	\$865,000

Note

1. All figures are presented as January 2004 prices.

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Name of Project	Budget for the project (to nearest \$m)	Personnel currently posted	Maximum posted	Date first posted	Role of personnel	Total cost of posting to date
AIR 5333 – Vigilare.	234	1	1	January 2002	The Vigilare resident operator overseas provides advice to the project office and the contractor on requirements interpretation and the operational implications of design decisions and acts as Defence's representative on applicable integrated product teams.	\$127,000
LAND 134 - Combat Training Centre Live-Simulation, Range-Instrumentation and Information System.	80 (project budget for Phase 1).	1	1	January 2003	The project officer represents the project director at the contractor's premises during the implementation phase of the project.	\$43,000
LAND 125 - Project Wundurra.	14 (approved budget for Phase 2A).	1	1	21 April 2003	The member's role is that of Exchange Officer Land Warrior (US equivalent program for soldier combat systems) at the Executive Level 1 level.	\$300,000
LAND 112 - Australian Light Armoured Vehicle Program.	663 (approximate budget for Phase 3)	2	2	January 2002	The Project Liaison Officer deal with contractual and logistics issues associated with the acquisition, fielding and support of the ASLAV capability.	\$392,000
Air 5077 Phase 3 – Airborne Early Warning and Control System Acquisition	3,274	38	39	October 1999	Resident project team personnel are a key element of the project's risk reduction strategy. They represent Defence's interests in the Integrated product teams. This mitigates Defence exposure to schedule and development risk by allowing timely insight into work being conducted within the US Government export license framework.	\$24,000,000

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Name of Project	Budget for the project (to nearest \$m)	Personnel currently posted	Maximum posted	Date first posted	Role of personnel	Total cost of posting to date
AIR 87 Phase 2 - Armed Reconnaissance Helicopter	1,862	18	18	March 2002	Finance, engineering/technical, logistics and project management.	\$3,875,000
AIR 5376 - Hornet Upgrade Phase 2 - (Resident Project Team St Louis USA).	1,519	19	23	March 2001	Roles are: - Acquisition logistics; - technical – avionics systems; - contracting, business and finance; - acquisition logistics; - engineering – electrical/electronics operational flight program; and - engineering – electrical/electronics	\$1,675,000
SEA 1411 - Anzac Ship Helicopter Acquisition	1,002	4	10	September 1997	Defence staff are on site to provide specialist, operational and technical advice and conduct customer mandatory inspections during the manufacturing and refurbishment process.	\$1,400,000

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Answers to questions on notice from **Department of Defence**

Collins-class Submarines

QUESTION W16

Senator Evans

- a) When was it first discovered that cadmium had contaminated the water system on the Collins submarines?
- b) Are the water systems on the Collins submarines still in use? For what purpose is the water still used?
- c) What was the source of this problem?
- d) Has the problem now been fixed? If not, when will the problem be fixed?
- e) How much will it cost to fix this problem? How much has been spent so far in attempting to fix the problem?
- f) How much has been spent on bottled water since the problem with the water system was first detected?
- g) For how long is it expected that personnel will have to continue to rely on bottled water rather than the water system?

RESPONSE

- a) Cadmium contamination was first discovered following testing of water supplies in HMAS *Dechaineux* in April 2002.
- b) Yes. The potable water is still used for showering and washing clothes. The Navy's environmental medicine unit advises that this is acceptable.
- c) The source of contamination is a brazing material used in pipework joints. This material is corroding due to galvanic action, resulting in cadmium being deposited in the water.
- d) A modification has been implemented on operational submarines and is being trialed currently, with regular water samples being taken and analysed. The remaining vessels will be modified prior to completion of their full-cycle dockings and re-entering operational service. Modification cannot be declared successful until all taps on each submarine have been proven to consistently produce water of acceptable quality. It is anticipated that sufficient acceptable samples will be taken by mid-2004 to declare that the modification has been fully successful.
- e) As the problem has been accepted by the Australian Submarine Corporation as a latent defect to the build contract, design and installation costs are not borne by Defence.
- f) The cost of bottled water from April 2002 until 26 February 2004 was \$26,563.
- g) The crew will not be authorised to drink water from any taps until each tap on each submarine reliably produces water of acceptable quality. This restriction is expected to be lifted on operational submarines by mid-2004.

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Major Capital Facilities Projects

Property Lease-back Costs for 2002-03

QUESTION 1

Senator Evans

Hansard: page 18

Please provide the committee with Defence's total property lease-back costs for 2002-03. How many properties did this involve in 2002-03?

RESPONSE

The total property lease-back costs for the nine properties embraced by such arrangements in 2002-03 are \$26,401,991 (GST exclusive), and \$29,042,069 (including GST).

Disposal of Point Cook

QUESTION 9

Senator Hogg

Hansard: page 84

How many lessees and licensees at Point Cook will be required to renegotiate terms with any new owner?

RESPONSE

Currently, there are no signed leases on the Point Cook site. There are four leases in negotiation, these being for a State primary school, a kindergarten, a childcare facility and for the RMIT. It is planned that these leases will automatically transfer to the new management structure, once established, without any variation to agreed terms and conditions, other than those essential to reflect the change in parties.

It is proposed that existing licences that are in place regarding various property arrangements will be assigned to the new management structure once it is established.

Headquarters Australian Theatre

QUESTION W11

Senator Evans

- a) Please provide a progress report on the Headquarters Australian Theatre project.
- b) How much funding has been allocated to this project to date?
- c) How much has been spent on this project to date?
- d) When is it expected that this project will be approved by Government?
- e) What is the current timetable for the delivery of this project?

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f) How much will it cost?

RESPONSE

- a) Attached is a media release issued by the Minister for Defence on 16 March 2004 relating to the progress of the project.
- b) The Defence Capability Plan has an estimated expenditure band of \$250 to \$350m (incorporating both facilities and systems fit-out) for the project.
- c) The total expenditure to date on the project is \$1.679m.
- d) The project was approved by the Government in March 2004.
- e) The facility is scheduled for completion and commissioning in late 2007.
- f) Final cost estimates will not be known until the completion of the tender process.



MEDIA RELEASE

SENATOR THE HON ROBERT HILL

Minister for Defence

Leader of the Government in the Senate

Tuesday, 16 March 2004

53/2004

TENDER PROCESS STARTS FOR NEW DEFENCE HQ

Defence Minister Robert Hill today announced the start of a two-stage tender process for the Australian Defence Force's new joint operational headquarters at Bungendore in New South Wales.

"The project to build a state-of-the-art headquarters for the new Joint Operations Command to command and control the ADF's operations moves a step closer today," Senator Hill said.

Senator Hill said first stage of the tender process would be to call for Registrations of Interest later this month from companies to finance, construct and maintain the facility. The second stage will be to issue a Request for Tender in the middle of this year for the delivery of the facility with the preferred tenderer to be appointed by November.

The new \$300 million headquarters will combine seven existing military headquarters and agencies situated in and around Sydney.

Construction of the new facility is expected to start in the middle of next year. Preliminary engineering and design studies have been undertaken. The Draft Environmental Impact Statement was released for public comment in October last year and the supplementary report is being prepared. It is expected the new headquarters, with about 1000 operational staff, will be fully operational in 2007-08.

Senator Hill said the decision to privately finance the facility marked a sea change in Commonwealth procurement, as this was the first time Government had sought to privately finance the construction and maintenance of a major facility on a greenfield site.

"The successful tenderer will be responsible for the design, construction, financing, operation and maintenance of the new headquarters as well as providing infrastructure and ancillary support," Senator Hill said.

"When the facility is commissioned, Defence will lease the headquarters for an initial period of between 20 to 30 years. Although contract security staff will undertake the physical security requirements of the new headquarters, Defence will retain oversight and responsibility of security, in much the same manner as at a number of other Defence establishments. Defence will also retain responsibility for the delivery of the command, control, communications and information systems."

Senator Hill said the private financing of the facility would provide the Government with some significant advantages throughout the term of the lease arrangement.

The advantages include cost effective transfer of risk to the private sector, improvements to financial and risk management throughout the life of the lease period and reduced financial exposure because lease payments are not required until the facility is successfully commissioned.

Media contacts

Catherine Fitzpatrick	(Senator Hill)	02 6277 7800	0405 351 245
Defence Media Liaison		02 6265 3343	0408 498 664

www.defence.gov.au

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Property Sales

QUESTION W23

Senator Evans

In relation to all Defence properties that were identified for sale as part of the Defence Efficiency Review/Defence Reform Program, please provide a list of all properties that have not yet been sold/disposed of. Please indicate in which financial year it is anticipated each of these properties will be sold.

RESPONSE

The following properties were listed for disposal in the Defence Efficiency Review, but have not yet been sold.

Property	State	Description	Possible Disposal Timeframe
Belconnen	ACT	Communications Station	2005-06
Gungahlin	ACT	Communications Station	2005-06
HMAS Harman	ACT	Naval Base	Yet to be determined
Fairbairn	ACT	Buffer zone area (yet to be sold)	2004-05
Bathurst	NSW	Storage Facility	2003-04
Bringelly	NSW	RAAF Receiving Station	2005-06
Jennings	NSW	Ammunition Depot	
Kingswood (Werrington)	NSW	Stores Depot	2004-05
Londonderry	NSW	RAAF Receiving Station	2005-06
Marrangaroo	NSW	Ammunition Depot	Yet to be determined
Neutral Bay	NSW	Naval Base	To be retained
Orange	NSW	Surplus Land	Yet to be determined
Penrith	NSW	Engineer's Depot	2004-05
Port Kembla	NSW	Training Depot	2003-04
RAAF Glenbrook	NSW	Air Command	Yet to be determined
RAAF Kingswood	NSW	Ammunition Depot	Long term requirement
RAAF Richmond	NSW	Airfield	Long term requirement
RAAF Wagga	NSW	RAAF Base	Long term requirement
Randwick (Naval Stores Depot)	NSW	Training Depot	2004-05
Rydalmere	NSW	Storage Depot	2003-04
Schofields	NSW	Airfield	2005-06
Stockton	NSW	Rifle Range	Subject to review
Surry Hills (part)	NSW	Training Depot	Yet to be determined
Wirlinga	NSW	Ammunition Depot	Ongoing requirement

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Property	State	Description	Possible Disposal Timeframe
Ingleburn	NSW	Training Depot	2004-05
11 Mile	NT	Communications Station	2005-06
Lee Point	NT	Communications Station	2005-06
Amberley	QLD	Surplus Land	Yet to be determined
Bulimba	QLD	Army Workshops	Yet to be determined
Cowley Beach	QLD	Training Area	Long term requirement
Innisfail	QLD	DSTO Facility	Long term requirement
Jezzine Barracks	QLD	Training Depot	Yet to be determined
Meeandah	QLD	Training Depot	2003-04
Northam	QLD	Camp	Yet to be determined
Rockhampton, Archer St	QLD	Training Depot	2003-04
Wacol	QLD	Training Facility	2003-04
Wallangarra	QLD	Railway Siding	2003-04
Wallangarra	QLD	Storage Depot	Ongoing requirement for Defence Integrated Distribution System
Elizabeth North	SA	Training Depot	Ongoing requirement to be confirmed
Salisbury (part)	SA	DSTO Establishment	2003-04
Fort Direction	TAS	Ammunition Depot	Yet to be determined
Bendigo	VIC	Map Production Facility	Ongoing requirement
Bendigo (Longlea)	VIC	Explosives Storage	Ongoing requirement
Mangalore	VIC	Ammunition Depot	Ongoing requirement
Maribyrnong	VIC	Explosives Factory	2003-04
Maribyrnong	VIC	Army Technology and Engineering Agency & DSTO	2004-05
Portsea	VIC	Training Establishment	To be retained in Trust for community benefit
Queenscliff	VIC	Staff College	Ongoing requirement
RAAF Point Cook	VIC	Training Depot	To be retained in Trust for community benefit
Bullsbrook	WA	Surplus Land	2003-04
Bullsbrook	WA	Communications Station	2005-06
Bushmead	WA	Rifle Range	2003-04
Caversham	WA	Communications Station	2005-06
East Fremantle	WA	Fuel Installation	Yet to be determined

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2003-04 Property Sales

QUESTION W24

Senator Evans

- a) Please provide a list of all property that has been disposed of so far in 2003-04 (including the sale price, address, size and other details about each of these assets).
- b) What are the total receipts from asset sales so far in 2003-04?
- c) How much has been spent on marketing, legal fees, property studies etc in relation to property sales so far this financial year?

RESPONSE

a) The following properties have been sold in 2003-04 (as of 2 March 2004):

Settlement Date	Location	Address	Description	Area (ha)	Sale Price (incl GST) \$m	Purchaser
31 July 2003	Winnellie	84 Coonawarra Road, NT 0820	Storage Depot	2.70	3.685	Cydor Pty Ltd
22 August 2003	Sydney	Chisolm Rd, Regents Park, NSW 2143	Storage Depot (part)	0.74	0.880	RP1 Pty Ltd
(see note)	Bogan Gate	Bedgerebong Road, NSW 2876	Ammunition Storage Depot	1030.8	1.030	Lot 1 Green family, Lots 2 and 4 Timber Creek Holdings Pty Ltd, Lots 3 and 5, Joe and Andrea Rix
22 December 2003	Melbourne	Afton St, West Essendon, VIC 3040	Vacant land – part of former Explosives Factory Maribyrnong	17.0	0.990	City of Mooney Valley
23 December 2003	Darwin	Lot 9736, Lee Point Road, NT 0810	Buffer land (vacant) at former Transmitting Station	89.0	8.000	Defence Housing Authority
19 December 2003	Townsville	Lot 568, Dalrymple Road, QLD 4810	Vacant land	19.9	0.138	Queensland Building Supplies Pty Ltd
23 January 2004	Sydney	Macarthur Drive & Heathcote Road, NSW 2173	Former Kokoda Oval, Holsworthy Barracks	1.9	5.550	Prestdell Pty Ltd
27 January 2004	Sydney	Chisolm Rd, Auburn (Regents Park), NSW 2144	Storage Depot	11.4	36.175	Mirvac Homes (NSW) Pty Ltd
25 February 2004	Korumburra	Charles Street, VIC 3950	Former Army Drill Hall	0.3	0.058	South Gippsland Shire Council

Note

- 1. Receipts from the sale of Bogan Gate have not yet been received and although auctioned on 13 December 2003, settlement is expected to occur in March 2004.

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- b) Total receipts from properties sold in 2003-04 are \$55,475,800 (GST inclusive), not including monies expected for Bogan Gate. Proceeds have also been received from sales that occurred in previous years, including \$1.8m from the sale of Albion and \$2.9m from the sale of Pymont.
- c) The following information is available from Defence's financial management information system. Property-related expenses for 2003-04, up until 2 March 2004, are:

Category	Amount (\$)
Legal and professional services	3,393,015
Property studies	4,217,200
Heritage costs	1,762,339
Site management	2,764,831
Marketing costs	357,960
Contamination expenses	4,367,461
Total	16,862,806

Disposal of Defence Land at Point Nepean

QUESTION W25

Senator Evans

- a) Please provide an update on the disposal process for the entire package of Defence land at Point Nepean. In the update, please include information on the transfer of around 200 hectares of the land to the State of Victoria, the transfer of around 20 hectares to the Mornington Peninsula Council, and the transfer of the remaining 90 hectares to a 'community trust'.
- b) Has the Point Nepean site been valued by the Victorian Valuer-General, the Australian Valuation Office, or any private valuer at any time in the past five years? If so, when and what was the estimated value for each valuation?
- c) Why did Defence abandon the freehold expression of interest process and then the leasehold expression of interest process? Was Defence not aware of the site's unique environmental and heritage values prior to commencing the disposal process? If not, why not? Why didn't Defence seek to transfer the land to a 'community trust' in the first place?
- d) Please provide a full breakdown of all money spent by Defence on the Point Nepean disposal process (including all legal, advertising, marketing, property studies, etc).

RESPONSE

- a) As announced by the Parliamentary Secretary to the Minister for Defence, on 12 March 2003, the Government is to gift 205 hectares of native bushland to the Victorian Government, with the Commonwealth to pay for unexploded ordnance clearance of the site. Planning for the controlled clearance activities that are required to clear the unexploded ordnance, including liaison with the Department of the Environment and Heritage, is under way.

Discussions are currently under way between Defence and the Mornington Peninsula Shire Council with regard to the trust deed for the transfer of the 17.6-hectare Police

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Point land to Council for public open space and community use.

On 18 December 2003, the Government announced that the 90-hectare portion of Defence land at Point Nepean would be retained in public ownership for community use, with no commercial development. A charitable trust, to be called the Point Nepean Community Trust, will be created to manage and control the site use to ensure a sustainable future for the land for the benefit of the people of Australia.

A \$10m donation, from a Victorian family which has requested anonymity, and \$5m from the Commonwealth will provide funding for the trust for preservation of the heritage and environment, maintenance and community programs. As part of the trust, a committee of management will be established. The committee will include representatives of the Community Reference Group, the Australian Heritage Council, the Community Consortium, Parks Victoria and the Commonwealth. Mr Simon McKeon will be the committee chair.

The Australian Government's intention is to transfer the 90-hectare site to the Victorian Government in five years, subject to its ability to sustainably manage the site into the future.

- b) Yes. The Point Nepean site has been valued in the past five years by a private valuer, m3 Property Strategists. Details of the valuations remain commercial-in-confidence.
- c) Defence has undertaken extensive assessment work on the environmental and heritage aspects of the site as part of the disposal process and is aware of the site's unique environmental and heritage values. However, Defence proceeded with the disposal of the land at Point Nepean in accordance with the Commonwealth property disposals policy; that is, Commonwealth property, having no alternative efficient use, is to be sold on the open market at full market value.

As advised in Senate Question 2323, the Government decided to close the freehold expression of interest process in recognition of the site's unique environmental and heritage values.

As announced by the Parliamentary Secretary to the Minister for Defence on 18 December 2003, the lease process was terminated because the Commonwealth could not reach a satisfactory outcome.

- d) A breakdown of all costs to date associated with the disposal of the Defence land at Point Nepean, as at 2 March 2004, is as follows:

Element	\$
Legal and Professional Services	645,805
Property Studies	849,892
Heritage Costs	4,085,449
Site Management	197,905
Marketing Costs (including advertising)	92,250
Contamination Expenses	71,755
Total	5,943,056

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Disposal of Point Cook RAAF Base

QUESTION W26

- a) What was the disposal recommendation contained in the Conservation Management Plan developed for Defence by Allom Lovell in 1992? Has this recommendation been advised to the Minister? If so, when, and what action was taken by the Minister in response?
- b) Has the Commonwealth or Defence developed a Conservation Management Plan that supersedes the recommendations of the Allom Lovell Report of 1992? If so, what are the details of that plan and its recommendation?
- c) The City of Wyndham, the State of Victoria and many participants in the working groups have supported a lease over freehold sale for the Point Cook site – did Defence specifically advise the Minister of this situation? If so, when, and what was the Minister's response?
- d) Of the \$560,000 of Asset Maintenance undertaken in the last five years, what percentage was spent on maintaining or complying with heritage maintenance recommendations arising from the Allom Lovell report?
- e) What building maintenance works has the Commonwealth/Defence determined is required at the site in relation to buildings listed as significant or notable in the Australian Heritage Commission (AHC) listing for Point Cook under the Register of the National Estate (RNE)?
- f) What permission was sought or notification given by Defence to the AHC to permit construction of the film studio horizon tank, to remove planking from the Seaplane Jetty or other maintenance work on buildings listed as significant in the RNE?
- g) The entire site receives utility service in bulk supply at the boundary, and utilises its own sewerage plant. How will Defence buy back ongoing connection services such as water, sewerage and electricity to its retained Commonwealth portions of land when that service will be sought via connection to and delivery via assets owned by the private owner of land sold via freehold rather than public utility assets?
- h) If conditions of sale contract and buy back agreements are planned for the purchase of the services listed above operate when the private owner and sold freehold land are in place, will they be subject to State of Victoria legislation and regulations that specifically prohibit supply across adjoining property boundaries?
- i) Will the Commonwealth and Defence apply all of the requirements of the new Environment Act Heritage Laws to the disposal of Point Cook?
- j) Following the introduction of the new Act on 1 January 2004 has the Commonwealth nominated Point Cook to the National Heritage List and Commonwealth Heritage List?
- k) What aircraft associated with RAAF Museum operations will be precluded from operating on the north-south runway due to cross wind components as determined in the wind rose detailed in the Defence and SKM working book?
- l) What civilian aircraft currently utilising the site under the Defence airfield use agreements will be precluded from operating on the north-south runway due to cross wind components as determined in the wind rose detailed in the Defence and SKM working book?
- m) How many days per year do those cross wind conditions exist at the site?

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- n) Does Defence expect a decrease in the ‘full market value’ for the site if all three runways (the sealed north-south and diagonal, and unsealed east-west) are secured and maintained as the operating airfield configuration rather than the single north-south runway? What is the reason for any decrease in expected ‘full market value’?
- o) If there is no decrease in the expected ‘full market value’ and a reduction of useable days of the airfield with only a north-south operating runway due to cross-winds, why has Defence chosen to only secure that one runway?
- p) What has Defence done to promote/explore/develop pragmatic and balanced heritage proposals for the site, with associated disposal concepts other than free-hold sale, in line with the Key Management Issues on Disposals Planning in its Heritage tool kit, and will Defence re-visit these in light of the new Act and its own Heritage policy?
- q) What has Defence done to determine the advantages of retention in public ownership given Point Cook’s significance and the special requirements associated with the operating airfield as per the Key Policy Issues described in the Disposal section of the Defence Heritage tool kit, and will Defence revisit these in light of the new Act and its own published Heritage policy?

RESPONSE

- a) The Allom Lovell report recommended that a long-term lease, rather than a sale, be pursued as the preferred conservation option with regard to disposal. The report further noted that, if this was not possible, appropriate steps be taken to ensure there was no hiatus between the relinquishing of Commonwealth ownership and the inclusion of the site’s buildings on the Historic Building Register, and inclusion in the Werribee Planning Scheme.

In preparation for the proposed sale of the site, Heritage Victoria had prepared a plan to ensure no hiatus would occur between transfer from Commonwealth ownership and the application of Victorian Heritage legislation. This plan is now redundant as the site will be retained in public ownership.

The recommendations from the Allom Lovell report were not forwarded to the then Minister for Defence, Senator the Hon Robert Ray.

- b) No.
- c) On 8 May 2001, the then Parliamentary Secretary to the Minister for Defence, the Hon Brendan Nelson MP, hosted a meeting comprising representatives from the Victorian Government and the City of Wyndham, among others, to discuss the disposal of the RAAF Point Cook site. The views of both the Victorian Government and the City of Wyndham were tabled at that time and noted by the Parliamentary Secretary.

Subsequent to that meeting, the Government approved the establishment of a steering committee to oversee disposal of the site. As part of the consultation that occurred, a number of working groups were established and the leasing issue was raised in those forums.

On 29 August 2003, the Government announced the freehold sale details of the Point Cook site and that the RAAF Museum Precinct and a RAAF Heritage Precinct would be retained in Commonwealth ownership. This position has recently been revised with the Government announcing, on 29 February 2004, that the site will be retained in public ownership and leased to a not-for-profit trust.

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- d) None of the maintenance work undertaken at Point Cook in the last five years can be specifically identified as being associated with heritage requirements.
- e) As a result of the decision to dispose of the Point Cook site, works have been limited to minor urgent and routine maintenance tasks.
- f) The horizon tank at Point Cook was constructed in 1997 by Hallmark Entertainment, under a licence agreement with Defence, for the United States mini-series 'Moby Dick'. The tank was a temporary facility and was to be demolished as part of the agreement. As the facility had no impact on the heritage premises, or permanent impact on the landscape, that approval from the Australian Heritage Commission was not sought. The film company, Meniscus Productions Pty Ltd, subsequently sought a lease of this unique facility. A lease was prepared by the Australian Government Solicitor and contained a requirement for Meniscus to comply with all requirements of the Australian Heritage Commission, and the Commonwealth, relating to the use, management, maintenance and preservation of the surrounding heritage premises, or any improvements thereon.
- The Seaplane Jetty planks were removed in consultation with the Australian Heritage Commission. The planking was marked to be stored in batches, then placed in storage at RAAF Williams. The planks remain stored in this location.
- g) As part of preparing the site for disposal, consideration was being given to the options available to the Commonwealth with regard to the provision of electricity, water and sewerage services. A final decision had not been made when the Government announced, on 29 February 2004, that the Point Cook site would be retained and leased to a not-for-profit trust to establish and manage a national aviation museum. Details with regard to the provision of electricity, water and sewerage services are still to be finalised and will require further legal advice.
- h) Following sale of the land, Victorian State laws would have applied. As the land is now not to be sold, Commonwealth legislation will continue to apply.
- i) The land is not being sold. The requirements of the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999* will apply to this site.
- j) Defence has not made a nomination for the RAAF Point Cook site to the National and Commonwealth Heritage Lists, but a search of the Australian Heritage database indicates that the Point Cook site has been nominated to the lists. Nominator information is confidential and, therefore, is not available to Defence.
- k) Aircraft associated with RAAF Museum operations would have 92.5 per cent useability of the north-south runway, with an 11-knot cross-wind component. These aircraft would include the Sopwith Pup, Winjeel and the Harvard.
- l) There are a large variety of civilian aircraft utilising the Point Cook site. The majority of flying operations undertaken are flying training utilising either Cessna 152 or 172 aircraft and Piper Tomahawk or Warrior aircraft. These aircraft would have between 92.5 and 95 per cent useability of the north-south runway, with a 12-knot cross-wind component.
- m) The wind rose represents wind on a twenty-four hour basis. Excessive cross-wind for operations on the north-south runway occurs about five per cent of the time.
- n) Defence had not yet sought independent analysis of the 'market value' for the Point Cook site, as the boundaries for what was to be offered to the market had not been finalised. Further, Defence had not sought to 'only secure one runway' but, rather, had

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intended to legally bind and link at least one runway to the operation of the RAAF Museum, thereby ensuring the ongoing operation and preservation of the airfield at Point Cook in accordance with future Commonwealth requirements and heritage protection. The new owner would have determined future runway configuration use.

- o) Refer to response to part (n).
- p) Defence engaged consultants to prepare a toolkit to assist various areas within Defence to manage heritage issues. The draft toolkit was completed in 2002. The toolkit was prepared on the basis that the heritage amendments to the *Environment Protection and Biodiversity Conservation Act 1999* were in place.
The details of the Act's amendments changed before their enactment in 2003, and Defence is currently in the process of reviewing the toolkit with the Defence heritage panel to ensure the information is accurate, succinct, useful and easy to understand. It is intended that the toolkit will provide guidance to the Services and Groups within Defence on a range of heritage issues, including disposals. This will be supplemented by advice, support and consultation with the Department of the Environment and Heritage, as required.
- q) The site has been withdrawn from sale and is to be retained in public ownership.

Outcome 1: Command of Operations

Operation Catalyst

QUESTION W12

Senator Evans

- a) Please provide a full breakdown of all Australian Defence personnel (military and civilian) currently deployed as part of Operation Catalyst. Please indicate numbers of personnel, and what element of the deployment they are attached to. Please also indicate whether the personnel are deployed inside Iraq, or elsewhere in the Middle East Area of Operations.
- b) On what date were the two P-3C Orions and support crews/equipment first deployed as part of Operations Slipper/Bastille/Falconer/Catalyst?
- c) What has been the total cost of the deployment of two P-3C Orions and support crews/equipment as part of Operations Slipper/Bastille/Falconer/Catalyst to date?
- d) What is the projected cost of the 6 month extension of the deployment of the P-3C Orions to Iraq?
- e) On what date was HMAS *Melbourne* deployed to Operation Catalyst?
- f) On what date will the *Melbourne* return to Australia?
- g) What is the full cost of deploying HMAS *Melbourne* on this rotation?
- h) What is the breakdown of actual air traffic controllers and support personnel in the air traffic control contingent of 60 personnel?
- i) From which Australian bases have the actual air traffic controllers been drawn (please indicate numbers for each base)?

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- j) On what date was the air traffic control contingent originally expected to return to Australia?
- k) What is the projected cost of the extension to the air traffic control deployment?
- l) On what date was the air traffic control contingent first deployed to Iraq?
- m) What has been the cost of the air traffic controller deployment to date?

RESPONSE

- a) The disposition of Australian Defence personnel currently deployed on Operation Catalyst is detailed in the following table:

Element	Number Deployed	Iraq Based
Air Traffic Control detachment	58	Yes
AP-3C detachment	156	No
C-130 detachment	140	No
Coalition Military Assistance Training Team	7	Yes
Coalition Provisional Authority	4	Yes
Headquarters Combined Joint Task Force 7	26	Yes
Headquarters Joint Task Force 633	59	Yes
Iraq Survey Group	12	Yes
Liaison Officers	4	2 Yes, 2 No
Logistics and Communications	41	22 Yes, 19 No
Maritime detachment	234	No
Military Adviser to the Special Representative to the Secretary General	1	Yes
Multi-Nation Division – South East	7	Yes
Security Detachment	80	Yes
Temporary Liaison Officer to the Australian Representative Office	1	Yes

- b) 15 January 2003.
- c) The estimated net additional cost for the deployment of two P-3C Orions and support crews/equipment as part of Operations Slipper/Bastille/Falconer/Catalyst, including the costs yet to be incurred such as personnel, medical and re-training costs and equipment reconstitution and remediation costs, is \$64.2m.
- d) The estimated net additional cost for the six-month extension of the deployment of the P-3C Orions as part of Operations Slipper/Bastille/Falconer/Catalyst is \$21.9m.
- e) HMAS *Melbourne* sailed from Sydney on 27 October 2003, and departed Fremantle for the Middle East area of operations on 5 November 2003. The *Melbourne* arrived in the Middle East area of operations on 17 November 2003.
- f) HMAS *Melbourne* is currently scheduled to arrive in Sydney on 23 April 2004.
- g) Defence is funded for the net additional costs of operations. Net additional cost reflects the true cost to the taxpayer of undertaking new operations. The net additional cost for HMAS *Melbourne* in Operation Catalyst from 17 November 2003 to 29 February 2004 is \$3.0m. The estimated commitment to 1 April 2004 is \$1.6m with the total net additional cost of \$4.6m.
- h) 14 are air traffic controllers, with the remainder comprising 46 support personnel.

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- i) To date, 46 air traffic controllers have been deployed to the Middle East area of operations from the following bases:

Base	Personnel
RAAF Amberley	4
RAAF Darwin	7
RAAF East Sale	2
RAAF Edinburgh	9
NAS Nowra	1
Oakey	2
RAAF Pearce	5
RAAF Richmond	1
RAAF Tindal	3
RAAF Townsville	5
RAAF Williamtown	7

- j) Late October 2003 – six months after deploying.
- k) The estimated net additional cost for the six-month extension of the air traffic controllers, as part of Operations Bastille/Falconer/Catalyst, is \$7.1m.
- l) 29 April 2003.
- m) The estimated net additional cost for the twelve-month deployment of the air traffic controllers as part of Operations Bastille/Falconer/Catalyst, including the costs yet to be incurred such as personnel, medical and re-training costs and equipment reconstitution and remediation costs, is \$12.3m.

Operation Anode

QUESTION W13

Senator Evans

- a) Please provide a full breakdown of all Australian Defence personnel (military and civilian) currently deployed as part of Operation Anode. Please indicate numbers of personnel, and what element of the deployment they are attached to. Please also indicate when each element of the deployment is expected to return to Australia.
- b) What is the current breakdown by nationality of military personnel involved in the operation (ie how many personnel from Fiji/Tonga/PNG/NZ etc)?

RESPONSE

- a) The full breakdown of all Australian Defence personnel is contained in the following table (which is correct as at 1 March 2004). Personnel within the elements identified rotate regularly.

Australian Force Element	Service / Civilian	Number	Return to Australia
Headquarters	ADF Civilian	51 1	To be reviewed by the Government
Rifle Company	ADF	49	To be reviewed by the Government

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Force Support Squadron	ADF	113	To be reviewed by the Government
Air Detachment	ADF	67	To be reviewed by the Government
Communication Information Squadron	ADF	73	To be reviewed by the Government
Naval Detachment	ADF	67	To be reviewed by the Government
Engineer Element	ADF	44	To be reviewed by the Government
Health Support Element	ADF	46	To be reviewed by the Government
Visitors	ADF	10	3 April 2004
Total	ADF	520	
	Civilian	1	
	Total	521	

- b) The current breakdown of all military personnel by nationality involved in Operation Anode is contained in the following table (which is correct as at 1 March 2004).

Nation	Number
New Zealand	89
Tonga	41
Papua New Guinea	47
Fiji	41
Total	218

Outcome 2: Navy Capability

Operating Costs of Navy Platforms

QUESTION W15

Senator Evans

Please provide the daily, full cost recovery rate for the following Navy platforms:

Anzac-class frigate
Guided missile frigate
Minehunter coastal
Minesweeper
Amphibious heavy lift ship
Amphibious transport ship
Heavy landing craft
Fremantle-class patrol boat
Collins-class submarine
Seahawk helicopter
Seaking helicopter

RESPONSE

See response to Senate Question on Notice No. 343.

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Answers to questions on notice from **Department of Defence**

Use of Rydlyme

QUESTION W17

Senator Evans

- a) Does Navy use the cleaning product Rydlyme for any purpose? For what purposes is Rydlyme used?
- b) How is this product labelled? Is it labelled ‘non-hazardous, non-corrosive, non-toxic’? Does the label specify a Hydrochloric Acid content? If so, what is the percentage specified on the label?
- c) Do Navy personnel using Rydlyme treat it as a safe handling product?
- d) Is Navy aware of reports that its stores of Rydlyme may have been incorrectly labelled by the supplier?
- e) Is Navy aware of reports that the Rydlyme it uses may be 9.4% Hydrochloric Acid?
- f) If the Rydlyme used by Navy was 9.4% HCl, doesn't this mean it should be treated as a Class 8 Hazardous Substance?
- g) Why doesn't Navy treat Rydlyme in this way?
- h) Has Navy taken any action against the supplier of Rydlyme for incorrect labelling?
- i) Does Navy have any occupational health and safety concerns regarding the use of this chemical? Please specify those concerns.
- j) Do personnel using Rydlyme wear any form of protective equipment? If not, why not?
- k) Has Rydlyme been analysed by the Defence Science and Technology Organisation? What was the outcome of this analysis? Has any action been taken by Navy in response to the DSTO findings?
- l) Is Navy aware of any analyses of Rydlyme by any independent chemical laboratories? Has Navy taken any action in response to the findings of the independent testing?
- m) Is Navy aware that concerns regarding its use of Rydlyme have been referred to Workcover NSW? What has Navy done in response to the concerns of Workcover?
- n) How does Navy dispose of Rydlyme that has been used on its ships? Has Rydlyme ever been disposed of through the bilges of ships?

RESPONSE

- a) The product Rydlyme is used for cleaning scale and biological fouling from seawater piping systems and other equipment in Navy vessels.
- b) Rydlyme carries the original United States supplier's international labels and is marketed internationally as non-hazardous, non-corrosive, non-injurious and non-toxic. Both the current Chemwatch material safety data sheet and Rydlyme advertising material report the concentration of hydrochloric acid as 0.1 to 0.4 per cent. However, the product's material safety data sheet classifies it as a ‘Class 8 Hazardous Substance’ requiring special handling.
- c) Navy personnel do not treat Rydlyme as a ‘safe handling product’. The material safety data sheet that accompanies the product identifies it as a ‘Class 8 Hazardous Substance’ and advises the use of gloves and safety goggles. These handling instructions were reinforced to Navy personnel in October 2003 with the additional requirement that breathing apparatus be used, which was a temporary measure, subject to further testing. This additional requirement was rescinded in November 2003.

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- d) The Navy was made aware through an independent laboratory report that Rydlyme may have been incorrectly labelled by the supplier and, accordingly, requested that the product be analysed by the Defence Science and Technology Organisation in order to determine appropriate storage and handling procedures.
- e) The Navy became aware in October 2003 that independent analysis of Rydlyme had determined that it contained 9.4 per cent hydrochloric acid and confirmation testing by the Defence Science and Technology Organisation was requested.
- f) Rydlyme is treated as a 'Class 8 Hazardous Substance' and personnel have been advised accordingly.
- g) See responses to parts c) and f).
- h) The incorrect labelling of Rydlyme has been brought to the attention of the supplier, Apex Engineering Products, by letter and the supplier has been requested to confirm the product's composition and to amend the labelling.
- i) Hazardous materials are used in a number of applications across the ADF. However, the risk to personnel and the environment is mitigated to as low as reasonably practicable with documented procedures, relevant training and the use of correct personal protective equipment.
- j) Personnel using Rydlyme are required by the material safety data sheet to use PVC gloves and safety glasses with side-visors. While the product was being tested by the Defence Science and Technology Organisation in October 2003, a requirement to use breathing apparatus was put in place.
- k) Following advice of independent testing that determined that the advertised concentration of hydrochloric acid was incorrect, the Defence Science and Technology Organisation conducted confirmatory analysis of the product in November 2003, which found it to contain approximately 9 per cent hydrochloric acid. The supplier has been requested to take action based on the Defence Science and Technology Organisation findings including amending the labelling.
- l) The Navy was alerted to the composition of Rydlyme by an independent laboratory report and, on the basis of that report, sought further testing of the product, issued instructions on handling the product and contacted the supplier.
- m) The Navy is aware that concerns regarding the use of Rydlyme have been referred to Workcover NSW. Workcover has not yet communicated these concerns to the Navy.
- n) The material safety data sheet requires that Rydlyme be disposed of by employing recirculation and holding tank methods. There is no reason to believe the product is not disposed of in this manner.