

Foreign Affairs, Defence and Trade Legislation Committee

ADDITIONAL INFORMATION RECEIVED
BUDGET ESTIMATES 2002-2003

Defence portfolio – Department of Defence

Volume 1

October 2002

**Foreign Affairs, Defence and Trade
Legislation Committee**

**Examination of
Budget Estimates
2002-2003**

Additional information received

Volume 1

DEFENCE PORTFOLIO

(Department of Defence)

October 2002

Information relating to additional Estimates 2002 – 2003

Examination of expenditure for the Defence portfolio

DEPARTMENT OF DEFENCE

**Clarification of answers given at
Additional estimates 202 – 2003; June 2002** Page
no

Correspondence from Lloyd Bennett, Chief Finance Officer, concerning Question on Notice W6(f) from the Committee's consideration of the 2001-02 additional estimates on 20 and 21 February 2002. The question related to *Strengthening Australia's Defence*. 1

PORTFOLIO OVERVIEW

Ques no	Senator		
1	Evans/ Hogg	Rates of Return for Cash Holdings in the Reserve Bank	2

CAPABILITY DEVELOPMENT

W1	Evans	Air Warfare Destroyer Study	3
W2	Evans	Anzac Warfighting Improvement Program	4
W3	Evans	Australian Services Cadet Scheme	5
W4	Evans	Sea 1448 Project – Anti-Ship Missile Defence	7

BUDGET SUMMARY & FINANCIAL STATEMENTS

2	Evans	Enhanced Protective Security Budget Measure	8
3	Evans/ Hogg	Funding for the Tactical Assault Group and the Incident Response Regiment	9
20	Evans	Proceeds of Defence Property Sales to the Government	10
21	Evans	Value of Defence Property Sales in 2001-02	13
W5	Evans	\$150 million in Delayed Projects	14
W6	Evans	\$15 million Unaccounted For	16
W7	Evans	\$21 million in Cancelled Projects	17
W8	Evans	Administration of the GST	19
W9	Evans	Breakdown of Budget Figures	20
W10	Evans	Capital Use Charge	21
W11	Evans	Civilian Numbers	22
W12	Evans	Consultants and Contractors	24
W13	Evans	Cost of Operations	25
W14	Evans	Costs of Permanent Personnel	27
W15	Evans	Daily Cost of Platforms	29
W16	Evans	Defence Committees	31
W17	Evans	Defence Groups	50
W18	Evans	Future Funding Estimates	52
W19	Evans	Indexation of the Defence Budget	53
W20	Evans	Inventories	54
W21	Evans	Loans	55
W22	Evans	Output Breakdown of Budget figures	56

W23	Evans	Performance Measures	57
W24	Evans	Proceeds from Asset Sales	58
W25	Evans	Proportion of GDP 2.	59
W26	Evans	Rebasing of Group Budgets	60
W27	Evans	Repayments of Debt	61
W28	Evans	Results of the Defence Reform Program (DRP)	62
W29	Evans	Savings Measures	63
W30	Evans	Savings to Offset the Costs of Current Operations	64
W31	Evans	Units and Establishments	66
W32	Evans	Variation to the 2001-02 Budget	76
W33	Evans	White Paper Funding	78
W34	Evans	Write-Down of Assets	79
CAPITAL BUDGET ITEMS			
4	Evans	Commuting Arrangements in the Defence Materiel Organisation	80
5	Evans	Super Seasprite Helicopters	81
19	Colins	Policy on Granting of Indemnities to Contractors	82
W35	Evans	Action Taken by Defence for Delays	83
W36	Evans	Air 87 Project	84
W37	Evans	Ammunition Usage	86
W38	Evans	Australian Industry Involvement (AII)	88
W39	Evans	Delayed Projects	95
W40	Evans	Sea 1429 – Replacement Heavy Weight Torpedo	99
W41	Evans	Seasprite Helicopters	100
W42	Evans	Working Papers on Industry Restructuring	102
W43)	Evans	Asset Sales	106
W44	Evans	Bradshaw Field Training	107
W45	Evans	Facilities Projects	108
W46	Evans	Future Use of Bases	109
W47	Evans	Relocation of Headquarters Australian Theatre	113
DEFENCE OUTPUTS			
OUTPUT 1: DEFENCE OPERATIONS			
6	Evans	Additional Funding for the War Against Terrorism	114
7	Evans	Cost of the War Against Terrorism	115
8	Evans	Additional Funding for Increased Coastal Surveillance	116
9	West	Claims Against the United Nations for East Timor Deployment	117
10	Evans	Budget Estimate for East Timor Deployment	118
W48	Evans	Categories of Operations	119
OUTPUT 2: NAVY CAPABILITIES			
W49	Evans	Inquiry into Disappearance of Seaman Gurr	122
W50	Evans	Navy Reserves	123
W51	Evans	Portable Sound Projection Equipment	124
OUTPUT 3: ARMY CAPABILITIES			
11	West	Female Separation Rate for Army Aviation Units	125
12	West	Gender Split on Referrals to Service Psychology Units	126
13	West	Single Female Postings to Army Aviation Units	127
14	Evans	Use of Hand Grenades in East Timor	128

15	Hogg	Purchases of Gym Equipment	129
W52	Evans	Army Reserves and General Reserves Questions	130
OUTPUT 4: AIR FORCE CAPABILITIES			
16	Evans	Full-Cost Recovery Rate for F-111	134
W53	Evans	F-111s	135
W54	Evans	Introduction of Hawks at Williamtown and the Salt Ash Weapons Range (SAWR)	136
W55	Evans	Virgin Blue Training RAAF pilots	144
OUTPUT 6: INTELLIGENCE			
W56	Evans	Extra Money in Budget for Intelligence Services	145
W57	Evans	Security Clearances in Defence	147
BUSINESS PROCESSES			
INSPECTOR GENERAL			
17	Collins	Investigation of Facilities Management at HMAS Cerberus	149
W58	Evans	Management Audit Branch	150
PUBLIC AFFAIRS			
W59	Evans	Defence Public Affairs	151
CORPORATE SERVICES			
18	Collins	SSL Asset Services Contract At HMAS Cerberus	152
W60	Evans	Litigation between Bill Wodrow and the Commonwealth	154
W61	Evans	Military Justice	155
PEOPLE			
DEFENCE PERSONNEL			
W62	Evans	Compensation	157
W63	Evans	Honours and Awards	165
W64	Evans	Imposter living at ADFA for 4 months in 2002	166
W65	Evans	Personnel Management –Addressing Recruitment and Retention	167
W66	Evans	Personnel Numbers – Size of Permanent Force	169
W67	Evans	PMKeyS	171
W68	Evans	Re: Response to Question W36 from February 2002 Additional Estimates Hearing	174
W69	Evans	Targets for Permanent Personnel	176
W70	Evans	Trial of Manpower	178
W71	Sherry	Military Superannuation Funds	179

DEFENCE HOUSING AUTHORITY

Ques no	Senator		Page no
1	Evans	Defence housing requirement forecast to 2004/2005	180
2	Evans	Past defence housing requirements	180
3	Evans	Statistics on ADF home ownership	180
4	Evans	DHA occupancy rates	180
5	Evans	Locations of DHA unoccupied homes	181
6	Evans	Reasons for being unoccupied	181
7	Evans	Occupancy rates of leased DHA properties	181
8	Evans	Locations of DHA leased and unoccupied homes	181
9	Evans	Reasons for leased DHA homes being unoccupied	181
10	Evans	Numbers of DHA homes leased and owned	182
11	Evans	DHA homes sold in 2002-03	182
12	Evans	Timeframe for reduction of homes owned by DHA	182
13	Evans	Membership of DHA scoping body for sale of DHA assets	182
14	Evans	Scoping study terms of reference	182
15	Evans	State-by-state breakdown of DHA properties (1997-2005)	183
16	Evans	Modifications to privately owned homes	184
17	Evans	Payment for cost of modifications	184
18	Evans	Recovery of DHA expenditure on leased homes	185
19	Evans	2002-03 maintenance budget for Community Centres	185
20	Evans	Community Centres at Duntroon and Darwin	185
21	Evans	Asbestos and Community Centres	185
22	Evans	Action on asbestos problem	185
23	Evans	Problems referred to on page 24 of PBS	186
24	Evans	Complaints to DHA from service families re page 24 of PBS	186
25	Evans	Quality of service measures for relocation process	186
26	Evans	Operation of removals outsourcing/tender	186
27	Evans	Ownership of outsourcing contract	187
28	Evans	Terms of outsourcing contract	187
29	Hogg	Increase of assets and liabilities in forthcoming budget year	187
30	Hogg	Actual number of houses provided by DHA	187
31	Hogg	Breakup of DHA ownership and lease-back arrangements	187
32	Hogg	Breakdown of DHA properties to be sold	188
33	Hogg	Occupancy rates of DHA owned homes	188
34	Hogg	Scoping study and timeframe	188
35	Hogg	Cost of ADF relocations within Australia for 2001-02	188
36	Hogg	Cost of Darwin air-conditioning project	189
37	Hogg	Increase of maintenance costs to \$36.6m	189
38	Hogg	Scoping study and consultations	189

CFO/22/2002

14 August 2002

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

Dear Mr Holmes


I write to correct a response Defence gave to the Senate Legislation Committee concerning Question on Notice W6(f) from the committee's consideration of the 2001-02 additional estimates on 20 and 21 February 2002. The question related to whether the figures in the Coalition's 2001 election policy document, *Strengthening Australia's Defence*, were the same funding figures that existed within Defence for the period 2001-02 to 2010-11 and whether those figures were publicly available prior to the 2001 election.

In its response, Defence stated that the figures were included in the Portfolio Budget Statements 2001-02 in the budget measures table on page 19. This statement was only partially correct. The Defence White Paper funding figures provided in the table on page 19 of the budget statements was for the budget year and the forward estimates only; they did not extend through to 2010-11. Funding amounts for force generation, which begins in 2004-05, also were not reflected in the table.

The Committee might note that a ten-year view of Defence funding was provided in response to Question on Notice 2 from the February 2001 additional estimates hearing.

There was no intention to mislead the committee and I apologise for any misunderstanding.

Yours sincerely



Lloyd Bennett
Chief Finance Officer

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Rates of Return for Cash Holdings in the Reserve Bank
QUESTION 1

SENATOR: EVANS/HOGG

HANSARD: Pages 29-31, 59

In relation to cash invested with the Reserve Bank:

- a) Please provide an indicative list of rates paid for the range of periods that funds are invested.
- b) Please explain why estimated revenue from interest and dividends is substantially lower in 2002-03 than in 1999-2000 and 2000-01.

RESPONSE

- a) The rates of interest paid for amounts invested with the Reserve Bank of Australia under the Agency Banking Framework Incentive Scheme, for two selected dates, are as follows:

Maturity	18 June 2002 %	19 December 2001 %
Overnight	2.00	2.00
7 to 30 days	4.70	4.20
31 to 60 days	4.70	4.24
61 to 90 days	4.83	4.15
91 to 120 days	4.89	4.14
121 to 150 days	4.95	4.14
151 to 180 days	5.01	4.13
181 to 210 days	5.06	4.13
211 to 240 days	5.10	4.12
241 to 270 days	5.15	4.12
271 to 300 days	5.19	4.12
301 to 330 days	5.24	4.11
331 to 365 days	5.28	4.11
Overdraft	-5.95	-5.95

- b) The estimated revenue from interest and dividends is lower partly because of lower prevailing interest rates at the time the 2002-03 estimate was prepared. Additionally, the amount of interest reported in 1999-2000 and 2000-01 included interest on overseas bank accounts which was subsequently returned to government and is now recorded as *administered* receipts (ie. receipts not retained by Defence). This overseas interest, therefore, is not included in the *departmental* estimate for 2002-03 interest earnings. The interest on overseas bank accounts was \$3.98m for 1999-2000 and \$5.93m for 2000-01.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Air Warfare Destroyer Study

QUESTION W1

- a) What is the purpose of this study?
- b) What will be the cost of this study?
- c) What is the scheduled timeline for this study? That is, when are major steps expected to be completed?

RESPONSE

- a) While Phase 1 of Project SEA 4000 (Air Warfare Destroyer) is called the study phase, there are a number of concurrent activities during the phase of which the study activities are one. The air warfare destroyer study activities will address personnel issues, logistics support, risk and industry arrangements. The purpose of the study activities is to define functional requirements of the combat system and other platform aspects.
- b) The total cost of Phase 1 will be \$35m, spread over three years.
- c) These cannot be provided until Cabinet has given final approval to this phase of the project.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Anzac Warfighting Improvement Program
QUESTION W2

The Capability Plan mentions the cancellation of the Warfighting Improvement Program (see page 259).

- a) When was this Program approved and announced? Can a copy of the announcement be provided.
- b) What was the approved budget for this Program?
- c) What was intended scope of this program? What improvements to the Anzac was it intended to provide? What threats was the Program intended to provide defence against? What scale of defence was the Program intended to provide?
- d) When in 1999 was the Program cancelled? Why was it cancelled?

RESPONSE

- a) The program was not approved.
- b) There was no approved budget.
- c) The program was intended to improve the survivability of the Anzac frigates against regional anti-ship missiles by providing an air superiority and air denial capability. The improvements planned included installation of additional vertical launch missile cells, addition of a surface to air missile capability and replacement of the existing surveillance and fire control radars.

The program was to provide capabilities allowing effective joint task force operations. The proposed capabilities were to engage aircraft at extended ranges, thereby denying them freedom to use the air environment, deny targeting information, engage anti-ship missiles attacking the ship and other ships in company, engage attacking aircraft, protect other ADF assets such as airborne early warning and control and P-3C aircraft, and control combat air patrol aircraft effectively at long range.
- d) The program was cancelled in September 1999. The capability options did not represent value for money in light of the limited weapon capacity of each ship under the project, the number of ships able to be upgraded for the proposed funding, the cost, schedule and technical risks, and the timing of the initial operational capability not being realised.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Australian Services Cadet Scheme
QUESTION W3

PBS p.104 identifies in People Matter Priorities in 2002-03: "*Further enhance the Australian Defence Force Cadets...*"

- a) What specific programs will this enhancement fund? What is the timetable for these programs? Are these programs designed to increase the number of new participants in the cadet scheme?
- b) How is funding broken up between the different cadet services? (i.e Army, Air Cadets, Navy) What is the state-by-state breakdown for cadet funding?
- c) Will Cadets receive a funding increase this year? What is the total funding for 2002-03? What has been the total funding for cadets for each of the past 5 years?
- d) How many cadets are currently in the scheme? On a state-by-state basis? How many cadets in the scheme for each of the past 5 years? On a state-by-state basis?
- e) Is one of the aims of the cadet scheme to increase ADF recruitment through exposure to the services? How is effectiveness in achieving this aim measured?

RESPONSE

- a) The Australian Defence Force Cadet Enhancement Program is an ongoing program covering a range of initiatives. The program is aimed at improving the experiences and opportunities for young men and women who choose to join the cadets. There is no intention to increase overall numbers of cadets at this stage. Initiatives for 2002-03 under the program include:
 - a detailed analysis of the cost of accepting responsibility for cadet accommodation, where cadet units request this support, with a report to the Minister for Defence and the Parliamentary Secretary. An audit and survey of all cadet accommodation is currently being carried out and should be completed by mid-July. A report is to be provided to the Parliamentary Secretary and the Minister in August 2002;
 - the provision of a new, dedicated computer network - CadetNet - to link all units via the internet in order to enhance administrative support and information access. The network is planned to be operational by the end of 2002;
 - a tri-Service cadet occupational health and safety management policy and procedures manual which is planned to be issued in September 2002;
 - establishment of projects to enhance participation of indigenous youth in cadets;
 - improved arrangements for the ongoing provision of uniforms and equipment;
 - enhanced military-like training activities, including the voluntary handling and firing of military firearms under ADF supervision and with parental permission;
 - development of a strategic human resources plan and a code of responsibilities for staff;
 - establishment of a cadet forum to enable cadets to have a greater say in the management and shape of their programs;
 - continuing work on national accreditation of cadet and staff training;
 - creation of a cadets council to promote community support for the cadets nationally;

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- the appointment of regional coordinators to foster increased regional collaboration among cadet units, and to assist with implementing the enhancement program; and
 - an external overview team appointed to provide independent advice on the implementation program will report to the Parliamentary Secretary and the Minister in July/August and December 2002.
- b) Total funding is \$30m per annum. The breakdown between service budgets (\$24m) is \$4.7m for the Navy, \$12.5m for the Army and \$6.8m for the Air Force. Funding for the cadet enhancement program (\$6m) is managed centrally. Total funding for the cadets is not available on a state-by-state basis.
- c) \$3.1m of the \$6m for the cadet enhancement program for 2001-02 has been rolled over to 2002-03. Total funding for cadets in 2002-03 is \$33.1m. Funding for the four years prior to 2001-02 is not available as cadet funding was not identified separately within Group budgets.
- d) There are currently 26,366 Navy, Army and Air Force cadets. A breakdown of cadets by corps and state since 2001 is shown below. There was no national system of record keeping of cadet numbers prior to the establishment of the Directorate of Defence Force Cadets in 2001 and accurate data prior to then is unavailable.

AUSTRALIAN DEFENCE FORCE CADETS – CADET NUMBERS 2001-2002 ⁽¹⁾

	QLD	NSW/ACT	VIC	TAS	SA	WA	NT	Total
2001								
Navy	720	514	413	250	208	440	33	2,578
Army	3,070	6,994	3,295	384	556	1,488	104	15,891
Air Force	2,118	1,720	1,392	268	859	878	162	7,397
Total:	5,908	9,228	5,100	902	1,623	2,806	299	25,866
2002								
Navy	760	508	418	218	226	474	22	2,626
Army	3,774	6,598	3,685	312	605	1,359	128	16,461
Air Force	1,954	1,824	1,308	277	869	881	166	7,279
Total:	6,488	8,930	5,411	807	1,700	2,714	316	26,366

Note ¹⁾ Current year figures for Navy and Air Force are as at 31 May 2002. Figures for Army are as at 31 March 2002.

- e) Yes. A survey of the 2002 entrants to officer training in the single-Service colleges and the Australian Defence Force Academy found 24 per cent of the total entry group were former cadets.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Sea 1448 Project – Anti-Ship Missile Defence

QUESTION W4

- a) Can Defence confirm that this project was due to be approved in 2001-02, as indicated in the Capability Plan?
- b) Has this project been delayed? If so why?
- c) When is this project scheduled to be completed in 2007?
- d) When are tenders likely to be released on this project?

RESPONSE

- a) Sea 1448 Phase 2 was originally foreshadowed for approval in 2001-02.
- b) Project approval has subsequently been deferred to 2002-03 to enable comprehensive assessment of cost and capability options. This is not expected to result in any slippage to the in-service date.
- c) The project is not scheduled for completion in 2007. The scheduled in-service date for the first ship is 2007.
- d) Requests for tender were issued on 12-14 March 2002. Responses have been received and are being assessed.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Enhanced Protective Security Budget Measure
QUESTION 2

SENATOR: EVANS

HANSARD: Page 41-42

- a) Please provide a breakdown of the \$27.9m in expenses being spent on additional protective security measures in 2002-03.
- b) How does Defence determine whether it uses the Australian Protective Service or a private security firm for guarding services?

RESPONSE

- a) The following table presents a breakdown of the \$27.9m in expenses.

Description	Allocation (\$m)
Suppliers' Expenses – maintenance of heightened security level, including guarding costs, enhancements resulting from security stocktakes and signage.	25.5
For guarding at Russell Offices, Pine Gap and Exmouth – to be transferred to Corporate Support and Infrastructure Group.	1.0
Depreciation.	1.0
Employee expenses – Reserves for security support at RAAF bases as a result of deployments to the war against terrorism.	0.4
TOTAL	27.9

- b) As a part of a Government mandate, Defence is required to use the Australian Protective Services at a small number of sites, currently Russell Offices in Canberra, Pine Gap and Exmouth. Guarding services at all other establishments are determined as a part of Defence's competitive tendering process.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Funding for the Tactical Assault Group and the Incident Response Regiment
QUESTION 3

SENATOR: EVANS/HOGG

HANSARD: Page 66

Please provide a breakdown of the additional funding for the Tactical Assault Group and the Incident Response Regiment on an Australian Accounting Standards (Table 1.1) rather than the Government Financial Statistics basis provided in the 2002-03 Budget Measures.

RESPONSE

The breakdown of the funding measures for the enhancement of Defence's tactical assault and incident response capabilities on an Australian Accounting Standards basis is:

Tactical Assault

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
Employees	3.6	-	-	-
Suppliers	4.0	15.3	24.0	33.4
Purchase of specialist military equipment	25.0	22.6	4.8	-
Purchase of other property, plant and equipment	0.5	24.0	37.5	24.7
Total	33.1	61.9	66.3	58.1

Incident Response

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
Suppliers	16.0	18.0	17.0	19.0
Purchase of specialist military equipment	2.0	3.0	5.0	5.0
Purchase of other property, plant and equipment	0.5	11.2	17.4	6.9
Total	18.5	32.2	39.4	30.9

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Proceeds of Defence Property Sales to the Government

QUESTION 20

SENATOR: EVANS

HANSARD: Page 277

What proceeds has Defence returned to the Government in respect of property sales over the last few years?

RESPONSE

Please refer to the answer to House of Representatives Question on Notice No. 439. (Following Page)

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Question on Notice: Defence: Asset Sales

Defence: Asset Sales [start page 5280]

(Question No. 439) Mr Beazley asked the Minister representing the Minister for Defence, upon notice, on 30 May 2002:

(1) What has been budgeted for, and what outcomes achieved, from the sale of Defence assets in each Budget from 1996-97 to date.

(2) What is budgeted for in 2002-2003.

(3) In which years has Defence been permitted to retain a proportion of the value of the sales.

(4) What was the anticipated return to consolidated revenue in each Budget.

(5) What was the actual return.

Mrs Vale — The Minister for Defence has provided the following answer to the honourable member's question:

(1) The budgeted plan and subsequent cash proceeds relating to sales over this period are provided in the Portfolio Budget Statements, Portfolio Additional Estimates Statements and Defence Annual Reports relating to those years.

(2) Total forecast cash proceeds from asset sales (including property) in the 2002-03 year are \$699.8 million.

(3) For the period 1996-97 to 1999-2000 Defence operated under a regime whereby it could retain any asset sale proceeds up to a ceiling set at 1% of its total funding envelope.

Defence was permitted to retain the benefit of all its sale activity over the period 1996-97 to 1999-2000 as these proceeds were under the threshold. While the budgeting framework in place over this period did not permit re-spending of funds that were not technically appropriated, the proceeds were used in negotiating Defence's 'net' call on Government resources.

In 2000-01, the 1% ceiling approach was modified to reflect the significant planned property disposal program arising from the Joint Defence/Department of Finance and Administration property review. The proceeds from a subset of the property sales program were to be returned in entirety to consolidated revenue, another subset retained by Defence and, for the remainder, Defence was permitted to retain proceeds from its ongoing asset sales activity (subject to the 1% ceiling).

In 2001-02, it was agreed that Defence could retain a specific targeted amount reflecting the planned property and Information Technology asset disposal program.

In 2002-03, the defined target for return to the Official Public Account is \$659.5 million from the sale of Defence owned properties. Any sale proceeds exceeding this amount can be retained by Defence.

(4) Over the period 1996-97 to 1999-2000, in line with the 1% retention rule, no returns of sale proceeds from the asset sales program were forecast in the preparation of estimates as proceeds were below the threshold.

For the 2000-01 and 2001-02 financial years returns to consolidated revenue at the Additional Estimates time were forecast at \$480.2 million and \$71.7 million respectively. The anticipated return to consolidated revenue in the 2002-03 Budget is \$659.5 million.

(5) As noted above no returns for the period 1996-97 to 1999-2000 were forecast, and no actual payments made, in line with the funding arrangements of those years.

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

No payments were made to the Official Public Account in 2000-01 due to two factors. Firstly elements of the sales program were re-phased into future years with Government approval. Secondly, the sale proceeds of two significant properties (Defence Plaza buildings in Sydney and Melbourne) were paid directly to the Department of Finance and Administration by the purchaser and did not pass through the Defence financial accounts.

In 2001-02, receipts of \$97.2 million relating to the sale of the Hydrographic Office in Wollongong, NSW, Rockbank in Melton, Victoria and Campbell Park in the ACT, have been returned to Government.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Value of Defence Property Sales in 2001-02

QUESTION 21

SENATOR: EVANS

HANSARD: Page 279

What are the proceeds of property sales in 2001-02?

RESPONSE

The proceeds of the property sales received in 2001-02 totalled \$150.6m.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

\$150 million in Delayed Projects

QUESTION W5

Which projects have been affected by the decision to delay \$150 million in capital equipment projects in 2002-03? It was indicated that there was one major project that was delayed and a number of smaller delays. Indicate the name of each of the projects and the value saved by its delay.

RESPONSE

Please refer to the answer to Senate Question on Notice No. 334. (Following Page)

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Question on Notice: Defence: Capital Projects

Defence: Capital Projects

(Question No. 334) [Senator Chris Evans](#) asked the Minister for Defence, upon notice, on 20 May 2002:

(1) Can the Minister confirm that in the 2002-03 Defence Budget \$150 million of capital projects were deferred into the 2003-04 financial year.

(2) Can a list be provided of the capital projects affected by this decision.

(3) For each project, can the following information be provided: (a) the name of the project; (b) a brief description of the project; (c) the savings gained by the delay; (d) the extent of the delay, for example 12 months; (e) whether a contract had been signed with a contractor for this project; (f) if a contract has been signed, the name of the organisation that has been contracted; and (g) if a contract has not been signed, the stage the project has reached (for example, tender released, tender chosen).

(4) If there are projects where a contract has been signed, can the Minister indicate how the delay will be allowed under the contract and whether there is any cost arising to the Commonwealth as a result of the delay.

(5) If there are projects where a successful bidder has been chosen, can the Minister indicate whether the Commonwealth will be liable, given the expectations of the bidder, for any damages because of the delay.

[Senator Hill](#) —The answer to the honourable senator's question is as follows:

(1) Yes.

(2) and (3) Defence has undertaken an initial assessment of the indicative measures that would be required to accommodate this re-scheduling of expenditure. These indicative measures involve changes to the expenditure spreads of a number of not yet approved major capital equipment projects. It is departmental policy that detailed advice on spend spreads not be made publicly available for projects that are yet to go to contract.

(4) and (5) The re-scheduling of capital expenditure from 2002-03 to 2003-04 will not affect any major equipment projects that are already in contract, or that have completed the tender selection stage.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

**\$15 million Unaccounted For
QUESTION W6**

The recent ASPI Defence Budget Brief identifies a \$15 million funding adjustment that was not reported in the 2002 Budget paper.

Can Defence explain what this \$15m adjustment was? Why wasn't it reported in the Budget paper?

RESPONSE

The \$15m adjustment reflects other cash receipts returned to Government. This was not a funding adjustment, but an adjustment arising from previous estimates of non-property sales. Accounting adjustments of this nature are generally not addressed individually in the portfolio budget statements. The \$15m is reflected in the cash flow statement on page 62 of the *Portfolio Budget Statements 2002-03* and is summarised as follows:

	2002-03 Previous Estimate \$m	2002-03 Budget Estimate \$m	Variance \$m
Proceeds from the sale of property plant and equipment	868.8	699.8	-169.0
Capital withdrawal	775.5	659.5	-116.0
Total	-93.3	-40.3	-53.0

The total variance of \$53m is a result of two influences: a \$38m shortfall in non-property receipts and an amount of \$15m in other cash receipts returned to Government.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

\$21 million in Cancelled Projects

QUESTION W7

Which projects have been affected by the decision to cancel \$21 million in capital equipment projects in 2002-03? Indicate the name of each of the projects and the value saved by its cancellation.

RESPONSE

Please refer to the answer to Senate Question on Notice No. 335. (Following Page)

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Question on Notice: Budget: Defence Equipment

Budget: Defence Equipment

(Question No. 335) Senator Chris Evans asked the Minister for Defence, upon notice, on 20 May 2002:

(1) Can the Minister confirm that in the 2002-03 Defence Budget \$21m of military equipment purchases were cancelled.

(2) Can a list be provided of the purchases cancelled.

(3) For each purchase, can the following information be provided: (a) the name of the purchase; (b) a brief description of the purchase; (c) the savings gained by the cancellation; (d) the impact of the cancellation on Australian Defence Force capability; (e) whether a contract had been signed with a contractor for this purchase; (f) if a contract has been signed, the name of the organisation that has been contracted and their location; and (g) if a contract has not been signed, the stage the purchase has reached (for example, tender released, tender chosen).

(4) If there are purchases where a contract has been signed, can the Minister indicate how the cancellation will be allowed under the contract and whether there is any cost arising to the Commonwealth as a result of the cancellation.

(5) If there are purchases where a successful bidder has been chosen, can the Minister indicate whether the Commonwealth will be liable, given the expectations of the bidder, for any damages because of the cancellation.

Senator Hill —The answer to the honourable senator's question is as follows:

(1)-(5) \$21 million of military equipment purchases were not cancelled in the 2002-03 Defence Budget.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Administration of the GST
QUESTION W8

- a) In 2000-01 how much GST was paid by Defence? How much was refunded to Defence for these payments? Was Defence fully reimbursed for the cost of the GST in 2000-01?
- b) What is Defence projected to pay in GST for 2001-02? How much is Defence projected to be refunded for these payments?
- c) Is there any uncertainty over the payment of GST in relation to transactions in Defence?
- d) Has the ATO raised any concerns or issues in relation to the administration of the GST in Defence? If so, what concerns or issues were raised?
- e) How much did the administration of the GST cost Defence in 2000-01? Was Defence reimbursed for this cost?

RESPONSE

- a) Defence remitted \$16m in GST to the Australian Tax Office (ATO) on goods and services supplied by Defence in 2000-01. While none of this amount was refunded by the ATO, Defence passed all these costs on to purchasers of its goods and services.

Payments by Defence for services, supplies and assets purchased in 2000-01 incorporated \$776m in GST passed on to Defence. While this amount was fully refunded to Defence by the ATO as input tax credits, GST paid on June 2001 purchases (\$101m) was not refunded until July 2001.
- b) Defence has projected that it will collect and remit \$18m in GST on goods and services supplied by Defence in 2001-02.

Defence has projected that the cost of services, supplies and assets provided to Defence in 2001-02 will incorporate \$719m in GST. Defence expects that this amount will be refunded as input tax credits from the ATO.
- c) No. Defence has various guidance and control mechanisms in place, including a dedicated GST technical and compliance team, a continuous quality assurance program, and regular staff education and training sessions. Clarification on technical issues is also sought from the ATO as and when required.
- d) No.
- e) The cost of GST specific administration in Defence was in the order of \$1m in 2000-01. Defence was not reimbursed for this cost.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Breakdown of Budget Figures

QUESTION W9

For the years 2001-02 and 2002-03 can the projected breakdown for the items Employees and Suppliers be provided, along the same lines as the breakdown provided in the 2000-01 Annual Report.

RESPONSE

No. The notes to the financial statements in the annual report outline detailed and audited breakdowns of sub-categories within employee and suppliers' expenses required by the *Financial Management and Accountability Act 1997*. Defence develops its budgeted estimates for employee and suppliers' expenses, as well as other items in the operating statement, at the line-item level only.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Capital Use Charge
QUESTION W10

- a) Can Defence indicate the value of assets used as the basis for the calculation of the capital use charge in the years 1999-00 to 2005-06, as projected in the Budget.
- b) What assets are included in this value, military equipment, land and building, infrastructure, vehicles?

RESPONSE

- a) Budget projections of capital use charge are based on the net assets position shown in the Budgeted Statement of Financial Position (or the Budgeted Statement of Assets and Liabilities for the years prior to 2001-02) in the portfolio budget statements and portfolio additional estimates statements pertaining to each budget year.
- b) The net assets position is derived from all items classified as assets according to accounting principles (including cash, receivables, land and buildings, infrastructure, plant and equipment, inventories, intangibles and other non-financial assets), offset by any existing liabilities.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Civilian Numbers
QUESTION W11

- a) Why have civilian numbers in Defence continued to grow since 2000? Is this growth expected to continue?
- b) Why is 'civilianisation' occurring in Defence? In particular, why are military personnel being converted to civilian workers, given the current high operational tempo and shortfalls in military personnel?
- c) Is civilianisation a managed or deliberate policy, or simply a phenomenon that is occurring as a matter of fact and has been accordingly granted a descriptive label? What does it mean? Please provide a copy of any relevant policy.
- d) Are there any 'target' numbers for civilians into the future? If so, what are they? If not, why not?
- e) Is civilianisation going to continue?
- f) Please confirm how many civilians across Defence were retrenched during or after the Defence Reform Program, and subsequently rehired?
- g) Of these rehired people, how many (or what proportion) were rehired:
 - i. as consultants;
 - ii. on short-term contracts;
 - iii. as permanent public servants, etc?

RESPONSE

- a) Reasons for the growth are outlined at page 107 of the *Portfolio Budget Statements 2002-03* and page 90 of the *Portfolio Additional Estimates Statements 2001-02*.
- b) The rationale for civilianising a military position is a recognition that, where there is no requirement to retain a particular military position for an ADF preparedness requirement, it is usually more cost effective to either employ a civilian in that role or to contract the service to industry under commercial support arrangements. The military position is not abolished; rather, it is redirected to more critical areas of the ADF. The positions that have been civilianised have generally been positions in non-operational support areas that do not require any particular military skills.
- c) Civilianisation is a managed process. The overriding policy basis is the efficient, effective and ethical use of resources. Defence is currently undertaking an internal review of the way in which civilianisation is managed and applied, with a view to providing more specific guidance to managers.
- d) There is currently no specific targeted strength for the civilian workforce as its size is dependent on the level of activity required rather than being a defining variable in itself. Growth in civilian staffing levels will be limited to new initiatives directed by the Government, Defence initiatives that will be fully offset within Defence funding levels and the civilianisation of military positions.
- e) While the number of positions being civilianised is now relatively small, where there is a benefit to Defence and the ADF from civilianising a particular position, then it remains an option.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

f & g) If an employee accepts redundancy, then they are not permitted to re-enter the Commonwealth workforce for a period of twelve months as an employee. The same restriction applies to the undertaking of short-term employment contracts for that period. With regard to engagement of a redundant employee as a consultant, no contractual or legal restrictions are placed on this arrangement. Data on re-hiring rates is not collected.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Consultants and Contractors
QUESTION W12

- a) What amount is allocated in the Budget for both 2001-02 and 2002-03 to be paid to:
- i. Consultants; and
 - ii. Professional service providers?
- (Please show the figures for these two types of contractors separately).
- b) What was the highest amount paid to an individual consultant or consultancy firm in 2000-01 and 2001-02? What service/product was provided for this highest-price provider?
- c) What definitions do Defence use for (a) consultant and (b) service provider? In particular, what is the crucial difference between them?
- d) How many professional service providers are employed by Defence, and in what categories of employment (eg, catering, maintenance, base support etc):
- i. in 2001-02? (average across the year)
 - ii. In financial years since 1995-96?
- e) What is the distribution of costs across these categories? (ie, \$x for caterers, \$y for base support etc)
- f) Where were the specific saving measures made by the “more cost-effective employment of professional service providers”, which saved \$12.7 million, referred to at page 97 of the 2001-02 PBS? (eg, what was cut, and what amount of savings did this represent?)

RESPONSE

- a) No specific amount is allocated. ‘Suppliers Expenses’ is a single-line budget item.
- b) Consultancies for 2000-01 are reported on pages 292-298 of the *Defence Annual Report 2000-01*. Consultancies for 2001-02 will be reported in the *Defence Annual Report 2001-02*.
- c) Definitions for consultants and professional service providers are given on pages 292-293 of the *Defence Annual Report 2000-01*.
- d) & e) The Minister is not prepared to authorise the effort required to answer these questions.
- f) Proposed savings against this measure were revised to zero in the *Portfolio Additional Estimates Statements 2001-02*. This was because responsibility for the achievement of savings was devolved to individual Groups within Defence. Savings are now to be made, commensurate to continuing needs, through internal Group budgets rather than on a whole-of-Defence basis.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Cost of Operations
QUESTION W13

- a) At the hearing in February 2002 the Chief of Navy indicated that Defence has a manual for costing Defence operations (see FADT Senate Legislation Committee Hansard 21 February 2002 p 299). Can this manual be provided to the Committee, if not why not?
- b) Specifically on the basis of this manual can Defence provide the total full cost and daily average cost, as described above, for operation Relex and Relex II to date?
- c) Can Defence provide a breakdown of all the 'platforms' that have been involved in this operation and their individual costs, e.g. Anzac Frigates, Army personnel, P-3C Orions and Fremantle Class Patrol Boats? That is, can the various platforms that contribute to the total full cost and total daily average cost of the operation be identified and the amounts they contribute?
- d) Specifically on the basis of this manual can Defence provide the full cost and daily average cost, as described above, for operation Relex and Relex II on a monthly basis for the current deployments?
- e) Specifically on the basis of this manual can Defence provide the total full cost and daily average cost, as described above, for operation Slipper from 17 October 2001 to date?
- f) Can Defence provide a breakdown of all the 'platforms' that have been involved in this operation and their individual costs, e.g. Army personnel, C-130s, F-18s and 707s? That is, can the various platforms that contribute to the total full cost and total daily average cost of the operation be identified and the amounts they contribute?
- g) Specifically on the basis of this manual can Defence provide the full cost and daily average cost, as described above, for operation Slipper on a monthly basis for the current deployment?
- h) Specifically on the basis of this manual can Defence provide the total full cost and daily average cost, as described above, for operation Damask from 17 October 2001 to date? Can Defence provide a breakdown of all the 'platforms' that have been involved in this operation and their individual costs, e.g. Anzac Frigates, Guided Missile Frigates, Amphibious Transport Ships and Army personnel? That is, can the various platforms that contribute to the total full cost and total daily average cost of the operation be identified and the amounts they contribute?
- i) Specifically on the basis of this manual can Defence provide the full cost and daily average cost, as described above, for operation Damask on a monthly basis for the current deployment?

RESPONSE

Please refer to the answer to Senate Question on Notice No. 343. (Following Page) The costing manual will not be provided to the committee as it is not a public document; it is an internal departmental working document.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Question on Notice: Defence: Operating Costs

Defence: Operating Costs

(Question No. 343) Senator Chris Evans asked the Minister of Defence, upon notice, on 23 May 2002:

With reference to the response to question No.13 asked in the February 2002 estimates hearing of the Foreign Affairs, Defence and Trade Legislation Committee, which provided the daily full cost at sea for HMAS Manoora, Kanimbla and Tobruk:

(1) Can the same daily full cost at sea be provided for: (a) the Anzac and FFG frigates; (b) the Success and Westralia; (c) the Fremantle class patrol boats.

(2) Can the equivalent average full cost for operating F/A-18s, B707s and P-3Cs. That is, the average daily full cost of these aircraft when deployed on an operation.

Senator Hill —The answer to the honourable senator's question is as follows:

Past practice in answering questions of this nature has been for Defence to provide the daily, or hourly, full-cost recovery rate for ADF assets.

The full-cost recovery rate methodology is used to calculate the recovery or waiver costs of using a particular asset, usually when Defence is asked to perform a non-Defence activity. A comprehensive set of cost factors, including management overheads, capital costs and depreciation, salaries and accrued superannuation, is used to calculate the recovery rate. In other words, the rate includes all the embedded costs that Defence would be paying whether or not the assets had been deployed on operations.

The underlying assumption in recent questions and debate, that the full cost recovery rate can be extrapolated to estimate the costs of operations is, quite simply, misleading.

The true cost to the taxpayer of undertaking additional operations is the net additional cost. The net additional cost of a particular asset in an operation, in terms of extra fuel, rations and allowances, would depend on the particular operation. It also would take account of the offsets within its overall budget Defence would make in absorbing some of that cost; for example, cancelling or postponing exercises or seeking additional efficiencies to help offset the additional costs.

The net additional cost approach outlined above is consistent with the approach taken by successive Governments in providing supplementation to the Defence budget for operations - for example, the Gulf War and peacekeeping operations in Somalia and Rwanda. It is the method that this Government intends to continue to use for its own costings and to employ when answering questions about the costs of operations for purposes of more accurate debate.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Costs of Permanent Personnel

QUESTION W14

- a) What index is the 2% 'real growth' in personnel costs provided for in the White Paper (page 120) measured against? For instance, the CPI? Average weekly earnings?
- b) What is the per capita (ie, cost per forecast permanent personnel) real increase in personnel costs over the four years projected in the Budget (ie, to 2005-06)?
- c) How many of the personnel for both the tactical assault group (TAG) and incident response regiment (IRR) are expected to be additional personnel, that is new recruits to the ADF?
- d) And how many are expected to be transferred from other ADF units (ie, lateral recruits)?
- e) If the size of the Army is to grow by inducting new recruits to fill TAG and IRR, are these additional personnel costs been included in the budget measures for personnel? Please specify where if anywhere this cost is indicated in the PBS.
- f) How many people are needed for the TAG and IRR to be complete?
- g) When are the units required to be complete and operational? In particular, what does the allocation of \$32 million in 2002-03 (PBS page 20) for the TAG and \$18 million for IRR represent? (ie, what is the expected break-down in expenditure of these sums)
- h) Will these allocations pay for personnel costs to any extent? Specify what amount in the \$32 million and \$18 million are due to be spent on personnel (ie, salary and on-costs, rather than training etc) costs.
- i) Alternatively, if the size of the Army will not grow through creation of the TAG and IRR (that is, if most of the recruits will be lateral), where is it expected the personnel for TAG and IRR will be drawn from? If more than 5% of recruits are expected to come from particular units, please specify which units.
- j) What ADF capabilities might be compromised as a result of personnel leaving particular areas to fill TAG and IRR?

RESPONSE

- a) The two per cent real growth provided for in the White Paper is the amount over and above normal price supplementation, based on the non-farm GDP price deflator, to ensure Defence salaries remain competitive with forecast increases in average weekly earnings over the long term. It should enable Defence to grow its permanent workforce as planned in the White Paper.
- b) The real increase cannot be known ahead of time for the four years projected in the Budget. Defence has, however, made a provision for nominal growth of approximately five per cent per annum. This equates to approximately \$4,500 per capita cost. The real growth provision and nominal growth provisions should not be directly compared.
- c) As there is a time imperative for the raising of both the east coast Tactical Assault Group (TAG) and the Incident Response Regiment (IRR), almost the entire number of personnel required will be recruited laterally as both units require personnel who have undergone extensive training. For example, it would take a minimum of 2.5 years from the time of recruitment before a soldier could be properly trained and prepared for service in the TAG. Units that provide personnel for the TAG and IRR will be backfilled with new recruits.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- d) See response to c) above.
- e) The personnel costs are part of the overall operating costs for the TAG and IRR shown on pages 20 and 21 of the *Portfolio Budget Statements 2002-03*. The Army's projected average funded strength will increase by 271, to 26,271 by 2010.
- f) The TAG requires 154 personnel – 125 from the Army and 29 from the Navy to conduct the maritime counter-terrorist capability which will be grown over time. The IRR requires an additional 117 personnel bringing its total strength to around 302.
- g) The TAG is required to be able to conduct land-based counter-terrorist operations from 22 July 2002. The capability will continue to mature to include other more complex counter-terrorist capabilities by 2004-05. Of the \$33.1m allocated to the TAG in 2002-03, \$25m will be expended on equipment, \$0.5m on facilities and \$7.6m on operating costs (ie employees and suppliers expenses).
- It is anticipated that the IRR will be complete and operational by 2005. Of the \$18.5m allocated to the IRR in 2002-03, \$2m will be expended on equipment, \$0.5m on facilities and \$16m on operating costs.
- h) \$4m of the \$7.6m in operating costs for the TAG in 2002-03 has been allocated for personnel costs. \$9.1m of the \$16m in operating costs for the IRR in 2002-03 has been allocated for personnel costs.
- i) The size of the Army will grow – see response to e) above.
- Units that might provide more than 5 per cent of their personnel for the TAG capability include 1, 2, 3, and 6 RARs and 4 RAR (Commando). The TAG will not be raised at the expense of the Special Air Service Regiment (SASR) but many key appointments would include personnel with previous SASR experience.
- Units that might provide more than 5 per cent of their personnel for the IRR include 1 and 3 Combat Engineer Regiments and the School of Military Engineering.
- j) The Army will carefully manage explosive ordnance disposal technicians in the short term to ensure that the combat engineer regiments continue to maintain an explosive ordnance disposal capability until new recruits can be trained.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Daily Cost of Platforms
QUESTION W15

Can both the daily full cost and daily average cost, as described above, be provided for the following platforms, i.e.:

Platform	Daily Full Cost	Daily Average Cost
Anzac Frigate		
Guided Missile Frigate		
Collins Submarine		
Amphibious Transport Ship		
Landing Ship Heavy		
Replenishment Ship		
Mine Counter Measure Vessel		
Survey Ship		
F/A-18(separate figure for each model if different values apply)		
F-111(separate figure for each model if different values apply)		
P-3C Orions		
B-707 air to air refueller		
C-130 Hercules (separate figure for each model if different values apply)		
Black Hawk helicopter		
Seahawk helicopter		
Seaking helicopter		
Leopard tank		
M113		
ASLAV		

This information was provided for the daily average cost for HMAS Tobruk, Manoora and Kanimbla in the previous hearing.

RESPONSE

Please refer to the answer to Senate Question on Notice No. 343. (Following Page)

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Question on Notice: Defence: Operating Costs

Defence: Operating Costs

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With reference to the response to question No.13 asked in the February 2002 estimates hearing of the Foreign Affairs, Defence and Trade Legislation Committee, which provided the daily full cost at sea for HMAS Manoora, Kanimbla and Tobruk:

(1) Can the same daily full cost at sea be provided for: (a) the Anzac and FFG frigates; (b) the Success and Westralia; (c) the Fremantle class patrol boats.

(2) Can the equivalent average full cost for operating F/A-18s, B707s and P-3Cs. That is, the average daily full cost of these aircraft when deployed on an operation.

Senator Hill —The answer to the honourable senator's question is as follows:

Past practice in answering questions of this nature has been for Defence to provide the daily, or hourly, full-cost recovery rate for ADF assets.

The full-cost recovery rate methodology is used to calculate the recovery or waiver costs of using a particular asset, usually when Defence is asked to perform a non-Defence activity. A comprehensive set of cost factors, including management overheads, capital costs and depreciation, salaries and accrued superannuation, is used to calculate the recovery rate. In other words, the rate includes all the embedded costs that Defence would be paying whether or not the assets had been deployed on operations.

The underlying assumption in recent questions and debate, that the full cost recovery rate can be extrapolated to estimate the costs of operations is, quite simply, misleading.

The true cost to the taxpayer of undertaking additional operations is the net additional cost. The net additional cost of a particular asset in an operation, in terms of extra fuel, rations and allowances, would depend on the particular operation. It also would take account of the offsets within its overall budget Defence would make in absorbing some of that cost; for example, cancelling or postponing exercises or seeking additional efficiencies to help offset the additional costs.

The net additional cost approach outlined above is consistent with the approach taken by successive Governments in providing supplementation to the Defence budget for operations - for example, the Gulf War and peacekeeping operations in Somalia and Rwanda. It is the method that this Government intends to continue to use for its own costings and to employ when answering questions about the costs of operations for purposes of more accurate debate.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

**Defence Committees
QUESTION W16**

SENATOR: EVANS

How many committees of one-star level or above are presently constituted within the Department of Defence? For each such committee, what is the membership, who is the Chair, what are the terms of reference, when was each committee constituted and how many times has each committee met each calendar year since 1 January 1996 inclusive.

RESPONSE

The following table provides a list of those committees which are currently constituted within the management frameworks of Defence as a whole or individual Groups, and which mainly comprise one star or above representation. The information is correct as at 30 June 2002.

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Air Force Capability Management Board	Chief of Air Force	Chief of Air Force	The board considers strategic capability options, advises the Chief of Air Force of the preferred strategic outcome from a 'whole-of-life', whole-of-capability' perspective and focuses on the strategic management of capability. It also oversees the transition of significant new equipment into service.	October 1999	1999	1
	Deputy Chief of Air Force				2000	5
	Head Aerospace Systems Division				2001	5
	Air Commander Australia				2002	2
	Head Airborne Surveillance and Control					
	Director-General Policy and Planning - Air Force					
	Commander Training – Air Force					
	Assistant Secretary Resources and Planning - Air Force					
	Director-General Aerospace Development					
	Air Force Scientific Adviser					
Director-General Technical Airworthiness – Air Force						
Director General Personnel – Air Force						

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Air Force Capabilities Committee	Deputy Chief of Air Force Director-General Policy and Planning - Air Force Director-General Aerospace Development Director-General Aerospace Materiel Management Director-General Personnel – Air Force Chief of Staff Headquarters Air Command Assistant Secretary Resources and Planning –Air Force Chief of Staff – Air Force Training Command Assistant Secretary Infrastructure Planning and Environment Air Force Scientific Adviser Director-General Technical Airworthiness – Air Force Director-General Surveillance and Control	Deputy Chief of Air Force	The committee provides advice and assistance to the Chief of Air Force regarding the development of Air Force capabilities, including equipment, infrastructure and concepts for operation.	November 1997	1997 1998 1999 2000 2001 2002	1 4 4 4 4 4
Army Capability Management Board	Chief of Army Deputy Chief of Army Land Commander Australia Commander Training Command – Army Head Land Systems Division Director-General Personnel – Army Director-General Reserves – Army Director-General Corporate Management and Planning – Army Chief Land Operations Division Director-General Land Development (Invited)	Chief of Army	The board provides advice to the Chief of Army on issues relating to specific capabilities and projects.	1999	1999 2001 2002	1 3 1

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Army Capability Management Committee	Deputy Chief of Army	Deputy Chief of Army	The committee provides advice on the Army's corporate management and the development of land force capabilities.	1999	1999	10
	Chief of Staff Land Headquarters				2000	10
	Chief of Staff Training Command – Army				2001	10
	Director-General Preparedness and Plans – Army				2002	5
	Director-General Future Land Warfare					
	Director-General Personnel – Army					
	Director-General Corporate Management and Planning – Army					
	Director-General Land Development					
	Director-General Land Support Systems					
	Commander Land Warfare Development Centre					
	Commander Aviation Support Group					
	Scientific Adviser – Army					
	Director-General Maritime Support (Invited)					
	Defence Estate Organisation representative					
Director-General Armed Reconnaissance Helicopter						

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Army Research and Development Requirements Committee	Deputy Chief of Army Scientific Adviser – Army Director-General Corporate Management and Planning – Army Director-General Preparedness and Plans – Army Director-General Future Land Warfare Director-General Command, Control, Communications and Computers Director-General Land Development Commander 16 Aviation Regiment Chief of Staff Land Headquarters Chief of Staff Training Command – Army Director-General Land Support Systems Commander Land Warfare Development Centre Director-General Defence Health Services Chief Land Operations Division Director Land Engineering Agency Corporate Leader Land Director-General Aerospace Development Staff Officer Grade 1 Scientific Adviser – Army	Deputy Chief of Army	The committee provides advice to the Chief of Army on priorities for both current and longer-term research and development in support of the Army.	1996	1996 1997 1998 1999 2000 2001 2002	4 4 4 3 2 2 1
Army Safety Board	Deputy Chief of Army Chief of Staff Land Headquarters Chief of Staff Training Command – Army Director-General Preparedness and Plans – Army Director-General Future Land Warfare Director-General Personnel – Army Director-General Corporate Management and Planning – Army Director Technical Regulatory Authority Commander 16 Aviation Regiment	Deputy Chief of Army	The committee advises the Deputy Chief of Army so that he can assist the Chief of Army in the day-to-day management of Army safety risks and their impact upon capability.	June 2002	2002	1

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Australian Command and Staff College Board	Commander Australian Defence College Deputy Chief of Navy Deputy Chief of Air Force Commander Training Command - Army Defence Personnel Executive representative Commander Australian Theatre Commandant Australian Command and Staff College Director General Defence Education and Training Policy	Commander Australian Defence College	The Australian Command and Staff College Board provides overall governance of the Australian Command and Staff College.	February 2002	2002	1
Australian Defence Force Reserve Policy Group	Head Reserve Policy Head Defence Personnel Executive Deputy Chiefs of Service Deputy Head Reserve Policy	Head Reserve Policy	The committee provides advice on Reserve strategic policy.	May 1999	1999 2000 2001 2002	1 2 2 1
Australian Defence Force Academy Council	The Hon Justice I D F Callinan QC Vice-Chancellor University of New South Wales Secretary Chief of the Defence Force Chief of Navy Chief of Army Chief of Air Force Commandant Australian Defence Force Academy Rector University College Chairman of the Professorial Board of the University Three members of the academic staff One general staff member of the University College One graduate of the University College One full-time undergraduate student of the University College One post-graduate student of the University College Persons not exceeding three in number appointed by the Minister for Defence	The Hon Justice I D F Callinan QC	The council advises the Minister for Defence on the development and operation of the Academy and advises the University of New South Wales on matters relating to the development and operation of the University College.	1986	1996 1997 1998 1999 2000 2001 2002	2 2 2 2 2 2 3

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Australian Defence Human Research Ethics Committee	Surgeon General Australian Defence Force A laywoman not associated with the ADF A layman not associated with the ADF A minister of religion A lawyer A member with knowledge of, and current experience in, the areas of research that are regularly considered by the Australian Defence Human Research Ethics Committee A member with knowledge of, and current experience in, the professional care, counselling or treatment of people Two health graduates from Defence (at least one being a medical graduate)	Surgeon General Australian Defence Force	The committee considers the ethical implications of all proposed biomedical research on human volunteers and advises sponsors and the Surgeon General as to their ethical acceptability. It monitors experiments involving biomedical research on human volunteers to ensure compliance with ethical standards and maintains a register of such experiments.	February 1996	1996 1997 1998 1999 2000 2001 2002	4 4 4 4 5 5 3
Chief of Air Force Advisory Committee	Chief of Air Force Deputy Chief of Air Force Air Commander Australia Head Airborne Surveillance and Control Head Business Information Systems Head Strategic Command Division Head Aerospace Systems Division Commander Training – Air Force Director-General Policy and Planning – Air Force Director-General Personnel – Air Force Service Women’s Representative Director-General Aerospace Materiel Management Director-General Aerospace Development Assistant Secretary Resource Planning – Air Force	Chief of Air Force	The Air Force’s senior committee provides advice on Air Force management issues referred to it by the Chief of Air Force.	1997	1996 1997 1998 1999 2000 2001 2002	5 6 9 5 5 4 2

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Chief of Army's Senior Advisory Committee	Chief of Army Deputy Chief of Army Land Commander Australia Commander Training Command – Army Head Land Systems Division Director-General Personnel – Army Director-General Reserves – Army Director-General Corporate Management and Planning – Army Chief Land Operations Division Director-General Land Development (Invited)	Chief of Army	The Army's senior committee provides advice to the Chief of Army.	1970s	1996 1997 1998 1999 2000 2001 2002	10 10 10 10 10 10 5
Chief Defence Scientist's Defence Advisory Committee	Chief Defence Scientist DSTO Laboratory Directors First Assistant Secretary Science Policy Assistant Secretary Science Corporate Management Senior Executive Assistant to Chief Defence Scientist	Chief Defence Scientist	The committee provides advice to the Chief Defence Scientist to assist him in leading the Defence Science and Technology Organisation.	Late 1970s	1996 1997 1998 1999 2000 2001 2002	8 9 8 8 7 8 3
Chief of Navy's Senior Advisory Committee	Chief of Navy Deputy Chief of Navy Maritime Commander Head Maritime Systems Commander Australian Navy Systems Command Director-General Navy Business Management Director-General Maritime Development Warrant Officer of the Navy	Chief of Navy	The committee is the senior decision-making body of the Royal Australian Navy.	February 1976	1996 1997 1998 1999 2000 2001 2002	10 10 9 11 9 10 5
Chiefs of Service Committee	Chief of the Defence Force Secretary Vice Chief of the Defence Force Chief of Navy Chief of Army Chief of Air Force Deputy Secretary Strategic Policy (Invited)	Chief of the Defence Force	The committee provides military advice to the Chief of the Defence Force to assist him to discharge his responsibilities in command of the Defence Force and as principal military adviser to the Government. See <i>Defence Annual Report 2000-01</i> , page 46, for further details.	1939 (as Chiefs of Staff Committee)	1996 1997 1998 1999 2000 2001 2002	12 12 12 12 12 12 6

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Audit Committee	Mr Paul McGrath - independent external member Mr Will Laurie - independent external member Major General Peter Dunn Mr Frank Lewincamp Ms Shireane McKinnie Chief Finance Officer and Inspector General attend as advisers. <i>Members are invited by the Secretary as individuals. Appointments are not positional.</i>	Mr Paul McGrath	The committee is a subcommittee of the Defence Committee. The role of the committee is to provide advice to the Secretary regarding Defence's financial statements, audit reports, risk management, fraud control, ethics awareness and internal evaluation programs. See <i>Defence Annual Report 2000-01</i> , pages 49-51, for further details.	July 2000	2000 2001 2002	7 13 7
Defence Capability and Investment Committee	Vice Chief of the Defence Force Deputy Secretary Strategic Policy Under Secretary Defence Materiel Chief Finance Officer Chief Defence Scientist Deputy Chief of Navy Deputy Chief of Army Deputy Chief of Air Force Head Capability Systems Head Knowledge Systems Head Defence Personnel Executive First Assistant Secretary Capability, Investment and Resources <i>Permanently invited members:</i> Deputy Secretary Intelligence and Security Deputy Secretary Corporate Services Department of Finance and Administration representative	Vice Chief of the Defence Force	The committee is a subcommittee of the Defence Committee. Its role is to endorse, for Government consideration, affordable options for current and future capability that will achieve the Defence outcome in a cost-effective way, taking into account risk. See <i>Defence Annual Report 2000-01</i> , pages 47, for further details.	July 2000	2000 2001 2002	8 16 7

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Capability and Investment Subcommittee	Head Capability Systems Head Knowledge Systems Deputy Chief of Navy Deputy Chief of Army Deputy Chief of Air Force Head Defence Personnel Executive representative Defence Materiel Organisation representative Chief Defence Scientist representative Commander Australian Theatre Commander Joint Logistics Deputy Secretary Strategic Policy representative Deputy Secretary Corporate Services representative Department of Finance and Administration representative	Head Capability Systems and Head Knowledge Systems (cochairs)	This is a subcommittee of the Defence Capability and Investment Committee and reviews capability and investment proposals to ensure that they meet the guidelines enforced by the committee. This may involve preliminary consideration of committee matters or consideration of lesser issues that do not merit full committee attention.	September 2000	2000 2001 2002	5 5 4
Defence Committee	Secretary Chief of the Defence Force Under Secretary Defence Materiel Vice Chief of the Defence Force Chief of Navy Chief of Army Chief of Air Force Deputy Secretary Strategic Policy Chief Finance Officer Deputy Secretary Corporate Services Deputy Secretary Intelligence and Security Chief Defence Scientist <i>As of July 2002 the committee also includes:</i> Chief Information Officer and Head Defence Personnel Executive	Secretary	The committee's role is to advise the Secretary and the Chief of the Defence Force on issues that assist in achieving the results specified in the Ministerial Directive to the Secretary and CDF. See <i>Defence Annual Report 2000-01</i> , pages 45-46, for further details.	July 2000	2000 2001 2002	5 14 10

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Domiciliary Group	Deputy Secretary Corporate Services	Deputy Secretary Corporate Services	The group reviews the performance of the Defence Housing Authority Service Agreement, agrees any proposed major variations to the agreement and prepares recommendations to the Defence Housing Authority Board and the Defence Committee.	August 2000	2000	1
	Head Service Delivery				2001	4
	Head Infrastructure				2002	2
	First Assistant Secretary Business Strategy					
	Head Defence Personnel Executive					
	Defence Housing Authority Managing Director (Defence Housing Authority)					
	General Manager Services (Defence Housing Authority)					
	General Manager Business Accounts (Defence Housing Authority)					
	General Manager Development and Sales (Defence Housing Authority) - as required					
Defence Education and Training Committee	Head Defence Personnel Executive	Head Defence Personnel Executive	The committee provides strategic-level oversight, direction and coordination of Defence education and training, to meet Defence's current and future needs.	July 1997	1997	2
	Director-General Intelligence Capability Support				1998	4
	Chief Information Officer				1999	4
	Assistant Secretary People Planning and Finance				2000	4
	Assistant Secretary Science Corporate Management				2001	4
	Director-General Safety, Compensation and People Development				2002	2
	Assistant Secretary Group Performance					
	Director-General Materiel Plans and Performance					
	Commandant ADF Warfare Centre					
	Commander Australian Defence College					
	Director-General Navy Personnel and Training					
	Commander Training - Air Force					
	Director-General Defence Education and Training Policy					
Commander Training Command -Army						

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Environment and Energy Forum	The committee consists of a one star (or equivalent) representative from each of the following Groups: Corporate Services and Infrastructure Headquarters Australian Theatre Navy Army Air Force Defence Personnel Executive Inspector General Defence Materiel Organisation Defence Science and Technology Organisation Public Affairs and Corporate Communication Intelligence and Security Joint representative of Chief Finance Officer, Strategic Policy, and Vice Chief of the Defence Force	Head Infrastructure	The committee provides senior management review, coordination and direction in relation to the environmental effort across Defence and the Defence Energy Management Program.	August 1996	1996 1999 2000 2001	1 1 1 1
Defence Information Environment Committee	Chief Information Officer Head Knowledge Systems Head Capability Systems Head Management Information Systems Commander Australian Theatre Head Defence Personnel Executive Deputy Chief of Navy Deputy Chief of Army Deputy Chief of Air Force Head Electronic Systems Division First Assistant Secretary Business Strategy Director Information Sciences Laboratory Deputy Head Information Systems Division Assistant Secretary Information Technology	Chief Information Officer	The committee advises the Chief Information Officer on governance arrangements, strategic planning, coordination and direction of the Defence information environment.	March 2002	2002	2

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Intelligence Committee	Deputy Secretary Intelligence and Security Director-General Office of National Assessments Director Defence Intelligence Organisation Director Defence Signals Directorate Director Defence Imagery and Geospatial Organisation Head Knowledge Systems Director Information Sciences Laboratory Commander Australian Theatre	Deputy Secretary Intelligence and Security	The committee advises Deputy Secretary Intelligence and Security on the strategic development, coordination and direction of Defence intelligence and geospatial functions.	August 1999	1999 2000 2001 2002	3 10 8 4
Defence People Committee	Deputy Secretary Corporate Services Vice Chief of the Defence Force Deputy Chief of Navy Deputy Chief of Army Deputy Chief of Air Force Head Defence Personnel Executive Deputy Head Defence Personnel Executive Chief Finance Officer representative An independent external member	Deputy Secretary Corporate Services	This is a subcommittee of the Defence Committee and is tasked with setting and managing the agenda for strategic people issues across Defence. See <i>Defence Annual Report 2000-01</i> , pages 48-49, for further details.	February 2001	2001 2002	9 3
Defence Security and Counter Intelligence Committee	Deputy Secretary Intelligence and Security Director General Australian Security and Intelligence Organization Deputy Chief of Navy Deputy Chief of Army Deputy Chief of Air Force Deputy Secretary Corporate Services Commander Australian Theatre Chief Information Officer Head Defence Security Authority <i>Advising members:</i> Director Defence Intelligence Organisation Director Defence Signals Directorate	Deputy Secretary Intelligence and Security	The committee advises the Deputy Secretary Intelligence and Security on the strategic development, coordination and direction of the Defence security function.	November 2001	2001 2002	1 2

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Materiel Organisation Airborne Early Warning and Control Project Governance Board	Mr John McMahon Ms Ann Thorpe Air Vice Marshal Chris Spence Ms Shireane McKinnie Major General David Hurley <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Mr John McMahon	Project governance is the stewardship of a project, ie the responsibility to oversee and guide a project and to provide robust testing and review against identified project and organisational objectives. Members of the board are independent of the day-to-day management of a project and provide constructive and value-added guidance and advice to the project manager. They provide ongoing assurance and early warning of impending trouble spots for relevant projects to the Under Secretary Defence Materiel.	October 2001	2001 2002	4 6
Defence Materiel Organisation Command Support Training and Simulation Project Governance Board	Air Vice Marshal Ray Conroy Commodore Trevor Ruting Brigadier Geoff Barnett Mr David Marshall Mr George Veitch Mr Jon Collings Ms Mary Kelaher <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Air Vice Marshal Ray Conroy	Role as above.	March 2002	2002	1
Defence Materiel Organisation Communications Project Governance Board	Dr Ian Williams Ms Johanna Plante Brigadier Mike Swan Mr Joe Roach Ms Diane Clarke <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Dr Ian Williams	Role as above.	September 2001	2001 2002	3 5

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Materiel Organisation Rotary Wing Project Governance Board	Mr David Learmonth Mr John Fitzgerald Air Commodore Jon Pike Brigadier Colin Sharp Mr Rick Martin <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Mr David Learmonth	Role as above.	February 2002	2002	3
Defence Materiel Organisation Shipbuilding Project Governance Board	Dr R Henley Ms Shireane McKinnie Mr Mark Reynolds Rear Admiral Brian Adams Mr Ken Moore Air Commodore John Clarkson <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Dr R Henley	Role as above.	January 2002	2002	6
Defence Materiel Organisation Surveillance Reconnaissance and Electronic Warfare	Air Vice Marshal Norm Gray Mr Graham Eveille Major General Peter Dunn Commodore Wally Warrington Mr Lance Williamson Mr Andrew Wood <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Air Vice Marshal Norm Gray	Role as above.	March 2002	2002	3
Defence Materiel Organisation Vehicles and Land Project Governance Board	Dr Ralph Neumann Major General (to be advised) Mr Mark Gairey Ms Lorraine Watt Air Commodore Paul Ekin-Smyth Dr Tom Ioannou <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Dr Ralph Neumann	Role as above.	March 2002	2002	2

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Defence Materiel Organisation Weapons Project Governance Board	Rear Admiral Kevin Scarce Mr Wayne Ryan Mr John Popham Mr Neil Orme Air Commodore John Monaghan <i>Members are invited by the Under Secretary as individuals. Appointments are not positional.</i>	Rear Admiral Kevin Scarce	Role as above.	January 2002	2002	4
Domiciliary Operations Committee	Assistant Secretary Personnel Services Delivery Branch General Manager Business Accounts (Defence Housing Authority) Director-General Personnel Systems Assistant Secretary Treasury and Tax Management Director Housing Policy Director Relocations and Housing Client Account Manager (Defence Housing Authority) National Relocation Manager (Defence Housing Authority) Manager Corporate Finance(Defence Housing Authority) National Manager Property Management (Defence Housing Authority) - as required	Assistant Secretary Personnel Services Delivery Branch and General Manager Business Accounts (cochairs)	The committee supervises the operation of the Defence Housing Authority Services Agreement at the national level and endorses the Defence housing forecast. It reports to the Defence Domiciliary Group.	August 2000	Monthly with exception of the Christmas-January period	
Master Supplier Register Project Board	Assistant Secretary Business Education Process Reform Director-General Materiel Systems Director Electronic Business Systems	Assistant Secretary Business Education Process Reform	The board oversees the implementation of a master supplier register for Defence, including the use of this facility to improve the interaction between Defence and business.	September 2001	2001 2002	1 3

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Navy Capability Management Committee	Deputy Chief of Navy	Deputy Chief of Navy	The committee manages Navy capabilities, including deciding priorities and consequent resource allocations.	2000	2000	9
	Director-General Navy Capability, Performance & Plans				2001	9
	Director-General Navy Business Management				2002	4
	Navy Scientific Adviser					
	Warrant Officer of the Navy					
	Chief of Staff Maritime Command					
	Commander Australian Navy Surface Combatant Group					
	Commander Australian Navy Aviation Group					
	Commander Australian Navy Submarine Group					
	Commander Australian Navy Patrol Boat Group					
	Commander Australian Navy Mine Warfare and Clearance Diving Group					
	Commander Australian Navy Amphibious and Afloat Support Group					
	Commander Australian Navy Hydrographic Group					
	Chief of Staff Navy Systems Command					
	Director-General Navy Personnel and Training (if required)					
	Director-General Navy Systems (if required)					
	Director-General Maritime Support					
Director-General Materiel Management (if required)						
Director Maritime Development						

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Navy Long-Range Planning Committee	Director-General Navy Strategic Policy and Futures	Director General Navy Strategic Policy and Futures	The committee ensures that the Navy develops and maintains a comprehensive structure of long-range plans that are aligned with Defence long-range plans and methodologies and with Government policy.	September 2001	2001	1
	Director-General Navy Capability Performance and Plans				2002	2
	Director-General Navy Personnel and Training					
	Chief of Staff Maritime Headquarters					
	Director-General Navy Systems					
	Director-General Maritime Development					
	Director-General Navy Improvement					
	<i>Invited Members</i>					
	Director Navy Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance and Electronic Warfare					
	Director Navy Strategy and Futures					
	Chief of Staff Navy Systems Command					
	Director Sea Power Centre					
	Director Planning and Concept Development					
Director Navy Basing and Environmental Policy						
Navy Scientific Adviser						

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Navy Science Committee	Chief of Navy Chief Defence Scientist Director Platform Sciences Laboratory Director System Sciences Laboratory Director Information Sciences Laboratory Deputy Chief of Navy Maritime Commander Australia Head Maritime Systems Director General Scientific and Technical Analysis First Assistant Secretary Science Policy Chief of Maritime Operations Division Chief of Maritime Platforms Division Commander Australian Navy Systems Command Director-General Navy Strategic Policy and Futures Director-General Navy Capability Performance and Plans Director-General Maritime Development Navy Scientific Adviser	Chief of Navy and Chief Defence Scientist (cochair)	The committee provides overarching long-range strategic guidance for the maritime science and technology planning to be implemented by the Navy Capability Management Committee.	March 2001	2001	2
Personnel Steering Committee	Head Defence Personnel Executive Director-General Personnel Executive Director-General Navy Personnel and Training Director-General Personnel – Army Director-General Personnel – Air Force Director-General Career Management Policy Director-General Personnel Policy and Employment Conditions Director-General Resource Management – Personnel Executive	Head Defence Personnel Executive	The committee considers strategic-level personnel issues and coordinates the delivery of the personnel element of capability across Defence.	September 2000	2000 2001 2002	2 9 4

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Committee	Membership	Chair	Function/Role	Constituted	Frequency	
Personnel Systems Steering Committee	Head Defence Personnel Executive	Head Defence Personnel Executive	The committee provides strategic guidance and direction for Defence personnel business processes and systems.	September 2000	2000	1
	Deputy Chief of Navy				2001	2
	Deputy Chief of Army				2002	2
	Deputy Chief of Air Force					
	Chief Information Officer					
	Head Service Delivery					
	Director-General Business Processes and Management Information					
	Deputy Head Defence Personnel Executive					

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Defence Groups

QUESTION W17

- a) For each of the Groups within the Defence Organisation (e.g. Australian Theatre, Navy, Army, Air Force, Defence Materiel, Corporate Services) can the following information be provided for the years 2001-02 and 2002-03:
- i. The value of the appropriation for outputs
 - ii. The value of the equity injection
 - iii. The value of the capital use charge
 - iv. The cost of employees
 - v. The cost of suppliers
 - vi. The cost of depreciation on assets
 - vii. The cost of military equipment purchases
 - viii. The value of assets
- b) Can the average total number of employees in each Group in the years 2001-02 and 2002-03 be provided?
- c) Can Defence indicate for each of the Groups how they contribute to the six Outputs? That is, indicate the dollar value of the output of each Group as it relates to each of the six Outputs.
- d) Can Defence indicate for each of the Groups how they contribute to the force elements? That is, indicate the dollar value of the output of each Group as it relates to each of the force elements identified within each of the Outputs 2-4 (e.g. surface combatants).

RESPONSE

a), c) and d)

No. In accordance with the Commonwealth's accrual accounting framework, Defence reports by output. Group budgets are an internal management mechanism and are not used for performance measurement and reporting purposes. Defence is implementing a costing model to conform with new statutory reporting requirements for the 2001-02 annual report. As is noted in the *Portfolio Budget Statements 2002-03* (pages 17-18), this process will facilitate better budgeted estimates of both output and sub-output costs. Defence expects to use the improved costing data in preparing the 2002-03 additional estimates.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- e) The Group breakdown of the civilian employees data in Chapter 5 of the *Portfolio Budget Statements 2002-03* is shown in the table below. Figures are average funded strengths.

Group	Portfolio Additional Estimates Statements 2001-02	Budget Estimates 2002-03
Headquarters Australian Theatre	49	61
Navy	726	752
Army	660	662
Air Force	698	778
Strategic Policy	126	125
Intelligence and Security	1,391	1,573
Vice Chief of the Defence Force	60	80
Chief Finance Officer	291	252
Defence Personnel Executive	1,163	1,201
Public Affairs and Corporate Communication	94	91
Inspector General	93	97
Defence Science and Technology Organisation	2,203	2,255
Defence Materiel Organisation	5,399	5,404
Corporate Services and Infrastructure	4,058	3,997
Total	17,011	17,328

Military numbers by Group are not available. A breakdown of military personnel in the three Services is available in Chapter 5 of the *Portfolio Budget Statements 2002-03*.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Future Funding Estimates

QUESTION W18

The Coalition's 2001 Defence Election Policy includes funding figures for Defence to the year 2010-11 (see the two tables on pages 22 and 23). It has been indicated by Defence that these were based on figures used by the Department.

- a) Can Defence confirm precisely where those figures had been previously published.
- b) Can Defence provide updated versions of these two tables, using the most recent estimates of funding for Defence.

RESPONSE

- a) The response Defence provided to question W6 from the February 2002 additional estimates hearing of the Foreign Affairs, Defence and Trade Legislation Committee indicated that the figures in the Coalition's 2001 election policy document, *Strengthening Australia's Defence*, were the same figures used in developing the 2001-02 Budget. The response noted that these figures were included in the *Portfolio Budget Statements 2001-02* in the budget measures table on page 19.

Defence would like to correct the response to W6 and apologise if it misled the Committee and the Senate. The Defence White Paper funding figures provided in the table on page 19 of the *Portfolio Budget Statements 2001-02* were for the budget year and the forward estimates, and not through to 2010-11 (the 2001 Coalition Defence policy document covers the longer period). Funding amounts for force generation, which begins in 2004-05, also were not reflected in the table.

A ten-year view of Defence funding was however provided to the Committee in response to Question on Notice 2 in the February 2001 additional estimates hearing of the Foreign Affairs, Defence and Trade Legislation Committee.

- b) It is not appropriate for Defence to provide updated versions of tables on pages 22 and 23 of the Coalition's 2001 election policy document, *Strengthening Australia's Defence*. Any questions relating to the Coalition's 2001 election policy document, which is not a Defence document, should be directed to the Coalition parties.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Indexation of the Defence Budget
QUESTION W19

- a) In terms of the annual indexation of the Defence budget, can the amount of this increase and the percentage index applied be provided for the following years, 1998-99, 1999-2000, 2000-01 and 2001-02?
- b) Can the projections for the amounts and percentage index applied be provided for the years 2002-03, 2003-04, 2004-05 and 2005-06.

RESPONSE

- a) Total funding provided for prices growth in the departmental budget for the period 1998-99 to 2001-02 is detailed in the table below. The amounts represent the additional funding provided year on year to maintain the real purchasing power of the Defence dollar.

Year	\$m	% Indexation ⁽¹⁾
1998-99	113	0.5
1999-00	271	1.75
2000-01	539	4.5
2001-02	162	1.75

Note

1. The price indicator applicable to 2001-02, the 'Implicit Price Deflator –Non-Farm Gross Domestic Product (NFGDP)', is provided. Prior to 2001-02, the NFGDP was an element of a composite basket of price indicators that were used to assess the level of price indexation for Defence requirements. For 2001-02 and future years, the NFGDP measure is the sole basis for calculating price supplementation.

- b) The projected estimate for 2002-03 price supplementation, based on the current methodology using the NFGDP price indicator, is shown below.

Year	\$m	NFGDP %
2002-03	293	2

Forecast price assumptions for the forward estimates, issued by the Department of the Treasury, are classified and are unable to be disclosed by Defence.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Inventories

QUESTION W20

- a) Can a breakdown of the item 'Inventories' be provided for the years 2000-01, 2001-02 and 2002-03 (projected), showing the various items and their value. For example, fuel, ammunition, food, spare parts, clothing.
- b) The line titled 'Inventories' is projected to decline significantly over the four years to 2005-06. Are the holdings of some items predicted to fall? Are inventories being run down over time? The stores of what items are being reduced?

RESPONSE

- a) The breakdown of the audited financial result for 2000-01 for inventories is:

	2000-01 \$m
Current⁽¹⁾:	
Fuel	69.8
Explosive ordnance	120.4
General stores and consumables	252.5
Non-Current:	
Explosive ordnance	1,464.7
General stores and consumables	1,817.9
Project related items	4.1
Total value	3,729.4
Less: Provision for obsolescence	(490.6)
Total net inventory	3,238.8

Note

1. Current assets reflect an estimate of those to be consumed within the next 12-month period.

The estimates in the portfolio budget statements represent estimates of aggregate inventory balances and plans at the time of budget formulation. Detailed audited results are available at the completion of each financial year.

- b) The declining inventory balance in future years is a result of consumption estimates exceeding planned purchases. The amount of resources dedicated to inventory purchases reflects resource allocation decisions made as part of the budget development process. Any actions needed to address potential capability implications will be reflected in revised inventory purchase (and therefore holdings) forecasts in the *Portfolio Additional Estimates Statements 2002-03*, and in the budget development process in future years, following a logistics review process that is currently underway.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Loans

QUESTION W21

What loans, if any, is Defence currently party to? Indicate the value of the loan, its terms and the reason for the loan.

RESPONSE

Defence is not currently party to any loan arrangements with the exception of low interest loans granted under the Defence Family Emergency Fund scheme agreed on 6 December 2001. The scheme established a fund from which Defence families (ADF members) can borrow relatively small amounts for unexpected expenses. The fund is administered by the Defence People Committee and is an initiative aimed at recruiting and retention. The total funding available through the scheme is a one-off capital allocation of \$100,000.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Output Breakdown of Budget figures
QUESTION W22

The 2002-03 Budget paper includes under each of the Outputs 2-4 a list of the elements that make up the force structure, e.g. Surface Combatants in Navy. These generally align with the outputs separately identified and reported in the 1999-00 Budget paper.

- a) For each of the elements identified in the 2002-03 Budget paper under Outputs 2-4 can the following information be provided for the years 2001-02 and 2002-03:
- i. The value of the appropriation for outputs
 - ii. The value of the equity injection
 - iii. The value of the capital use charge
 - iv. The cost of employees
 - v. The cost of suppliers
 - vi. The cost of military equipment purchases
 - vii. The value of assets
 - viii. The cost of the depreciation of assets
- b) Why are the budgets for these sub-outputs no longer reported in the Budget papers?

RESPONSE

- a) The output costs in the *Portfolio Budget Statements 2002-03* were developed from an extrapolation of the *Portfolio Additional Estimates Statements 2001-02* output analysis, which was adjusted for known variations at the output level. The process for developing output costs excludes sub-output and force element detail.
- b) Defence is implementing a costing model to conform with new statutory reporting requirements for the 2001-02 annual report. As is noted in the *Portfolio Budget Statements 2002-03* (pages 17-18), this process will facilitate better budgeted estimates of both output and sub-output costs and will be used in preparing the 2002-03 additional estimates.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Performance Measures
QUESTION W23

Why have the detailed performance measures for the various outputs and their sub-outputs (e.g. flying hours or sea days) been removed from the 2002-03 Budget paper, having been reported in previous papers? Does Defence still use such detailed performance measures, but just not report them? If not what measures are used? Can the detailed performance measures for Defence outputs for the years 2001-02 and 2002-03 be provided?

RESPONSE

Defence, like all government departments, now operates under an outcomes/outputs performance management framework. As flying hours and sea days are input measures, they were removed from the budget statements. While flying hours are still tracked as inputs, sea days are no longer regarded as an effective measure.

Output performance measures are contained in the Government-endorsed Defence Management and Finance Plan on which the portfolio budget statements are based. However, those measures are classified.

To assist the committee Defence will consider the most appropriate ways of providing meaningful performance information in an unclassified form and publishing performance information for 2001-02 in the annual report and for 2002-03 in the portfolio additional estimates statements.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Proceeds from Asset Sales
QUESTION W24

- a) Can Defence confirm over the four years 2001-02 to 2004-05 what the total amount Defence was budgeted to retain from asset sales in the 2001 Budget?
- b) Can Defence confirm over the four years 2001-02 to 2004-05 what the total amount Defence was budgeted to retain from asset sales in the 2002 Budget?

RESPONSE

- a) As outlined in the *Portfolio Budget Statements 2001-02*, at Table 3.3 (pages 70-71), proceeds from asset sales to be retained or returned to government were projected to be:

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Budgeted Sale Proceeds	1022.5	307.0	230.9	252.3
Budgeted Return to Government	633.5	213.7	109.9	147.8
Planned retention	389.0	93.3	121.0	104.5

- b) As outlined in the *Portfolio Budget Statements 2002-03* at Table 3.3 (page 62), proceeds from asset sales to be retained or returned to government were projected to be:

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Budgeted Sale Proceeds	198.9	699.8	171.9	214.3
Budgeted Return to Government	71.7 ⁽¹⁾	659.5	88.9	147.8
Planned retention	127.2	40.3	83.0	66.5

Note

1. The projected result for 2001-02 for capital withdrawal which appears in the *Portfolio Budget Statements 2002-03* is \$83.7m. This is comprised of \$71.7m return of asset sale proceeds and \$12.0m operating receipts which were returned to the official public account in 2001-02. Further explanation of this can be found in the *Portfolio Budget Statements 2002-03* at Table 3.1 (page 60).

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Proportion of GDP
QUESTION W25

On the basis of figures in the Budget papers can the relevant projected funding for Defence in 2002-03, 2003-04, 2004-05 and 2005-06 be presented as a percentage of GDP. For this measure use the funding that has been traditionally used for this figure.

RESPONSE

An estimate of Defence funding as a percentage of Gross Domestic Product (based on total appropriations less the capital use charge) for 2002-03 to 2005-06 is:

Year	% GDP
2002-03	1.90
2003-04	1.84
2004-05	1.81
2005-06	1.74

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Rebasing of Group Budgets

QUESTION W26

The 2002-03 Budget includes a savings measure of \$67 million as a result of the 'rebasings' Group budgets. Can a breakdown for this funding be provided, in terms of the amount saved in each of the Groups concerned and indicate which area of the Group budget the saving was achieved in, e.g. personnel, equipment purchases, administration.

RESPONSE

The rebasing of Group budgets was calculated on the actual achievement in the 2000-01 year. The rebasing was done at the whole of Defence level and, therefore, the details at Group level are not available.

The savings harvested through the rebasing exercise have been reapplied to meet Government-directed initiatives and emerging priorities within Defence.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Repayments of Debt
QUESTION W27

The Budget includes a funding line titled 'Repayments of debt'. What debts is Defence repaying? Why were these debts incurred? Under what terms is Defence repaying these debts?

RESPONSE

The Repayments of debt line in the Departmental cash flows statement (Table 3.3 in the *Portfolio Budget Statements 2002-03*, page 62) does not refer to a traditional loan arrangement, but reflects one aspect of the nature of the relationship between Defence and the Defence Housing Authority as separate entities.

Defence makes payments to the Defence Housing Authority for the provision of accommodation to Defence members. Payments relating to a certain proportion of the housing stock covered under this arrangement have been classified according to accounting standards as a finance lease arrangement.

Under this classification, Defence recognises the value of the assets leased on its balance sheet, with a commensurate liability to pay the lease. Of the payments made, a proportion of the payment is deemed to cover notional interest costs, while another element progressively discharges the established liability. This latter proportion of the payment is classified as a repayment of debt.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Results of the Defence Reform Program (DRP)

QUESTION W28

The *2000-01 Portfolio Budget Statements* included a report on the DRP (see page 115). Can an updated version of this report be provided, showing figures for the years 1999-2000 to 2005-06 (projected). That is, can all the tables included in the *2000-01 Portfolio Budget Statements* be updated for the years 1999-00 to 2005-06.

Why wasn't this information included in the *2001-02* or *2002-03 Portfolio Budget Statements*?

RESPONSE

As reported in the *Defence Annual Report 2000-01* (pages 269-276), the Defence Reform Program ceased on 30 June 2000.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Savings Measures

QUESTION W29

Can a detailed breakdown of the savings measure 'Reduction in administrative spending' be provided, in terms of the items in the administrative budget that will contribute to the \$87 million savings identified. For example, consultancies, training, PSPs and office supplies.

RESPONSE

No. The \$87m in savings will be realised from the total projected spend within suppliers' expenses, net of inventory consumption, and equipment repair and maintenance. Groups will aim to achieve these savings through reductions to a variety of non-operational support activities, such as non-operational travel, engagements of consultants, professional service providers and contractors, publishing and printing, and base and administrative support.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Savings to Offset the Costs of Current Operations

QUESTION W30

The 2001-02 Additional Estimates Statement indicated that Defence is absorbing the majority of costs associated with our contribution to the war on terrorism and operation Relex.

Can a full breakdown for those savings be provided. For example, where an exercise was cancelled provide the full cost and daily average cost, as described above, for the exercise cancelled.

RESPONSE

Please see the answer to Senate Question on Notice No. 343. (Following Page)

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Question on Notice: Defence: Operating Costs

Defence: Operating Costs

(Question No. 343) Senator Chris Evans asked the Minister of Defence, upon notice, on 23 May 2002:

With reference to the response to question No.13 asked in the February 2002 estimates hearing of the Foreign Affairs, Defence and Trade Legislation Committee, which provided the daily full cost at sea for HMAS Manoora, Kanimbla and Tobruk:

(1) Can the same daily full cost at sea be provided for: (a) the Anzac and FFG frigates; (b) the Success and Westralia; (c) the Fremantle class patrol boats.

(2) Can the equivalent average full cost for operating F/A-18s, B707s and P-3Cs. That is, the average daily full cost of these aircraft when deployed on an operation.

Senator Hill —The answer to the honourable senator's question is as follows:

Past practice in answering questions of this nature has been for Defence to provide the daily, or hourly, full-cost recovery rate for ADF assets.

The full-cost recovery rate methodology is used to calculate the recovery or waiver costs of using a particular asset, usually when Defence is asked to perform a non-Defence activity. A comprehensive set of cost factors, including management overheads, capital costs and depreciation, salaries and accrued superannuation, is used to calculate the recovery rate. In other words, the rate includes all the embedded costs that Defence would be paying whether or not the assets had been deployed on operations.

The underlying assumption in recent questions and debate, that the full cost recovery rate can be extrapolated to estimate the costs of operations is, quite simply, misleading.

The true cost to the taxpayer of undertaking additional operations is the net additional cost. The net additional cost of a particular asset in an operation, in terms of extra fuel, rations and allowances, would depend on the particular operation. It also would take account of the offsets within its overall budget Defence would make in absorbing some of that cost; for example, cancelling or postponing exercises or seeking additional efficiencies to help offset the additional costs.

The net additional cost approach outlined above is consistent with the approach taken by successive Governments in providing supplementation to the Defence budget for operations - for example, the Gulf War and peacekeeping operations in Somalia and Rwanda. It is the method that this Government intends to continue to use for its own costings and to employ when answering questions about the costs of operations for purposes of more accurate debate.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Units and Establishments
QUESTION W31

Can Defence provide the information on ADF Units and Establishments last published as Appendix A in the *Defence Annual Report 1998-1999*.

RESPONSE

Australian Defence Force units and establishments are shown below. The information is correct as at 30 June 2002.

JOINT UNITS AND ORGANISATIONS

Headquarters Australian Theatre	Sydney, NSW
Australian Defence Force Warfare Centre	Williamstown, NSW
Headquarters Northern Command	Darwin, NT
Australian Defence College	Canberra, ACT
Australian Defence Force Academy	Canberra, ACT
Joint Ammunition Logistics Organisation Depot HMAS Stirling	Garden Island, WA
Torpedo Maintenance Facility	Garden Island, WA
Joint Ammunition Logistics Organisation Orchard Hill	Kingswood, NSW

ROYAL AUSTRALIAN NAVY

Navy Headquarters – Canberra, ACT
Maritime Command – Sydney, NSW
Navy Systems Command – Canberra, ACT

Surface Combatants

<i>Type of vessel</i>	<i>Name</i>	<i>Base</i>
6 Guided missile frigates (FFG)	HMAS <i>Adelaide</i>	Garden Island, WA
	HMAS <i>Canberra</i>	Garden Island, WA
	HMAS <i>Darwin</i>	Garden Island, WA
	HMAS <i>Melbourne</i>	Sydney, NSW
	HMAS <i>Newcastle</i>	Sydney, NSW
	HMAS <i>Sydney</i>	Sydney, NSW
3 Anzac-class frigates (FFH)	HMAS <i>Anzac</i>	Garden Island, WA
	HMAS <i>Arunta</i>	Garden Island, WA
	HMAS <i>Warramunga</i>	Garden Island, WA

Mine Countermeasures

<i>Type of vessel</i>	<i>Name</i>	<i>Base</i>
5 Minehunter coastal (MHC)	HMAS <i>Diamantina</i>	Sydney, NSW
	HMAS <i>Gascoyne</i>	Sydney, NSW
	HMAS <i>Hawkesbury</i>	Sydney, NSW
	HMAS <i>Huon</i>	Sydney, NSW
	HMAS <i>Norman</i>	Sydney, NSW
2 Clearance diving teams	AUST CDT 1	Sydney, NSW
	AUST CDT 4	Garden Island, WA

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

3 Minesweepers auxiliary large (MSA(L))	MSA <i>Bandicoot</i>	Sydney, NSW
	MSA <i>Brolga</i>	Sydney, NSW
	MSA <i>Wallaroo</i>	Sydney, NSW

Amphibious and Afloat Support

<i>Type of vessel</i>	<i>Name</i>	<i>Base</i>
1 Fleet oiler (AOR)	HMAS <i>Success</i>	Sydney, NSW
1 Auxiliary tanker (AO)	HMAS <i>Westralia</i>	Garden Island, WA
1 Amphibious heavy lift ship (LSH)	HMAS <i>Tobruk</i>	Sydney, NSW
2 Amphibious transport (LPA)	HMAS <i>Kanimbla</i>	Sydney, NSW
	HMAS <i>Manoora</i>	Sydney, NSW
6 Heavy landing craft (LCH)	HMAS <i>Balikpapan</i>	Darwin, NT
	HMAS <i>Betano</i>	Cairns, Qld
	HMAS <i>Brunei</i>	Cairns, Qld
	HMAS <i>Labuan</i>	Cairns, Qld
	HMAS <i>Tarakan</i>	Cairns, Qld
	HMAS <i>Wewak</i>	Cairns, Qld

Patrol Boat

<i>Type of vessel</i>	<i>Name</i>	<i>Base</i>
15 Fremantle-class patrol boats (FCPB)	HMAS <i>Bendigo</i>	Cairns, Qld
	HMAS <i>Bunbury</i>	Garden Island, WA
	HMAS <i>Cessnock</i>	Darwin, NT
	HMAS <i>Dubbo</i>	Darwin, NT
	HMAS <i>Fremantle</i>	Sydney, NSW
	HMAS <i>Gawler</i>	Darwin, NT
	HMAS <i>Geelong</i>	Darwin, NT
	HMAS <i>Geraldton</i>	Garden Island, WA
	HMAS <i>Gladstone</i>	Cairns, Qld
	HMAS <i>Ipswich</i>	Cairns, Qld
	HMAS <i>Launceston</i>	Darwin, NT
	HMAS <i>Townsville</i>	Cairns, Qld
	HMAS <i>Warrnambool</i>	Sydney, NSW
	HMAS <i>Whyalla</i>	Cairns, Qld
	HMAS <i>Wollongong</i>	Darwin, NT

Submarine

<i>Type of vessel</i>	<i>Name</i>	<i>Base</i>
5 Collins-class submarines (SSG)	HMAS <i>Collins</i>	Garden Island, WA
	HMAS <i>Dechaineaux</i>	Garden Island, WA
	HMAS <i>Farncomb</i>	Garden Island, WA
	HMAS <i>Sheean</i>	Garden Island, WA
	HMAS <i>Waller</i>	Garden Island, WA

Hydrographic

<i>Type of vessel</i>	<i>Name</i>	<i>Base</i>
2 Hydrographic survey ships (HS)	HMAS <i>Leeuwin</i>	Cairns, Qld
	HMAS <i>Melville</i>	Cairns, Qld

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

4 Survey motor launches (SML)	HMAS <i>Benalla</i> HMAS <i>Mermaid</i> HMAS <i>Paluma</i> HMAS <i>Shepparton</i>	Cairns, Qld Cairns, Qld Cairns, Qld Cairns, Qld
1 Laser airborne depth sounder (LADS)	LADS Unit	Cairns, Qld

Aviation

<i>Squadron</i>	<i>Aircraft</i>	<i>Base</i>
723 SQN helicopter training, electronic warfare and utility squadron	12 AS 350B Squirrel	Nowra, NSW
805 SQN operational fleet utility Anzac ship helicopter squadron	Yet to be accepted into service	Nowra, NSW
816 SQN anti-submarine helicopter squadron	16 S-70B2 Seahawk	Nowra, NSW
817 SQN operational fleet utility support helicopter squadron	7 Sea King Mk 50A/B	Nowra, NSW

Non-Defence Administered Activity

<i>Type of vessel</i>	<i>Name</i>	<i>Base</i>
1 Youth sail training ship	STS <i>Young Endeavour</i>	Sydney, NSW

Commissioned Establishments

<i>Description</i>	<i>Name</i>	<i>Location</i>
Headquarters/area administration	HMAS Kuttabul	Sydney, NSW
Naval air station	HMAS Albatross	Nowra, NSW
Ship and submarine base (Fleet Base West)	HMAS Stirling	Garden Island, WA
Patrol boat base and marine science	HMAS Cairns	Cairns, Qld
Patrol boat base and communications station	HMAS Coonawarra	Darwin, NT
Mine warfare	HMAS Waterhen	Sydney, NSW
Training establishments	HMAS Cerberus	Western Port, Vic
	HMAS Creswell	Jervis Bay, ACT
	HMAS Penguin	Middle Head, NSW
	HMAS Watson	Watsons Bay, NSW
Communications station/area administration	HMAS Harman	Canberra, ACT

Non-Commissioned Establishments

<i>Facility/unit</i>	<i>Location</i>
Fleet Base East	Garden Island, NSW
Jervis Bay Range Facility	Jervis Bay, ACT
East Coast Armaments Complex	Point Wilson, Vic
Naval communications stations	Canberra, ACT
	Darwin, NT
	Exmouth, WA
Naval Communications Area Master Station Australia	Canberra, ACT
Naval communications area local stations	Cairns, Qld
	Fremantle, WA
	Sale, Victoria
Naval Headquarters Southern Queensland	Sydney, NSW
Naval Headquarters South Australia	Brisbane, Qld
Naval Headquarters Tasmania	Adelaide, SA
	Hobart, Tas

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Naval fuel installation	Chowder Bay, NSW
Naval accommodation, Lady Gowrie House	Bondi, NSW
Port Adelaide shipyard and boatsheds	Birkenhead, SA
West Head Gunnery Range	Flinders, Vic

AUSTRALIAN ARMY

Army Headquarters – Canberra, ACT

<i>Formation/unit</i>	<i>Designation</i>	<i>Location</i>
1 Army Headquarters AHQ	AHQ	Canberra, ACT
1 Aviation Support Group Workshop	Avn Spt Gp Wksp	Oakey, Qld
1 Land Warfare Studies Centre (integrated)	LWSC	Duntroon, ACT
1 Army History Unit	AHU	Campbell, ACT
1 Army Financial Services Unit (General Reserve)	AFSU	Campbell, ACT
1 Australia's Federation Guard	AFG	Campbell, ACT
Safety Management (Land)	DSM(L)	Defence Plaza, Melbourne
1 Directorate of Officer Career Management – Army	DOCM-A	Campbell, ACT
1 Soldier Career Management Agency	SCMA	Melbourne, Vic
1 Directorate of Reserve Career Management – Army	DRCM-A	Campbell, ACT
1 Combat Training Centre	CTC	Lavarack, Qld

Combat Forces

<i>Formation/unit</i>	<i>Designation</i>	<i>Location</i>
1 Land Headquarters	LHQ	Paddington, NSW
1 Deployable Joint Force Headquarters (Integrated)	DJFHQ	Enoggera, Qld
1 Divisional Headquarters (General Reserve)	HQ 2 Div	Randwick, NSW
9 Brigade Headquarters (6 General Reserve, 1 Integrated)	HQ 1 Bde	Palmerston, NT
	HQ 3 Bde	Townsville, Qld
	HQ 4 Bde	Macleod, Vic
	HQ 5 Bde	Liverpool, NSW
	HQ 7 Bde	Enoggera, Qld
	HQ 8 Bde	Dundas, NSW
	HQ 9 Bde	Keswick, SA
	HQ 11 Bde	Townsville, Qld
	HQ 13 Bde	Karrakatta, WA
1 Special Operations Headquarters	HQ SO	Garden Island, NSW
1 Commando Signal Squadron (Integrated)	126 Cdo Sig Sqn	Holsworthy, NSW
2 Commando Battalions	1 Cdo Regt	Randwick, NSW
	4 RAR (Cdo)	Holsworthy, NSW
1 Special Air Service Regiment	SASR	Swanbourne, WA
1 Logistic Support Force Headquarters (Integrated)	HQ LSF	Randwick, NSW
1 Ground Liaison Group (Integrated)	1 GL GP	Glenbrook, NSW
1 Battle School	LCBS	Townsville, Qld
1 Armoured Regiment (Integrated)	1 Armd Regt	Palmerston, NT
4 Reconnaissance Regiments	2 Cav Regt	Palmerston, NT
(2 General Reserve, 1 Integrated)	1/15 RNSWL (Recon)	Parramatta, NSW
	4/19 PWLH (Recon)	Macleod, Vic
	2/14 LHR (QMI)(Recon)	Enoggera, Qld
1 Armoured Personnel Carrier Regiment (General Reserve)	12/16 HRL (APC)	Tamworth, NSW
1 Independent Reconnaissance Squadron (General Reserve)	A Sqn 10 LH (Recon)	Karrakatta, WA
2 Independent Armoured Personnel Carrier Squadrons	B Sqn 3/4 Cav Regt (APC)	Townsville, Qld

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

(1 Integrated)	3/9 LH (SAMR) (APC)	Smithfield, SA
2 Medium Artillery Regiments (1 General Reserve)	8/12 Mdm Regt 2/10 Mdm Regt East	Palmerston, NT St Kilda, Vic
5 Field Artillery Regiments (2 General Reserve, 1 Integrated)	1 Fd Regt 4 Fd Regt 7 Fd Regt 23 Fd Regt 6 th /13 th Fd Regt	Enoggera, Qld Townsville, Qld Pymble, NSW Kogarah, NSW Keswick, SA
1 Air Defence Regiment (Integrated)	16 AD Regt	Woodside, SA
4 Independent Field Artillery Batteries (3 General Reserve)	7 Fd Bty 3 Fd Regt 16 Fd Bty 48 Fd Bty A Fd Bty	Karrakatta, WA Launceston, Tas Keswick, SA Holsworthy, NSW
1 Locating Battery (Integrated)	131 Loc Bty	Enoggera, Qld
6 Combat Engineer Regiments (3 General Reserve, 1 Integrated)	1 CER 2 CER 3 CER 4 CER 5 CER 8 CER	Palmerston, NT Enoggera, Qld Townsville, Qld Ringwood East, Vic Penrith, NSW Adamstown, NSW
9 Command Support Regiments	1 CSR 3 CSR 4 CSR 5 CSR 7 CSR 8 CSR 9 CSR 11 CSR 13 CSR	Palmerston, NT Lavarack, Qld Macleod, Vic Liverpool, NSW Enoggera, Qld Dundas, NSW Keswick, SA Townsville, Qld Karrakatta, WA
1 Command Support Unit (Integrated)	7 CSU	Enoggera, Qld
2 Construction Regiments (2 General Reserve)	21 Const Regt 22 Const Regt	Haberfield, NSW Oakleigh South, Vic
3 Field Engineer Squadrons—Combat Engineer Regiments (3 General Reserve)	3 Fd Sqn —9 CER 13 Fd Sqn —13 CER 35 Fd Sqn — 11 CER	Warradale, SA Karrakatta, WA Mount Isa, Qld
2 Construction Squadrons	17 Const Sqn 21 Const Sqn	Holsworthy, NSW Enoggera, Qld
1 Chief Engineer Works (Integrated)	19 CE Wks	Randwick, NSW
1 Topographic Survey Squadron (Integrated)	1 Topo Svy Sqn	Enoggera, Qld
1 Emergency Response Squadron	ERS	Liverpool, NSW
1 Joint Support Unit (Integrated)	1 JSU	Enoggera, Qld
2 Signal Regiments (1 General Reserve)	7 Sig Regt (EW) 8 Sig Regt	Cabarlah, Qld Randwick, NSW
2 Independent Signal Squadrons	110 Sig Sqn 145 Sig Sqn	Paddington, NSW Liverpool, NSW
19 Infantry Battalions (13 General Reserve, 1 Integrated)	1 RAR 2 RAR	Townsville, Qld Townsville, Qld

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

	3 RAR	Holsworthy, NSW
	5/7 RAR	Palmerston, NT
	6 RAR	Enoggera, Qld
	9 RQR	Enoggera, Qld
	25/49 RQR	Enoggera, Qld
	31 RQR	Townsville, Qld
	42 RQR	Rockhampton, Qld
	1/19 RNSWR	Orange, NSW
	2/17 RNSWR	Pymble, NSW
	4/3 RNSWR	Ingleburn, NSW
	41 RNSWR	Lismore, NSW
	5/6 RVR	Hawthorn, Vic
	8/7 RVR	Ballarat, Vic
	10/27 RSAR	Keswick, SA
	11/28 RWAR	Karrakatta, WA
	16 RWAR	Karrakatta, WA
	12/40 RTR	Glenorchy, Tas
3 Regional Force Surveillance Units (3 General Reserve)	Norforce	Larrakeyah, NT
	Pilbara Regt	Karratha, WA
	51 FNQR	Cairns, Qld
1 Aviation Brigade	HQ16 Bde (Avn)	Enoggera, Qld
2 Aviation Regiments	1 Avn Regt	Oakey, Qld
	5 Avn Regt	Townsville, Qld
1 Intelligence Battalion	1 Int Bn	Paddington, NSW
1 Chemical, Biological, Radiological Response Squadron	CBRR Sqn	Holsworthy, NSW
9 Combat Service Support Battalions (5 Integrated, 2 General Reserve)	1 CSSB	Palmerston, NT
	3 CSSB	Townsville, Qld
	4 CSSB	Broadmeadows, Vic
	5 CSSB	Banksmeadow, NSW
	7 CSSB	Enoggera, Qld
	8 CSSB	Dundas, NSW
	9 CSSB	Warradale, SA
	11 CSSB	Townsville, Qld
	13 CSSB	Karrakatta, WA
3 Force Support Battalions (3 Integrated)	2 FSB	Glenorchy, Tas
	9 FSB	Randwick, NSW
	10 FSB	Townsville, Qld
1 Force Support Group	HQ FSG	Randwick, NSW
1 Force Logistic Squadron	AS FLS-EM	East Timor
3 Ships Army Detachment	SAD HMAS Tobruk	Garden Island, NSW
	SAD HMAS Manoora	Garden Island, NSW
	SAD HMAS Kanimbla	Newcastle, NSW
3 Health Support Battalions (1 Integrated) (2 General Reserve)	1 HSB	Holsworthy, NSW
	2 HSB	Enoggera, Qld
	3 HSB	Keswick, SA
1 Petroleum Company (General Reserve)	1 Petr Coy	Oakleigh South, Vic
1 Recovery Company (General Reserve)	3 Recov Coy	Korumburra, Vic
1 Military Police Battalion (Integrated)	1 MP Bn	Liverpool, NSW
1 Psychology Unit	1 Psych Unit	Randwick, NSW
1 Deployed Forces Support Unit (Integrated)	DFSU	Randwick, NSW

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

1 Logistic Support Force Workshop	LSF WKSP	Glenorchy, Vic
1 Australia Contingent Multinational Force and Observers Sinai	ASC MFO	Sinai, Egypt

Individual Training

<i>Formation/unit</i>	<i>Designation</i>	<i>Location</i>
Headquarters Training Command	HQ TC-A	Georges Heights, NSW
Royal Military College	RMC	Duntroon, ACT
Army Logistic Training Centre	ALTC	Bonegilla, Vic
Army Recruit Training Centre	ARTC	Kapooka, NSW
Parachute Training School	PTS	Nowra, NSW
Army Combined Arms Training Centre	CATC	Puckapunyal, Vic
Army School of Signals		Macleod, Vic
Special Forces Training Centre	SFTC	Singleton, NSW
Army Aviation Training Centre	AAVNTC	Oakey, Qld
Defence Intelligence Training Centre	DINTTC	Canungra, Qld
Training Technology Centre	TTC	Enoggera, Qld
Army Military Police Training Centre	AMPTC	Holsworthy, NSW
Defence Force School of Music	DFS of Music	Macleod, Vic
Joint Telecommunications School (Integrated)	JTS	Cabarlah, Qld
Land Warfare Development Centre	LWDC	Puckapunyal, Vic
Headquarters Regional Training Centres	HQ RTC	Canungra, Qld.
8 Regional Training Centres (7 General Reserve, 1 Integrated)	RTC (NSW) RTC (Vic) RTC (SA) RTC (WA) RTC (Tas) RTC (NT) RTC (SQ) RTC (NQ)	Liverpool, NSW Macleod, Vic Greenacres, SA East Fremantle, WA Brighton, Tas Palmerston, NT Wacol, Qld Townsville, Qld
7 Tertiary Institution Training Units (7 General Reserve)	QUR SUR UNSWR MUR MON UR AUR WAUR	Lucia, Qld Darlington, NSW Kensington, NSW Carlton, Vic Mt Waverley, Vic Adelaide, SA Fremantle, WA.
12 Army Bands (7 General Reserve)	AAB (B) AAB (S) AAB (N) RACT Pipes & Drums AAB (K) AAB (M) AAB (A) AAB (P) AAB (T) AAPD (P) AAB (D) RMC Band	Enoggera, Qld Paddington, NSW Adamstown, NSW Adamstown, NSW Kapooka, NSW Macleod, Vic Warradale, SA Karrakatta, WA Hobart, Tas Karrakatta, WA Larrakeyah, NT Duntroon, ACT

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

ROYAL AUSTRALIAN AIR FORCE

Air Force Headquarters – Canberra, ACT

<i>Formation/unit</i>	<i>Designation</i>	<i>Location</i>
Air Force Headquarters	AFHQ	Canberra, ACT
Directorate General of Technical Airworthiness – ADF	DGTA-ADF	Laverton, Vic
Directorate of Flying Safety – ADF	DFS-ADF	Canberra, ACT
Airworthiness Coordination and Policy Agency – ADF	ACPA-AF	Canberra, ACT
Aerospace Centre	DAC	Fairbairn, ACT
RAAF Aeronautical Information Services Agency	AIS-AF	Melbourne, Vic
Joint Centre for Airspace Management	JCAM	Canberra, ACT
Infrastructure Development Agency	IDA	Canberra, ACT
Directorate of Security and Policing – Air Force	DOSP-AF	Canberra, ACT
Management Services Agency		Canberra, ACT
Air Force Ground Safety Agency	AFGSA	Canberra, ACT

Air Command - Glenbrook

<i>Formation/unit</i>	<i>Designation</i>	<i>Location</i>
Headquarters Air Command	HQAC	Glenbrook, NSW
Aircraft Research and Development Unit	ARDU	Edinburgh, SA
Headquarters Air Combat Group	HQACG	Williamstown, NSW
Headquarters No 82 Wing	HQ82 Wing	Amberley, Qld
2 Strike and reconnaissance squadrons	1 Sqn	Amberley, Qld
	6 Sqn	Amberley, Qld
Forward Area Control Development Unit	FACDU	Williamstown, NSW
1 Combat Support Unit	CSU AMB	Amberley, Qld
Headquarters No 81 Wing	HQ81 Wing	Williamstown, NSW
3 Tactical fighter squadrons	3 Sqn	Williamstown, NSW
	75 Sqn	Tindal, NT
	77 Sqn	Williamstown, NSW
Headquarters No 78 Wing	HQ78 Wing	Williamstown, NSW
1 Tactical fighter operational conversion unit	2OCU	Williamstown, NSW
1 Lead-in fighter training squadron	76 Sqn	Williamstown, NSW
No 79 Squadron	79 Sqn	Pearce, WA
1 Combat Support Unit	CSU WIL	Williamstown, NSW
Headquarters Surveillance and Control Group	HQSCG	Williamstown, NSW
Support Flight	ADGE + ATC	Williamstown, NSW
1 Surveillance and control squadron	2 Sqn	Williamstown, NSW
Information Operations Squadron	IOSQN	Canberra, ACT
Headquarters No 44 Wing	HQ44 Wing	Williamstown, NSW
11 Air traffic control flights	ATCFLT AMB	Amberley, Qld
	ATCFLT DAR	Darwin, NT
	ATCFLT ESL	East Sale, Vic
	ATCFLT EDN	Edinburgh, SA
	ATCFLT NOWRA	Nowra, NSW
	ATCFLT OAK	Oakey, Qld
	ATCFLT PEA	Pearce, WA
	ATCFLT RIC	Richmond, NSW
	ATCFLT TDL	Tindal, NT
	ATCFLT TVL	Townsville, Qld
	ATCFLT WLM	Williamstown, NSW
Headquarters No 41 Wing	HQ41 Wing	Williamstown, NSW

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

1 Radar surveillance unit	1RSU	Edinburgh, SA
1 Mobile control and reporting unit	114MCRU	Darwin, NT
2 Control and reporting units	2 CRU	Darwin, NT
	3 CRU	Williamstown, NSW
1 Surveillance and control training unit	SACTU	Williamstown, NSW
Headquarters Maritime and Patrol Group	HQMPG	Edinburgh, SA
Headquarters No 92 Wing	HQ92 Wing	Edinburgh, SA
2 Maritime patrol squadrons	10 Sqn	Edinburgh, SA
	11 Sqn	Edinburgh, SA
1 Operational conversion squadron	292 Sqn	Edinburgh, SA
No 92 Wing Detachment A	92WG Det A	Butterworth
1 Combat Support Unit	CSU EDN	Edinburgh, SA
Headquarters Air Lift Group	HQALG	Richmond, NSW
Headquarters No 84 Wing	HQ84 Wing	Richmond, NSW
1 Long-range transport squadron	33 Sqn	Richmond, NSW
2 Special transport squadrons	34 Sqn	Fairbairn, ACT
	32 Sqn	East Sale, Vic
Headquarters No 85 Wing	HQ85 Wing	Richmond, NSW
1 Air movements training and development unit	AMTDU	Richmond, NSW
No 285 Squadron	285 Sqn	Richmond, NSW
Headquarters No 86 Wing	HQ86 Wing	Richmond, NSW
2 Medium range transport squadrons	36 Sqn	Richmond, NSW
	37 Sqn	Richmond, NSW
2 Tactical transport squadrons	35 Sqn	Townsville, Qld
	38 Sqn	Amberley, Qld
No 38 Squadron Detachment A	38 Sqn Det A	Pearce, WA
No 38 Squadron Detachment B	38 Sqn Det B	Townsville, Qld
1 Combat Support Unit	CSU RIC	Richmond, NSW
Air Command Band		Richmond, NSW
Headquarters Combat Support Group	HQCSG	Amberley, Qld
Headquarters No 395 Expeditionary Combat Support Wing	HQ395ECSW	Townsville, Qld
4 Expeditionary combat support squadrons	381ECSS	Williamstown, NSW
	382ECSS	Amberley, Qld
	383ECSS	Amberley, Qld
	386ECSS	Richmond, NSW
1 Combat communications squadron	1 CCS	Richmond, NSW
1 Combat logistics squadron	1 CLS	Townsville, Qld
1 Air terminal squadron	1ATS	Richmond, NSW
Headquarters No 396 Combat Support Wing	HQ396CSW	Darwin, NT
3 Combat support squadrons	321CSS	Darwin, NT
	323CSS	Townsville, Qld
	324CSS	Butterworth, Malaysia
3 Military airfields (bare bases)	RAAF Learmonth	Learmonth, WA
	RAAF Curtin	Curtin, WA
	RAAF Scherger	Scherger, Qld
Headquarters No 322 Combat Support Wing	HQ322CSW	Tindal, NT
1 Combat support squadron	322CSS	Tindal, NT
Headquarters Health Service Wing	WQ HSW	Glenbrook, NSW
2 Air Transportable Health Squadrons	1 ATHS	Amberley, Qld
	2 ATHS	Williamstown, NSW
1 Combat Support Hospital	3 CSH	Richmond, NSW
Headquarters Airfield Defence Wing	HQAFDW	Amberley, Qld
3 Airfield defence squadrons	1 AFDS	Edinburgh, SA

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

	2 AFDS	Amberley, Qld
Headquarters Combat Reserve Wing 10 Reserve squadrons	3 AFDS HQCRESW 13 Sqn 21 Sqn 22 Sqn 23 Sqn 24 Sqn 25 Sqn 26 Sqn 27 Sqn 28 Sqn 29 Sqn	Amberley, Qld Glenbrook, NSW Darwin, NT Laverton, Vic Richmond, NSW Amberley, Qld Edinburgh, SA Pearce, WA Williamstown, NSW Townsville, Qld Fairbairn, ACT Hobart, Tas
Training Command – Laverton, Vic		
<i>Formation/unit</i>	<i>Designation</i>	<i>Location</i>
Headquarters Training Command	HQTC	Laverton, Vic
Air Training Wing	ATW	East Sale, Vic
Australian Defence Force Basic Flying Training School	ADFBFTS	Tamworth, NSW
No 2 Flying Training School	2FTS	Pearce, WA
Central Flying School	CFS	East Sale, Vic
School of Air Navigation	SAN	East Sale, Vic
School of Air Traffic Control	SATC	East Sale, Vic
Combat Survival Training School	CSTS	Townsville, Qld
RAAF Institute of Aviation Medicine	AVMED	Edinburgh, SA
1 Combat Support Unit	CSU ESL	East Sale, Vic
RAAF College	RAAFCOL	Point Cook, Vic
Officers' Training School	OTS	Point Cook, Vic
No 1 Recruit Training Unit	1 RTU	Edinburgh, SA
School of Post-Graduate Studies	SPS	Point Cook, Vic
Ground Training Wing	GTW	Wagga Wagga, NSW
School of Technical Training	RAAFSTT	Wagga Wagga, NSW
RAAF Security and Fire School	RAAFSFS	Amberley, Qld
RAAF School of Management and Training Technology	RAAFSMTT	Wagga Wagga, NSW
ADF School of Languages	ADFLANGS	Point Cook, Vic
Defence International Training Centre	DITC	Laverton, Vic
4 Combat Support Units	CSUFBN CSUWAG CSUPEA CSUWIL	Fairbairn, ACT Wagga Wagga, NSW Pearce, WA Laverton, Vic
Health Services Training Flight		Laverton, Vic
1 Band	RAAFBAND	Laverton, Vic
1 Museum	RAAF Museum	Point Cook, Vic

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Variation to the 2001-02 Budget
QUESTION W32

- a) The *Portfolio Additional Estimates Statement 2001-02* showed that the projected cost of employees for 2001-02 were \$5,727.4m. The 2002-03 budget paper shows the latest estimate for this item to be \$5,541.4m in 2001-02. This represents a \$186m reduction in the projected cost of employees in 2001-02.
- i. What were the reasons for such a significant reduction in the projected cost of employees in 2001-02 between the additional statement issued in February and the budget statement issued in May? What items in employee costs were reduced and why?
 - ii. Why is it that the cost of employees in both accrual and cash terms both fell by exactly \$186 million? Given that the accrual item and cash item represent different costs, how could they both have fallen by precisely the same amount?
- b) The *Portfolio Additional Estimates Statement 2001-02* showed that the projected costs associated with the write down of assets in 2001-02 was \$239.1m. The 2002-03 budget paper shows the latest estimate for this item to be \$425.3m in 2001-02. This represents a \$186m increase in the projected costs associated with the write down of assets in 2001-02.
- i. What were the reasons for such a significant increase in the projected costs associated with the write down of assets in 2001-02 between the additional statement issued in February and the budget statement issued in May? What additional write downs occurred and why?
 - ii. Is it simply a coincidence that the reduction in the cost of employees is exactly cancelled out by the increase in the cost of write down of assets? If not, how are these two items linked?
- c) The *Portfolio Additional Estimates Statement 2001-02* showed that the projected amount of cash held by Defence at the end of 2001-02 will be \$313.8m. The 2002-03 budget paper shows the latest estimate for this item to be \$500m in 2001-02. This represents a \$186m increase in the amount of cash held by Defence in 2001-02.
- i. What were the reasons for such a significant increase in the projected amount of cash held by Defence in 2001-02 between the additional statement issued in February and the budget statement issued in May?
 - ii. Is it simply a coincidence that the increase in the cash held is exactly equal to the reduction in the cost of employees? Did Defence simply retain the funding intended to meet employee costs as cash held?

RESPONSE

- a)
- i. The projection for employee expenses for 2001-02 was reduced because expenditure-to-date data showed that the estimated total for employee expenses had been overstated in the 2001-02 additional estimates. The reduction was based on an assessment of overall employee expense trends and did not relate specifically to any individual cost items. The amount of the adjustment does not reflect any change to Defence's expected personnel levels.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- ii. The cost of employees in expense and cash terms fell by exactly the same amount because Defence made an assumption that the reduction in employee accrual costs would have an equal cash impact. For budgeting purposes, this assumption was not unreasonable because Defence concluded that the difference between the two would not be of a material amount.

b)

- i. The 2001-02 estimate for write-down of assets was reassessed during the development of the *Portfolio Budget Statements 2002-03* in light of more recent data for 2001-02 becoming available. This adjustment is a continuation of the updates to this item during the financial year. The value of the write-down of assets is difficult to estimate and variations between the final estimates and the audited financial position are likely to occur.
- ii. The adjustments to write-downs of assets and employee expenses are not related. As write down of assets is a “non-cash” expense (ie. it relates to assets previously purchased), this increase does not imply an authority to spend more. The reduction in employer expenses nevertheless provided Defence with an opportunity to increase its asset write-down accrual expenses by an equivalent amount

c)

- i. The increase in cash at bank reflected the reduction in cash to be spent on employees expenses for the year .
- ii. This reduction in funding to meet the costs of employees was not diverted to other purposes, but was expected to remain in Defence’s financial reserves at year-end

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

White Paper Funding
QUESTION W33

- a) What is the latest estimate of the level of White Paper funding to be provided in 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06? Where the figures vary from the original figures of \$500m, \$1,000m, \$1,500m, \$2,000m and \$2,400m for each of these years, can these variation be explained.
- b) Can a breakdown be provided for this funding in the years 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06. Identifying the items of expenditure and the amounts spent on each item within each year.

RESPONSE

- a) The estimated White Paper funding to be provided across 2001-02 to 2005-06 is unchanged from the original amounts, other than being updated to reflect movements in price and exchange. These amounts are reflected in Table 1.5 of the Defence *Portfolio Budget Statements 2001-02* (page 19), which includes funding for the implementation of the White Paper for 2001-02 to 2004-05. It should be noted that the figures listed in the question above are incorrect for 2003-04 and beyond. The correct figures for these years, in 2000-01 prices, are \$1,375m, \$1,870m and \$2,180m respectively.
- b) There has been no substantive change to the plans set out in the White Paper. Funding was provided for specific capability enhancements, including the associated new operating costs, for growing the ADF to the mature target of about 54,000 by 2010, and for ensuring that Defence can attract and retain the right personnel in an increasingly competitive environment.

It is Defence policy that detailed expenditure information is not made publicly available for projects that are yet to contract. This policy reflects the commercial sensitivities of contract negotiation processes. Major capital equipment projects approved in the 2001-02 budget are listed on page 80 of the *Portfolio Budget Statements 2001-02*. Major capital equipment projects approved subsequent to the 2001-02 budget are listed on page 59 of the *Portfolio Additional Estimates Statements 2001-02*. A list of new major equipment projects that are planned for approval in 2002-03 is on pages 75-76 of the *Portfolio Budget Statements 2002-03*. Projects planned for approval in 2002-03 to 2005-06 are also discussed in the public version of the *Defence Capability Plan 2001-2010*.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Write-Down of Assets
QUESTION W34

Why is the value of this item in 2002-03 fixed at \$100m in current and future years, given that the value in 2001-02 was \$425m?

RESPONSE

Write-down of assets is a non-cash-related accrual accounting expense reflecting the reduced value of Defence assets through asset obsolescence and revaluation of assets. It is not possible to forecast this amount with any certainty, as the extent of any asset reductions is only apparent once the identification of obsolete assets and the revaluation process are completed.

A significant amount (\$425m) was recognised in the 2001-02 forecast as this was informed by the actual value (as at 31 March) that was available during the development of the *Portfolio Budget Statements 2002-03*.

The recognition of a provisional amount of \$100m in 2002-03 and future years strikes a balance between the uncertainty surrounding a figure of this nature and the need to recognise the potential 'accrual' cost of this item in the operating statement.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Commuting Arrangements in the Defence Materiel Organisation
QUESTION 4

SENATOR: EVANS

HANSARD: Page 70

What arrangements does the Defence Materiel Organisation have for staff commuting to work in different locations? How many staff are involved?

RESPONSE

The Defence Materiel Organisation has interpreted the reference to “commuting” in this question to be where a Defence employee working for the Defence Materiel Organisation lives in one capital city while their required place of work is located in another capital city or major regional centre.

The Defence Materiel Organisation has 15 APS staff currently working under these arrangements. Of these, 13 are expected to cease commuting by December 2002.

Where, out of operational necessity, Defence employees are required to commute, they are provided with combinations of travel and accommodation reimbursements appropriate to each circumstance and in keeping with the *Defence Employees Certified Agreement 2002-2003* or individual workplace agreements in the case of senior executive service officers.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Super Seasprite Helicopters

QUESTION 5

ACTION AREA: USDM

SENATOR: EVANS

HANSARD: Page 89

Please provide the service history for the eleven airframes being acquired for the Super Seasprite helicopters.

RESPONSE

The service history of the eleven Seasprite airframes is provided in the following table.

Revised Production Number	Original Build Date	Accepted into United States Navy as a SH-2F	Modification to a SH-2G(A) Commenced
1	1985	19 February 1985	31 October 1997
2	1963	24 October 1973	30 September 1998
3	1964	26 October 1974	31 August 1998
4	1964	29 May 1975	31 July 1998
5	1964	22 October 1975	30 June 1998
6	1965	18 January 1974	31 May 1998
7	1965	31 January 1975	30 April 1998
8	1986	6 February 1986	30 March 1998
9	1986	14 March 1986	30 November 1998
10	1963	1 September 1973	31 October 1998
11	1988	1 May 1988	30 September 1997

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Policy on Granting of Indemnities to Contractors
QUESTION 19

SENATOR: COLLINS

HANSARD: Page 258-259

In regard to Departmental Procurement Policy Instruction No 9/2001 entitled *Granting of Indemnities to Contractors Providing Professional Service Providers who will be Registered as Defence Company ScoreCard System Users*:

- a) Is there any contractual limitation on Defence recovering monies from contractors and is there an existing policy that, in some circumstances, money is not recovered? If so, what are the limits of that policy and what is the rationale behind them?
- b) Could the legal advice received from the Australian Government Solicitor and Clayton Utz, which is mentioned in the document, be tabled?

RESPONSE

- a) The Commonwealth's general policy is that the Commonwealth should only provide an indemnity in rare and exceptional circumstances following a rigorous risk assessment. In Departmental Procurement Policy Instruction No 9/2001, professional service providers are provided with a Commonwealth indemnity in circumstances where the professional service provider is contracted to input information into the Company ScoreCard system. In this context, the professional service provider refers to a contractor hired to supplement Australian Public Service employees to provide professional services, such as project management support. The Company ScoreCard is the Defence Materiel Organisation's management tool for assessing contractors' performance on a range of issues such as cost and schedule.

The reasoning behind providing an indemnity to professional service providers who are registered Company ScoreCard system users is that professional service providers are not afforded the same protection provided to Commonwealth personnel under the Legal Services Directions. The objective of the indemnity is to provide the professional service provider with the equivalent degree of practical protection from exposure to legal liability as a Commonwealth employee receives under the general policy set out in the Legal Services Directions. The indemnity is conditional, and will not apply if the professional service provider:

- fails to abide by the policy and parameters of the Company ScoreCard system;
- has acted in a manner that is unreasonable or irresponsible; or
- has committed a breach of relevant provisions of the contract.

Any indemnity will only be granted with the approval of a person with the appropriate authorisation to bind the Commonwealth through an indemnity.

- b) It is not Defence's usual practice to table legal advice due to the legally privileged nature of the information.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Action Taken by Defence for Delays

QUESTION W35

Can Defence confirm what action, if any, has been taken against suppliers for the failure to deliver specified requirements in 1999-2000, 2000-01 and 2001-02 to date.

In particular can a list be provided where any such action was taken, indicating the name of the supplier, the contracted good/service, the value of the contract and the nature of the action taken.

RESPONSE

Contract managers in Defence have a number of options open to them in the event that a contractor is not meeting specified requirements, including: withholding payments, claiming liquidated damages or alternative compensation, drawing down on a financial security, exercising rights under a deed of substitution, seeking alternative dispute resolution and termination of the contract. Information on all instances of such action across Defence since 1999 is not readily available.

In addition, court action for, inter alia, breach of contract or specific non-performance may be available. The records of Defence's panel legal advisers and the Commonwealth Gazette show that, for the years 1999-2000, 2000-01 and 2001-02 to date, Defence has taken the following court action against suppliers in connection with a failure to deliver specified requirements:

- Name of the supplier: ADI Limited
Contracted good/service: Refit planning logistics and support services
Gazetted value of original contract: \$2.5 million
Nature of the action: The Commonwealth has filed and served an Application and Statement of Claim in connection with the non-performance of a work order within the contract (served in 2001).
- Name of the supplier: Misal Technologies
Contracted good/service: Hydraulic test rigs
Gazetted value of original contracts: Contract 1 (\$523,440), Contract 2 (\$663,244)
Nature of the action: The Commonwealth has served a writ in connection with a breach of contract (served in 2001).

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Air 87 Project

QUESTION W36

- a) Can the Department confirm that the factory planned for the production of the EC 120 helicopters is going ahead? This facility was announced by the Government on the signing of the contract late last year.
- b) What stage is this development at currently?
- c) Can Defence confirm that the factory, as indicated by the Government, will manufacture components for the EC 120 helicopter, not just reassemble them?
- d) Can Defence confirm what proportion of the EC 120 aircraft will be manufactured in Australia?
- e) Is there still the expectation that the factory will export parts?
- f) Can Defence confirm that the promised 30-50 EC 120s are still expected to be sold every year? When is this level of production expected to be reached?
- g) Is Defence aware of any orders already placed for EC 120 from this factory?
- h) Is there still an expected turnover of \$50m a year with this venture?
- i) How was the Australian Industry Involvement in this project specified? Did the Air 87 contract actually specify production numbers for the EC 120?
- j) Does the contract involve any penalties if the promised Australian Industry Involvement for this project is not achieved, including the promised production of the EC 120?
- k) More generally how does Defence monitor the delivery of commitments on Australian Industry Involvement in projects? Has Defence ever taken action against a supplier for failing to deliver on commitments for Australian Industry Involvement?

RESPONSE

- a) Yes.
- b) Eurocopter International Pacific signed a lease with the Brisbane Airport Corporation on 15 May 2002 for the lease of the land. Construction of the facility by Big Space Technology Pty Ltd commenced on 13 June 2002.
- c) and d) The facility will assemble EC 120 helicopters. EC 120 helicopter components are not expected manufactured in Australia.
- e) There was no expectation that the factory would export parts. The factory is expected to export completed EC 120 helicopters, but not parts, to the world market.
- f) Yes. Eurocopter International Pacific advises it is still expecting to assemble 30 to 50 EC 120s per annum. It is expected that full production will be achieved from 2004-05.
- g) No. The Australian production line is intended to supplement the only other production line in Marignane, France, beyond 2003.
- h) The Air 87 Australian Industry Involvement Plan provides a firm value of \$30m, in total, against this activity, with a possible extra \$30m, in total, over a ten-year period.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- i) The Air 87 request for tenders sought Australian industry involvement programs for local content of 50 per cent of the value of the acquisition contract. The level of Australian industry involvement for Project Air 87 was agreed during contract negotiations between the Commonwealth and Eurocopter International Pacific. The agreed outcomes are documented in the Project AIR 87 Australian Industry Involvement Plan. The commitment made by Eurocopter International Pacific is expressed in terms of an Australian dollar value of Australian industry involvement. The Air 87 contract did not specify numbers of EC 120 helicopters to be produced.
- j) Yes. The acquisition contract contains provision for liquidated damages for failure to achieve Australian industry involvement requirements pertaining to armed reconnaissance helicopter production, training equipment, customisation, ground mission equipment, electronic warfare mission support and software integration and support. The through life support contract includes provision for liquidated damages for failure to achieve Australian industry involvement in training system support services and software support services. The total value of all liquidated damages in the two contracts exceeds \$130m.
- k) Within Defence, Australian industry involvement is monitored by the Defence Materiel Organisation, which receives regular reports from the contractor, together with appropriate documentation that the commitment has been fulfilled. Where necessary, Defence audits contractors and sub-contractors to validate claims.

On previous occasions when there has been non-delivery of a given level of Australian industry involvement, Defence has acted to ensure that an equivalent value of work is achieved through alternative Australian industry involvement activities, rather than taking formal legal action against contractors.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Ammunition Usage
QUESTION W37

- a) For the years 1998-99, 1999-00, 2000-01, 2001-02 (projected) and 2002-03 (projected) can Defence provide the number of explosive ordnance (EO) used for each of the following types:
- i. 155mm artillery (all types)
 - ii. 105mm artillery (all types)
 - iii. 105mm tank (all types)
 - iv. Mortar (all types)
 - v. RBS-70
 - vi. 84mm anti-tank
 - vii. 66mm anti-tank
 - viii. Machine gun (all types)
 - ix. Steyr (all types)
- b) For the years 1998-99, 1999-2000, 2000-01, 2001-02 (projected) and 2002-03 (projected) can Defence indicate the Army's total budget for EO.
- c) For each of the above types can Defence indicate the average number of EO held across the following years, 1999-2000, 2000-01, 2001-02 (projected) and 2002-03 (projected).
- d) Over the years 1998-99, 1999-2000, 2000-01, 2001-02 have the use of any EO been ceased because of concerns over quality or defects? If so, can Defence indicate which types were affected, the duration of any halt and how the problems were resolved?
- e) Over the years 1998-99, 1999-2000, 2000-01, 2001-02 have any EO been disposed of in any way? If so, can Defence indicate which types were disposed of, the number of rounds disposed of and the reason why?
- f) Does Defence monitor and measure proficiency in the use of various types of EO? If so what measures are used and what monitoring occurs of those measures?

RESPONSE

- a) b) c) & d) This information is classified as it discloses ADF operational capability.
- e) Yes. Between 1998-99 and 2001-02, ordnance was routinely destroyed when, upon inspection, it was deemed no longer suitable for use. This could have occurred for number of reasons. For example, the ordnance may have been out of its designated safe life for usage, it may have been damaged upon return from a unit or it may have been exposed to the elements and corroded. Defence conducted inspections of all ordnance returned from units to determine if it was suitable for reissue. Where ordnance could be reworked and deemed suitable for reissue, it was returned to stock. Where ordnance was deemed unsafe to be reworked, it was destroyed. Defence is not prepared to devote the considerable resources required to identify, by type and amount, all explosive ordnance destroyed during the years in question.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

- f) Yes. The measures used, and the monitoring of these measures, range from individual to collective performance. Examples include the Army Individual Readiness Notice standards and the maintenance of competency based training records at the individual level. Collective measures include the use of formal unit and formation assessments.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Australian Industry Involvement (AII)

QUESTION W38

- a) For each of the top 20 major capital equipment projects, indicate the value of Australian Industry Involvement in dollar terms and the nature of local contribution.
- b) How is Australian Industry Involvement defined? Is it work performed by an Australian owned company? Is it work performed within Australia?
- c) In terms of the global capital equipment budget can the proportion of Australian Industry Involvement be provided for the following years, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02 (estimated) and the projected figure for 2002-03. That is, for each year provide the percentage of Australian Industry Involvement in dollars terms within the capital equipment budget for that year.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

RESPONSE

a) The value and nature of Australian industry involvement in the top 20 major capital equipment projects⁽¹⁾ is provided in the following table:

Project	Approved Project Expenditure	Australian Industry Involvement ⁽²⁾		Nature of Australian Industry Involvement	
	\$m	Planned Local Content ⁽³⁾	SIDA ⁽⁴⁾ / Offsets ⁽⁵⁾	Local Content	SIDA/Offsets
Airborne Early Warning and Control	3,455	415 ⁽⁶⁾	881.9 ⁽⁶⁾	<ul style="list-style-type: none"> • design and development of some system elements • test, evaluation and certification • integrated logistics support • design and manufacture of operational flight trainer • manufacture of aircraft modification components 	<ul style="list-style-type: none"> • technology transfer • provision of infrastructure • collaborative venture • training / skills transfer • research and development • export sales
Anzac Ship Project	5,279	2,793 ⁽⁷⁾	309 ⁽⁷⁾	<ul style="list-style-type: none"> • design and development of command support systems, communications, electronic warfare systems • manufacture of ships' structure, command support systems, communications, electronic warfare systems • systems integration • modify and repair 	<ul style="list-style-type: none"> • training • technology transfer • export sales
FFG Progressive Upgrade – Implementation	1,413	466 ⁽⁶⁾	85.6 ⁽⁶⁾	<ul style="list-style-type: none"> • project management, detailed design, simulators, installation, and radar system modifications • manufacture of sensor fusion, and the radar integrated automatic detection and tracking system • combat system integration • software development and manufacture of hardware elements of the torpedo defence sonar sub-system, and mine and obstacle avoidance sonar 	<ul style="list-style-type: none"> • technology transfer • training • skills transfer • provision of industrial infrastructure

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Project	Approved Project Expenditure	Australian Industry Involvement ⁽²⁾		Nature of Australian Industry Involvement	
	\$m	Planned Local Content ⁽³⁾	SIDA ⁽⁴⁾ / Offsets ⁽⁵⁾	Local Content	SIDA/Offsets
Minehunter Coastal Acquisition	1,241	648.7 ⁽⁸⁾	54.8 ⁽⁸⁾	<ul style="list-style-type: none"> hull construction manufacture of sonar and tactical data systems combat systems integration manufacture of the communications system manufacture of elements of the main propulsion, electro-optical surveillance, and auxiliary systems 	<ul style="list-style-type: none"> technology transfer specialised training provision of information and data
Evolved Sea Sparrow Missile Phase 2B/3	280	33.2 ⁽⁹⁾	Not applicable	<ul style="list-style-type: none"> missile and canister componentry production ship installation testing 	Not applicable
New Submarine Project	5,112	2,312.2 ⁽¹⁰⁾	146 ⁽¹¹⁾	<ul style="list-style-type: none"> development of project management skills participation in the design and development of the submarine and combat system construction of the submarines manufacture and test of key submarine systems development of capability to support submarines in Australia 	<ul style="list-style-type: none"> training technology transfer
Underwater and Surface Warfighting Upgrade	167	84.1 ⁽¹²⁾	Not applicable	<ul style="list-style-type: none"> systems integration 	Not applicable
Collins Class Submarine Augmentation	228	170.4 ⁽¹³⁾	Not applicable	<ul style="list-style-type: none"> project support, technical support, trials sonar processing equipment network infrastructure manufacture of new casing sections fabrication fin work 	Not applicable
F/A-18 Hornet Upgrade - Phase 2	1,524	Approx. 133 ⁽¹⁴⁾	112.4 ⁽¹⁴⁾	<ul style="list-style-type: none"> installation 	<ul style="list-style-type: none"> technology transfer training

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Project	Approved Project Expenditure \$m	Australian Industry Involvement ⁽²⁾ \$m		Nature of Australian Industry Involvement	
		Planned Local Content ⁽³⁾	SIDA ⁽⁴⁾ / Offsets ⁽⁵⁾	Local Content	SIDA/Offsets
Armed Reconnaissance Helicopter	1,858	304.9 ⁽¹⁵⁾ 237 ⁽¹⁵⁾	195.6 ⁽¹⁵⁾	<ul style="list-style-type: none"> • customisation, assembly and test of helicopter • develop, supply and integrate training equipment • training for helicopter • in service support contract 	<ul style="list-style-type: none"> • manufacture of composite parts and electrical harnesses • manufacture of parts for export • development of aircraft engine repair capability • intellectual property and audit training • technology transfer • training
Air-to-Air Weapons Capability – Phase 1	310	9.6 ⁽⁶⁾	Not applicable	<ul style="list-style-type: none"> • project management • missile integration • engineering 	Not applicable
P-3C Update	903	179.6 ⁽¹⁶⁾	118.8 ⁽¹⁶⁾	<ul style="list-style-type: none"> • modification of all aircraft • ground test and evaluation • system engineering • technical publication • software development • avionics/navigational sub systems and maintenance training 	<ul style="list-style-type: none"> training technology transfer facilities provision
Air-to-Surface Stand-off Weapon Capability	335	30 ⁽¹⁷⁾	Not applicable	<ul style="list-style-type: none"> • integration of the weapon onto the F-111 	Not applicable
Anzac Ship Helicopter	1,017	165.9 ⁽¹⁶⁾	63.8 ⁽¹⁶⁾	<ul style="list-style-type: none"> • mechanical design • fabrication • electrical wire harnessing • assembly • integration • flight testing • software development • facility provision 	<ul style="list-style-type: none"> • technology transfer • export orders

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Project	Approved Project Expenditure	Australian Industry Involvement ⁽²⁾		Nature of Australian Industry Involvement	
	\$m	Planned Local Content ⁽³⁾	SIDA ⁽⁴⁾ / Offsets ⁽⁵⁾	Local Content	SIDA/Offsets
Australian Light Armoured Vehicles	616	111.5 ⁽¹⁸⁾	139.4 ⁽¹⁸⁾	<ul style="list-style-type: none"> provision of mission role installation kits transfer of LAV-25 turret fabrication and assembly line to Australia local sourcing of commercially available components 	<ul style="list-style-type: none"> technology transfer associated with establishment of the turret manufacturing capability within Australia export sales of assembled turrets to New Zealand, Canada, Saudi Arabia and Mission Role Installation Kits to Thailand
Bushranger Infantry Mobility Vehicles	316	149 ⁽¹⁹⁾	Not applicable	<ul style="list-style-type: none"> design of the complete vehicle manufacture of the hull design and manufacture of key sub-assemblies and components partial manufacture and assembly of suspension axle systems complete vehicle assembly 	Not applicable
High Frequency Modernisation	585	230 ⁽²⁰⁾	63 ⁽¹⁵⁾	<ul style="list-style-type: none"> project management systems engineering communications infrastructure 	<ul style="list-style-type: none"> technology transfer communications research & development simulation and analysis laboratory
Milsatcom - Military Satellite Payload	375	37.9 ⁽²¹⁾	Not applicable	<ul style="list-style-type: none"> project management systems engineering design specification and contract alignment satellite assembly, integration and test 	Not applicable
Defence Messaging and Directory Environment	107	63.5 ⁽¹³⁾	Not applicable	<ul style="list-style-type: none"> system integration design work rollout hardware support logistic support 	Not applicable

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Project	Approved Project Expenditure	Australian Industry Involvement ⁽²⁾		Nature of Australian Industry Involvement	
	\$m	Planned Local Content ⁽³⁾	SIDA ⁽⁴⁾ / Offsets ⁽⁵⁾	Local Content	SIDA/Offsets
Tactical Air Defence Radar Systems	203	31.1 ⁽¹³⁾	5 ⁽¹³⁾	<ul style="list-style-type: none"> • project management • software development • communications sub-system • system integration • integrated logistics support • software support 	<ul style="list-style-type: none"> • software training • systems integration training • technology transfer for systems support • deeper maintenance training

- Notes**
1. As listed in the *Portfolio Budget Statements 2002-03*, Table 3.10.
 2. Australian Industry Involvement (AII) contracted commitment.
 3. Local Content: supply that is value-added by Australian / New Zealand industry. See response to part(b).
 4. A Strategic Industry Development Activity (SIDA) is an activity proposed by the tenderer that satisfies an industry requirement that cannot be satisfied by local content. It is not applicable or required in all contracts. See response to part(b).
 5. Offset value: Precursor to the SIDA program.
 6. AII dollar value is in 1998 dollars.
 7. AII dollar value is in 1988 dollars.
 8. AII dollar value is in 1993 dollars.
 9. AII dollar value is in 2000 dollars.
 10. Value achieved to date is \$2,347.1m. AII dollar value is in 1986 dollars.
 11. Offset value achieved to date is \$126m. AII dollar value is in 1986 dollars.
 12. No AII plan has been framed yet. The figure provided is an anticipated level of local content in 2002 dollars.
 13. AII dollar value is in 2002 dollars.
 14. Achieved to date. AII dollar value for Hornet upgrade phase 2.1 is in 2000 dollars and the AII dollar value for Hornet upgrade phase 2.2 is in 2001 dollars.
 15. AII dollar values is in 2001 dollars.
 16. AII dollar value is in 1995 dollars.
 17. There are many small contracts against this project. The range of AII dollar value is from 1998 to 2002.
 18. These figures are inclusive of both phase 2 and 3. The AII dollar value for phase 2 is in 1992 dollars, while the AII dollar value for phase 3 is in 2000 dollars.
 19. AII dollar figure indicative only, AII Plan negotiations ongoing. AII dollar value is in 1995 dollars.
 20. AII dollar value is in 1996 dollars, achievement to date \$169m.
 21. AII dollar value is in 1996 dollars, achievement to date \$15m.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- b) Australian Industry Involvement is a mechanism to ensure the achievement of reasonable levels of local content and strategic industry development activity in the acquisition and through-life support phases of militarily significant projects. Local content includes contributions by Australian and New Zealand defence industries, although an overseas company can be considered to be providing a local industry capability by demonstrating a long-term commitment to Australia. Strategic industry development activities are those proposed by the tenderer which can satisfy, or contribute to, a defence industry requirement not satisfied by local content factors. Examples include the local manufacture of products for domestic sale or export, research and development, technology or skills transfer and the provision of infrastructure where these activities enhance industry's ability to support the ADF.
- c) No. These statistics are not collectively recorded.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Delayed Projects
QUESTION W39

Can the Department provide a list of each of the capital equipment projects (worth \$10m or more) that are currently behind their original schedule, i.e. the delivery and/or acceptance dates are later than originally planned. For each project specify:

- a) The original delivery date when the project was approved;
- b) The original acceptance into service date;
- c) The current expected delivery date;
- d) The current expected acceptance into service date;
- e) The reason(s) for the delay;
- f) Whether the cost of the project has increased over the life of the project and if so what the increase has been;
- g) The reason(s) for any increase in project cost;
- h) Whether Defence has incurred any other costs because of the delay to the project, if so what is the total of these additional costs?

RESPONSE

- a) to h) Defence is not prepared to devote the considerable resources required to answer these questions. Defence has 252 major capital equipment projects and to research and provide the details sought for each capital equipment project (worth \$10m or more) would be a highly complex and labour intensive process.

The table below shows projects as listed in the *Portfolio Budget Statements 2002-03* where the actual delivery date varies from the contracted delivery date and/or where the in-service date is later than that agreed at the contract approval stage.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Project	Original Delivery Date	Original Acceptance Into Service	Current Delivery Date	Current Acceptance Into Service	Reasons for Delay	Cost increases (\$m) ⁽¹⁾	Reasons for increases
Anzac Ship Project	Ship 01 (October 1995) to Ship 10 (November 2004)	October 2000 - November 2005	March 1996 - March 2006	October 2000 - March 2007	Prime contract delivery date changes: <ul style="list-style-type: none"> • (November 1989) Excusable delay settlement caused by design delay. • (September 1996) To balance contractor workload and release Commonwealth from providing Government furnished supplies for sea trials. • (December 1998) Excusable delay settlement caused by industrial action. • (July 1999) Inclusion of capability enhancements. • (January 2001) Changes as a result of excusable delay and contractor management improvements. 	1765	<ul style="list-style-type: none"> • \$104m increase for change to MK45 Gun • \$80m increase New Zealand offset • \$7m increase for travel due to change in policy (projects required to fund support area travel costs). • \$1,573m due to price and exchange
FFG Progressive Upgrade	Ship 01 (May 2003) to Final Ship (January 2006)	April 2004 – January 2006	August 2004 – December 2007	August 2006-January 2008	Schedule delay is related to development and delivery of combat system software due to insufficient subcontract resources in the early stages, as well as delays by the Commonwealth in providing government furnished information.	300	<ul style="list-style-type: none"> • Price and exchange
Minehunter Coastal Acquisition	At contract signature <i>Huon</i> (01) was expected to be delivered in June 1998 and <i>Yarra</i> (06) in August 2002	Acceptance into naval service was originally scheduled for 12 months after delivery of the ships	01 was delivered in March 1999 and 06 is to be delivered in September 2002 (This date is currently under review)	Acceptance into naval service for the first of class is expected when full functionality of the electronic support measures system is demonstrated in late 2002	The original schedule was adjusted on several occasions by agreement between the Commonwealth and ADI Ltd. Reasons for delay of the provisional acceptance of <i>Huon</i> included enhancements of the shock performance, modifications to rectify problems with onboard storage and handling of mine disposal charges, and licensing agreements with Intermarine, the Italian ship designer.	79	<ul style="list-style-type: none"> • Price and exchange
New Submarine Project	<i>Collins</i> (SM 01) (January 1995) to <i>Rankin</i> (SM 06) October 1999	Delivery was expected for SM 01 in July 1995 and SM 06 in October 1999. Acceptance into naval service was originally scheduled for six months after delivery of the boats	Delivery of SM 01 occurred in July 1996. Delivery of SM 06 is expected to occur in December 2002	SM 01 was provisionally accepted in July 1996. Acceptance into naval service of SM 06 will then apply to whole of class	The provisional acceptance of <i>Collins</i> was delayed due to problems with completion of the detailed design of the submarines, delays in the development and delivery of the combat system software, rectification of deficiencies revealed during sea trials, and repairs related to propulsion failures with <i>Collins</i> and delays associated with the submarine rescue system. Delays were also experienced due to Defence requesting design changes.	1,258	<ul style="list-style-type: none"> • Price and exchange
Underwater and Surface Warfighting Upgrade	2004	In service 2004	2005	2005	Original in-service date of 2004 was based on implementation of all capabilities. Owing to affordability, only the highest capability has been endorsed to proceed under Phase 3A. Current in-service	24	<ul style="list-style-type: none"> • \$54m increase for price and exchange • -\$30m White Paper funding adjustments for not-yet-to contract projects

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Project	Original Delivery Date	Original Acceptance Into Service	Current Delivery Date	Current Acceptance Into Service	Reasons for Delay	Cost increases (\$m) ⁽¹⁾	Reasons for increases
					date is based on acceptance into naval service of Harpoon launchers only. Other capabilities for torpedo self defence and obstacle avoidance systems are not yet approved.		
F/A-18 Hornet Upgrade Phase 2.1	October 2001	April 2003	July 2002	July 2003	Combination of flow-on delay from Phase 1, late delivery of radars and issues with operational flight program testing from US Navy.	189	<ul style="list-style-type: none"> \$321m for price and exchange -\$132m White Paper funding adjustments for not yet to contract projects
Armed Reconnaissance Helicopter	July 2003	June 2007	December 2004	June 2007	Request for tender release delayed due to White Paper considerations.	274	<ul style="list-style-type: none"> Price and exchange
Air-to-Air Weapons Capability	August 2001	December 2001	November 2002	December 2003	Delays in development of operational flight program and disputes between principal contractor and UK Ministry of Defence.	135	<ul style="list-style-type: none"> \$77m increase for price and exchange \$58m for integrating and testing the ASRAAM short range missile on F/A-18 and establishing maintenance support. Also increased costs associated with AIM 120 medium range missile
P-3C Update	July 1998	November 1998	October 2001 (1st aircraft)	September 2002 (final aircraft)	Underestimate of software effort by prime contractor.	238	<ul style="list-style-type: none"> \$202m increase for price and exchange \$36m for logistic support
Air-to-Surface Stand-off Weapon Capability	May 1998	October 1998	December 2001 (missiles)/July 2003 (prototype aircraft)	December 2004	Delayed schedule due to changes of scope, late delivery of support and test equipment, alternative weapon consideration and underestimate of integration effort and impact of F-111C wing replacement program.	179	<ul style="list-style-type: none"> \$102m increase for price and exchange \$4m increase for telemetry weapons \$145m additional missiles \$56m increase due to integration effort -\$128m White Paper funding adjustment for not-yet-to-contract projects
Anzac Ship Helicopter	August 1999 - December 2000	March 2001	December 2004	Mid to late 2006	Withdrawal by software development sub-contractor.	277	<ul style="list-style-type: none"> Price and exchange
Australian Light Armed Vehicle	October 2002 - May 2004	October 2002	December 2002-June 2004	December 2002	Production issues at General Motors Defence (Canada).	139	<ul style="list-style-type: none"> Price and exchange
Bushranger Infantry Mobility Vehicle	May 2001	December 2002	September 2004	September 2006	Cost, schedule and quality problems of the prime contractor. Contract requires further development to enable contractor to discharge its obligations.	28	<ul style="list-style-type: none"> Price and exchange
High Frequency Modernisation ⁽²⁾	Core: November 2001 Final: May 2004	Core: February 2002 Final: September 2004	Core: October 2003 Final: September 2005	Core: October 2003 Final: December 2005	Contractor delays due to complex nature of software.	77	<ul style="list-style-type: none"> \$66m for price and exchange \$11m increase for increased capability
MILSATCOM - Military Satellite Payload	April 2002 ⁽³⁾	July 2002	November 2002	April 2003	Contractor delays due to technical complexities.	119	<ul style="list-style-type: none"> \$114m for price and exchange \$5m increase to project contingency
Tactical Air	December 1997 to	December 1997 to	May 2004	May 2004	Contractor performance due to underestimated technical	70	<ul style="list-style-type: none"> \$50m increase to price and exchange

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Project	Original Delivery Date	Original Acceptance Into Service	Current Delivery Date	Current Acceptance Into Service	Reasons for Delay	Cost increases (\$m)⁽¹⁾	Reasons for increases
Defence Radar Systems	September 2000 ⁽⁴⁾	September 2000			complexity by contractor and poor sub-contractor management.		• \$20m increase due to original underestimation of cost

Notes

1. Please note that real variations do not include the following:
 - transfers of funds to/from other projects/phases where scope was also transferred;
 - transfer of funds to the capital facilities program to cover facilities work; and
 - transfer of funds to salaries to cover full-time employees to replace consultants and professional service providers.
2. The High Frequency Modernisation Project has two major delivery dates: core and final. At core, the project will provide a replacement capability for the existing Navy and Air Force high frequency radio networks. At final delivery, additional enhancements are provided to the network delivered at core and selected ships, army mobile stations and aircraft are upgraded to take advantage of the enhanced fixed network capabilities.
3. Contract was for pre-launch acceptance in April 2002, and satellite and payload handover after launch and in-orbit testing in July 2002.
4. Delivery date for final (of three) segments in first Government approval was to be December 1997. Delivery date for final (of four) segments in Government approval to Phase 2 was to be September 2000.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Sea 1429 – Replacement Heavy Weight Torpedo

QUESTION W40

- a) Can a copy of the original tender documents for Phase 2 of this project be provided.
- b) What did these tender documents specify in terms of the numbers or quantity of torpedoes to be supplied?
- c) In terms of the subsequent purchase of torpedoes now planned, what is the proposed budget for this purchase?
- d) Is another Phase to this project now planned? When is this Phase likely to be approved?
- e) Is there any plan for Australian Industry Involvement in this project? If so, what?
- f) Do the Mark 48 torpedoes that will be acquired under this project comply fully with all Australian environmental laws and regulations?
- g) Will the Mark 48 torpedoes that will be acquired under this project be in any way modified for use by the Collins? If so, what modifications will be made?

RESPONSE

- a) The Statement of Work section of the tender documentation for SEA 1429 Phase 2 Acquisition is classified and cannot be released. A copy of the terms and conditions and the draft contract has been passed to the Committee. (Copies may be obtained by contacting the FAD&T Secretariat on (02) 6277 3539.)
- b) This information is classified and cannot be released.
- c) The original heavy weight torpedo project was split into two phases for financial programming reasons. The first phase of the project is approved at a cost of between \$200m and \$250m. Defence is currently in discussions with the United States Navy on the pricing of the second phase.
- d) No.
- e) Yes, primarily for the maintenance and in-service support for the weapons in Australia.
- f) An environmental impact assessment is currently under way to determine the possible impact of using the new torpedoes in specified exercise trial areas. Compliance with Australian environmental law and regulations will be determined as part of the assessment. Completion is expected in late 2002.
- g) No significant changes to the torpedoes are anticipated to enable them to be used in Collins class submarines. A complete assessment will be conducted during the submarine integration study scheduled to commence in the latter half of 2002. The commencement date of the study has been delayed due to unresolved commercial issues between Kockums and the Australian Submarine Corporation which are anticipated to be resolved in the near future.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Seasprite Helicopters
QUESTION W41

- a) When did the tender round for the Anzac helicopter project close?
- b) When was the decision to choose the Seasprite helicopter tender over the other tender?
- c) When did negotiations with Kaman on the contract for the delivery for the Seasprite begin?
- d) When was that contract signed?
- e) To date how much has Defence spent on legal advice on this project?
- f) To date how much has Defence spent on maintaining the team in the United States related to this project?
- g) For the year 2002 provide a schedule of payments made under this project, separately indicating the payments made under the service contract and the contract to supply the helicopters.
- h) For each of the eleven airframes, indicate how much of the original structure was retained and how much replaced as part of the project (e.g. 60 per cent).
- i) Can Defence confirm that the replacement parts are all new and are not second hand parts.

RESPONSE

- a) 20 March 1996.
- b) The decision was noted by the Minister on 16 January 1997 and announced on 17 January 1997.
- c) 1 March 1997.
- d) 26 June 1997.
- e) An estimated \$479,000.
- f) An estimated \$2.034m. These funds pay for salaries, facilities, business equipment and travel to allow the resident project team to undertake quality assurance, review contract documentation and deliverables, review and manage the earned value system, manage integrated logistic support, conduct test flying, participate in human engineering design development and the systems engineering for the program, and carry out design reviews. The Commonwealth's involvement in most of these activities is mandated under the contract.
- g) Payments made in 2002 were provided in the response to Senate Question on Notice 325 of 16 May 2002.
- h) Each aircraft will have different amounts of its structure replaced and it is impractical to measure the surface area or volume of the entire aircraft and then each panel or component to calculate a percentage of original structure for each aircraft.
- i) Across the 11 aircraft, significant components are new - for example, the cockpit displays, navigation/communications systems, sensors, weapons, onboard processors, composite main rotor blades, fuel tanks, electrical wiring, some gearboxes and the engines. All consumable parts are new.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Most, if not all, aircraft fleets use some overhauled or restored components, and the Seasprite is no different. Components are removed from the aircraft and replaced with new items, restored or overhauled. There are airworthiness systems and regulations that govern the use of overhauled or restored components. For the Seasprite, components are overhauled or restored in accordance with procedures based on United States Naval Air requirements, and which meet ADF requirements.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Working Papers on Industry Restructuring
QUESTION W42

- a) Can the working papers provided to industry working groups on the restructuring of the Defence industry be provided to the Committee? If not why not?
- b) Can a list of the members of each of the relevant working groups, which have received the working papers be provided.

RESPONSE

- a) No. It is not departmental policy to provide working papers.
- b) Yes.

MARITIME INDUSTRY WORKING GROUP

Industry Members

Mr Jean-Georges Malcor - Managing Director, ADI Limited.
Mr Phillipe Odouard - Director Major Programs, ADI Limited.
Mr Steve Davies - Director Maritime Engineering, ADI Limited.
Mr Peter Francis - Chief Finance Officer, ADI Limited.
Mr Kevin Kitto - Business Development Manager (Maritime), BAE Systems.
Mr John Prescott - Chairman, ASC Pty Ltd.
Mr Graeme Bulmar - ASC Pty Ltd.
Mr Peter Burgess - Joint Managing Director, Forgacs.
Mr David Bowen - Director Special Projects, Forgacs.
Mr Jim Masterton - Manager Ship Repair, Forgacs.
Mr Peter Blackney - General Manager Commercial, Tenix Defence Systems Pty Ltd.
Mr John Dikkenberg - Manager Special Projects, Tenix Defence Systems Pty Ltd.

Industry Associations

Mr Paul Fisher - Director, Australian Business Limited.

Defence Members

Commodore Tony Flint - Director General Industry Capability.
Rear Admiral Kevin Scarce - Head Maritime Systems.
Commodore Trevor Ruting - Director General Major Surface Combatants.
Mr Mark Gairey - Director General Submarines.
Commodore Syd Lemon - Director General Maritime Systems.
Commodore Paul Greenfield - Director General Maritime Development.
Commodore Warwick Gately - Director General Navy Strategic Policy and Futures.
Captain Guy Thomson - Director Class Logistics Management.
Captain Chris Frost - Director Planning Construction and Development.
Mr Dominic Zaal - Director Maritime Industry Capability.
Mr Tim Heenan - Assistant Director Maritime Industry Capability.
Ms Michelle Kelly - Senior Adviser (ASC Sale) to Head Industry Division.
Mr Andrew Mackinnon - Director Navy Basing and Environmental Policy.
Mr Alistair McEachern - Deputy Director Maritime Warfare, Capability Investment and Review.

Dr David Saunders - Research Leader Maritime Platforms.
Commander John Worstencroft - Deputy Director Ship Repair Services.
Mr Martin Skinner - Deputy Director Ship Repair Services.

Other Government Departments

Mr Bob Summerville - Manager, Heavy Engineering and Infrastructure, Department of Industry, Tourism and Resources.
Mr Peter Diddams - Group Manager, Department of Finance and Administration.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

ELECTRONIC INDUSTRY SECTOR

Industry Members

Mr Greg Tunny - Business Development Manager, ADI Limited.
Mr Chris Jenkins - Managing Director, Thales Under Water Systems.
Mr Frank Kelly - RLM, represented by Mr Paul Johnson, Managing Director RLM.
Mr Lindsay Pears - Chief Strategist, Space and Communications, Boeing Australia.
Mr Jim Birrell - Development Manager - C3I, BAE Systems.
Mr Peter Blackney - General Manager, Commercial, Tenix.
Mr Warren King - General Manager Naval Programs & Engineering, Raytheon Australia Pty Ltd.
Rear Admiral Nick Hammond (retired) - Managing Director, SAAB Systems Pty Ltd.
Mr Bob Spencer - Business Development Manager, CEA Technology.
Mr Pat Hall - Managing Director, Nautronix Ltd.
Mr Mick Aylward - General Manager - Naval Systems, Lockheed Martin Australia Pty Ltd.

Industry Associations

Mr Andrew Spong - Director, Australian Business Limited.
Ms Ainslie Barron - Executive Officer, Australian Industry Group.
Mr George Edwards - Managing Director, Morris Productions representing Australian Industry Defence Network.
Mr Bryan Douglas - Deputy Chief Executive, Australian Electrical and Electronic Manufacturers Association.
Mr Geoff Rhodes - Australian Defence Information and Electronic Systems Association.
TBA - Chief Executive Officer, Defence Teaming Centre.

Defence Members

Commodore Tony Flint (Chair) - Director General Industry Capability.
Dr Ralph Neumann - First Assistant Secretary Capability, Investment and Review
Ms Shireane McKinnie - Head Electronics Systems Division.
Dr Tim McKenna - First Assistant Secretary Science Policy.
Mr Maurice Hermann - Assistant Secretary Science Industry and External Relations.
Commodore Paul Greenfield - Director General Maritime Development.
Commodore Martin De Vries - Director General Command Control Communications and Computer.
Air Commodore John Harvey - Director General Aerospace Development.
Brigadier Steve Quinn - Director General Land Development.
Mr David Beveridge - Director Knowledge Systems Planning.
Captain Tony Jenkinson, RAN - Director Knowledge and Electronic Systems Industry Capability.
Mr Dominic Zaal - Director Maritime Industry Capability.
Mr Mike Lyons - Director Aerospace Industry Capability.
Mr Bruce Porter - Director Land and Weapons Industry Capability.

Other Government Departments

Mr Rob McKeon - Department of Industry, Technology and Resources.

AEROSPACE INDUSTRY SECTOR

Industry Members

Mr Ken Peacock - Executive Chairman, Boeing Australia
Mr Gilbert Dangleterre - Chief Executive Officer, EADS Australia Pacific Pty Ltd
Mr Ian Ashbrook - Executive Director, Rolls Royce Australia.
Mr Rick Campbell - General Manager Defence Services, Qantas Defence Services.
Mr Jim McDowell - Chief Executive Officer, BAE Systems.
Mr Peter Blackney - General Manager Commercial, Tenix Defence Systems.

Industry Associations

Mr Ainslie Barron - Senior Policy Adviser, Australian Industry Group.
Mr Brian Weston - Executive Director, Association of Australian Aerospace Industries.

Defence Members

Commodore Tony Flint (Chair) - Director General Industry Capability.
Air Commodore Jon Pike - Director General Aerospace Materiel Management.
Mr Chris Guy - Chief Airframes and Engines.
Mr Mike Lyons - Director Aerospace Industry Capability.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Other Government Agencies

Mr Peter Morris - General Manager, Space and Aerospace, Department of Industry, Tourism and Resources.

WEAPONS INDUSTRY SECTOR WORKING GROUP

Industry Members

Mr Andrew Calvert – Operations Manager, BAE Systems.
Mr John Hamilton - Deputy Marketing Director - Surface, BAE Systems.
Mr Brian Conway - General Manager, ADI Limited.
Mr Darryl Page - Manager Ordnance, ADI Limited.
Mr Chris Deighton - Partner, Pentarch.
Mr Col Ellis - Defence Development Manager, Thales Underwater Systems.
Mr Chris Murray - Director, Applied Explosives Technology.
Mr Craig Brown - Engineer, Applied Explosives Technology.
Mr Mark Nicol - Business Development Manager, Raytheon.
Mr Brad Parfitt - Director, BLP Group.
Mr Charles Tegner - Managing Director, Pains Wessex Australia Pty Ltd.
Mr Noel Wainwright - General Manager - Weapons, Raytheon.
Mr Bob Weight - Business Manager, SAAB Bofors.

Industry Associations

Mr Ainslie Barron - Executive Officer, Australian Industry Group.
Ms Sue Smith - Executive Officer, Australian Industry and Defence Network.
Mr Andrew Spong - Director, Australian Business Ltd.
Mr Brian Weston - Executive Director, Australian Business Ltd.

Defence Members

Commodore Tony Flint (Chair) - Director General Industry Capability.
Air Commodore John Harvey - Director General Aerospace Development.
Brigadier Steve Quinn - Director General Land Development.
Commodore Norbert Burman - Research Leader Land Weapons Systems, Weapons Systems Division.
Captain Chris Frost - Director Planning and Concept Development.
Captain Tony Jenkinson, RAN - Director Knowledge and Electronic Systems Industry Capability.
Colonel David Welch - Director Land Development Requirements.
Mr Bruce Porter - Director Land and Weapons Industry Capability.
Mr Allan Cameron - Assistant Director Land and Weapons Industry Capability.
Commodore Keith Bailly - Guided Weapons Product Manager.
Mr Ian James - Non-Guided Weapons Product Manager.
Wing Commander Phil Lavelle - Deputy Director Combat Enablers.
Dr Douglas Kewley - Research Leader Air Weapons Systems.
Mr Chris Tyler – Advisor, Aerospace Industry Capability Section.

Other Government Departments

Ms Christine Arthur - Infrastructure, Construction and Defence Industries, Department of Industry, Tourism and Resources
Ms Brooke Hartigan - Legal Officer, Attorney General's Department

LAND INDUSTRY WORKING GROUP

Industry Members

Mr Paul Merrow - Managing Director, GM Defence Australia.
Mr John Harriot - Marketing Manager, GM Defence Australia.
Mr Peter Blackney - General Manager Strategic Business Initiatives, Tenix Defence.
Mr Mark Diedrichs - Director Engineering & Vehicles, ADI Limited.
Mr John Hamilton - Deputy Director Marketing Surface Systems, BAE Systems Australia.

Industry Associations

Mr Andrew Spong - Director, Australian Business Ltd.
Mr Brian Weston - Executive Director, Australian Business Ltd.

Mr Ainslie Barron - Executive Officer, Australian Industry Group.
Mr Terry Pennington - Executive Officer, Truck Industry Council.
Mr Andrew McKellar - Executive Officer, Federal Chamber of Automotive Industries.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Mr Tony McDonald - Executive Director, Council of Textile and Fashion Industries of Australia.

Mr Brian Rush - President, Council of Textile and Fashion Industries of Australia.

Mr Greg Mackey - Executive Director, Australian Tyre Manufacturers Association.

Mr Stuart Bruce - President, Australian Industry Defence Network, Qld.

Defence Members

Commodore Tony Flint (Chair) - Director General Industry Capability.

Brigadier Geoff Barnett - Director General Land Manoeuvre Systems.

Colonel Grant Cavenagh - Director Mobility Systems Program Office.

Brigadier Ian Lillie - Director General Land Close Combat Systems.

Brigadier Steve Quinn - Director General Land Development.

Dr Bruce Brown - Defence Materiel Organisation Liaison Officer.

Colonel Steve Salmon - Director Land Combat Development.

Mr Bruce Porter - Director Land and Weapons Industry Capability.

Mr Denis Ausling - Assistant Director Land and Weapons Industry Capability.

Mr Michael Prain - Land and Weapons Industry Capability Section.

Lieutenant Colonel Nagy Sorial - Land Combat Development Section.

Other Government Agencies

Mr Chris Neil - Executive Director, Industry Search and Opportunities.

Mr Geoff Lewis - Assistant Manager Automotive Trade Strategy, Department of Industry, Tourism and Resources.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Asset Sales

QUESTION W43

For the years 1998-99, 1999-00, 2000-01 and 2001-02, which property sales were specifically identified to be returned entirely to consolidated revenue?

RESPONSE

No property sales proceeds were specifically identified for return to consolidated revenue during 1998-99 and 1999-2000.

In planning the 2000-01 and 2001-02 Budgets, the Government identified a number of properties for disposal and return of the proceeds to consolidated revenue. As a result of slippage in the sales program a number of these properties are now flagged for disposal in 2002-03 and future years.

Property sales that occurred over 2000-01 and 2001-02 where the proceeds were subsequently returned to consolidated revenue were:

- Defence Plazas, Sydney and Melbourne;
- Campbell Park Offices;
- Rockbank, Victoria; and
- The Hydrographic Office, Wollongong.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Bradshaw Field Training
QUESTION W44

The Budget paper shows \$64.8m as the approved budget for works on this site. Can a breakdown for these works and their costs be provided.

RESPONSE

The breakdown of the proposed works for the Bradshaw field training area and their costs are as follows:

Works	Costs (\$m)
Bridge	9.330
Civil Works (including 200km of roads)	26.250
Building Works	22.050
Fees and Project Contingency	7.153
Total	64.783

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Facilities Projects
QUESTION W45

At the top of page 84 it is indicated that in 2002-03 there is expected to be \$91.7m of 'expenditure slippage'. Can a breakdown of the projects affected by this slippage and the amounts related to each project.

RESPONSE

No. A breakdown by project cannot be provided at this stage. Estimated expenditure slippage is not applied to individual projects. Rather, slippage is applied to the overall major capital facilities budget. The level of slippage reflects the estimated cost and schedule risks associated with the overall program, which consists of some one hundred major and medium projects.

The level of slippage is actively managed and will be reassessed in the context of the 2002-03 Additional Estimates. Slippage by project will be reported in the 2002-03 annual report.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Future Use of Bases

QUESTION W46

- a) In relation to the response to Question 136 tabled on 14 May this year concerning property sales, can Defence confirm what use each of the sites are currently approved for in terms of local planning regulations? (e.g. residential, light industrial)
- b) Will any of the sites be rezoned prior to sale? If so, what type of use will Defence be applying for in relation to any such sites?
- c) What form of sale will be used in relation to each of these sites? (e.g. auction)
- d) In relation to the following sites what plans does Defence have for their future use and/or disposal (either the entire site or parts thereof):
- c) The Richmond airfield in NSW;
- i. HMAS Waterhen;
 - ii. HMAS Albatross;
 - iii. RAAF Williamtown;
 - iv. RAAF armaments depot at Orchard Hills in Sydney;
 - v. RAAF Glenbrook.

RESPONSE

- a) and b) The table below shows current approvals and anticipated re-zoning prior to sale. It is listed by state and by anticipated year of sale.

Property Name	State	Anticipated Year of Disposal	Current Approved Local Council Property Zonings	Anticipated Plan to Rezone - Prior to Sale
Transmitting Station, Gungahlin	ACT	2002-03	Public Use – Conservation Area	–
Transmitting Station, Lawson/Belconnen	ACT	2003-04	Residential	–
Werriwa Depot Canberra	ACT	2004-05	Commercial	–
Bathurst Logistics Depot (part)	NSW	2002-03	General Rural	–
Bogan Gate Stores Depot	NSW	2002-03	Rural	–
Cootamundra – Vacant Land	NSW	2002-03	Village	–
Dubbo, RAAF Stores Depot	NSW	2002-03	Special Use	–
Endeavour Hostel	NSW	2002-03	Special Use	–
Ermington (Rydalmere)	NSW	2002-06	Residential	–
Gan Gan Training Camp	NSW	2002-03	Environmental Protection	–
HMAS Platypus (Neutral Bay)	NSW	2003-04	Special Uses Defence	–
Holsworthy - East Hills Barracks (Voyager Point)	NSW	2001-02	Special Uses – Military	–
Holsworthy - Kokoda	NSW	2002-04	Residential, Business and Public Recreation	–
Ingleburn Army Base	NSW	2003-06	Special Uses – Military and Special Uses ‘A’ Defence	Residential, commercial and conservation and transport uses
Lady Gowrie House	NSW	2002-03	Residential	–
Moorebank - Amiens	NSW	2002-03	Industrial	–
Moorebank - Yulong	NSW	2002-04	Special Use	Industrial use

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Property Name	State	Anticipated Year of Disposal	Current Approved Local Council Property Zonings	Anticipated Plan to Rezone - Prior to Sale
Moorebank (Excluding DNSDC)	NSW	TBA ⁽¹⁾	Special Uses Military and Environment Protection – Bushland	A mixed zoning suitable for industrial, commercial, residential, conservation, education and recreation uses
Newnes Junction	NSW	2001-02	General Rural	–
Port Kembla Training Depot – Hill 60	NSW	2003-04	Medium Density Residential	–
RAAF Cadets Mt St. Thomas, Wollongong	NSW	2003-04	Low Density Residential	–
Radio Station Londonderry	NSW	2003-04	Rural	Rural residential use
Randwick (Bundock Street)	NSW	2002-06	Special Uses Military and Environment Protection – Bushland	–
Regents Park	NSW	2002-04	Special Uses Defence	Industrial and residential uses
Schofields Aerodrome	NSW	2002-03	Special Uses – Commonwealth Uses	Residential, employment and education uses
Stockton Rifle Range	NSW	2002-03	Environmental Protection	–
Thornton Park - Stores Depot Penrith	NSW	2002-04	Mixed Use Residential, Industrial, Civic Plaza and Car Park	–
Training Depot Albury – Buna Barracks	NSW	2002-03	Living Area Zone	–
Training Depot Coffs Harbour (part)	NSW	2002-03	Special Use	–
Training Depot Dundas (part)	NSW	2001-03	Sold	–
Training Depot Gladesville	NSW	2001-02	Sold	–
Training Depot Haberfield	NSW	2002-03	Residential	–
Transmitting Station Bringelly	NSW	2003-04	Special Uses Military Communications	Dependent on the future of Badgerys Creek Airport
Werrington, Stores Depot Kingswood	NSW	2002-04	Special Uses (Army Stores Area)	Residential and industrial uses
Darwin River Quarry	NT	2003-04	Community Purpose	–
Kowandi North (part)	NT	2001-02	Community Purpose	–
Radar Site Lee Point	NT	2003-04	Community Purpose	–
Receiving Station Lee Point	NT	2003-04	Community Purpose	–
Transmitting Station Berrimah (11 Mile)	NT	2003-04	Community Purpose	–
Communications Station Acacia Ridge	Qld	2002-03	Special Use – Commonwealth Government	–
Duckworth St/Dalrymple Rd, Townsville	Qld	2001-02	Special Purpose	–
Mann St, Cairns - Vacant Land	Qld	2002-03	Residential Multiple Unit	–
Archer St, Rockhampton	Qld	2003-04	Special Purpose	–
Stores Depot Banyo	Qld	2002-03	Special Use (Army)	–
Training Depot Mitchell St, North Ward	Qld	2002-03	Special Purpose (Defence)	–
Wacol	Qld	TBA	Special Purpose (Defence)	–
Witton Barracks, Indooroopilly	Qld	2003-04	Special Use (Commonwealth Government)	–
Salisbury	SA	2001-05	Industrial	–

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Property Name	State	Anticipated Year of Disposal	Current Approved Local Council Property Zonings	Anticipated Plan to Rezone - Prior to Sale
Smithfield Magazine Area	SA	2002-03	Rural Policy Area 25 (interim)	–
Transmitting Station, Training Depot – Elizabeth North	SA	2005-06	Residential	–
Brighton Army Barracks	Tas	2002-03	Community Use	Residential and rural uses
Fort Direction	Tas	2003-04	Special Use, Passive Use and Passive Recreation	–
Afton St	Vic	2003-04	Commonwealth Purpose	–
Broadmeadows	Vic	2002-03	Commonwealth Purpose	–
Crows Nest	Vic	2003-04	Commonwealth Land	–
Maribyrnong	Vic	2003-04	Unzoned – Commonwealth Owned Land	–
Portsea, Norris Barracks - Port Nepean	Vic	2002-04	Conservation Area, Commonwealth Purpose	–
RAAF Point Cook	Vic	2003-04	Public Purpose	–
Somerton	Vic	2002-03	Public Use (Commonwealth of Australia)	–
Training Depot Bairnsdale	Vic	2003-04	Public Purpose and Proposed Road Widening	–
Training Depot Korumburra	Vic	2003-04	Public Purpose	–
Training Depot Korumburra - Vacant Land	Vic	2004-05	Public Purpose	–
Training Depot Wangaratta	Vic	2003-04	Commonwealth Government	–
Waterford Green – Building 72 Maribyrnong	Vic	2002-03	Public Purpose Reserve	Residential use
Artillery Barracks Fremantle	WA	2001-02	Commonwealth Government Public Purpose and Local Reserve - Open Space	–
Bushmead-Rifle Range and Bushland	WA	2003-04	Rural	–
Communications Centre Caversham	WA	200205	Unzoned, Parks and Recreation	–
Fuel Depot Fremantle	WA	TBA ⁽²⁾	Residential and Industry	–

Note

1. The property of Holsworthy – Moorebank Rd, as listed in response to Senate Question No. 136 has been incorporated into the information provided for Moorebank (excluding DNSDC).
2. This is a variation from the response to Senate Question No. 136. Previously it was expected that disposal would occur in 02-03 but this is no longer apparent.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Properties identified for possible sale and leaseback

Property Name	State	Anticipated Year of Disposal	Current Approved Local Council Property Zonings	Anticipated Plan To Rezone - Prior To Sale
Campbell Park Offices	ACT	2001-02	Sold	--
Defence College Weston Creek	ACT	2002-03	Broadacre Land Use	--
Russell Hill Offices	ACT	2002-03	Office Use	--
DNSDC Moorebank (now known as Moorebank DNSDC site - Moorebank Ave)	NSW	2002-03	Special Use - Military	Industrial use
Revy Building, Pyrmont (Partial Leaseback)	NSW	2002-03	Business/Mixed Use	--
Waverton	NSW	2003-04	Special Use Defence	--
Logistics Facility Winnellie	NT	2002-03	General Industry	--
Logistics Base Meeandah	Qld	2002-03	Special Use - Commonwealth Government	--

- c) In line with Commonwealth property disposal policy, the properties will be sold through an open market process (auction or tender).
- d) With respect to HMAS Albatross, RAAF Williamtown, Orchard Hills and RAAF Glenbrook, Defence has made no submission to the Government concerning functional realignment, sale or disposal.

The Prime Minister has stated that Defence will maintain operations from RAAF Richmond until at least 2010. Beyond this, the Government will consider planning options for the base.

To inform future planning, Defence is currently considering an environmental impact statement into the impact of RAAF Richmond on the region.

The majority of HMAS Waterhen is based on land leased from the NSW Government. While Defence anticipates retaining the lease of HMAS Waterhen in the long term, a small portion of the site which is owned by Defence may be disposed of in the short term. This portion is the subject of a rezoning proposal by local government and the zoning may affect Defence's ability to dispose of the land.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Relocation of Headquarters Australian Theatre

QUESTION W47

- a) In relation to the proposed Headquarters in Bungendore, what consultation has occurred with the nearby Radio Telescope?
- b) What concerns, if any, have been raised with Defence in relation to the proposed site for the headquarters and its possible impact on the operation of the Radio Telescope?
- c) Have all of these concerns been resolved, particularly those from the organisation operating the Radio Telescope?

RESPONSE

- a) In developing the proposal for the Headquarters Australian Theatre project, Commonwealth officers have undertaken the following consultation with respect to the Molonglo Observatory Synthesis Telescope:
 - Discussion with local telescope staff during October 2001 regarding the development process to be used for the Headquarters proposal.
 - Consultation with local telescope and University of Sydney staff in March 2002 regarding the technical aspects of the Defence proposal.
- b) Concerns have been raised with Defence that activities at the proposed Headquarters may cause interference with the operation of the telescope.
- c) No. The resolution of these issues is intended during a formal environmental assessment of the project and in the detailed investigation that will support it.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Additional Funding for the War Against Terrorism
QUESTION 6

SENATOR: EVANS

HANSARD: Page 129

Please provide a breakdown of the costs for the additional \$199m for the war against terrorism. Please include a breakdown of the \$30m within that additional funding to be spent on equipment.

RESPONSE

The estimated additional expenditure on the war against terrorism is shown in the table below. The expenditure is allocated to Output 1, Defence Operations, and has been broken down by Defence Group. Note that the capital element for the three Services is included in the total for the Defence Materiel Organisation.

Defence Group Expenditure of Output One Funding	2002-03
	\$m
Commander Australian Theatre	53.4
Navy	49.4
Army	5.7
Air Force	7.6
Defence Materiel Organisation	71.0
Strategic Policy	2.2
Defence Personnel Executive	3.4
Corporate Services	6.3
Total Output One	199.0

The capital elements of the above costs are described in the table below. It should be noted that the capital costs are partly offset through accumulated depreciation of \$13.5m.

Capital Cost	2002-03
	\$m
P-3C Inventory purchase	2.1
C-130 repairable items	2.2
Night vision goggles	5.0
Modifications to C-130J	2.5
P-3C Electro-optical systems	3.7
Ship maintenance	11.0
Purchase of repairable items, weapons, uniforms and other equipment	16.7
Depreciation	-13.5
Total net cost	29.7

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Cost of the War Against Terrorism

QUESTION 7

SENATOR: EVANS

HANSARD: Page 129-132

What is the cost to date of the war against terrorism?

RESPONSE

The estimated net additional cost of the war against terrorism for 2001-02 is \$320m, as outlined in the *Portfolio Additional Estimates Statements 2001-02*.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Additional Funding for Increased Coastal Surveillance

QUESTION 8

SENATOR: EVANS

HANSARD: Page 135

Please provide a breakdown of the \$22.3m in additional funding for increased coastal surveillance.

RESPONSE

The breakdown of the additional funding for increased coastal surveillance is as follows:

Category	2002-03 \$m
Employees	4.7
Suppliers Expense	14.6
Purchase of Specialist Military Equipment	3.0
Total	22.3

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Claims Against the United Nations for East Timor Deployment
QUESTION 9

SENATOR: WEST

HANSARD: Page 142

Can Defence confirm how much Australia was entitled to claim from the United Nations in 1999-2000, 2000-01 and 2001-02? What did Defence actually claim for those years? If amounts claimed were less than entitlements, what was the reason for this?

RESPONSE

Australia claimed reimbursement for all entitled costs. Australia claimed reimbursements of US\$27.4m in 1999-2000, US\$55.6m in 2000-01 and US\$35.9m in 2001-02.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Budget Estimate for East Timor Deployment

QUESTION 10

SENATOR: EVANS

HANSARD: Pages 143-145

What are the estimated additional costs for 2002-03 and 2003-04 for the deployment to East Timor?

RESPONSE

The estimated additional costs for the deployment to East Timor for the years 2002-03 and 2003-04 were identified in the *Portfolio Budget Statements 2001-02* (Table 1.3, page 18) and have not changed.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Categories of Operations

QUESTION W48

- a) What categories of operation are there? Provide a brief description of the nature of each of the categories and the types of activities that would be covered by the category.
- b) For each of the current operations indicate their category.

RESPONSE

a) Defence has interpreted the question as referring to the three categories of operational conditions of service. These categories are determined as:

- Warlike – military activities where the application of force is authorised and there is an expectation of casualties. These operations can encompass, but are not limited to, a state of declared war, conventional combat operations against an armed adversary, and peace enforcement operations in support of diplomatic efforts which may include combat.
- Non-warlike – military activities that fall short of warlike operations where there is risk associated with the assigned task(s) and where application of force is limited to self defence. Casualties could occur but are not expected. This can include hazardous operations such as mine avoidance and clearance, and peacekeeping operations.
- Peacetime – operations not declared warlike or non-warlike. Peacetime operations can encompass humanitarian relief as a result of a natural disaster both in Australia and overseas.

Activities within each category will vary across the range of ADF capabilities and are not exclusive. For example, maritime surveillance can be conducted under warlike, non-warlike or peacetime conditions of service.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- b) The category of service for each current operation is as follows:

ADF Major Operations

Operation	Objective	Category
Slipper / Damask ⁽¹⁾ commenced in 2001 Damask commenced in 1990 <u>Forces</u> ADF	To contribute to the US-led operation against international terrorism / to contribute to the Multinational Maritime Interception Force in the Persian Gulf.	Warlike
Citadel ⁽²⁾ Commenced 2002 <u>Forces</u> ADF	ADF contribution to United Nations support to East Timor.	Warlike
Bel Isi II Commenced 1998 <u>Forces</u> ADF	To support the regional Peace Monitoring Group to monitor and report on the maintenance of the cease-fire on Bougainville by contributing specialist medical, logistic, communications and transport capabilities.	Non-Warlike
Relex II ⁽³⁾ Commenced 2002 <u>Forces</u> ADF	To conduct air and surface patrols across Australia's northern approaches to deter unauthorised boat arrivals.	Peacetime
Cranberry Commenced 1997 <u>Forces</u> ADF	To conduct surveillance in Northern Australia.	Peacetime

ADF Non-Regional Operations

Operation	Objective	Category
Paladin Commenced 1956 <u>Forces</u> Army	To contribute to the United Nations Truce Supervisory Organisation in the Middle East. This force of unarmed military observers supervise, observe and report on the various cease-fire arrangements, truces and peace treaties that have been negotiated between Israel and neighbouring Arab nations since 1948.	Peacetime
Mazurka Commenced 1992 <u>Forces</u> ADF	To provide personnel to the Multinational Force and Observers, to monitor the security arrangements in the Sinai.	Non-Warlike
Osier Commenced 1997 <u>Forces</u> Army	To deploy Army personnel as part of the Stabilisation Force in Bosnia-Herzegovina and Croatia, and Kosovo Force in Kosovo. In both cases, personnel serve as individuals attached to United Kingdom forces.	Non-Warlike
Pomelo Commenced 2001 <u>Forces</u> Army	To contribute to United Nations peacekeeping efforts in Africa as part of the United Nations Mission in Ethiopia/Eritrea.	Non-Warlike
Husky Commenced 2001 <u>Forces</u> Army	To contribute to the nation-building efforts in Sierra Leone	Non-Warlike

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

ADF Surveillance and Regional Operations

Operation	Objective	Category
Gaberdine Commenced 2001 <u>Forces</u> ADF	To provide support to the Department of Immigration and Multicultural and Indigenous Affairs to manage any increase in unauthorised boat arrivals.	Peacetime
Mistral Commenced 1998 <u>Forces</u> Navy and Air Force	To support Australian sovereign rights and fisheries law enforcement in the Southern Ocean by contributing to the Southern Ocean fisheries patrols.	Non-Warlike
Celesta Commenced 2001 <u>Forces</u> ADF	To conduct surface fisheries patrols in the Heard Island–McDonald Island Exclusive Economic Zone.	Non-Warlike
Gateway Commenced 1981 <u>Forces</u> Navy and Air Force	To conduct northern Indian Ocean and South China Sea maritime surveillance patrols.	Peacetime
Solania Commenced 1988 <u>Forces</u> Navy and Air Force	To conduct South West Pacific maritime surveillance patrols.	Peacetime
Burbage Commenced 1995 <u>Forces</u> Navy and Air Force	To conduct Indian Ocean maritime surveillance patrols.	Peacetime
Osteal Commenced 1995 <u>Forces</u> Navy and Air Force	To conduct Coral Sea maritime surveillance patrols.	Peacetime
Mellin Commenced 1995 <u>Forces</u> Navy and Air Force	To contribute to Torres Strait and Timor Gap maritime surveillance patrols.	Peacetime
Prowler Commenced 1996 <u>Forces</u> Navy and Army	The collection of military geographic information in northern Australia.	Peacetime
Beachcomber <u>Forces</u> Navy and Army	To collect beach information in Australia for operational planning.	Peacetime

Notes:

1. Operation Damask has been subsumed into Operation Slipper for reporting purposes.
2. Operation Citadel replaced Operation Tanager following East Timor independence in May 2002.
3. Operation Relex I ceased and Operation Relex II commenced on 14 March 2002.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Inquiry into Disappearance of Seaman Gurr
QUESTION W49

- a) Is there any precedent for conduct of such inquiries in the past for similar incidents?
- b) What is the timeframe and normal process for these sorts of inquiries?
- c) Is the report on track for completion?
- d) When is it due for completion?
- e) Will the report and/or its findings be made public?

RESPONSE

- a) Yes. In 1987, a Board of Inquiry was convened into the disappearance of two sailors from HMAS Otama.
- b) No statutory time limits exist for a Board of Inquiry to conduct its proceedings, but a time limit is set in the Instrument of Appointment for submission of the final report. The Defence (Inquiry) Regulations and the Australian Defence Force Publication 202, the Administrative Inquiries Manual, provide the framework for the Board of Inquiry process.
- c) A short extension was granted for completion of the final report.
- d) The report has been completed.
- e) It is a matter for the Minister assisting the Minister for Defence to consider the release of the Board of Inquiry report in accordance with the Regulations.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Navy Reserves

QUESTION W50

- a) Confirm that a person can't join the Navy Reserves unless there is an identified billet in the locality they are living in at the time.
- b) Confirm that the recruiting base for Navy Reserves is not in the Cairns Centre.
- c) Please indicate how many kilometres (measured by car route) the recruiting base for the Navy Reserves is outside of Cairns.
- d) Confirm also that applicants who live in or near Cairns cannot do their medical test in Cairns, but have to travel to Townsville.

RESPONSE

- a) This is not correct.
- b) This is correct.
- c) The Career Reference Centre Cairns is at Edmonton, 14 km from Cairns Central Business District by road.
- d) Most medical testing of full-time and part-time ADF applicants from Cairns is conducted at the Australian Defence Force Recruiting Unit-Brisbane's Northern Cell in Townsville. The travel costs are met by Defence. Dependent upon the number of applicants in the Cairns area, the Townsville unit occasionally conducts remote locality applicant testing in Cairns.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Portable Sound Projection Equipment
QUESTION W51

There was a recent tender round for the provision of portable sound projection equipment to the Navy.

- a) Is this tender round still under review?
- b) What concerns were raised to trigger the review?
- c) Are negotiations with the winning bidder still on hold?
- d) Can a response to question 240, tabled on 15 April 2002, now be provided?

RESPONSE

- a) No.
- b) A complaint was received from an unsuccessful tenderer. The two major issues raised by the unsuccessful tenderer were that his product was an accepted and proven equipment already in ADF service and that statements allegedly made by a now retired RAN officer constituted a contract.

There is no dispute that the unsuccessful tenderer's product is satisfactory. The tender was passed over on value for money grounds. There is no evidence on departmental files of the alleged statements having been made by the retired officer. The retired officer has also declined to assist the departmental review process and cannot be legally compelled to do so.

- c) No.
- d) A full reply to all issues raised in Senate Question on Notice 240 has been tabled.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Female Separation Rate for Army Aviation Units

QUESTION 11

SENATOR: WEST

HANSARD: Page 188

What has been the separation rate for women in Army aviation units over the last few years?

RESPONSE

Since 1996, the average separation rate for women in Army Aviation units has been 13.9 per cent. This compares to the five-year average female separation rate for the Army of 14.4 per cent. The five-year average separation rate for the Army (male and female) is 12.1 per cent.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Gender Split on Referrals to Service Psychology Units

QUESTION 12

What is the incidence of referrals to Service psychology units for females as compared to males?

RESPONSE

It is not possible to distinguish among subgroups based upon gender, corps, or location, due to current data collection systems in use.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Single Female Postings to Army Aviation Units

QUESTION 13

SENATOR: WEST

HANSARD: Page 189

Within Army Aviation, how many females are posted as single female postings to particular units or areas?

RESPONSE

There is one female, a Captain, posted to an Army Aviation unit in Enoggera Barracks, Brisbane. This is a large Army barracks containing other units with numerous female officers of similar rank.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Use of Hand Grenades in East Timor

QUESTION 14

SENATOR: EVANS

HANSARD: Pages 191-192

Could the Army confirm whether a decision was taken not to issue hand grenades to troops on deployment to East Timor because of commanders' concerns, as highlighted in a recent Audit Office report, over the competence of troops in their use?

RESPONSE

There was no theatre policy restricting the issue and use of grenades in East Timor. Grenades were issued to the battalion groups deployed on operations in East Timor and, in many cases, were issued to soldiers for specific activities. There were sufficient stocks of grenades allocated to all battalion groups. Some local commanders in East Timor chose not to issue grenades, as they deemed the nature of the militia threat and the proposed unit activities did not warrant the issue of grenades. In a number of isolated cases, the proficiency of some individual reinforcements in the use of grenades was also a factor in the decision not to issue grenades. At no stage did the issue (or non-issue) of hand grenades affect effective unit operation and individual safety.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Purchases of Gym Equipment

QUESTION 15

SENATOR: HOGG

HANSARD: Pages 192-193

Is there any substance to allegations that the Army has been making large purchases of gymnasium equipment in Queensland to use up funding in the run up to the end of financial year?

RESPONSE

No. In the South Queensland region, there are eight gymnasiums on six separate establishments with an estimated replacement value of equipment stock in excess of \$3.0m. As much of the equipment was in a state of disrepair, \$993,000 in funding was approved on 17 May 2002 for the region to embark on a gym equipment renewal program across the eight gymnasiums.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Army Reserves and General Reserves Questions

QUESTION W52

SENATOR: EVANS

- a) Clarify whether Inactive Reservists were counted in the 'actual' total of numbers in the Army Reserves for 1999-2000.
- b) How are 'Active' and 'Inactive' Reservists defined?
- c) How many times does an Army Reservist not have to show up to training before they are reported as absent? Is there any policy on this, or is it a discretionary matter for the unit commander to determine? Where are 'absentees' reported, and who/which area in Defence decides that a person is Inactive?
- d) Do formal discharge documents have to be completed before a person is taken off the books?
- e) How many people joined the Reserves in 2001-02 to date, for each Service? Do these figures include Inactive Reservists?
- f) What is the Combat Force, in the context of the Reserves? What percentage of the Army Reserves does the Combat Force represent:
- d) In actual figures, for years 1996-97 through to 2001-02
 - i. Targets for these same years;
 - ii. Forecast for 2002-03?
- g) What measures is the Government taking to address the shortfalls in recruitment to Reserves, other than advertising?
- h) Is any consideration being given to abolishing the Common Induction Training? If not, why not, given that Defence Force Recruiting Organisation statistics, the Audit Office and anecdotal evidence identifies its clear detrimental effects on recruitment to Army Reserves?
- i) What is the target figure for Army Reserves (total, 2001-02 and 2002-03)?
- j) Please give a breakdown of occupation type (ie, public servant, unemployed, student) of recruits to the Army Reserves since 1995.

RESPONSE

- a) The *Defence Annual Report 1999-2000* shows an 'actual' total for the Army Reserve of 18,528. This figure does not include members of the Inactive Reserve.
- b) For the Army, an Active member is one who is posted to an establishment position and has a training obligation (ie renders service), whereas an Inactive Reservist is one whose details are held on the local Army personnel agency database (or centrally in the case of Lieutenant Colonels and above), does not occupy an establishment position and has no training obligation. For the Navy and Air Force, an active member is one that has a training commitment or obligation.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- c) Reservists are expected to attend programmed activities unless they are granted leave. Where a Reservist is having difficulty meeting the training obligation, the first response is counselling and negotiation to find a solution that will allow the member to meet the obligation, or to explore opportunities for an alternative pattern of service, perhaps with a different role or unit, that is achievable.

The policy for dealing with members deemed to be absent without leave is initially at the discretion of the commanding officer and is treated as a unit disciplinary matter. Where disciplinary action is taken against a member, it is reported to the appropriate Army personnel agency.

Where a Reservist is absent without leave for three consecutive programmed activities and cannot be contacted after all reasonable steps have been taken, a Reserve unit will normally write to the member in an attempt to either recover the situation, or seek an indication of the member's intentions. After a reasonable period of time (usually three months), the unit will recommend that the Director of the local Army personnel agency issues a 'notice to show cause as to why the member should not be discharged'. If the member fails to respond, or gives inadequate reasons, then discharge action is usually taken.

Reservists usually apply for transfer to the Inactive Reserve voluntarily. The Director of the local Army personnel agency has the authority to transfer Majors and below to the Inactive Reserve. The Director General Personnel – Army has the authority to transfer Reservists up to the rank of Lieutenant Colonel to the Inactive Reserve, while the Chief of Army can apply the transfer provisions to any member of the Army. In isolated cases, Reservists can be transferred to the Inactive Reserve involuntarily for personnel management reasons. An involuntary transfer can be effected by each of the above delegates under the conditions described above.

- d) A formal discharge process is followed when a Reservist voluntarily separates, or is removed, from the Army.
- e) As at 13 June 2002, 42 people joined the Navy Reserves, 1,755 people joined the Army Reserves and 120 people joined the Air Force Reserves.

These numbers do not include Inactive Reservists. Those joining the Reserves are not eligible for entry into the Inactive component. For the Army, only members of the Active Reserve or Regular Army can apply for transfer to the Inactive Reserve, provided they meet the eligibility criteria.

- f) The Combat Force in the Army Reserve context is those Army Reservists who serve in Land Headquarters and its direct command units, the Special Forces, the Deployable Joint Force, the 2nd Division and the Logistics Support Force. As at 31 May 2002, 57.9 per cent of the Reserve was located in the Combat Force. There is no specific target for the total number of Reservists in the Combat Force.

Financial Year	Reservists in Combat Force
1996-97	14,574
1997-98	14,837
1998-99	12,900
1999-2000	10,758
2000-01	10,210

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

2001-02	10,013
2002-03 (forecast)	10,210

g) The range of measures are described below:

- Legislative Protection. The *Reserve Services (Protection) Act 2001* has been implemented to provide Reservists with a range of protective measures. These include protection from workplace discrimination or dismissal and temporary waivers from educational and financial obligations, where Reserve service would cause unavoidable and detrimental effects. The Act provides Reservists with more incentive to commit to Reserve service.
- Employer Support Payment Scheme. This scheme has been established to provide financial support to employers of Reservists. Currently, employers and self-employed Reservists, who meet the qualifying period, may be eligible for a weekly payment of \$809 per week to compensate them for the loss of their employee on Reserve service. The scheme provides greater incentive for an employer to release an employee for Reserve service. In turn, it provides greater comfort for Reservists that their employer will be supportive in granting leave to attend training.
- Civil Accreditation. A project has been established to identify opportunities to award civil accreditation for competencies achieved from Reserve service. This scheme provides an additional incentive to join the Reserves.
- Surveys. Surveys are conducted regularly to determine the key factors motivating individuals towards military service. This information is used to formulate appropriate strategies to attract new members.
- Transfer of Regular Members. A study has been commissioned to identify incentives to achieve the transfer of greater numbers of permanent personnel to active Reserve service upon completion of full-time service. The study is nearing completion and will be followed by an analysis of the cost benefits of the recommended options.
- Flexible Training. The Army has implemented flexible modular options for the recruit training course. Reservists are now able to undertake the six-week recruit course in two modules. Flexible training delivery options are also available for initial employment and trade training.
- Reintroduction of Direct to Unit Recruiting. The Army has reintroduced the practice whereby applicants are enlisted directly into units, with a trial period before enlistment. This allows individuals to become more engaged in the process and allows them to gain a better understanding of the nature of Reserve service, prior to making a decision to join. Detailed results will be validated at the end of 2002-03.

h) Rather than being detrimental, common induction training has been a key to the Reserves' ability to contribute to current capability as required by the Defence 2000 White Paper guidance and underpins the capacity to maintain Reserves at higher levels of readiness. It has allowed the Army to achieve the following:

- As at 31 March 2002, 670 Reservists had deployed on operations to East Timor.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- A Reserve Company of 93 personnel will deploy as part of the next Australian battalion rotation to East Timor.
 - Twenty per cent of the Army's personnel contingent in Bougainville is made up of Reservists.
 - The deployment of Reserve rifle companies to Butterworth, Malaysia, has become increasingly common, with a company from the 9th Battalion, the Royal Queensland Regiment, returning home this month.
- i) The ab initio targets for entry into the Army Reserve are 3,878 for 2001-02 and 3,098 for 2002-03.
- j) The following table shows the civilian occupation of all General Reservists who enlisted from 1 January 1995 until 30 June 2001. The table does not include full-time members of the ADF who have transferred to the General Reserve.

Industry	Number of Enlistees
Accommodation, cafes and restaurants	637
Agriculture, forestry and fishing	394
Communication services	107
Construction	852
Cultural and recreational services	97
Education	133
Electricity, gas and water supply	200
Finance and insurance	171
Health and community services	1,059
Manufacturing	804
Mining	81
Occupation inadequately described/not stated	4,991
Public service	218
Personal and other services	134
Property and business services	588
Retail trade	1,096
Student (tertiary institution)	6,707
Transport and storage	1,002
Unemployed	2,527
Wholesale trade	13
Legal services	11
Total	21,822

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Full-Cost Recovery Rate for F-111

QUESTION 16

SENATOR: EVANS

HANSARD: Page 244

Please provide the full-cost recovery rate per hour for the F-111 in recent years.

RESPONSE

The current hourly full-cost recovery rate for the F-111 is \$123,200. This includes depreciation and capital usage charge that are accrual (non-cash) items.

The hourly full-cost recovery rate for the F-111 has increased significantly in recent years due to the inclusion of accrual costs and changes in the methodology used to calculate these. The reduced rate of effort in recent years has also increased the hourly cost recovery rate because large proportions of F-111 costs are fixed.

The full-cost recovery rate methodology is used to calculate the recovery or waiver of costs for using a particular asset, usually when Defence is asked to perform a non-Defence activity. The rate includes all the embedded costs that Defence would be paying whether assets have been deployed or not, including personnel costs which are largely fixed.

A better indication of the true cost to the taxpayer of the increase in F-111 costs is to provide budgetary costs exclusive of personnel and the accrual items (depreciation and capital usage charge). When these items are excluded, the cost of operating the F-111 fleet still shows steady increases.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

F-111s

QUESTION W53

- a) Why did the target for flying hours drop from 4,400 in 1999-2000 to 3,600 in 2000-01?
- b) Is the use of F111s limited in any way in order to minimise strain on the airframe? That is, are their limits on the number of flying hours each aircraft can fly or the types of manoeuvres that they can perform?
- c) In 1999-2000 the Annual Report shows a cost of \$532m for operating the strike/reconnaissance group, which comprises the F-111 fleet. What is the equivalent budget for 2000-01, 2001-02 and the projected budget for 2002-03?
- d) Separately for each of the 35 F-111s in the fleet can the following information be provided for the years 1998-99, 1999-2000, 2000-01 and 2001-02 to date:
 - i. The number of hours flown;
 - ii. The number of hours of maintenance/repairs;
 - iii. The number of days the plane was not capable of being flown.
- e) A recent statement indicated that three F-111s participated in an exercise in Malaysia. Can Defence confirm whether those three F-111s have been flown since returning from that exercise? If so how many hours? How many hours of maintenance/repairs have been carried out on the three aircraft after they returned from the exercise?
- f) For the years 1998-99, 1999-00, 2000-01 and 2001-02 to date indicate the average flying hours of F-111 crew.

RESPONSE

- a) The reduced target rate of effort was due to availability problems associated with maintenance on F-111 fuel leaks.
- b) There have been some peacetime constraints placed on the F-111 aircraft's operations to ensure that extended life of type goals can be achieved in accordance with standard management practice. While the normal operating limit is plus 6.5G, a peacetime maximum of 4G was introduced when the F-111 aircraft entered service in 1973.
- c) As reported at pages 17 and 18 of the *Portfolio Budget Statements 2002-03*, Defence is implementing a new costing model to assist with the new statutory disclosure requirement to provide audited output costs from the end of 2001-02. When these costs are known, and the audit is completed, Defence will use this data to produce better estimated output and sub-output costs. Defence expects that the improved costing data will be first provided externally in the Portfolio Additional Estimates Statements for 2002-03.
- d) This information is classified.
- e) Three F-111s deployed to RMAF Butterworth to participate in Exercise IADS ADEX 02. The aircraft deployed on 22-23 April 2002 and re-deployed to Amberley on 6-7 May 2002. All three aircraft have flown since their return. Two remain serviceable and one is currently due for scheduled maintenance. The further detail requested is classified.
- f) This information is classified.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Introduction of Hawks at Williamtown and the Salt Ash Weapons Range (SAWR)

QUESTION W54

- a) Are the Hawks already used at Williamtown or at the SAWR? If yes, why, given that neither the Environment nor the Defence Minister have considered their environmental impacts on Williamtown and the SAWR?
- b) Confirm that Macchis are no longer used at Williamtown and SAWR. What was the last date a Macchi was used at Williamtown or SAWR?
- c) How and where (since mid-2001) have F/A-18 and F111 pilots trained in fast jet fighting?
- d) Confirm what the expected timeframe for the proposal is, that is:
 - e) when the final EIS is due to the Environment Minister;
 - i. when the Environment Minister will make his recommendations;
 - ii. when the Defence Minister will make his decision.
- e) Please confirm that none of the maps in the Draft EIS show all the residences and residential zones near SAWR.
- f) What sort of ordnance is currently used at the SAWR, and does any of it have explosive qualities? Is the ordnance currently used at SAWR used by the Hawks in training at SAWR? Did the ordnance used by the Macchis at SAWR have explosive qualities?
- g) What does the RAAF's statement (see the PPK report) that 150 sq. km is 'ideally' needed to contain mean?
- h) What does the RAAF regard as the minimum range area for Hawks at SAWR to be completely sure that the danger templates and noise impact are contained?
- i) Does the RAAF believe that the proposed range, being one-sixth of the 150 square kms it identifies as the ideal size to contain safety and noise, is completely safe and noise levels in surrounding residences acceptable?
- j) Will the bombing and gunnery training activities used by Hawk pilots at SAWR be exactly the same as those used by Macchi, in terms of amount of ammunition used and height of aircraft?
- k) Confirm that the static thrust of the Hawk is 2656 kg, more than double that of the Macchi. What does 'static thrust' mean exactly? Does that mean the power of the engines when powering-up on-ground?
- l) The Draft EIS states that the projectile calibre of the Hawk is 30 mm, and the Macchi 7.82 x 28 mm. What is the other dimension of the projectile calibre used by the Hawk? ie, 30 mm wide multiplied by how many millimetres across? What does projectile calibre mean? Does it measure how fast it hits the ground; its relative impact upon hitting the ground, etc.
- m) The Draft EIS states that the weight of the projectile used in Hawks is 270 grams, and in Macchi's 10 grams. Doesn't this mean the impact of the Hawk projectiles as they hit the ground are stronger than that of Macchi's? Please confirm that the projectiles used in the Hawk are bigger.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- n) What are the “standards and policies” to avoid further encroachment of residences in aircraft-noise affected areas, and how would Defence characterise the encroachment to this point (ie, relative to residences around other RAAF bases, minor or major)?
- o) Confirm that there were no tests on drinking water done at Williamstown and SAWR, and that RAAF personnel stopped drinking tank-water at Williamstown some years ago.
- p) See Executive Summary at page 13 of the EIS – “A new safety template for 30 mm ordnance has been developed for the introduction of the Hawk...It has been derived using “Absolute” rather than “risk-based” methodology and is thus conservative in its findings.”
- i. Why was a new safety template developed, and when?
 - ii. What are the difference assumptions used in the two different methodologies?
 - iii. Isn't a risk-based methodology most appropriate to use when assessing risks (in this case, to public safety)?
 - iv. Why and when was the decision taken not to use the risk-based method? In particular, was it decided after the safety template had begun to be developed?
 - v. What is (a) common and (b) best practice methodology to use for safety templates?
 - vi. What sort of methodology was used in the safety template for the Macchis?
 - vii. What would the findings be likely to be if a risk-based methodology was used?
 - viii. Are there any new safety templates at the SAWR other than relating to the 30 mm ordnance? What are they? Are these also calculated on 'absolute' methodology?
- q) What are the minimum and maximum noise levels of the Macchi (in decibels)? What percentage of a Hawk's training flight would be conducted at maximum or near-maximum noise level? What are Defence's standards for acceptable noise levels, in areas where there are residences very nearby a noise source? Confirm that RAAF personnel and families moved off base a few years ago, partly due to noise aggravation. Given that there was no EIS done on the effects of the Macchi, and thus no conclusion that the Macchi's noise levels were acceptable especially as residential areas built-up near the SAWR over time, how can the Hawk's noise be justified by reference to the Macchi's noise?
- r) Figure 2.2e in Appendix E shows the altitudes for Hawks and Hornets undertaking strafing attacks on the flight paths used in the SAWR area. In Figure 2.4e the graphs for the Hawks and Hornets appear to have been swapped. Please confirm that they have been swapped (ie, their titles mixed up) in error.
- s) Confirm that Hawks will be flying more sorties than the Macchi and use more fuel. What is the identified risk of pollutant discharge from fuel spills and leaks, given the Hawk's annual fuel use? How many of the Hawks to be used at SAWR have external fuel tanks or may be equipped with one for particular purposes?
- t) When it was concluded after examining the NPI Database for 1999-2000 that the contribution of Hawk emissions “to regional emissions of the main criteria pollutants is relatively minor”:
- i. Were the pollutants that will change as a result of the introduction of the Hawk the same pollutants as those used in the NPI Database?

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- ii. How extensive was the region whose emissions were measured, and compared against the polluting emissions from the Hawks?
 - iii. What does “relatively minor” actually mean? Give the Hawk emission figures as a percentage of those in the SAWR area?
- u) The summary to the draft DRAFT EIS states that Williamtown is the preferred range for Hawk training “as it is strategically located in accordance with Defence policy”. What policy is this precisely? Why can’t fast jet fighter training in Hawks occur at RAAF Base Pearce (where the Hawks are currently used for pre-fighter training)?

RESPONSE

- a) Yes. The environmental impact statement is being conducted under the now superseded *Environment Protection (Impact of Proposals) Act 1974*. As the Notice of Intent for the introduction of the Hawk was lodged while the Act was still current, the Minister for the Environment and Heritage could grant permission under the Act for an activity to continue while an environmental impact statement study was in progress. Such permission was granted on 27 June 2001.
- b) The last RAAF Macchi flight was on 26 March 2001.
- c) Aircrew (pilots and navigators) selected for a fast-jet career convert to the Hawk 127 aircraft at RAAF Pearce. Pilots then progress to the introductory fighter course at RAAF Williamtown. Following training on the Hawk, pilots then progress to either F/A-18s or F-111s operational conversion, which is conducted at Williamtown and RAAF Amberley respectively. While short-term deployments to other bases are made for part of each fast-jet training course, predominantly fast-jet ‘fighting’ training takes place at RAAF Williamtown.
- d)
- i. The environmental impact statement was lodged with the Department of Environment and Heritage on 16 July 2002.
 - ii. The Minister for the Environment and Heritage will make his recommendations within 42 days of receiving the proposal unless, once he receives the impact statement, a longer timeframe is agreed upon by himself and the Minister for Defence.
 - iii. The Minister for Defence will make a decision after full consideration of the Minister for the Environment and Heritage’s recommendations.
- e) That is correct, but this omission was highlighted and noted at the public information day at Raymond Terrace on 4 May 2002, and fully accepted and acknowledged by the Defence personnel present. The consultant, URS, has been directed to rectify this error. The updated maps will be included in the supplementary report which forms part of the final environmental impact statement to be presented to the Minister for the Environment and Heritage.
- f) The range is only cleared for the use of inert 20mm cannon ammunition (F/A-18) and BDU-33 25 lb practice bombs. As detailed in Table 3.1 of the draft environmental impact statement, the BDU-33 contains a low explosive ‘spotting charge’ of 45.5 grams of a mixture of ballistite and red phosphorous. The 20mm cannon shell contains no explosive charge. Both the F/A-18 and the Hawk can use practice bombs on the range. The Hawk 30mm cannon is presently not in use on the range, pending resolution of safety template and land gazettal issues.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Ordnance used on the range by the Macchi was 7.62mm ball ammunition (no explosive in the projectile) and a 4.5 kg practice bomb fitted with the same spotting charge as for the BDU-33.

- g) A 150 sq km air weapons range would provide an optimum training venue, permitting the employment of all training ordnance in the RAAF inventory, including laser designation, and allowing aircrew to deliver this ordnance in any way and from any direction, rather than the limited number of carefully restricted and controlled flight paths available at Salt Ash Weapons Range.
- h) The minimum range area for the ordnance presently delivered is that now available.
- i) Using the inert and practice ordnance presently employed, and flying the designated and approved flight paths, Salt Ash Weapons Range is safe. Defence does not have responsibility for land use in surrounding properties, but has advised the local government for many years that it should only approve development which complies with Australian Standard (AS) 2021.
- j) The bombing and gunnery training activities undertaken by Hawk pilots on Salt Ash Weapons Range will differ from those used in Macchi training as different ordnance is used, as described in f) above.

The tracks flown by the Hawk also differ from the Macchi due to superior aircraft performance. The best sources of information on the different tracks flown are reflected in Section 9 (specifically, in Figures 9.1 to 9.6) of the draft environmental impact statement and in more detail, at Appendix E (Section 2, Impact Assessments) and at Figures 1.1 to 2.4e inclusive.

- k) 'Static thrust' is a measurement of the sum of the gas momentum (mass flow rate multiplied by velocity) and pressure force (nozzle area multiplied by the difference in pressure between the gas in the nozzle and the atmosphere at the nozzle exit plane). To standardise figures across all engine types, this measurement is usually converted to reflect full power at sea level. The Hawk engine is effectively twice as powerful as the Macchi, and this is reflected in the aircraft's performance.
- l) & m)

'Calibre' indicates the diameter of any projectile. The Macchi gun fired a projectile 7.62 mm in diameter and 28 mm long. The Hawk fires a projectile 30 mm in diameter and 106mm long. The calibre of a projectile does not directly reflect its 'impact'; this is based on its muzzle energy. The muzzle energy of the Hawk 30 mm cannon is considerably greater than the Macchi 7.62 mm machine gun as it fires a much larger and heavier projectile at approximately the same velocity. The actual comparative impact on the target area for any individual projectile would depend on aircraft height and speed, dive angle, wind speed and direction and other weather factors.

While the impact of a single Hawk 30 mm cannon shell would be greater than a Macchi machine gun bullet, the Hawk will be delivering significantly fewer rounds on the range in each 'pass' than did the Macchi. Also, any 'impact', of whatever strength, is confined to the sand target area which is specially prepared for the purpose of absorbing all the projectile's energy. This area is regularly cleared of spent projectiles, and the sand replenished as required.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- n) As stated in Section 9.3 of the draft environmental impact statement, noise for land use planning associated with aircraft operations is assessed by reference to Aircraft Noise Exposure Forecasts (ANEF), in accordance with AS 2021-2000. These regulations are administered by local government, in this case Port Stephens Council. Defence has been providing ANEF figures to the Port Stephens Council since 1982 to assist it in determining more appropriate land use in the area.

Aside from providing these ANEF figures, Defence has no power to enforce this, or to influence local planning policy, and can only act in an advisory and consultative role with the council in regard to present activities and likely future developments on the base. Noise has been an issue, partly due to historical factors but also due to development in areas which, though significantly noise affected, are nonetheless outside the ANEF 20 'footprint'. This has led to significant urban encroachment around the base and Salt Ash Weapons Range.

This encroachment is still increasing, with Medowie growing at 7.2 percent per annum, as compared with the overall growth rate of 2.9 percent for the Port Stephens Local Government Area (draft environmental impact statement Tables 10.1 and 10.2, Pages 10-1 and 10-2).

- o) No testing was done on drinking water held in rain water tanks at Salt Ash Weapons Range as part of the draft environmental impact statement. Owing to community views, Environment Australia requested that testing be done. Testing of rainwater tanks in the range area was conducted from 4-6 June 2002 and the results will be included in the supplementary report.

Separate water was not tested at Williamstown because the base is on 'town' water, supplied by Hunter Water Corporation which regularly monitors the quality of water. RAAF personnel stopped using tank water at Williamstown when the base was connected to town water.

p)

- i. A new safety template is developed each time a new weapons system is introduced into service, be it a new delivery platform or new type of ordnance. This is to ensure that all conceivable safety considerations particular to that aircraft/weapon configuration are accounted for. Work commenced on developing a safety template for 30 mm ordnance in 2000. The current safety template was promulgated in early 2002.

- ii. 'Absolute' methodology considers all realistic failure events and the maximum ballistic range of the ordnance, which are assumed to have a 100% chance of occurring. The area contained within the template is based on that assumption.

'Risk-based' methodology considers all realistic failure events and the maximum ballistic range of the ordnance, but realistic statistical probabilities based on known data are assigned to all the events. The combination of probabilities are used in computer modelling to simulate the actual risk scenario and generate 'risk-area' templates where the risk declines against an increasing area boundary.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- iii. In terms of risks to public safety, neither method is more appropriate than the other as both assure that all conceivable safety aspects are considered.
 - iv. A decision not to use the risk-based method has not been made. Risk-based templates require a large amount of accurate statistical data (much more so than absolute templates) which takes significant time to gather and process. Defence is continuing to work towards the production of risk-based templates for the aircraft as they represent a more realistic and useable approach to range safety.
 - v. (a) The common methodology is absolute, because it is simpler to make assumptions that govern the size of the template.
(b) Defence is not aware of a 'best-practice' benchmark against which templates are considered. The governing principles of the methodologies are that there is no risk outside an absolute template and there is an acceptable risk outside a risk-based template. The application of either needs to be cognisant of the range area, population density and risk consequence. However, contemporary doctrine suggests that risk-based templates are considered a more realistic way to manage range safety.
 - vi. The methodology from 34 years ago cannot be confirmed.
 - vii. The likely template using risk-based methodology with an acceptable escape probability would be significantly smaller than the absolute template currently used.
 - viii. There have been three other new safety templates on Salt Ash Weapons Range in the past three years: Hawk BDU-33, PC-9 smoke grenade and F/A-18 20 mm. The Hawk BDU-33 and smoke grenade templates were risk-based weapons safety templates produced using actual scoring data to validate the template. The 20 mm template was generated using the absolute methodology. An F/A-18-specific template was generated to reflect the F/A-18 delivery profile.
- q) The minimum and maximum Macchi noise levels cannot be confirmed as the Macchi is no longer in service.

The percentage of a Hawk's training flights that would be conducted at maximum or near maximum noise level would be about four per cent of all Hawk flights from Williamstown and about 40 per cent of all Hawk flights at Salt Ash Weapons Range, or an average of 10 per cent of all Hawk hours flown in the area.

Defence's acceptable standards for aircraft noise levels are in accordance with AS 2021-2000, which are also the applicable civilian standards.

RAAF families were moved off base some years ago, and the married quarters demolished. While there was some noise consideration, the primary reason for the move was because the married quarters did not meet the required modern ADF standards, and the Defence Housing Authority decided that it was not economical to upgrade them. There is also a Defence policy to try to integrate families into the local community and avoid 'on-base' married quarters enclaves. Three hundred and fourteen RAAF 'living-in' personnel still live on the base, in accommodation as close or closer to the aircraft manoeuvring area and runway as the married quarters were.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

No environmental impact statement was done for the introduction of the Macchi, as such a requirement did not exist when the aircraft first entered RAAF service in 1968. The Hawk's 'noise' is compared with that of the Macchi as that is what is required by the terms of reference for the environmental impact statement set by the Minister for the Environment and Heritage.

- r) Yes. This error will be noted in the supplementary report.
- s) Yes, an increase of 706 sorties, as shown at Table 2.1 to Appendix E in the draft environmental impact statement.

The Hawk uses 1000 kg of fuel per flying hour, compared with 815 kg for the Macchi. As stated at Section 15.7.3 of the draft environmental impact statement, no significant increase in hydrocarbon losses associated with the storage or transfer of fuels is expected.

All Hawk aircraft can be fitted with external fuel tanks. At Williamtown, Hawks would be fitted with external fuel tanks for about 40 per cent of all sorties. Most of the sorties for which external fuel tanks would be used would be Navy and Army support tasks, and flights transiting to other airfields. Only occasionally would Hawks be fitted with external fuel tanks for training sorties at Salt Ash Weapons Range.

- t)
 - i. The National Pollutant Inventory (NPI) database covers a wide range of chemicals including the criteria pollutants (oxides of nitrogen, carbon monoxide, sulphur dioxide, suspended particulate), organic compounds and heavy metals. Table 15.7 of the draft environmental impact statement presents estimated emissions of carbon monoxide, oxides of nitrogen, sulphur dioxide, particulate matter and total volatile organic compounds from the Hawk jets compared to the quantities of these pollutants reported to the NPI database for activities in the surrounding area. The Hawk engines will emit small quantities of other pollutants, but these other emissions were not compared to the NPI database information.
 - ii. As noted in the draft environmental impact statement, the NPI database was interrogated for pollutant emission loads for a 40 km by 40 km area centred on Kooragang Island. The emission loads taken from the NPI database cover 31 industrial reporting facilities as well as area-based emissions such as vehicles, lawn mowing, bushfires and domestic woodfires as estimated for input into the database by the NSW Environmental Protection Authority.
 - iii. There are no emission figures available specifically for the range area. The total overall annual volatile organic compounds emissions for the Macchi were calculated as 714 kg/year, while the Hawk will be 979 kg/year (Table 15.9 of the draft environmental impact statement), spread over their whole area of operation throughout Australia.
- u) The strategic locations for all ADF facilities are governed by Government requirements as set out in the Defence White Paper.

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

Hawk (and previously Macchi) aircraft are based on both the east and west coasts to provide training for Army and Navy units in addition to RAAF aircrew training. Having Hawk introductory fighter training collocated at RAAF Williamtown with operational conversion training for the F/A-18 optimises opportunities for efficient and effective evolution of fighter training and minimises the need to relocate RAAF personnel transitioning between Hawk and F/A-18 aircraft. Air space at RAAF Pearce is already at a premium, and its proximity to Perth International Airport makes it unsuitable for any substantial increase in the annual number of aircraft movements.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Virgin Blue Training RAAF pilots

QUESTION W55

- a) Is Defence paying anything to Virgin under this agreement? How much? If yes, please give a breakdown of what the costs represent (eg, cost per training flight, cost of leasing two new Boeing Business jets, administrative costs in administering the agreement etc)
- b) How many years does the agreement specify the training will be provided for?
- c) How many RAAF pilots will be trained under it each year?
- d) Why is RAAF entering this arrangement, ie what new circumstances mean the RAAF needs outside assistance now in pilot training?

RESPONSE

- a) Under the agreement between Defence and Virgin Blue for Virgin Blue to provide training to RAAF pilots, Defence is only paying for the reimbursement of costs incurred by Virgin Blue on Defence's behalf.

Payment to date has been \$6,297 for a Virgin Check and Training Captain's travel expenses to Hong Kong to conduct simulator certification check rides on two RAAF pilots. A Virgin Check and Training Captain also accompanied two additional RAAF pilots to Seattle for certification checks. Virgin Blue has not yet invoiced Defence for the latter trip.

- b) The agreement does not specify a timeframe. It is to provide selected 34 Squadron pilots with experience on B737-800 aircraft prior to the introduction into service of the B737-Boeing Business Jets (BBJ), after which the agreement will lapse.
- c) Four pilots are currently flying with Virgin. There are no plans for more pilots to be inducted into the program.
- d) In order to introduce the B737-BBJ into VIP operations as early as possible, Defence entered into the agreement with Virgin Blue to enable selected 34 Squadron pilots to gain experience on a similar aircraft type. This training approach has provided the RAAF with a more effective means of developing crew competencies on the new aircraft type compared to using overseas training facilities or extended operational training following delivery of the aircraft.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Extra Money in Budget for Intelligence Services

QUESTION W56

- a) Were the “costs associated with previously agreed communications projects” referred to at page 55 of the *2002-03 Portfolio Budget Statements* always budgeted as a future cost? If not, when did the extra costs become evident, and what are they due to?
- b) What are these projects, and why are they costing more than was budgeted for last year?
- c) Will \$33 million of the \$45 million extra on intelligence services in 2002-03 be spent on financial adjustments affecting all of Defence’s outputs (price and exchange movement; capital use charge etc). If no, what does the extra \$45 m buy? Please provide details.
- d) What is E-security? Is the \$2 million allocated for it in 2002-03 additional to an existing program, or is E-security a new item?
- e) With respect to the “key challenge” of recruiting and retaining skilled people, which of the intelligence agencies are suffering problems?
- f) Are the problems in graduate or lateral recruitment? Or retention? Please provide figures of shortages in the last three years.

RESPONSE

a) & b)

These communications projects were included in the *Portfolio Additional Estimates Statements 2001-02* (table 1.4, page 11). Under the heading of ‘Improved Communications Functionality’, funding for 2001-02 was \$9.8m, increasing to \$43.6m in 2002-03. The increase in costs for 2002-03 is due to the increased cost of work undertaken in line with these projects. The three communications initiatives referred to are listed below. A description of each can be found in the *Portfolio Budget Statements 2002-03* (at the page references provided).

- Counter-terrorism: improving operational capacity (page 19).
- Defence Communications Project (page 20).
- Increased funding to intelligence agencies (page 21).

Details of the specific project arrangements are operationally sensitive and are classified.

- c) No. Of the \$45m extra for the intelligence output in 2002-03, \$34.2m is funding for the communication initiatives mentioned above and \$2m is funding for e-security discussed in part d) below, with \$7.2m being spent on financial adjustments which affect all Defence’s outputs. The remaining \$1.6m reflects the Intelligence Group’s share of Defence-wide costs for the military satellite communication project, the Defence information management system improvement project, and price updates and adjustments caused by exchange rate fluctuations.
- d) E-security is concerned with three main areas:
 - confidentiality – information should be available only to those who rightfully have access to it;

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- integrity – information should be modified only by those who are authorised to do so; and
- availability – information should be accessible to those who need it when they need it.

Funding to enable key Commonwealth agencies, including the Defence Signals Directorate, to develop and implement strategies for e-security was initially provided in 2000-01 and renewed for 2001-02. Funding of \$8.7m over the next four years, including the allocation of \$2.3m in 2002-03, has been provided to enhance the Directorate's participation in protection of the national information infrastructure.

- e) Each of the agencies within the Intelligence Group needs to recruit and retain very highly skilled, capable people.
- f) While there are no specific problems in recruitment or retention across the Intelligence Group, lateral recruitment can be a problem because many of the skills required are not readily available outside the Group and, in many instances, outside each agency itself. This emphasises the importance agencies accord to training and people management.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Security Clearances in Defence

QUESTION W57

- a) Please confirm that more than 10,000 Defence personnel are being denied access to classified documents because their security clearances have expired.
- b) Confirm that one effect of this backlog is that some members' overseas postings may be delayed. What operational effects is this having?
- c) Did an unusually high number of security clearances expire in the one short period? If so, why wasn't this anticipated and further staff brought in? Does this include military and intelligence personnel? How many?
- d) What is the timeframe to get through the backlog?
- e) Why was this crackdown reported by Margot McCarthy at Additional Estimates hearing in February ordered? Was it in response to particular threats or problems?
- f) What criteria were used to determine which military and civilian personnel should have their access to classified documents reviewed?
- g) Is Defence responsible for clearing any other public servants, outside of the Department portfolio? If yes, public servants from which agencies?

RESPONSE

- a) No, this is not the case.
- b) Defence is unaware of any overseas postings that have been delayed through the absence of the required security clearances.
- c) The new Commonwealth Protective Security Manual issued in October 2000 halved the re-evaluation period for Secret clearances from ten to five years. The re-evaluation timings for Top Secret and Secret clearances also became mandatory (they had previously been advisory only). This requirement has increased the number of Secret re-evaluations required in Defence by approximately 2,500 per year. The increased demand was anticipated and additional personnel were requested. Forty-five extra vetting personnel have since joined the Positive Vetting staff, while the Negative Vetting staff is being increased by over 30 vetting personnel. The re-evaluation backlog figure comprises approximately 8,000 civilian and 5,000 military personnel. Of these, approximately 450 are Top Secret (Positive Vetting) clearances for the Defence intelligence community, both military and civilian.
- d) The anticipated timeframe to clear the backlog of re-evaluations is 18 months from when the additional vetting personnel complete their training and become fully productive (approximately October 2002). Defence is aiming to completely clear the backlog by May 2004.
- e) Margot McCarthy, in answer to a question from Senator West, reported the extent of the Defence security clearance re-evaluation backlog. She did not report a "crackdown".
- f) As stated in the Protective Security Manual, there are three methods for the review of a security clearance, all of which provide an opportunity for an assessment of the clearance subject's suitability to access classified documents:

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- Re-evaluation for cause is initiated whenever a cause for concern arises in regards to a clearance holder or if changes in personal circumstances indicate a possible attitude or behavioural change.
 - Periodic re-evaluation is a comprehensive examination of the subject's circumstances and attitudes since the last clearance process. This is mandatory and done at the five-year mark for Top Secret and Secret and as required for Confidential.
 - Periodic appraisal (also known as re-validation) is an interim process that is conducted annually for Top Secret (Positive Vetting) and should be conducted at least twice between re-evaluations at Top Secret (Negative Vetting) and Secret levels. It comprises a self-assessment questionnaire for the subject and a questionnaire for the supervisor to comment on the subject's continued suitability to hold that level of clearance.
- g) Defence is responsible for clearing public servants from other agencies who need access to sensitive information controlled by Defence, with the majority of these clearances at the Top Secret (Positive Vetting) level. Defence has cleared public servants from a number of departments/agencies including: Foreign Affairs and Trade; Prime Minister and Cabinet; the Australian Customs Service; Attorney-General's; Finance and Administration; Immigration and Multicultural and Indigenous Affairs; Treasury; the Australian Federal Police; and the Australian National Audit Office.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Investigation of Facilities Management at HMAS Cerberus

QUESTION 17

SENATOR: COLLINS

HANSARD: Page 255-256

In relation to a contract between SSL Asset Services and Ridgewell Pty Ltd for works at HMAS Cerberus:

- a) Does the photocopy of the signed contract that Defence possesses include a variation initialled at clause 2.1? Does it include amendments initialled at page 5? Is there any indication that the amendments have been initialled by both parties?
- b) Could the two Inspector-General reports on the matter be tabled?

RESPONSE

- a) Defence's copy of the contract is initialled at Clause 2.1 by two parties, a Defence employee and an Asset Services employee. Both officers were based at Cerberus while the project works were being undertaken and were involved in the administration of opening and recording tenders for works at Cerberus, but neither officer had any executive authority to change or amend any contract provisions. The reason for their initials appearing on the document is unclear.

Page five of the contract shows two amendments. The first is for the works completion date "to be confirmed". This amendment is initialled by both authorised parties, Asset Services and Ridgewell Pty Ltd. The second amendment provides for a delay rate of \$250 per day for any agreed or determined extension of time. This was initialled by only one party, Ridgewell Pty Ltd.

It is important to note that both parties authorised to enter into the contract –Ridgewell Pty Ltd and Asset Services – are the signatories to the final contract. This contract was signed following the inclusion of the above changes and reflects the amended agreed scope of works.

- b) Yes, the reports will be provided to the committee once the ANAO report on the allegations relating to HMAS Cerberus is tabled. The report of 13 February 2002 will be expurgated to protect the identity of the informant.

(To obtain copies of the Audit Report or the report of 13 February, please contact the FAD&T Secretariat on (02) 6277 3539.)

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Management Audit Branch
QUESTION W58

SENATOR EVANS

- a) Can an explanation of the role of this Branch be provided, including who it reports to, what are the nature of its reports/inquiries and who is responsible for implementing any findings or recommendations from this Branch. How many personnel are currently in this Branch? What is its annual budget?
- b) Can the Committee be provided with copies of the 2000 and 2001 internal audit reports of this Branch referred to in the Audit Report No. 24 of 2001-02?

RESPONSE

- a) Management Audit Branch provides internal audit services for Defence. Essentially, the branch provides an independent review of the efficiency and effectiveness of expenditure and of management policies and practices across Defence.

The Branch Head reports directly to the Inspector-General. Internal audit reports are produced by the branch for use within Defence for each audit task undertaken. These audit tasks are undertaken in accordance with an annual audit work program, which is based on a three-year medium term audit strategy, and approved by the Defence Audit Committee.

Individual Groups are responsible for ensuring that agreed recommendations are implemented within a prescribed period.

As at mid-June 2002, the branch comprised some 60 personnel and its annual budget for 2001-2002 was approximately \$5.7m.

- b) The reports referred to in ANAO Audit Report No. 24 of 2001-02 are the branch's medium term audit strategy for 2000/2003 and 2001/2004 respectively. A copy of each of these documents has been passed to the committee.

(To obtain copies of the Audit Reports please contact the FAD&T Secretariat on (02) 6277 3539.)

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Defence Public Affairs
QUESTION W59

What is the total number of uniformed and civilian personnel engaged in public relations activities in the department? How many uniformed and civilian personnel are engaged in public relations activities in the department, including HQADF and each of the three services?

RESPONSE

There are 190 personnel engaged in public relations activities in Defence. These personnel are employed in Public Affairs and Corporate Communication Division (PACC), Defence Science and Technology Organisation and in corporate communication roles in other Services and Groups. There are, for example, internal communications teams in the Navy, the Air Force and in Defence Personnel Executive.

Additionally, there are a number of personnel in Defence who perform public relations as part of their duties but on a supplementary basis. This response is confined to those personnel whose primary role is public relations or public affairs.

As at 30 July 2002, there were 148 personnel (51 military and 97 civilian) in Public Affairs and Corporate Communication Division. Of that total figure, 127 personnel are full-time military and ongoing civilian personnel. The remaining 21 are temporary staff, employed on Defence non-ongoing contracts. A number of these personnel are outposted to Defence headquarters and establishments around Australia, including to the three Service headquarters, each major operational headquarters and the two main brigade headquarters.

Defence has given an undertaking that the number of full-time equivalent personnel in PACC will be reviewed, noting that the breadth of the Division's responsibilities has increased significantly since its formation in July 2000.

PACC conducted a review of personnel involved in public affairs across Defence and outside PACC at the end of 2001. This review found there were 42 personnel in Defence, but outside PACC, engaged in public affairs. This included 19 personnel in the Defence Science and Technology Organisation public affairs unit.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

SSL Asset Services Contract At HMAS Cerberus
QUESTION 18

SENATOR: COLLINS

HANSARD: Page 257-258

In relation to a contract between Defence and SSL Asset Services for maintenance work at HMAS Cerberus:

- a) Did SSL Asset Services submit monthly invoices to an approximate value of \$6,680,000 for the period July 2000 to May 2001 inclusive and a further \$3,500,000 for the period June 2001 to September 2001 inclusive? Can Defence confirm that 100 per cent of the contracted services were performed?
- b) Did Defence pay the full contract monthly sum, including amendments to the contract sum, to SSL Asset Services for fixed plant and equipment maintenance services during the above period and any subsequent period, and have there been any reclaims for overpayments for services not rendered? How did Defence satisfy itself that those contract services were being fulfilled?
- c) Did SSL Asset Services submit, as part of its monthly invoices for the periods March to July 2001 and December 2001 to April 2002, costs for key staffing positions [team leader and service delivery manager] totalling \$70,300? Did Defence have any reason to believe the positions were unfilled?
- d) Did Defence request or direct SSL Asset Services at any stage to employ additional resources to cover the additional maintenance requirements under this contract?

RESPONSE

- a) No. These amounts are not the amounts incurred for the Cerberus site alone. The amount quoted for the period July 2000 to May 2001 represents the payment by Infrastructure Division's Victorian regional office for SSL Assets Services' total comprehensive maintenance contract fee for the period, which also includes the servicing of the fixed plant and equipment. The amount for the period June 2001 to September 2001 is a part payment of the annual fee to SSL Assets Services.

Defence, through its contract management processes, monitors contractor performance to satisfy itself that works are being performed consistent with a particular contract.

- b) Defence is up-to-date with all monthly fee payments for fixed plant and equipment maintenance. There have been no reclaims for overpayments as there has been no indication of services not being rendered.

The comprehensive maintenance contract requires Asset Services to manage and action performance-based and scheduled fixed plant and equipment maintenance work for a tendered lump sum. Asset Services' maintenance regimes are required to ensure that the maintenance works undertaken on the individual items of plant and equipment achieve, at a minimum, the required performance outcome. A failure to perform the maintenance, which subsequently could be shown to be the cause of a breakdown or non-performance of the equipment, would

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

result in the contractor being held responsible for the full cost of the repairs and/or replacement of the equipment.

All reactive maintenance requests are initiated via the Defence Estate Maintenance–Facilities Management database. This database is also used to monitor contractor performance for the timely repair of the equipment.

- c) No. Monthly invoices do not carry the level of detail implied in the question. Defence was aware that the position of Service Delivery Manager was vacant for a period of time and had been formally advised by Asset Services that it was taking steps to fill the position. Defence was not aware whether the Team Leader position was vacant or not, as it is not a nominated position under the contract. Notwithstanding, provided Asset Services meets the specified outputs, Defence has no reason to question Asset Services' staffing numbers and arrangements.
- d) No. Under the comprehensive maintenance contract, the fee payable to the contractor can be adjusted for the relevant year if the total value of all general building and facilities maintenance works performed for the region exceeds the initially agreed works value by more than 10 percent. For 2001-02, the value of the works performed for the region increased significantly above the agreed program level.

Defence informed Asset Services of its concerns that the revised general building and facilities maintenance works program might not be delivered on time. Accordingly, Asset Services made a decision to employ additional project management resources and was subsequently recompensed for the additional staff in accordance with the contract provisions.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Litigation between Bill Wodrow and the Commonwealth
QUESTION W60

- a) Who are the parties in the matter commenced to begin hearing in the Federal Court on 6 June, and what are the allegations (as appear on the public or court record)?
- b) Is it a civil or criminal case?
- c) What is the nature of the undertaking Arthur Sinodinos, a witness in the proceeding, is alleged by Wodrow to have made to him?
- d) What was the formal role of Wodrow in the removal of Paul Barratt as Secretary of Defence Dept in 1999? (eg, legal adviser to the Government; legal adviser to the PM (on pro bono basis); mediator between Barratt and Government, etc)?

RESPONSE

- a) The parties in the proceedings in the Federal Court are: Mr William Wodrow (Applicant) and the Commonwealth of Australia (Respondent). The Commonwealth in this matter is manifested through the Department of Defence, and is represented by the Australian Government Solicitor, on instructions from Defence. The Notice of Motion filed by Mr Wodrow in the ACT Registry of the Federal Court on 28 August 2001 refers to the Commonwealth application to the Federal Court for taxation of a Bill of Costs in respect of previous litigation initiated by Mr Wodrow, in which the Court ordered that Mr Wodrow pay the Commonwealth's costs. Essentially, the Commonwealth has asked that the Federal Court assess the Bill of Costs and give a ruling on what the reasonable costs of the matter are in order to establish precisely how much Mr Wodrow owes to the Commonwealth in respect of the costs awarded by the Court. Mr Wodrow has taken action in the Federal Court to oppose that application.
- b) It is a civil case.
- c & d) Defence has no knowledge of these matters.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Military Justice

QUESTION W61

- a) Why hasn't the Inspector-General of the ADF been appointed yet? When will the Inspector-General of the ADF be appointed? Is there a shortlist for prospective appointees? Is the person expected to be from within Defence?
- b) What progress has been made on establishment of the Defence Military Prosecutor?
- c) Will legislation be needed for both these positions, and if so, when will it be introduced?
- d) When will the Government respond formally to the Burchett Report?
- e) What did the Powell report find about command responsibility in 3RAR? Please provide a copy. What "outcomes" are expected from it?
- f) Have any Memo of Understandings – other than that notified in the Government's response to the 3RAR report to have been made between Army and Victorian Police – been made in order to place Military Police with civilian forces for training?

RESPONSE

- a) The Honourable Peter Newman, an Acting Justice of the Supreme Court of New South Wales, has been appointed as Inspector-General of the ADF.
- b) Models for an independent Director of Military Prosecutions have been extensively examined and a proposed model is expected to be submitted to the Minister for consideration before the end of 2002.
- c) Legislation is needed to create the Director of Military Prosecutions, but not the Inspector General. Legislative appointment will give both perceived and actual independence to the office of the Director of Military Prosecutions. Consequential legislative amendments will also be required to the *Defence Force Discipline Act* to transfer responsibilities and powers currently exercised by Convening Authorities to the Director of Military Prosecutions. After further refinement, the recommended model for a Director of Military Prosecutions will be submitted to the Minister for approval before instructions are prepared for draft legislation. As these processes usually take several months, it is not expected that the legislative changes will be introduced until early next year at the earliest.
- d) The Burchett Report was produced as an investigation report into military justice in the ADF pursuant to the Defence (Inquiry) Regulations. The acceptance and implementation of any recommendations made by Mr Burchett is a matter for the appointing officer, namely the Chief of the Defence Force. An investigation report does not require a government response, as is the case with parliamentary committee reports, and it is not intended to specifically provided one. In any event, on 16 August 2001, the Minister Assisting the Minister for Defence publicly welcomed the release of the Burchett Report and noted the CDF's assurance that all the recommendations would be implemented. Furthermore, the Government response of 22 March 2002 to the Report of the Joint Standing Committee of Foreign Affairs, Defence and Trade entitled *Rough Justice?*, noted the CDF's decision to implement all of the Burchett recommendations.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

- e) LTGEN Leahy, Chief of Army, will brief the Defence Sub-Committee of Joint Standing Committee on Foreign Affairs, Defence and Trade on the outcome of this investigation in August 2002. As the investigation was conducted under the Defence (Inquiry) Regulations, any decision on its release is a matter for the Minister for Defence.
- f) No, the Memorandum of Understanding with the Victoria Police remains the only extant agreement. Commandant Army Military Police Training Centre is using this Memorandum of Understanding as a basis for negotiation with other State Police agencies and the Australian Federal Police for the formation of similar agreements. In addition, a specific Memorandum of Understanding with the Australian Federal Police in relation to operational forensic services support and training is under active development and is planned to be operational by December 2002.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Compensation

QUESTION W62

- a) Are serving soldiers of all ranks represented on the military compensation review working group? What consultations have occurred with serving soldiers of all ranks? What consultations will occur with serving soldiers of all ranks?
- b) When will legislation be introduced? When will the scheme be in place?
- c) Is a safety net being considered for junior ranks?
- d) What consideration is being given by Defence to administrative review procedures for decisions on compensation to ADF personnel?
- e) What distinction will any new compensation system make between qualifying service and non-qualifying service (war-like and non war-like service)? If the system of compensation makes no distinction, how is the higher possibility of risk associated with qualifying service compensated? How is the adequacy of this compensation measured?
- f) Has any study been done on the impact of compensation on recruitment?
- g) Is the military compensation review giving any consideration to loss of earnings for Reservists in their civilian occupation?
- h) Are you aware of any private insurance available to ADF personnel, including Reservists, which will provide cover when involved in warlike deployments?
- i) For each of the last five years:
 - i. How many members of the full time ADF were medically retired?
 - ii. What is the percentage of medical retirement of the full time force?
 - iii. How many compensation claims were submitted?
 - iv. What percentage of the full time force submitted claims?
 - v. How many compensation claims were submitted for each of the three services?
 - vi. How many of these claims involved "severe injury"?
 - vii. In which units did ADF personnel claiming compensation for "severe injury" serve?
 - viii. How many working days were lost to the ADF due to workplace/training injuries?
 - Across all three services
 - In each of the services
 - By unit
 - ix. What was the number of workplace/training deaths recorded?
 - Across all three services
 - In each of the services
 - By unit
 - x. What is the average compensation paid to ADF personnel?
 - Across all three services
 - In each of the services

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

– By unit

- j) What is the highest compensation amount paid to a member of the ADF? What is the itemised breakdown of this figure? When was this payment made?
- k) What is the lowest compensation amount paid to a member of the ADF? What is the itemised breakdown of this figure? When was this payment made?
- l) What steps have been taken to address the issue of fixed practice costs for Reserve medical specialists while on deployment?
- m) What compensation is available to Reserve medical specialists when deployed? Are their specialist skills and indemnity against loss of earnings recognised in existing compensation for injury & death?
- n) What are recruiting and retention figures for medical specialists?
- o) Is the issue of fixed practice costs and loss of earnings considered a problem in recruiting and retaining medical specialists? How has this been addressed by Defence?
- p) Can you confirm that Australian INTERFET personnel have been exposed to asbestos? How many personnel reported exposure? Has any follow up been done to ascertain the health of those exposed? Is any ongoing monitoring taking place? By who? Have any claims for compensation been made by those exposed? Is there a continuing health problem for ADF personnel exposed to asbestos while serving in East Timor?
- q) What action has been taken to eliminate exposure to ADF personnel currently serving in East Timor?
- r) Have ADF personnel currently serving in East Timor been made aware of the risk? How?
- s) Are there any other instances since 1990 where ADF personnel on peacekeeping/peace making operations have been exposed to dangerous levels of asbestos or any other hazardous substances? How many personnel reported exposure for each operation? Has any follow up been done to ascertain the health of those exposed? Is any ongoing monitoring taking place? By who? Have any claims for compensation been made by those exposed?
- t) Within Defence has anything permanent been put in place to monitor and record exposure of ADF personnel to asbestos and other hazardous substances? How long has this been in place? Are these records available to those ADF personnel affected?
- u) Does the ADF have an understanding of Gulf War Illness? What work has Defence done to identify the cause of this illness in order to protect ADF personnel who have served in this area and who may be called to serve again?

RESPONSE

- a) A working group has been formed to make recommendations on what features might be included in the new military compensation scheme. The group comprises officers of the Departments of Defence and Veterans' Affairs and of a number of organisations representing both serving and former members of the ADF. In 2000, a discussion paper was circulated to the ADF through the chain of command and an updated version of this paper is on the Defence intranet and internet. Once an exposure draft of the legislation has been completed, it will be made widely available throughout the ADF for consultation.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- b) The legislation will be introduced once an exposure draft has been produced and adequate time has been allowed for consultation. The scheme will operate prospectively.
- c) Yes.
- d) The 1999 Review of the Military Compensation Scheme recommended that the administrative review procedures should be based on the *Safety, Rehabilitation and Compensation Act 1988* model. That is, after primary decision, the scheme should provide for internal review, and then external review through the Administrative Appeals Tribunal with appropriate mediation steps. The question of whether there is a role for the Veterans' Review Board is under consideration.
- e) The service pension is to be made available to those with war-like service and consideration is being given to making a "gold" treatment card available in some circumstances. The new scheme will be based on the principle that, as far as possible, like injuries should receive like compensation. The risks associated with war-like service should be recognised through remuneration arrangements. The adequacy of the compensation package is measured against community standards.
- f) No.
- g) The new scheme will take into account the civilian earnings of Reservists when calculating income replacement payments.
- h) Yes, there are some insurance products available that provide death and/or injury cover to ADF members, including Reservists undertaking full-time service, in a war-like deployment. The Defence Health Benefit Society (Defence Health) and the Naval Health Benefits Society (NHBS) may provide death and/or injury cover dependent on the individual's circumstances, including member history. Two other companies did offer cover for war-like situations but both have since withdrawn their products. The need to review personal insurance arrangements is included as part of pre-deployment briefings provided to all ADF members prior to deployment.
- i) For each of the last five years:

- i. Number of members of the full-time ADF who were medically retired:

As at 30 June	Number of ADF members medically retired
1997	431
1998	459
1999	768
2000	804
2001	711

- ii. Medical retirements represented the following percentage of the full-time force:

As at 30 June	Percentage of medical retirement of the full time force
1997	0.8
1998	1.0
1999	1.5
2000	1.5
2001	1.4

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- iii. Number of compensation claims submitted under the *Safety, Rehabilitation and Compensation Act 1998*:

As at 31 December	Number of Compensation Claims
1997	6,165
1998	6,159
1999	5,810
2000	6,205
2001	6,835

- iv. It is not possible to determine what percentage of the full-time force submitted claims, as full time members, reservists and former ADF members can submit one or more claims in any given year. Therefore the total number of claims received in any one year does not allow any conclusion to be drawn about the proportion of the ADF that has made a claim.

- v. Number of claims for each of the three Services:

As at 31 December	Army	Navy	Air Force	Unknown
1997	4,436	893	834	2
1998	4,371	940	845	3
1999	3,753	1,030	1,005	22
2000	3,740	1,202	1,148	115
2001	4,064	1,410	1,319	42

- vi. Claims involving severe injury, as defined in *Defence Determination 2000/1*, were:

As at 31 December	Army	Navy	Air Force	Total
1997	1	1	1	3
1998	0	0	0	0
1999	0	0	0	0
2000	0	1	1	2
2001	0	0	0	0

There may be other claims which were lodged in the given period and which will be classified in the future as involving severe injury, but in which the medical assessment has not been completed to date.

- vii. The 1997 Army injury involved a person who was on the Training Force Establishment. Each of the other severe injuries involved long latency diseases and were not associated with a particular unit.

- viii. The following working days were recorded as lost to the ADF due to workplace/training injuries (working days lost by unit are not available):

As at 31 December	Army	Navy	Air Force	Unknown	Total
1997	24,775	2,158	4,804	968	32,705
1998	32,924	6,273	7,269	2,352	48,818
1999	28,510	6,444	6,721	1,895	43,570
2000	22,665	3,832	4,293	1,509	32,299

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

2001	24,198	3,605	5,620	1,474	34,897
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ix. The number of workplace/training deaths recorded, by Service, were:

Year	Service	Unit	No of Deaths
1997	Army	1 st Battalion Royal Australian Regiment	1
	Army	26 th Transport Squadron	1
	Army	5/6 th Battalion Royal Victoria Regiment	1
	RAAF	Air Training Corps Victoria	1
	Sub-total		4
1998	Army	1 Royal Australian Regiment	1
	Army	7 th Signals Regiment (Electronic Warfare)	1
	Army	Deployable Joint Force Headquarters	1
	Army	Directorate of Officer Career Management-Army	1
	RAN	HMAS <i>Westralia</i>	4
	Sub-total		8
1999	Army	13 th Military Police Platoon	1
	Army	Army Communications Training Centre	1
	Army	Army Cadet Corps	1
	RAAF	6 Squadron	2
	RAAF	77 Squadron	1
	Sub-total		6
2000	Army	1 st Combat Service Support Battalion	1
	Army	1 st Command Support Unit	1
	Army	1 st Field Hospital	1
	Army	6 th Battalion Royal Australian Regiment	1
	Army	22 Construction Regiment	1
	Army	South Burnett Regional Cadet Unit	1
	RAN	HMAS Albatross	1
	Sub-total		7
2001	Army	Headquarters 5 th Brigade	1
	Army	Headquarters Regional Training Centre - Canungra	1
	Army	2 Combat Engineer Regiment	1
	RAAF	Land Headquarters Operations (RAAF Member attached to Army exercise)	1
	Sub-total		4
	Total		29

x. The average compensation paid per claim to ADF personnel was:

As at 31 December	Army	Navy	Air Force	Total
2001	\$10,508.91	\$12,526.02	\$9,475.95	\$10,645.86

Average compensation payments for previous years and by unit are not available.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- j) Compensation under the *Safety, Rehabilitation and Compensation Act 1988* is made up of a number of components. Lump sum compensation is paid to those suffering a permanent impairment and for other non-economic losses. The maximum currently payable is \$174,712.70, but for ADF members who have severe injuries, this can be increased under *Defence Determination 2000/1* to \$229,024.45, with an additional \$57,256.12 in respect of each child who is dependent on the injured person. Income replacement payments of between 75 per cent and 100 per cent of a person's normal weekly earnings are available up to the age of 65. Other components of the compensation package, such as medical expenses, household services and attendant care and rehabilitation services, are available throughout an injured person's lifetime. Because of the ongoing nature of these benefits, it is not possible to calculate the highest compensation amount paid to a member of the ADF.
- k) Nil. On occasions, members of the ADF may have a compensation claim accepted for a relatively minor injury, but since no economic or non-economic loss is associated with the injury, no compensation is payable.
- l) An allowance known as Civil Practice Support Allowance, as detailed in the *ADF Pay and Conditions Manual*, Chapter 11, is payable [This Manual was released in Jul 01. It is available on the Defence website at <http://defweb.cbr.defence.gov.au/dpedet> or the Defence internet site at <http://www.defence.gov.au/dpe/dpedet>]. The allowance assists certain medical officers of the Reserve Forces with the costs associated with maintaining their civil medical practices while rendering short periods of continuous full-time service in support of specified ADF operations. A member is entitled to civil practice support allowance for a period of service at the rate of \$1,600 per week. However, the allowance is not payable for less than two weeks in any period of service, unless the Chief of the Defence Force is satisfied that this would be reasonable in the circumstances.
- m) The compensation available to Reserve medical specialists when deployed is the same as that available to other members of the ADF. Under the current arrangements, any income replacement payments would be based on the ADF salary, not on the loss of any civilian earnings.
- n) See response to question W9 part d) arising from the 2001-02 additional estimates hearing in February 2002.
- o) This has been addressed, in part, through the Civil Practice Support Allowance. While Defence initiated the allowance to assist in covering fixed practice costs, it does not meet fixed practice costs in all cases. The allowance currently stands at \$1,600 per week, but some specialists can have fixed practice costs of over \$3,000.
- p) All Australian Interfet personnel deployed to East Timor were potentially exposed to asbestos fibres due to the extent of the destruction of buildings, the dusty conditions experienced in the lead-up to the wet season and the nature of military compounds with regular vehicle traffic. To date, 1,166 Interfet personnel have reported exposure to asbestos via the *Defence Incident and Fatality Report Form – AC 563*. One compensation claim has been lodged under the *Safety, Rehabilitation and Compensation Act 1988* relating to asbestos exposure in East Timor.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Medical examinations of persons recently exposed to asbestos cannot reveal the presence or absence of health problems related to the exposure. Additionally, environmental health and preventative medicine staff are part of the East Timor deployment to provide ongoing support and advice. Follow-up and ongoing monitoring of serving personnel is provided through a post-deployment medical assessment and periodical medical boards that are conducted relative to the individual's employment category and age but not exceeding a three-year period between examinations. It is generally accepted that targeted medical surveillance of non-occupationally exposed personnel (those living or working in an area where there may be an asbestos hazard as opposed to those employed to work on asbestos-related products) is not justified.

Defence, in conjunction with Health Services Australia, conducts free assessment, counselling and, if necessary, testing for ex-ADF members and Department of Defence personnel who may have been exposed to asbestos at any time during their employment with Defence. This is known as the Defence Asbestos Exposure Evaluation Scheme.

- q) The level of exposure to Defence personnel is assessed as being below Australian occupational exposure limits. Due to the nature of operations in East Timor, elimination is not practically achievable but controls have been put in place to limit exposure. An asbestos policy, placing restrictions on military and civilian personnel cleaning up and transporting asbestos waste, was issued to ensure that appropriate action was taken to identify asbestos and to put in place appropriate controls. An updated policy titled *General Guidelines for Removal of Asbestos Containing Materials by PKF Personnel* was also released. This document was cross-referenced to the *Guidelines on Maintenance, Handling and Disposal of Asbestos Material and Asbestos Waste*, issued in September 2000 by the Environmental Protection Unit, East Timor Transitional Authority. In April 2001, staff from the Defence Safety Management Agency revisited Dili to confirm the status of asbestos exposure at Australian-occupied sites. There was little evidence of remaining contamination, with exposure being assessed as low to very low.
- r) In 2000, Defence issued an *Asbestos in East Timor* brochure to units serving in East Timor, to the Deployed Force Support Unit in order to inform deploying units, to ex-Service organisations and to ADF units across Australia. The brochure contents included information on the nature of asbestos, risk, health effects, exposure, health counselling, reporting, compensation and the Defence Asbestos Exposure Evaluation Scheme. When East Timor was last visited by Defence Safety staff (April 2001), the majority of personnel questioned had read the brochure and were aware of the asbestos hazard.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

- s) In 1990, Australia contributed to coalition forces on operations in the Gulf War. Whether members were exposed to dangerous levels of any hazardous materials has not been confirmed. A major health study is currently being conducted into the health of Gulf veterans by the Department of Veterans' Affairs.

In January 1999, a comprehensive hazardous substance study was undertaken for the Peace Monitoring Group in the Loloho/Arawa region of Bougainville following concerns about a wide range of chemicals and hazardous materials remaining at the site after the cessation of mining operations. To date, 885 exposure reports have been received from ADF personnel deployed to Bougainville.

Apart from the one East Timor claim (see para p) above), which also involved exposure to asbestos in Bosnia, there have been no other claims under the *Safety, Rehabilitation and Compensation Act 1988* for asbestos exposure from other operations. No claims for exposure to other hazardous substances have been identified.

- t) Reports and records in relation to asbestos and hazardous substance exposure are recorded via the *Defence Incident and Fatality Report Form*, and are entered into a central Defence database, which is part of the Defcare system. This system, implemented in 1997, assists with the administration and management of occupational health and safety in Defence, as well as for compensation and rehabilitation. Records submitted are available to the members concerned on request.
- u) Yes. A range of symptoms categorised as the 'Gulf War Syndrome' has been reported by US and UK Gulf War veterans that, at present, cannot be attributed to a recognised medical condition. Investigations by US and UK authorities have not been able to identify any specific cause. Vaccinations, nerve agent antidote and depleted uranium have been suggested as possible causal agents. The Defence Health Service Branch continues to maintain close liaison with US, UK and other foreign medical authorities and monitors new information and developments in this area.

The Minister Assisting the Minister for Defence has commissioned a study of the health of Australia's Gulf War veterans. This is being progressed through the Defence/Veterans' Affairs

Links program. The study commenced in mid-2000 and is due to report its findings by the end of 2002.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Honours and Awards

QUESTION W63

- a) What is the ADF's position on the wearing of foreign awards and decorations?
- b) Are you aware of the campaign by members of 1RAR who served in Vietnam to get approval to wear the Republic of Vietnam Cross of Gallantry with Palm, which is a South Vietnamese decoration awarded as a unit citation to the US 173rd Airborne Brigade with which members of 1RAR were interleaved?
- c) Are you aware of efforts by RAN veterans to get approval to wear the same award for service with the 135th Assault Helicopter Company in Vietnam?
- d) Are you aware of any anomalies, for example where an American serviceman, who subsequently served with the Australian Army in Vietnam, has been approved to wear the award?
- e) What action is available to Defence to resolve the situation?
- f) Would Defence support recognition of the award for Vietnam Veterans who served with units that received a citation from the government of the Republic of Vietnam?

RESPONSE

- a) The ADF's position accords with the Government's Guidelines Concerning the Wearing of Foreign Honours and Awards by Australians, as promulgated in *Commonwealth of Australia Gazette S548* of 22 December 1997.
- b&c) Yes, but the Committee should be aware that the Australian units referred to were never awarded the citation by the former South Vietnamese Government.
- d) The example given is not an anomaly. If a US serviceman was in a US unit that was awarded the citation by the former South Vietnamese Government and he has authority to wear it from the US Government, then the Australian Government guidelines referred to in a) above permit the wearing of such an award. Similarly, an Australian serviceman who served in a Australian unit that was awarded the citation, such as the Australian Army Training Team Vietnam, 22 Squadron RAAF and 8 Battalion Royal Australian Regiment, and has authority to wear it from the Australian Government, can wear the award.
- e) There is no situation to be resolved.
- f) No.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Imposter living at ADFA for 4 months in 2002

QUESTION W64

- a) How and when was the accused man's alleged impersonation of a military officer discovered?
- b) What elements of the administrative and security system have been identified as contributing to this man's ability to impersonate an officer for so long? Is an internal review into these systems being conducted? When are the findings of any such review expected, and will they be made public?

RESPONSE

- a) At the time of the alleged offence/s, the man was a Lieutenant in the Army Reserve. As a result of an allegation laid against the member in April 2002, Military Police commenced an investigation that revealed the additional matters that were subsequently referred to the Australian Federal Police.
- b) As an Army Reserve member, the man had a valid Defence identity card which provides general access to Defence establishments and some Defence services. The Defence organisations within Canberra which provide such utilities and services have reviewed their procedures to determine how best to prevent a similar situation occurring in the future. Staff managing the provision of services to ADF members will be more vigilant in checking the bona fides and duty status of members using their services.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Personnel Management –Addressing Recruitment and Retention
QUESTION W65

- a) The 2020 Report states that “significant change” is needed to Defence “policy and practice” in order to stem the crisis. Are such changes being considered? What are they? Please outline in brief.
- b) Does Defence consider any of the initiatives listed as priorities on page 104 of the PBS 2002-03 the sort of “significant” changes called for in the 2020 Report?
- c) How are the people priorities determined? For example, how is the evidence about what personnel do and don’t like about service, and about how important these issues rank in member’s minds, used in generating people matter priorities?
- d) Is there any consideration being given to whether a voluntary postings system might be for jobs and specialty areas where personnel want to stay, especially areas in which there are viable? In particular, is any consideration being given to abolishing compulsory postings shortages?

RESPONSE

- a) The aim of the *Defence Personnel Environment Scan 2020* study was to identify and understand the socio-economic, workplace and demographic environment in which Defence will operate over the next two decades. The research report stated that, in the personnel environment, Defence, particularly the ADF, was atypical of Australian societal trends and would need to make significant changes to its policies and practices if it was to achieve the increased ADF strength required by the Defence White Paper.

As stated in the executive summary of the report, the study was intended to provide focus and direction for future policy and planning, rather than concrete proposals for change. Along with the range of Defence’s existing recruitment and wider personnel policy tools, the Defence People Plan and the Defence Workforce Plan are being developed to identify changes to Defence’s personnel policy framework to position Defence to meet the recruitment and retention challenges ahead.

- b) Yes.
- c) People priorities are determined by capability requirements, available resources, external factors, such as ensuring competitiveness of conditions with other employers, and feedback from Defence’s people, both military and civilian. Feedback helps in assigning priorities to Defence personnel activities and in focusing development of future personnel strategies. To get this feedback, Defence conducts three surveys per year: the Defence Attitude Survey (administered to a sample of 30 per cent of personnel) and two *Your Say* surveys (administered to a sample of 10 per cent). The *Your Say* surveys, as well as tracking attitudinal trends across Defence, also obtain feedback on more specific topical issues. For instance, the November 2001 *Your Say* survey investigated which current or potential personnel initiatives were priorities for ADF personnel. Defence is examining current initiatives against the survey findings. As an example, Defence is reviewing current remote locality leave entitlement policies, given the emphasis placed on such entitlements by personnel serving in northern Australia.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

- d) There is no consideration being given to abolishing compulsory postings. Nevertheless, each of the Services adopts a flexible approach to matching service requirements with the wishes of individuals where this does not affect capability.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Personnel Numbers – Size of Permanent Force
QUESTION W66

- a) Please provide most recent figures for the size of each of the Services in 2001-02, and to date for 2002-03. Please also provide to-date figures showing numbers joined and numbers discharged in each of the Services during 2001-02.
- b) The Budget Estimate figure for 2002-03 is 51,323 (p. 106 PBS), which is nearly 2,000 less than the target figure for 2002-03 of 53,042, as supplied to me in answer to Question on Notice No. W36. Confirm this difference between the forecasted actual numbers and the target figure for 2002-03.
- c) The PBS for 2002-03 states that the variation between budget estimates and actual estimated numbers “is due primarily to increases in the Navy and the Army resulting from increased recruiting and lower separation rates, with a slight decrease for the Air Force.” (page 106) Does the above explanation in the PBS mean there was a net loss from the Air Force in 2001-02? Please provide the enlistments, discharges and total size of the Air Force (average and at end of year) for 2001-02.
- d) Provide the average strength for each of the Services, separated into gender, in each year from 1996-97 to 2001-02, plus forecast strength for 2002-03.

RESPONSE

- a) The most recent estimated average staffing for 2001-02 for the Navy is 12,570, the Army 25,007 and the Air Force 13,291. Financial year 2002-03 has not yet commenced. Figures showing numbers joined and numbers discharged in each of the Services during 2001-02 to date (31 May 2002) are shown in the table below.

Recruitment and Separation for 2001-02 to 31 May 2002

Service	Joined	Discharged
Navy	1,590	1,614
Army	3,001	2,558
Air Force	1,548	1,237

- b) See response to question W68 part a).
- c) No. The explanation in the *Portfolio Budget Statements 2002-03* refers to the 2002-03 forecast. Notwithstanding, reference to the *Portfolio Budget Statements 2001-02* (Table 5.1, page 107) shows that Defence forecast a reduction in the Air Force average funded strength for 2001-02.

The enlistments, discharges and total size of the Air Force (average to date, and forecast at end of year) for 2001-02 to date (31 May 2002) is shown in the table below.

Service	Enlistments	Discharges	Average Strength (as at 31 May 2002)	Average Strength (as at 30 June 2002)
Air Force	1,548	1,237	13,281	13,291

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

- d) Defence annual reports for the years in question contain a table 'ADF Permanent and Reserve Forces and Civilian Employees by Gender and Employment Category' (figures are actual strengths as at 30 June in each year). In relation to 2002-03, Defence does not forecast by gender.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

PMKeyS**QUESTION W67**

- a) Can Defence detail which organisations have been paid in relation to the PMKeyS project to date, indicating the amount paid to each organisation? For each of the organisations indicate what is the nature of the service they are providing.
- b) On page 5 of the February 1999 edition of the 'The Key', it outlines the four phases of the PMKeyS project. Can Defence confirm which of the 19 elements identified have actually been implemented, which are yet to be implemented (include likely date) and which will no longer be implemented.

RESPONSE

- a) The table below shows the organisations having been paid since 1997-98 to date in relation to the PMKeyS project, the amount paid to each organisation and the nature of the services each provided. The table does not include costs related to Defence employee and administration expenses.

Organisation	Amount Paid \$	Nature of Service
Acumen Alliance	44,839	PMKeyS/ROMAN data integrity testing
Alliance Consulting	13,320	Data entry for testing
Azimuth	40,992	Phase 1 Post Implementation Review
Burnbax	3,247	Recruiting of project staff
CCFMG	19,400	Review release of civilian payroll and personnel administration
ComTech	12,363	Development network support
Crain Australia	38,020	Provision of data acquisition services
DA Consulting Group	3,712,846	Development and delivery of PMKeyS training packages
Dorothy Outram & Assoc	17,518	Communications management
Effective People	1,423	Staff training courses
F1 Solutions	4,000	Maintenance of PMKeyS IDAS registration database
Gemtech	566,050	Performance testing
HRM Consultants	1,350	Residual work on Civilian Resource Management System
Intelligroup	600,023	Functional test failure investigation
Interaction	15,845	Facilitation of training for business planning and team management
Interim Technology	4,760	Staff training courses
InTime HR	151,600	Functional analysis and testing
M&T Resources	208,240	Project schedule management and batch testing
Mastech	414,348	Functional analysis and testing
Mind Your Web	40,560	Functional analysis and testing
People & Strategy	950	Planning day facilitation
PeopleSoft	17,167,177	Contract with PeopleSoft for implementation of PMKeyS
PeopleSoft	7,532,219	Out of scope development work
Piazza Consulting	6,870	PMKeyS Phase 1 user survey
Puntimai	146,862	PMKeyS review of current Defence personnel systems
Reengineering Australia	695,346	PMKeyS training delivery management
SAP Australia	100,000	PMKeyS preferred vendor selection process
Sapphire Technologies	190,960	Performance testing

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

SMS	13,180,080	PMKeyS project management
Stratagem	283,231	Data migration from legacy systems
Strategic Management	6,137	PMKeyS project management
Swish Group	68,727	Development of PMKeyS self-paced tutorial
The Westbourne Group	35,265	Provision of acquisition data mapping services
Others	256,478	A breakdown of these amounts is not readily available
TOTAL	45,581,046	

b) The status of each item is as follows:

Phase 1 <i>1 July 1998 - 26 February 1999</i>	Status
Organisational structures: establish position/datatree	Implemented
Personnel administration and leave (APS)	Implemented
Payroll (APS)	Implemented
Recruitment (APS)	Implemented
Human resource budgeting	Implemented
Phase 2 <i>26 February - 30 June 1999</i>	
Organisation structures: position attributes	Implemented
Career management: performance appraisal, staff movements, employee administration, separations, and military transfers	Implemented
Management of employment conditions	Implemented
Personnel administration and leave (ADF)	Implemented
Personnel development and training: courses management	Implemented
Phase 3 <i>1 July - 31 December 1999</i>	
Career management: career planning, clearances and promotions, and succession planning	Implemented
Payroll (ADF and Reserves)	Not yet implemented <i>The timetable for implementation is currently being reviewed. Estimated completion date is late 2003</i>
Recruitment (ADF)	Not to be implemented at this time
Personnel development and training: enrolments, training needs analysis, and trend analysis	Implemented
Workforce planning: workforce requirements	Implemented
Phase 4 <i>1 January - 30 June 2000</i>	
Extended functionality	Not yet implemented <i>The timetable for implementation is currently being reviewed</i>
Employee self service	Part implemented <i>The timetable for full implementation is currently being reviewed</i>
Use of smart cards	Not to be implemented at this time
Employment of web browser technology	Not yet implemented <i>The timetable for</i>

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

	<i>implementation is currently being reviewed</i>
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ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

**Re: Response to Question W36 from February 2002 Additional Estimates Hearing
QUESTION W68**

The following information was contained in an answer to QON W36 about future targets:

Service	2001-02	2002-03	2003-04	2004-05	2005-06
Navy	12,570	12,838	12,988	12,988	12,988
Army	25,152	25,009	25,009	25,072	25,072
Air Force	13,189	13,196	13,196	13,196	13,196
ADF	50,911	53,042	53,192	53,255	53,255

Apart from the total figure for 2001-02, none of the other figures actually add up to the total in each column.

- What do the totals in the last line of the table actually represent, given that they don't represent the aggregate of the sub-totals? What are the target numbers for each of the Services in the next five years?
- For 2002-03, please provide target numbers for each quarter.

The answer to Q W36 shows that the target size for the Navy is completely unchanged between 2003 and 2006, and same for the Air Force size for four years straight (2002-2006).

- Why are the targets for the Navy and Air Force completely static over four years, especially as the ADF is supposed to be increasing in size under the White Paper?
- Why, by contrast, do the Army targets vary each year?
- Why are the actual totals (ie, the correctly added up totals for each of the Services in Q W36) for years 2002-03 and 2003-04 identical?

RESPONSE

- The totals for the ADF should have added to the sum of the three Services for each year in question, but an electronic transcription error occurred when the response was forwarded to the committee. While the total for 2001-02 accorded with the data provided at page 90 of the *Portfolio Additional Estimates Statements 2001-02*, the latest estimates are as provided on page 106 of the *Portfolio Budget Statements 2002-03*. The figures for the other years have also been updated to reflect the 2002-03 budget and are shown in the table below.

Service	2001-02 Estimated Actual	2002-03	2003-04	2004-05	2005-06
Navy	12,570	12,838	13,000	13,133	13,264
Army	25,007	25,289	25,359	25,429	25,627
Air Force	13,291	13,196	13,212	13,269	13,325
ADF	50,868	51,323	51,571	51,831	52,216

- Targets are projected annually, not by the quarter.
- Consistent with the updated numbers provided in a) above, the numbers for both of these Services do in fact grow across this period. Growth towards the White Paper guidance of 'about 54, 000 full-time personnel by 2010' is already occurring and will accelerate from 2004-05 onwards.

Senate Foreign Affairs, Defence and Trade Legislation Committee

**ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE**

Budget Estimates 2002-2003; June 2002

- d) The targets reflect the 3,000 East Timor supplement that the Army has been building towards since 2000 and approved increases to the Army for tactical assault and incident response capabilities reflected in the 2002-03 budget.
- e) See a) above.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Targets for Permanent Personnel
QUESTION W69

The following chart was given to me in an answer to QON W 36 from February 2002 Estimates:

Service	2001-02	2002-03	2003-04	2004-05	2005-06
Navy	12,570	12,838	12,988	12,988	12,988
Army	25,152	25,009	25,009	25,072	25,072
Air Force	13,189	13,196	13,196	13,196	13,196
ADF	50,911	53,042	53,192	53,255	53,255

- a) These sub-totals don't add to the totals in any column. Why not?
- b) Has the ADF set targets for 2006-2010? If so, what are they?
- c) Within the ultimate White Paper target of 54,000, how are the annual targets to 2010 determined? For example, are they set by each of the Service Chiefs, or in the budget area?
- d) In setting targets, is any regard had to the estimated actual figures personnel numbers for the current or subsequent financial year?
- e) In between structural/visionary changes made to targets by strategic changes such as the White Paper makes, are target figures ever revised? If yes, how often? Why? What factors are used in re-setting the targets?
- f) What assumptions/estimates are made about employee numbers when determining budget estimates for employee costs in future years?
- g) Are the budgeted figures for employee numbers different than the targets given to me in answer to Q W36 (ie, from the Defence Workforce Plan)?
- h) Please provide the numbers of ADF members (permanents and Reserves) Defence have budgeted for (as opposed to target numbers) for each year from 2002-03 to 2005-06.
- i) Confirm that the 2010 target of 54,000 includes extra permanent personnel that are needed to convert what were two Reserves battalions into two permanent high-readiness battalions (referred to on p 80 of White Paper).
- j) Confirm that a significant percentage of the personnel forming these two permanent high-readiness battalions have already been recruited. Are the two extra battalions already raised and operational? Are these two extra permanent battalions counted in the increase in numbers under the White Paper?
- k) Doesn't the fact that the battalions have been raised imply that there has been a growth of 2,000 net in permanent Army members since the permanent battalions were announced as part of the White Paper?
- l) Please explain why the shortfall in numbers for all skill categories in 2001-02, when added to the actual numbers for permanent ADF in 2001-02, exceed the White Paper targets (see page 65 of the ASPI Budget brief for 2002-03).

RESPONSE

- a) See response to question W68 part a).
- b) Yes.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Service	2006-07	2007-08	2008-09	2009-10
Navy	13,396	13,529	13,664	13,800
Army	25,786	25,947	26,108	26,271
Air Force	13,383	13,440	13,497	13,555
ADF	52,565	52,916	53,269	53,626

- c) The annual targets are determined through a comprehensive workforce planning process, involving the Service Chiefs and the Chief Finance Officer, and are endorsed by the Government in the budget context.
- d) Yes.
- e) Target figures are revised annually in the budget context. They are adjusted to accord with factors such as changes to Australia's strategic situation, Defence's funding allocation from the Government, the introduction or withdrawal of capabilities and recruitment and retention trends.
- f) Employee expense provisions are generated on the basis of both price and numbers growth in the Defence workforce. Price growth, in particular, takes into account the likely changes in military and civilian salary and superannuation costs as a result of industrial agreements, as well as military non-salary expenses such as housing, medical and military compensation costs. In addition, allocations take into account Government price supplementation and the additional ADF workforce growth provisions enunciated in the White Paper.
- g) No, the targets and the budget figures are the same.
- h) Only permanent ADF personnel numbers are funded for growth to a prescribed figure. The funded numbers are contained in the response to question W68 part a).
- i) Yes.
- j) A significant percentage of the personnel has been recruited. The two extra battalions have been raised and one is operational. The second will become operational in accordance with the stipulated growth plan. The personnel required in forming these two extra battalions were included as part of the increase in numbers under the White Paper targets.
- k) No. The figure of 2,000 represents an increase in the overall personnel requirement, and not actual staffing levels achieved. Staffing levels will grow in accordance with the annual targets set to reach the White Paper target of 54,000 by 2010.
- l) The reason is that the skill categories relate to establishment positions whereas the White Paper targets relate to average funded strength. Current operational circumstances do not require Defence to recruit to its full complement of establishment positions.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Trial of Manpower
QUESTION W70

- a) Can Defence indicate how much the Manpower company has been paid for the contract to provide recruitment services in Victoria and southern NSW each year since it began providing those services.
- b) When did this 'trial' begin? What was the original duration of the trial?
- c) Has the use of Manpower for the provision of these services been evaluated? If so, when? What were the findings of this evaluation? If no evaluation has been done, why not? When will an evaluation be conducted?
- d) Can Defence provide the following information for the years 1998-99, 1999-2000, 2000-01 and 2001-02 to date:
 - i. On a per capita basis provide the number of enlistments across the ADF from Victoria and southern NSW (the same area covered by the Manpower contract). That is, for every 1000 people there were x enlistments in 1999-00, etc.
 - ii. On a per capita basis provide the number of enlistments across the ADF from all regions outside Victoria and southern NSW.

RESPONSE

- a) Under the current outsourcing contract Manpower Defence Recruiting has been paid:

2000-01	\$5.96m
To end May 2002	\$9.80m
	(exclusive of GST)

- b) Manpower Defence Recruiting was contracted by Defence in September 2000 to trial the outsourcing of Defence recruiting services. The trial was scheduled to be completed by September 2001. A decision was to be made prior to this on whether to proceed to national rollout of the outsourcing option. Evaluation of the trial was completed in June 2001, based on these findings Defence decided to extend the trial until March 2003.
- c) Ongoing evaluation of the trial is being conducted by Deloitte Touche, Tohmatsu, with a report and recommendation regarding national rollout due by 30 September 2002.
- d) No. Such data are not collected.

ANSWERS TO QUESTIONS ON NOTICE
DEPARTMENT OF DEFENCE

Budget Estimates 2002-2003; June 2002

Military Superannuation Funds

QUESTION W71

Perhaps the Minister could explain to me why the government does not intend to offer the same claimed attractions in respect of the military superannuation funds.

RESPONSE

In his press release titled *Savings: Choice and Incentive* (No 40) of 13 May 1997, the Treasurer announced that "...The choice of fund legislation will not apply to public sector arrangements to the extent the employer Superannuation Guarantee (SG) and award contributions are unfunded. This is because of the fiscal consequences associated with being required to fund the benefits of members transferring from partially or totally unfunded superannuation schemes. ...". The employer contributions to the military superannuation schemes are unfunded, except for the 3 per cent productivity benefit paid into the Military Superannuation and Benefits Scheme Fund.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

1. Q What are the forecast defence housing requirements for each of the next five years?

- A. DHA and Defence works on a current plus three year forecasting cycle. The housing forecast for this period at the end of each financial year is as follows:

<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
18,224	18,207	18,280	18,226

2. Q What were the forecast defence housing requirements for each of the past five years?

- A. The housing requirement for the past five years at the end of each financial year was as follows:

<u>1996/7</u>	<u>1997/8</u>	<u>1998/9</u>	<u>1999/00</u>	<u>2000/01</u>
23,917	24,825	23,066	21,230	19,127

3. Q Can you provide statistics to show that ADF personnel prefer to buy their own homes?

- A. DHA has no statistical material that would indicate ADF personnel prefer to buy their own home. The ADF census carried out in 1999 indicates that 15% of ADF personnel at that time lived in their own home. Recent surveys undertaken by DHA indicate that 81% of ADF personnel living in a DHA home, would prefer to be in a DHA house rather than in the general rental market.

4. Q How many DHA owned properties have been unoccupied for more than:

- a) 3 years
- b) 2 years
- c) 1 year

(Note) No answer to this question has been received by the Committee as at 15/10/02.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

5. Q Where are these homes located?

(Note) No answer to this question has been received by the Committee as at 15/10/02.

6. Q What is the reason they have they been unoccupied?

A. There are 3 houses located in Katherine that have been unoccupied for more than 12 months due to the reduced Defence requirement.

7. Q How many DHA leased properties have been unoccupied for more than:

- a) 3 years
- b) 2 years
- c) 1 year

(Note) No answer to this question has been received by the Committee as at 15/10/02.

8. Q Where are these homes located?

(Note) No answer to this question has been received by the Committee as at 15/10/02.

9. Q What is the reason they have they been unoccupied?

A. There are 4 leased houses in Katherine that have been unoccupied for more than 12 months due to the reduced Defence requirement.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

10. Q Of the 18 207 forecast for 30 June 2002 homes how many will be owned by DHA and how many leased?

A. The current plan in respect to properties provisioned by DHA, is for the ratio of off-base owned to leased of 34: 66 at the close of the 2002/03 year.

11. Q How many DHA homes will be sold 2002-03 financial year?

A. The plan for the 2002/003-year provides for the sale of 782 surplus properties and the sale and leaseback of 1,137 properties.

12. Q In Estimates hearings DHA advised that the proportion of DHA owned homes represent 37% of total stock for the 2001-02 financial year. It was also noted that DHA aimed to reduce this further to 25%. What is the timeframe to achieve this reduction?

A. A reduction of DHA owned properties to 25% is a planning parameter to be applied market by market and has no time frame. This parameter is subject to annual review as part of DHA's Corporate Planing process. The current DHA plan is to reduce ownership to 29% by June 2005. It needs to be recognised that the level of ownership will vary by region depending upon requirements and local market conditions.

13. Q What is the membership of the body conducting the scoping study into the sale of DHA Assets being administered by Department of Finance?

A. The scoping study will be overseen by a Steering Committee whose membership has not been finalised. It is expected that the Steering Committee would comprise the Department of Finance and Administration, the Department of Defence, and any business and or legal advisers appointed to assist in conducting the scoping study.

14. Q What are the terms of reference for the scoping study into the sale of DHA assets?

A. The terms of reference for the sale of DHA assets have not yet been finalised. DHA understands that it is not intended to make the terms of reference public.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

15. Q What is the State-by-State breakdown for the following over the last 5 yrs and estimates for the next 5 years?:

- Sale of DHA homes & properties
- Leased properties
- Owned properties
- Acquisition of properties by DHA
- Occupancy rates for leased properties
- Occupancy rates for owned properties
- Occupancy rates for barracks
- Number of personnel receiving rent subsidy for private rental accommodation?
- For each of the above, can you provide this same information broken down to postcode?

A. The national breakdown for the past 5 years as follows:

	As at:	30/6/97	30/6/98	30/6/99	30/6/00	30/6/01
• Sale of DHA homes & properties (including Sale & Lease back)		1934	2237	2084	2599	1225
• Leased properties		6142	7958	8656	9799	10012
• Acquisition of properties by DHA		271	1069	1423	798	162
• Occupancy rates for leased properties	} Breakdown of occupancy rates by property ownership categories is not available					
• Occupancy rates for owned properties						
• Occupancy rates for barracks		Barrack accommodation is not managed by DHA				
• Number of personnel receiving rent subsidy for private rental accommodation?		Not available				
• For each of the above, can you provide this same information broken down to postcode?		Detail by post code is not available				

The estimate for the current plus next 3 years is as follows:

Estimates for Financial Year to:	30/6/02	30/6/03	30/6/04	30/6/05
• Sale of DHA homes & properties	1567	1919	1563	1253

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

• Leased properties	9357	9695	10034	10606
• Owned properties (Includes On-base)	8228	7059	7221	6734
• Acquisition of properties by DHA	559	1169	1468	858
• Occupancy rates for leased properties	N/a	N/a	N/a	N/a
• Occupancy rates for owned properties	N/a	N/a	N/a	N/a
• Occupancy rates for barracks	Barrack accommodation is not managed by DHA.			
• Number of personnel receiving rent subsidy for private rental accommodation?	2200	1546	1454	1303
• For each of the above, can you provide this same information broken down to postcode?	Detail by post code is not available.			

A breakdown by State is at Attachment A.

16. Q What provision exists for modification of privately owned homes leased by DHA to meet the needs of service families?

- A. Prior to leasing a property it will be inspected by a DHA officer to ensure it is suitable for the needs of service families with the exception of minor work, any required notifications would be discussed and agreed with the owner.

17. Q Will DHA pay for the cost of modification?

- A. With the exception of minor work, DHA would not meet the cost of any modification.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

18. Q Is there any mechanism by which DHA can recoup expenditure for improvements to DHA leased homes in the event either DHA or the owner terminates the lease, or when the lease expires?

A. See answer to Q17

19. Q What is the 2002-03 maintenance budget for Community Centres located on bases?

A. The community centres referred to in questions 19 to 22 are owned and managed by the Department of Defence, not DHA.

20. Q Are you able to confirm that the Community Centre at Duntroon, and two Centres in Darwin are in a state of disrepair?

A. The community centres referred to in questions 19 to 22 are owned and managed by the Department of Defence, not DHA.

21. Q Are you aware of reports that they contain asbestos?

A. The community centres referred to in questions 19 to 22 are owned and managed by the Department of Defence, not DHA.

22. Q What action will be taken to rectify this problem?

A. The community centres referred to in questions 19 to 22 are owned and managed by the Department of Defence, not DHA.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

23. Q What were the problems with relocations services referred to on p.24 PBS?

- A. DHA assumed responsibility for relocations services from 1 July 2001. It subsequently experienced a number of difficulties with its administrative procedures and the IT systems required to support the processing. As a result the Authority failed to deliver the level of service expected by ADF members and the Department of Defence during the peak posting period. Actions have been taken to make these difficulties and DHA is now meeting its performance obligations.

24. Q How many complaints did DHA receive from service families experiencing problems during the timeframe specified on p.24 in the PBS? What was the nature of these complaints?

- A. The following table itemises complaints related to problems with the relocations process referred to on p24 of the PBS. The complaints represent 2.6% of relocations carried out.

<u>Category of Complaint</u>	<u>Number</u>
Allocation of accommodations	88
Payment of Relocations entitlements	344
Third Party Contracts	77
Other relocation process issues	<u>413</u>
Total	922

25. Q What measures are in place to ensure quality of service in the process of relocation?

- A. Following an independent review of its processing arrangements by PricewaterhouseCoopers, DHA has introduced a number of improvements to its procedures and systems. The principle of “case management” will now be an intrinsic aspect of the customer service model, ensuring each member and family receives a personalised service from the local DHA regional office. A quality management plan and risk management plan have been prepared, and DHA is confident that it is well placed to provide a high quality customer service during the next peak posting period.

26. Q How does the outsourcing/tender process operate for removals?

- A. The removals contract is managed by the Department of Defence not DHA.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

27. Q Who currently has the contract?

- A. The removals contract is managed by the Department of Defence not DHA.

28. Q What are the terms of the contract?

- A. The removals contract is managed by the Department of Defence not DHA.

QUESTION 29 (HANSARD FAD&T P 196)

Q. Can you explain why both the assets and the liabilities have increased over what you had expected they would be in this forthcoming budget year?

A. The asset and liability positions for 2002/03 as reported in the 2001/02 and 2002/03 Portfolio Budget Statistics vary for the following reasons:

- 1) Assets – cash balances are higher due to stronger proceeds from the sale of assets
- 2) Liabilities – are less due to a lower level of debt and to the higher level of proceeds from the sale of properties

QUESTION 30 (HANSARD FAD&T P 198)

Q. Last year's PBS "Output performance indicators" showed 19,127 and for this year it is 18,207. What are the actual figures? (in terms of the houses actually provided).

A. The actual number of houses provided by DHA at 30/6/01 was 19,538 and at 30/6/02 was 18,600.

QUESTION 31 (HANSARD FAD&T P 199)

Q. Can you give a breakup of the accommodation you supply by DHA ownership and by DHA lease-back arrangements?

A. See answer to Q15

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

QUESTION 32 (HANSARD FAD&T P 199)

Q. Are you able to give us a state-by-state breakdown of the properties what will be sold? (i.e. sale and leaseback and disposed).

A. See answer to Q15

Question 33 (Hansard FAD&T p199)

Q. Can you give us an idea of the occupancy rates of DHA owned houses?

A. See answer to Q15

Question 34 (Hansard FAD&T p 200 & 201)

Q. Could you please advise who is actually doing the scoping study? And the timeframe in which the study is being undertaken.

A. The Department of Finance and Administration will oversee the management of the scoping study in consultation with the Department of Defence. The scoping study is expected to be completed by the end of 2002.

Question 35 (Hansard FAD&T p 201)

Q. What was the cost of relocations within Australia for ADF personnel in 2001/02? Do you have an anticipated cost for the coming financial year?

[Whilst the question talks about the cost of relocations it was clarified to mean the cost of administration].

A. The cost of delivering the relocations business during the 2001/02 year has been \$9.5m. The estimated cost for the 2002/03 year is \$14m.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

Question 36 (Hansard FAD&T p 202)

Q. What was the cost of the project (i.e. air-conditioning homes in Darwin), and is it within budget?

A. The budget for the project is \$3m. The work is proceeding within this budget.

Question 37 (Hansard FAD&T p 202)

(Following a discussion concerning about maintenance costs and a specific reference to the budget of \$33.6 m set for 2002/03 (in comparison to the 2001/02 figure).

Q. What would be the reason for that increase?

A. Repairs and Maintenance expenditure in 2002/03 is estimated to be approximately 10% greater than the expenditure in 2001/02. The increase is due principally to an allowance for price escalations and some catch up work on some repairs and maintenance activities such as landscaping and painting.

Question 38 (Hansard FAD&T)

Q. Who are the relevant groups being consulted?

A. The Department of Finance & Administration have advised as follows:- We intend to consult widely in conducting the scoping study. Relevant stakeholders will be identified but are expected to include the Australian Defence Force, DHA, and the National Consultative Group of Service Families.

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

Attachment A

Estimates for the
Financial year to 30/06/02 30/06/03 30/06/04 30/06/05

Sale of DHA homes & properties

ACT	123	172	142	123
NT	95	200	170	112
Qld	608	479	472	332
NSW	521	839	589	513
Vic	101	79	85	48
SA	47	70	64	64
WA	72	80	41	61
	1567	1919	1563	1253

Leased Properties

ACT	879	903	897	991
NT	837	872	873	877
Qld	2279	7258	2298	2372
NSW	3508	3735	4029	4412
Vic	862	865	861	891
SA	456	491	517	521
WA	556	571	559	542
	9377	9695	10,034	10,606

Owned Properties(Including On base)

ACT	539	513	535	522
NT	1501	1397	1330	1347
Qld	1649	1535	1467	1322
NSW	2581	2227	2044	1688
Vic	414	386	386	356
SA	416	394	398	399
WA	381	335	349	358
	8228	7509	7221	6734

ANSWERS TO QUESTIONS ON NOTICE
DEFENCE HOUSING AUTHORITY

Budget Estimates 2002-2003; June 2002

Acquisition of Properties

ACT	135	150	170	110
NT	25	96	138	182
Qld	175	353	386	200
NSW	163	404	523	232
Vic	21	45	70	3
SA	4	48	96	65
WA	36	73	60	66
	559	1169	1443	858

Number of personnel receiving rent subsidy for private rental income

ACT	320	157	150	60
NT	90	90	90	90
Qld	523	397	404	377
NSW	652	511	455	426
Vic	178	171	171	171
SA	135	116	80	75
WA	104	104	104	104
	2002	1546	1454	1303

ACT – includes areas in NSW that are managed by the ACT Office.
Vic – includes Tasmania which is managed from Melbourne.