

Senate Foreign Affairs, Defence and Trade Legislation Committee

Answers to questions on notice from Department of Defence

Budget estimates 2003–2004; June 2003

Budget Summary

Outstanding and bad debts

QUESTION 1

SENATOR: Senator Hogg

HANSARD: Page 308

- a) What is the total of outstanding debts owed to Defence?
- b) How much of the debts owed to Defence are written off and how much are pursued and recovered?
- c) What was the total amount of bad debts in 2001–02?
- d) Please provide the committee with the amount of the worst bad debt not recovered.

RESPONSE

- a) Departmental debtors at 31 May 2003, excluding appropriation receivables from the Department of Finance and Administration and GST receivables from the Australian Taxation Office, totalled \$155.9m. This amount comprises routine business receivables relating to local trade debtors, overseas trade debtors, Commonwealth agency debtors, employee debts and other miscellaneous receivables.
- b) The Department works to maximise the recovery of all business receivables. All receivables are pursued until all avenues of collection have been exhausted or the size and nature of the debt renders collection uneconomical, in accordance with the financial management and accountability legislation. A provision is raised for any doubtful debt based on a review of all outstanding accounts as at year end. Bad debts are written-off during the year in which they are identified. For the eleven months ended 31 May 2003, Defence had processed bad debt write-offs of \$151,844. As part of the preparation of the 2002-03 financial statements, all Groups are currently assessing the recoverability of debts owing to Defence as at the end of June to allow appropriate provisioning for doubtful debt and the write-off of any remaining bad debts. This will involve an assessment of the adequacy of the current provision for doubtful debts as at 31 May of \$12.7m that comprises \$3.9m against doubtful debts and \$8.9m to correct prior period accounting errors.
- c) In 2001–02, Defence recognised \$31.0m as bad and doubtful debts written off (refer to note 14 on page 160 of the *Defence Annual Report 2001–02*). Of this amount, \$308,000 was written off as a bad debts expense, \$1.8m was recognised as an increase in the general provision for doubtful debts while \$28.9m was a provision against prior period accounting errors that needed to be corrected.

The \$308,000 comprises bad debts written off (\$133,000), reversal of invoices incorrectly raised (\$134,000), and write back of invoices in dispute (\$41,000).

A number of the prior period accounting errors have been investigated and corrected with any necessary adjustments written back against this provision. A number of errors are still in the process of being finalised in the context of the 2002-03 Financial Statements.

- d) Of the \$133,000 of bad debts written off in 2001–02, approximately \$59,000 related to bankruptcy of a debtor and the remaining \$74,000 related to a large number of small debts considered uneconomical to pursue. The \$151,844 written off to 31 May 2003 comprises small and very old debts, generally under \$200, deemed uneconomic to recover.

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Additional logistics funding

QUESTION 2

SENATOR: Hogg

HANSARD: Page 295

Please provide the committee with a chart that breaks down, by individual platforms, expenditure of \$1,145 million on additional logistics funding from 2002–03 to 2006–07. If there is no allocation in the forward estimates, please provide the total figure that will be subject to allocation.

RESPONSE

Of the \$1,145 million additional logistics funding approved by the Government, specific allocation decisions have only been made for 2002–03 and 2003–04. Indicative allocations have been agreed for 2004–05, but these are subject to review and decision in the 2004–14 Defence Management and Finance Plan. The allocations by platform for 2005–06 and 2006–07 will also be determined in the 2004–14 Defence Management and Finance Plan. The table below provides a breakdown of the additional logistics funding.

Allocation of additional logistics funding

	2002–03 \$m	2003–04 \$m	2004–05 \$m	2005–06 \$m	2006–07 \$m	Total \$m
Collins-class submarines	13.1	81.5	85.2			
Army general vehicles (B Class)	5.0	25.5	32.3			
Explosive ordnance operating stocks	60.1	61.0	62.1			
C-130J Hercules transport aircraft	3.2	40.7	29.1			
F/A-18 Hornet aircraft	13.2	35.6	76.8			
Anzac-class frigates	6.8	-	-			
Sub total	101.4⁽¹⁾	244.3	285.5	284.9	229.0	1,145.1
P-3C maritime patrol aircraft	-	11.2	-			
Anzac-class frigates	-	5.0	-			
Army aviation	-	17.2	-			
PC 9/A training aircraft	-	3.0	-			
Naval aviation	-	10.2	-			
Sub total	-	46.6⁽²⁾	-			
Total	101.4	290.9	285.5	284.9	229.0	1,191.7

Notes:

1. The \$101.4 million in 2002–03 represents the additional logistics funding agreed by the Government which was funded from Defence's cash reserves.
2. Additional logistics expenditure of \$46.6 million has been internally funded in 2003–04.

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Funding for operations

QUESTION W1

SENATOR: Evans

HANSARD: Written question

In terms of the allocated funding for Operation Slipper in 2002–03 (\$198.9m in the 2002–03 budget), can a breakdown be provided for this funding, as provided for the allocated funding for Operation Slipper in 2001–02 in Question 4 from the February 2002 Additional Estimates hearing.

In terms of the allocated funding for Operation Bastille/Falconer for the year 2002–03 (\$421m), can a breakdown be provided for this funding, as provided for the allocated funding for Operation Slipper in 2001–02 in Question 4 from the February 2002 Additional Estimates hearing.

In terms of the allocated funding for Operation Bastille/Falconer for the year 2003–04 (\$197.9m), can a breakdown be provided for this funding, as provided for the allocated funding for Operation Slipper in 2001–02 in Question 4 from the February 2002 Additional Estimates hearing.

RESPONSE

Table 1 outlines the breakdown of allocated funding for Operation Slipper in 2002–03.

Costs	\$m
Operating	
Deployment and travel allowances for personnel	30.9
Additional inventory consumption (including fuel and maintenance costs)	13.5
Strategic lift costs (transportation of personnel and equipment)	53.4
Additional health services (including health checks and personnel costs)	3.5
Costs associated with Defence attaché positions and functions	2.2
Costs associated with the sustainment of deployed personnel	52.2
Sub-total net additional operating costs	155.7
Capital	
Electro-optic systems for P-3C	3.7
Night vision goggles for F/A-18	2.0
Repairable items for Air Force and Navy elements	37.5
Sub-total net additional capital costs	43.2
Total net additional cost	198.9

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Table 2 outlines the breakdown of allocated funding for Operation Bastille/Falconer in 2002-03. (These figures are based on the planning assumptions at the time and variations will be reported in the *Portfolio Additional Estimates Statements 2003–04*.)

Costs	\$m
Operating	
Deployment and travel allowances for personnel	64.6
Strategic lift costs (transportation of personnel and equipment)	64.3
Additional operating costs associated with P-3C deployment	14.0
Rapid acquisition of equipment and stores for contingency planning	43.6
Additional costs associated with the sustainment of deployed personnel	103.3
Sub-total net additional operating costs	289.8
Capital	
Capital associated with P-3C deployment including repairables	22.1
Enhancement of computer systems	2.5
Repairable items for Air Force, Navy and Army elements	14.0
Rapid acquisition of equipment and stores for contingency planning	92.7
Sub-total net additional capital costs	131.3
Total net additional cost	421.1

Table 3 outlines the breakdown of allocated funding for Operation Bastille/Falconer in 2003–04.

Costs	\$m
Operating	
Deployment and travel allowances for personnel	36.9
Strategic lift costs (transportation of personnel and equipment)	32.9
Additional costs associated with the sustainment of deployed personnel	109.1
Subtotal net additional operating costs	178.9
Capital	
Enhancement of computer systems	1.3
Repairable items for Air Force, Navy and Army elements	14.1
Sub-total net additional capital costs	15.4
Price Supplementation	3.6
Total net additional cost	197.9

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Equipment purchased in the lead-up to the War in Iraq

QUESTION W2

SENATOR: Evans

HANSARD: Written question

The 2003 budget papers show that \$123.8m from the 2002–03 Additional Estimates was used for “Rapid acquisition of equipment and stores for contingency planning”. The 2002–03 Additional Estimates include two amounts that add up to the \$123.8m. The explanation for this funding in the Additional Estimates is:

- additional funding to meet the cost of increased inventory usage (\$31.1m); and
- additional funding for specialist military equipment (\$92.7m).

- a) When the additional \$123.8m was sought through the 2002–03 Additional Estimates was it intended that it be used to cover the purchase of equipment that would be used for the war in Iraq?
- b) When was the decision taken to use this funding for this purpose?
- c) Did the Government commit these funds in December 2002 to the purchase of equipment needed for a war in Iraq? Was this funding entirely used for that purpose?
- d) Why didn't the Additional Estimates state that this funding was intended to purchase equipment for the war in Iraq?
- e) What equipment and stores were bought with these funds? When were the contracts for these items signed?

RESPONSE

- a) At the time that the funding was sought through Additional Estimates, the Government had agreed to Defence continuing prudent contingency planning, including the purchase of equipment, but had not committed to any possible conflict against Iraq.
- b) The rapid acquisition was approved by the Government in September 2002.
- c) Funds were committed for the rapid acquisition of equipment to support prudent contingency planning in September 2002. All funds were used for this purpose.
- d) At Additional Estimates in early December 2002, the Government had made no commitment to pre-deploy an ADF contribution to the Middle East or to conduct operations to facilitate the elimination of Iraqi weapons of mass destruction.
- e) Rapid acquisition funds were used for the purchase of weapons, communications equipment, nuclear, biological and chemical detection and protection equipment, clothing, ammunition, pharmaceuticals and programs to improve the capability of helicopters and ground vehicles. Purchasing action commenced in September 2002.

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Funding not reimbursed from the War in Iraq

QUESTION W3

SENATOR: Evans

HANSARD: Written question

The funding for Bastille/Falconer (p. 25 of the 2003–04 PBS) includes \$48.6m that was used from Defence's cash reserves in 2002–03 but not reimbursed. What was this \$48.6m used for? Why wasn't this funding reimbursed, when \$248.6m used from the cash reserves in 2002–03 was reimbursed?

RESPONSE

The \$48.6m was used to fund the first six months of the P-3C Orion deployment to the Gulf (\$36.1m) under Operation Slipper, including personnel allowances, facility and specialist military equipment purchases and for the rapid acquisition of nuclear, biological and chemical defence inventory items (\$12.5m), including smocks, trousers, detectors, contamination markers and decontamination kits.

Funding for both these requirements was considered by the Government after the 2002-03 Additional Estimates but before consideration of funding for Operation Bastille/Falconer. In the interim, the Government decided to draw down Defence's cash reserves because (a) the amount was relatively small and (b) it occurred between formal appropriations. Reimbursement of such a relatively small amount was not considered necessary in Defence's overall budget context.

Spending on specialist military equipment

QUESTION W5

SENATOR: Evans

HANSARD: Written question

- a) In terms of the 2000-01 Additional Estimates, what was projected for spending on specialist Military Equipment for the years 2001–02, 2002–03 and 2003–04? In terms of actual expenditure on Specialist Military Equipment, how much was spent in 2001–02 and 2002–03 (latest estimate)? What is the latest projection on what will be spent in 2003–04?
- b) For the years 2001–02, 2002–03 and 2003–04, what level of funding was provided for foreign currency and price movements?

RESPONSE

- a) Table 1 shows Defence's projections for spending on specialist military equipment (see page 37 of the *Portfolio Additional Estimates Statements 2000–01*).

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Table 1: Estimates for the purchase of specialist military equipment⁽¹⁾

	2001–02 Forward Estimate \$m	2002–03 Forward Estimate \$m	2003–04 Forward Estimate \$m
Purchase of specialist military equipment	2,935.9	2,914.1	2,805.6

Note:

- The estimates for the purchase of specialist military equipment include amounts that were at that time budgeted as capital but which are now classified as operating (suppliers expenses), including project office costs, project studies, research and development, travel and other overheads.

Table 2 shows actual specialist military equipment expenditure in 2001–02 (see page 141 of the *Defence Annual Report 2001–02*) and current estimates for specialist military equipment expenditure in 2002–03 and 2003–04 (see page 121 of the *Portfolio Budget Statements 2003–04*).

Table 2: Specialist military equipment expenditure⁽¹⁾

	2001–02 Actual \$m	2002–03 Projected Result \$m	2003–04 Budget Estimate \$m
Purchase of specialist military equipment	2,482.9	3,037.1	3,552.3
Operating component of capital	244.0	204.0	213.8
Total major capital equipment	2,726.9⁽²⁾	3,241.1	3,766.1

Notes:

- Table 2 includes the operating component of capital to permit a like-for-like comparison for all years. This covers expenditure on project office costs, project studies, research and development, travel and other overheads, as explained on pages 133–4 of the *Portfolio Budget Statements 2003–04*.
- The 2001–02 actual was \$190 million less than planned due to the Government's decision to accelerate capital expenditure late in 2000–01.

- The table below shows variations in funding by the Government for movements in foreign exchange rates and price movements (based on the non-farm GDP deflator) during the period requested. The data for the 2002–03 and 2003–04 budget cycles relates to supplementation specifically for the specialist military equipment budget. This level of detail is not available for the 2001–02 budget due to a different supplementation model that was applied. The data for the 2001–02 budget relates to foreign exchange and price movement supplementation for Defence as a whole, although a significant proportion of this would have been in relation to specialist military equipment.

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Table 3: Specialist military equipment price and foreign exchange rate supplementation

		2001–02 \$m	2002–03 \$m	2003–04 \$m
2001–02 Budget	Foreign exchange	145.7	-	-
	Price	38.2	38.4	38.8
	Sub total	183.9	38.4	38.8
Additional estimates 2001–02	Foreign exchange ⁽¹⁾	41.0	-	-
	Price	31.4	11.4	12.5
	Sub-total	72.4	11.4	12.5
2002–03 Budget	Foreign exchange	-	261.0	-
	Price	-	-13.2	-19.2
	Sub-total	-	247.8	-19.2
Additional estimates 2002–03	Price	-	28.2	7.7
	Sub-total	-	28.2	7.7
2003–04 Budget	Foreign exchange	-	-220.0	19.4
	Price	-	-	23.2
	Sub-total	-	-220.0	42.6
Total price and foreign exchange rate supplementation since 2001-02 Budget		256.3	105.8	82.4

Note:

1. This amount excludes \$239 million (see page 8 of the *Portfolio Additional Estimates Statements 2001–02*) which relates to a retrospective adjustment for unfavourable currency fluctuations during 2000–01.

Cost of Relex II

QUESTION W6

SENATOR: Evans

HANSARD: Written question

Can the full breakdown of the costs of Relex II be provided, given the partial list provided in the hearing on 5 June 2003.

RESPONSE

The net additional cost of Operation Relex II for 2003-04 is estimated at \$17.8m. This estimate is made up of the following elements:

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Element	\$m
Planning, travel and communications support	0.2
Navy port services	1.8
Army hard-lying allowances (paid to personnel who have to stay on board ships but are not posted to them)	0.1
Air Force travel and accommodation costs	0.8
Additional garrison support, freight and other support costs	0.8
Purchase of repairable items, spares and inventory for assets used in the operation (capital component \$2.5m, operating component \$10.6m)	13.1
Pre-deployment health checks including medical, dental and ancillary services, during deployment costs including emergency treatment, accident and injury, post deployment treatment of deployment-related illness and injury, and mental health support and back-filling of three medical positions with contract health professionals	1.0
Total	17.8

Savings measures

QUESTION W7

SENATOR: Evans

HANSARD: Written question

- Provide a full breakdown of where the \$200 million in White Paper savings will come from in 2003–04 (in the same format as in previous budget statements, for example page 95 of the 2002–03 PBS). If a breakdown cannot be provided, why not?
- Provide a table that shows whether the 2001–02 and 2002–03 savings targets were achieved. Provide this breakdown in the same format as the projected savings were reported in the 2001–02 and 2002–03 Portfolio Budget and Additional Estimates Statements.
- How were the achieved savings spent? Provide a table that includes a full breakdown of how the projected savings were spent (in the same format as the table on page 218–220 of the 1997–98 PBS). Provide this information for both the 2001–02 and 2002–03 financial years. If a breakdown on the spending of the savings cannot be provided, why not, given the detail provided on the \$125 million in savings spent in 1997–98?
- Provide a full breakdown of the \$50 million administrative savings target for 2003–04 (office supplies, maintenance, administrative staff, facilities, travel, etc). Also provide this breakdown for the 2004–05, 2005–06 and 2006–07 financial years.
- What will these savings be used for?

RESPONSE

- and b) The White Paper required savings of \$50m in 2001–02, \$100m in 2002–03 and \$200m recurrent from 2003–04. In addition, Defence was required to find an additional \$97m in administrative savings as a one-off budget measure in 2002–03 as a contribution to the cost of operations in that year. The forecast achievement of savings against both measures in 2001–02, 2002–03 and 2003–04 is shown in the table below. Residual savings in 2003–04 have been achieved through a baseline adjustment to the non-capability elements of Group budgets rather than through targeting of discrete activities/functions.

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Table 1: White Paper savings

	2001–02 Actual \$m	2002–03 Forecast⁽¹⁾ \$m	2003–04 Onwards Estimate \$m
Fringe benefits tax liability reduction	36.2	14.2	14.2
Qantas travel contract	20.0	20.0	20.0
Reduction in, and improved management of, the Defence commercial vehicle fleet	1.9	-	-
Re-basing of Group budget allocations	-	69.0	165.8
Sub-total	58.1	103.2	200.0
Reprioritisation of administrative spending to operational requirements ⁽²⁾	-	97.0	-
Total savings	58.1	200.2	200.0

Notes:

1. Actual savings achieved in 2002–03 will be detailed in the *Defence Annual Report 2002–03*.
2. One-off additional savings in 2002–03 to partially offset additional funding provided to meet operational requirements through efficiencies within administrative expenditure such as travel, facilities maintenance, publishing and printing, advertising, consultants and contractors and other general services.

- c) The \$200m in White Paper savings was applied as an offset against the total level of additional funding allocated to Defence as part of the White Paper. In effect, the \$23.5 billion (in 2000–01 prices) in additional funding was a net amount after allowing for the \$200m per annum in savings.
- d) The table below provides a breakdown of the administrative savings targets from 2003–04 to 2004–07 for travel, professional service providers and civilian workforce reductions. These expenses have been deducted from Group budgets for 2003–04 and across the outer years.

Table 2: Program of administrative savings

Category	Projected Savings 2003–04 \$m	Projected Savings 2004–05 \$m	Projected Savings 2005–06 \$m	Projected Savings 2006–07 \$m	Projected Savings 2007–08 \$m
Overseas travel	7.4	7.4	7.4	7.4	7.4
Domestic travel	11.5	11.5	11.5	11.5	11.5
Non-capability related suppliers, including professional service providers	22.0	41.7	41.7	41.7	41.7
Civilian workforce reductions	15.0	15.0	15.0	15.0	15.0
Sub-total	55.9	75.6	75.6	75.6	75.6
Savings planned	50.0	100.0	150.0	175.0	200.0
Savings yet to be found ⁽¹⁾	-5.9	24.4	74.4	99.4	124.4

Note:

1. A range of measures are under consideration. These will be developed in the context of the 2004–14 Defence Management and Finance Plan and the 2004–05 Budget.

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e) As detailed in the *Portfolio Budget Statements 2003–04* (page 159), the savings from the program of administrative savings will offset a range of unavoidable cost pressures which Defence has had to accommodate within its existing budget allocations. This information is provided in the table below.

Table 3: Cost pressures required to be funded

	2003–04 \$m	2004–05 \$m	2005–06 \$m	2006–07 \$m	2007–08 \$m
Establishment of the Chief Information Officer	4.9	4.9	4.9	4.9	4.9
Comcover premium	39.0	39.0	39.0	39.0	39.0
Cooma call centre	9.5	9.5	9.5	9.5	9.5
Defence Reform Program outsourcing contracts	80.0	100.0	100.0	100.0	100.0
Navy retention initiatives	10.0	10.0	10.0	10.0	-
ADF allowances	50.0	50.0	50.0	50.0	50.0
Property disposal costs	10.0	-	-	-	-
Total cost pressures requiring funding	203.4	213.4	213.4	213.4	203.4
Program of administrative savings	55.9	100.0	150.0	175.0	200.0
To be funded by reprioritisation within the Defence budget	147.5	113.4	63.4	38.4	3.4

Reporting on outcomes of the Defence Reform Program

QUESTION W8

SENATOR: Evans

HANSARD: Written question

- a) Why has Defence ceased reporting on the outcomes of the Defence Reform Program? Although the program itself has ceased, weren't the savings it achieved supposed to be ongoing?
- b) What has happened to the projections that appeared in the 2000–01 Portfolio Budget Statements (pages 115–121)? Were these projections achieved? Provide a report that details how Defence performed against these projections? If a report cannot be provided, what was the value of including these projections in the 2000–01 Budget Statements? Why weren't the projections just left out?
- c) Are there projections (for savings/staff reductions/reinvestment) for years beyond 2003–04? Can these projections be provided?
- d) Has Defence undertaken an internal evaluation of the Defence Reform Program? What were the outcomes of this evaluation? Can a copy of the evaluation be provided?

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RESPONSE

- a) The Defence Reform Program (DRP) formally concluded on 30 June 2000 (see pages 269–276 of the *Defence Annual Report 2000–01*). The DRP savings are ongoing and reinvestment decisions were made on that basis.
- b) Tracking of specific DRP savings (both recurrent and one-off), reinvestments, and associated staff movements, ceased in 2000–01. The following table sets out the actual reinvestments made against DRP planning assumptions relevant at the time (the actual reinvestments match the estimates for 2001–02 to 2003–04 contained in the *Portfolio Budget Statements 2000–01*). These have been funded by the unallocated element of the \$125m administrative savings program, one-off DRP savings, DRP savings as at 30 June 2001, and offsets from elsewhere in the Defence budget.

Defence Reform Program savings and reinvestment ⁽¹⁾				
Category	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<i>Actual reinvestment of DRP savings</i>				
New capital investment	176	144	145	146
Provision of 50,000 ADF	318	446	554	649
Amphibious capabilities	14	22	22	22
Capability related logistics	172	79	79	79
New capabilities – net personnel and operating costs	110	99	79	73
Defence science capability	16	16	16	16
Pilot training	4	4	4	4
Defence reform transition costs	62	42	32	32
Sub-total actual reinvestment	872	852	930	1,021
<i>Funding source</i>				
Unallocated element of \$125m administrative savings program	-	103	113	123
Cumulative DRP savings as at 30 June 2001	83	-	-	-
Cumulative DRP savings as at 30 June 2001 ⁽²⁾	613	613	613	613
Sub-total funding source	696	716	726	736
Offsets from elsewhere in the Defence Budget	176	136	204	285

Notes:

1. Price basis is the *Portfolio Budget Statements 2000–01*.
2. The DRP final report identified a number of initiatives that would produce further savings beyond 30 June 2001. These include the Defence Integrated Distribution System, the commercialisation of the recruiting function, and disposal of properties. The savings from these initiatives have not been individually tracked.

- c) No. Specific budget adjustments and movements in staffing numbers were not tracked after the DRP was formally closed. The DRP final report, issued in May 2001, provided estimates of financial savings to the end of 2000–01.
- d) Yes. Defence undertook an internal evaluation of the DRP in May 2001. A copy was provided to the committee in February 2002. The DRP was also audited by the Australian National Audit Office in ANAO Report No. 16, *Defence Reform Program Management and Outcomes*, published in October 2001. The ANAO concluded, inter alia, that "...DRP has produced substantial savings on a recurring basis. These savings have allowed Defence to reinvest significantly in enhancing military capability..."

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Use of professional service providers and consultants in Defence

QUESTION W37

SENATOR: Evans

HANSARD: Written question

- a) Provide a full list of all PSPs engaged by the Department of Defence during the 2001-02 financial year. Please also indicate the amount paid by Defence for each of these PSPs.
- b) Please provide a list of all PSPs engaged by the Department of Defence during the 2002-03 financial year. Please also indicate the amount paid by Defence for each of these PSPs.
- c) Please provide a full list of all external consultants engaged by the Department of Defence during the 2001–02 financial year. Please also indicate the amount paid by Defence for each of these external consultants.
- d) Please provide a list of all external consultants engaged by the Department of Defence during the 2002–03 financial year. Please also indicate the amount paid by Defence for each of these external consultants.
- e) In the response to Question on Notice 1186, it was indicated that Defence’s “current practices in relation to the recording and reporting of consultants and professional services are not satisfactory”. What is being done to ensure that the problems in this area are addressed? When will this work be done?
- f) Is PSP expenditure expected to continue to increase? Why? What are the implications of this for the permanent workforce?
- g) Please provide projections of PSP expenditure for 2002–03 and 2003–04.
- h) Is there any information on whether the PSPs in Defence were former Defence employees? If not, why not?
- i) Can a breakdown of what PSPs are doing be provided? For example, accounts, project managers, IT specialists, lawyers, engineers, etc. Please provide this breakdown for every year since 1999–2000.
- j) Does Defence keep information on the length of engagement of PSPs? For example, does it know how many of its PSPs have been constantly employed for 6 months/a year/longer? Please provide this information for every year since 1999–2000.
- k) Among those PSPs currently engaged, what is largest amount paid to a PSP, and what is the longest a PSP has been constantly employed by Defence?
- l) The response to Question on Notice 1186 included a breakdown of PSP contracts let by Defence Groups in 2001–02. Please provide this same table for 1999–2000, 2000–01 and 2002–03.

RESPONSE

- a) **A list of professional service provider (PSP) contracts** let by the Department of Defence by Group in 2001–02, including amounts paid, **is attached.**
- b) Information on PSP contracts let in 2002–03 is being collated and will be available for the 2003–04 Budget supplementary estimates hearing in November.
- c) A list of external consultants engaged in 2001–02, and the amounts paid, is reported on pages 268–275 of the *Defence Annual Report 2001–02*.
- d) Information on external consultants for 2002–03 is being collated and will be reported in the *Defence Annual Report 2002–03*.

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e) Defence has completed the following improvements to address problems in relation to the recording and reporting of consultants and professional service providers:

- Clearer definitions to classify consultants and PSPs, including contractors, have been issued. The clearer definition for the categorisation of PSPs was drawn from the Australian National Audit Office best practice definitions.
- Guidelines for the collection and collation of information within Defence have been revised and upgraded.
- A database for the storage and analysis of information has been established.

In addition, Defence is currently reviewing its chart of accounts to develop a more efficient way to capture the initial payment data.

- f) The growth in PSPs is not expected to continue because of Defence's program of administrative savings.
- g) PSP expenditure is projected to be approximately \$200m for 2002–03 and \$185m for 2003–04.
- h) Defence does not keep records on whether PSPs in Defence were former Defence employees, nor does it separately identify and record the employment history of PSPs.
- i) The list of PSPs provided for 2001–02 (see a) above) includes a description of the purpose for which each PSP was engaged. Information for earlier years is unavailable for the reasons stated in the response to Senate Notice Paper Question No. 1186.
- j) See response to h) above.
- k) See response to h) above.
- l) Defence is unable to provide information for 1999–2000 and 2000–01 for the reasons stated in response to Senate Notice Paper Question No. 1186. For 2002–03 information, see response to b) above.

Attachments: in two parts...Defence professional service providers 2000–02 by Defence Group.

[Part 1 has 31 pages, part 2 has 32 pages. These documents are not available in this volume. *See the Committee's website.*]

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Answers to questions on notice from Department of Defence

Budget estimates 2003–2004; June 2003

Capital Budget

Major Capital Equipment

FFG upgrade

QUESTION 3

SENATOR: Evans

HANSARD: Page 357–358

In relation to the contract with ADI for the FFG upgrade:

- a) When would the potential liquidated damages in the original contract apply and what is the total amount?
- b) What are the nature and size of the liquidated damages in the revised contract?
- c) Please provide a schedule of each ship's upgrade.

RESPONSE

- a) and b) See response to question W15, part c).
- c) Refer to response to Senate Notice Paper question 1504, part (1).

Collins-class submarines—Electric boat

QUESTION 4

SENATOR: Evans

HANSARD: Written question

To date, how much has Defence paid to Electric Boat for services to the Australian Submarine Corporation and the Commonwealth?

RESPONSE

Defence has paid \$4.3m as at 16 June 2003 for Electric Boat services to the Australian Submarine Corporation and the Commonwealth.

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Budget estimates 2003–2004; June 2003

Capital equipment projects

QUESTION W9

SENATOR: Evans

HANSARD: Written question

- a) Can a list of the 74 projects approved since the White Paper be provided. For each indicate:
- i) the approved budget,
 - ii) the date of its approval, and
 - iii) the current status of the project
 - yet to go to tender;
 - out to tender;
 - contract signed; and
 - projects under way.
- b) Can Defence confirm how many projects were scheduled for approval under the DCP with a YOD pre-2001-02?
- c) Can Defence confirm how many projects were scheduled for approval under the DCP with a YOD of 2001-02?
- d) Can Defence confirm how many projects were scheduled for approval under the DCP with a YOD of 2002-03?
- e) Given the statement that 74 projects have been approved since the White Paper, why is this figure higher than the total number of projects scheduled for approval up to 30 June 2003?
- f) Can a list be provided of the projects approved since the White Paper that were not previously included in Defence capability planning, i.e. currently approved projects that were not in the Pink Book following the 1999-2000 Budget. The Armed Reconnaissance Helicopters was one of the 'new' projects added through the White Paper process.
- g) For each of the following years, can Defence indicate how much was spent on new capital projects (projects beginning in that year), 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03 and 2003-04 (projected).

RESPONSE

- a) As of 7 July 2003, a total of 80 Defence Capability Plan projects, phases of projects or supporting activities (the Capability and Technology Demonstrator program and the Project Development Fund) have been approved since the White Paper. Excepting four highly classified projects that cannot be publicly identified, the approvals post-White Paper are listed in the table below.

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Approved DCP projects, project phases or supporting activities post–White Paper

Project status categories: 1—project under way (contract signed), 2—out to tender, 3—yet to go to tender. FMS is Foreign Military Sales.

Govt. Approval	Project No.	Phase	Project or Activity Titles	Project Cost Band \$m	Status
December 2000	AIR 5077	3	Airborne Early Warning and Control – Aircraft Acquisition	3,500-4,500	1
May 2001	JP 126	1	Joint Theatre Distribution System – Project Definition Study	<10	1
May 2001	JP 141	1A	Chemical, Biological and Radiological Response Capability	30-50	3
May 2001	JP 2008	3E	Milsatcom – Ground Infrastructure	100-150	1
May 2001	JP 2030	7A	Joint Command Support System	50-75	1
May 2001	JP 2048	1A	Amphibious Watercraft	50-75	1
May 2001	JP 2054	1A	e-Defence	100-150	1
May 2001	JP 2059	2A	Bulk Liquid Distribution – Ship to Shore	50-75	3
May 2001	JP 2059	3	Water Purification	20-30	1
May 2001	JP 2060	1	ADF Deployable Medical Capability – Project Definition Study	<10	1
May 2001	JP 2068	1A	Defence Network Operations Centre	15-25	1
May 2001	JP 2068	1B	Defence Network Operations Centre – Network Defence	<10	1
May 2001	JP 2070	2	Lightweight Anti-Submarine Warfare Torpedo	250-350	1
May 2001	JP 2077	1	Improved Logistics Information Systems	20-30	1
May 2001	JP 8001	3B	Deployable Joint Force Headquarters (second mobile facility)	10-20	1
May 2001	JP 8001	3C.1	Headquarters Australian Theatre (deployable secure intelligence facility) study phase	<10	Complete
May 2001	SEA 1348	3	Anzac Underwater and Surface Warfighting Upgrade – Harpoon Missile	150-200	1
May 2001	SEA 1390	4A	FFG SM-1 Missile Replacement – Test Station	10-20	3
May 2001	SEA 1397	3	Development of Active Missile Decoy	50-75	1
May 2001	SEA 1397	4	Through Life Design and Manufacturing Support for the Launch System and Rounds	20-30	1
May 2001	SEA 1401	3	Survey Motor Launch Upgrade	50-75	3
May 2001	SEA 1428	2B/3	Evolved SeaSparrow Missile	250-350	1
May 2001	SEA 1429	2	New Heavyweight Torpedo	400-500	2
May 2001	SEA 1442	2B	Maritime Communications – Study	<10	Complete
May 2001	LAND 19	2B	Additional Point Ground Based Air Defence Weapons Systems	10-20	Contract signature imminent
May 2001	LAND 19	5A	Point Air Defence Weapons Systems - Life Extension	<10	1
May 2001	LAND 19	6	Additional Point Air Defence Weapons Systems	100-150	1
May 2001	LAND 53	1D	Ninox Leopard Tank Thermal Sights	50-75	1
May 2001	LAND 53	1F	Ninox Thermal Surveillance Systems	50-75	1
May 2001	LAND 53	2B	Ninox Unattended Ground Sensors	30-50	1
May 2001	LAND 121	2A	General Service Field Vehicles	30-50	1

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Govt. Approval	Project No.	Phase	Project or Activity Titles	Project Cost Band \$m	Status
May 2001	LAND 125	2A	Soldier Combat System – Study	10-20	1
May 2001	LAND 132	1	Full Time Commando Capability	70-80	Various
May 2001	LAND 134	1	Combat Training Centre – Live Instrumentation System	50-75	1
May 2001	AIR 87	2	Armed Reconnaissance Helicopters	1,500-2,000	1
May 2001	AIR 5190	1A	Caribou Fleet Life Extension	100-150	1
May 2001	AIR 5333	1	2 and 3 Control and Reporting Units	150-200	1
May 2001	AIR 5376	2	F/A-18 Hornet Upgrade	1,500-2,000	1
May 2001	AIR 5376	3.1	Hornet Structural Refurbishment – Stage 1	30-50	Various
May 2001	AIR 5376	3.2	Hornet Structural Refurbishment - Stage 2 – Engineering Study	<10	1
First element of Phase 1A/2 May 2001 Second element of Phase 1A/2 June 2002	AIR 5398	1A/2	Air-to Surface Stand-Off Weapon System	100-150	1
May 2001	AIR 5410	1	Medium Tactical Airlift Capability	30-50	1
May 2001	AIR 5416	1	Echidna – Electronic Warfare Self Protection Countermeasures	75-100	1
May 2001	AIR 5416	1A	Echidna – Electronic Warfare Self Protection – Ground Environment	20-30	1
May 2001	DEF 224	1	Bunyip – Force Level Electronic Warfare Equipment	10-20	1
May 2001	DEF 224	2A	Force Level Electronic Warfare	30-50	1
May 2001		Round 5	Capability and Technology Demonstrator Program (2001-02)	10-20	Various
May 2001			Project Development Fund (2001-02)	10-20	Various
July 2001	SEA 1439	3	Collins Submarines – Sustainability/Reliability Enhancements	250-350	Various
Phase 4B July 2001 Phase 4A September 2002	SEA 1439	4A&B	Collins Submarines – Replacement Combat System	350-450	Various
May 2002	JP 2044	2A	Space-Based Surveillance Capability	10-20	1
May 2002	JP 2084	1	High Frequency Surface Wave Radar	10-20	1
May 2002	JP 2087	1	Incident Response Regiment	10-20	Various
May 2002	JP 2088	1	2nd Counter Terrorist Tactical Assault Group	50-75	Various
May 2002	SEA 1444	1	Patrol Boat Replacement	350-450	2
June 2002	JP 2064	2	Geospatial Information Infrastructure and Services	10-20	3
June 2002	JP 2072	1	Battlespace Communications Systems (Land)	75-100	3
June 2002	AIR 5999		Joint Strike Fighter Design Phase	250-350	1
August 2002	JP 2077	1A	Improved Logistics Information Systems	<10	1
August 2002			Project Development Fund (2002-03)	20-30	Various
September 2002	SEA 1229	4	Nulka – Active Missile Decoy	20-30	2
September 2002	LAND 40	1	Direct Fire Weapon	150-200	2 (FMS)
September 2002	LAND 75	3.3B	Battlefield Command Support System	20-30	1
September 2002	LAND 106	2	M113 Vehicle Fleet Upgrade	450-600	1
November 2002	JP 5408	1B	ADF Global Positioning System Enhancement – Memorandum of	<10	2

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Govt. Approval	Project No.	Phase	Project or Activity Titles	Project Cost Band \$m	Status
			Understanding		
November 2002	JP 5408	2A	ADF Global Positioning System Enhancement – Risk Study	<10	2
November 2002	JP 8001	3C.2	Accredited Secure Intelligence Facilities	10-20	1
November 2002	LAND 139	1	Enhanced Combat Support Bridging Capabilities	10-20	2
November 2002		Round 6	Capability and Technology Demonstrator Program (2002-03)	10-20	Various
April 2003	SEA 1348	3C	Anzac Undersea and Surface Warfighting Upgrade Program – Mine and Obstacle Avoidance Sonar	30-50	3
April 2003	AIR 5402	1	Air to Air Refuelling Capability	2,000-2,500	2
April 2003	AIR 5416	2	Electronic Warfare Self Protection for Tactical Aircraft	250-300	3
April 2003	AIR 6000	Stage 3	New Aerospace Combat Capability – Options Determination	30-50	Various
May 2003	JP 199		Special Operations Command	75-100	3
June 2003	JP 2044	2B	Space Based Surveillance	150-200	FMS
June 2003	SEA 4000	5	CEA Technologies Phased Array Radar Development	<10	Sole source

- b) A total of 26 projects or phases of projects were scheduled for approval with a year of decision before 2001–02.
- c) A total of 30 projects or phases of projects were scheduled for approval with a year of decision of 2001–02.
- d) In the 2002–12 Defence Management and Finance Plan, a total of 34 projects, project phases or supporting activities were foreshadowed for approval in 2002–03.
- e) The higher than originally scheduled number of project approvals to 2002–03 reflects:
- the addition of new projects to the Defence Capability Plan in the 2002–03 budget (including the high-frequency surface wave radar; the second Tactical Assault Group; the Incident Response Regiment; and Australian participation in the Joint Strike Fighter system development and demonstration phase), and more recent projects such as Special Operations Command;
 - the bringing forward from later years of the Defence Capability Plan for approval in 2002–03 of a number of highly classified projects, primarily in response to the war against terrorism;
 - the funding of additional enhancements to the Defence logistics system; and
 - the restructuring of a number of projects into multiple phases and the subsequent approval of a larger number of project phases in both the 2001–02 and 2002–03 budgets.
- f) The 1999–2000 ‘Pink Book’ was an internal, classified Defence working document. It did not reflect endorsed Government policy and cannot be used as a basis for the discussion of Defence Capability Plan-related projects. The armed reconnaissance helicopter project was conceived before the Defence White Paper.
- g) The first-year spend for projects that commenced in the relevant years is summarised below:

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Year	Expenditure \$m
1998–99	67.5
1999–00	55.0
2000–01	199.4
2001–02	673.3
2002–03	133.8 (up to 31 May 2003)
2003–04	Subject to DCP review

Air refuelling capability

QUESTION W11

SENATOR: Evans

HANSARD: Written question

- a) Given the recent release of the draft request for tender (RFT) for this project, when is the final RFT for this project due for release? Can a timeline for the project be provided, specifically the latest estimate on the timing for the following stages:
- i) Release of RFT;
 - ii) Close of RFT;
 - iii) Announcement of winning bid;
 - iv) Signing of contract; and
 - v) Delivery of initial aircraft.
- b) Is there consideration being given to a private finance initiative in relation to this project? Has this been ruled out?
- c) Given the recent announcement in the US on the lease of tanker aircraft, is any consideration being given to a lease arrangement for this project? Has this been ruled out?

RESPONSE

- a) Defence finalised the request for tender following consideration of the project by the Government in April 2003.
- i) The request for tender was released on 24 June 2003.
 - ii) The request for tender closes on 9 October 2003.
 - iii) The preferred tenderer may be announced early in 2004, depending on the number and complexity of bids received.
 - iv) Contract signature is scheduled to occur during 2004 following negotiations with the preferred tenderer.
 - v) Initial aircraft delivery is planned for 2007, but the exact timing will depend on the successful tenderer's response.

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- b) The Government considered a private financing initiative as an option, but decided that the request for tender should seek proposals on the basis of direct purchase options only.
- c) As a result of the Government's decision to directly purchase the aircraft, a lease similar to that proposed by Boeing for the United States Air Force is not being considered for the project.

Collins-class Submarines—Projects

QUESTION W12

SENATOR: Evans

HANSARD: Written question

- a) Why does the 2003–04 Portfolio Budget Statements refer to the combat system replacement as 'Phase 4A'? (see page 136). The DCP only refers to Sea 1439 Phase 4 as the project for the replacement combat system. Is Defence now planning additional sub-phases for Sea 1439, e.g. Sea 1439 4B? If so, what is planned for these additional phases?
- b) In the hearing in November 2002 it was stated that the contract for the new combat system would be finalised by the middle of 2003. Where is that negotiation up to? What is the latest estimate on when the contract will be signed?
- c) When will the first combat system be delivered? When will work on integrating the new system with our existing systems begin? Will the first system be accepted into service in 2005–06, as stated in the DCP?
- d) In terms of the replacement heavyweight torpedoes, the DCP under Sea 1429 allocates \$200m to \$250m for this project. Has the additional funding for the project been drawn from Sea 1439 Phase 5? How much funding from Sea 1439 Phase 5 has been allocated to the purchase of the new torpedoes?
- e) When was the decision taken to allocate funding under Sea 1439 Phase 5 to the purchase of the new torpedoes? Was a Government decision needed to approve this allocation, if so when was that decision taken?
- f) In terms of the approved project to replace the torpedoes, when will the upgraded ADCAP Mod 6 torpedoes be delivered into service?
- g) How much of the \$466m approved budget for the project will be allocated to contributing to the US development of the ADCAP Mod 7?
- h) Will the \$466m project actually cover the purchase of the ADCAP Mod 7? Will the \$466m fully cover the cost of purchasing training and warstocks of the ADCAP Mod 7? Or does the \$466m just cover the purchase of the interim ADCAP Mod 6 and contributions towards the development of the ADCAP Mod 7?

RESPONSE

- a) The Defence Capability Plan identifies the broad intention for Sea 1439 Phase 4 to achieve full operational capability of the Collins-class submarine, including a replacement combat system. At the time the Defence Capability Plan (2001–2010) was published in mid-2001, Sea 1439 Phase 4 was a single phase entitled Collins Full Operational Capability. Since then, two distinct activities have been identified, namely Phase 4A—Replacement Combat System and Phase 4B—Weapon and Sensor Enhancements. Phase 4A provides the submarines with a replacement

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combat system based on a US-sourced tactical command and control sub-system as well as enhancements to the current sonar system. Phase 4B provides a number of minor combat system improvements including a global positioning system, an inertial navigation system, a plotting table and communications upgrades. No further sub-phases are currently planned.

- b) Phase 4A is based on a number of small to medium contracts with individual suppliers and a large foreign military sales arrangement with the United States Navy. The foreign military sales case letter of offer and acceptance was signed by Washington Embassy staff on 19 June 2003, as was one of the key supplier contracts. Two other key supplier contracts are currently being negotiated and are planned to be in place by the end of July 2003. A number of other smaller contracts will follow in the latter half of 2003, as well as a significant contract with the Australian Submarine Corporation.
- c) Subject to contract, it is anticipated that individual sub-systems will be delivered to the integration site in mid-2005. System integration and hardware installation on the first submarine will commence after the sub-system delivery. Installation on the first submarine is due for completion in mid-2006.
- d) \$245.6m (out-turned) has been drawn from Sea 1439 Phase 5 to purchase new torpedoes under Sea 1429 Phase 2.
- e) The Government decided to allocate Sea 1439 Phase 5 funds to the new torpedoes on 25 March 2003.
- f) The upgraded ADCAP Mod 6 torpedoes will be delivered into service in December 2006.
- g) The Commonwealth's share of the joint development costs of the ADCAP Mod 7 to meet our requirements will be approximately \$50m.
- h) The \$466m will provide for the purchase of training and warstock ADCAP Mod 7 torpedoes.

Joint Strike Fighter

QUESTION W13

SENATOR: Evans

HANSARD: Written question

- a) Can Defence list all Australian companies that have signed contracts for work under the Joint Strike Fighter (JSF) project? For each contract, indicate the value of the contract.
- b) What is the total value of contracts associated with the development phase of the JSF project?
- c) What is the total cost to the Government of joining the development phase of the JSF project?
- d) In terms of the contracts to be handed out for the development stage of the JSF project, can Defence indicate the proportion (by value) that have been let to US companies, the proportion (by value) that have been let to UK companies and the proportion (by value) that remain to be allocated.
- e) Can a detailed timeline for the development phase of the JSF project be provided.

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RESPONSE

- a) As at 18 July 2003, GKN Aerospace Engineering Services has signed a contract (authority to proceed) with Northrup Grumman, and Hawker De Havilland has won a contract to provide engineers to work with Lockheed Martin. The companies do not wish to disclose the value of the contracts.
- b) The total value of contracts associated with the development phase of the Joint Strike Fighter (JSF) program is approximately \$43 billion. Lockheed Martin estimates Australian industry can bid on contracts worth approximately \$1.25 billion in the development phase.
- c) The cost to the Government of joining the development phase of the JSF project is \$269m (note that all amounts are at a December 2002 price basis). This is payable over ten years and can be ceased without financial penalty at any time if the Australian Government decides to withdraw from the JSF program.
- d) Lockheed Martin has advised that it does not have this data available.
- e) The United States Government has established the timeline for the development phase of the JSF project as follows:

1996 – 2001	Concept design and development phase Lockheed Martin design selected for JSF
October 2001	contract awarded to Lockheed Martin
2001 – 2011	Systems design and demonstration phase
March 2003	Systems preliminary design review commences
October 2003	First engine to test
April 2004	Systems critical design review commences
October 2005	First flight of conventional take-off and landing variant aircraft
March 2006	First flight of short take-off and landing variant aircraft
December 2006	First flight of carrier variant aircraft
2003 – 2009	Block 1 capability development and final test - basic war fighter capability - flight qualified - interdiction, limited air-to-air capability - joint direct attack munition/AIM 120 advanced medium range air-to-air missile
2004 – 2011	Block 2 capability development and flight test - interdiction, limited air-to-air capability - close air support and destruction of enemy air defences' capability - additional bombs qualified
2006 – 2012	Block 3 capability and flight test - threshold compliant JSF with key weapons - all JSF missions - additional missiles/bombs qualified
2006 - 2012	Low rate initial production starts (sub-phase of systems design and demonstration)
2008	Carrier variant aircraft and short take-off and landing variant aircraft operational assessment
2010	Initial operational capability delivered – United States Marine Corp
2011	Initial operational capability delivered – United States Air Force
2012	Initial operational capability delivered - United States Navy
2012	Initial operational capability delivered - United Kingdom
2011	Multi-year production begins

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Bushmaster vehicle

QUESTION W14

SENATOR: Evans

HANSARD: Written question

- a) What was the result of the latest reliability trials for the Bushmaster vehicle? Can a description of those trials be provided?
- b) Has limited production of the vehicle started? If so, how many vehicles will be produced?
- c) When is the second round of reliability trials due to begin?
- d) What was the total amount spent on this project to 30 June 2002? What is the latest estimate on the total amount to be spent on this project to 30 June 2003? What is the latest estimate on the total amount to be spent on this project to 30 June 2004?
- e) What is the latest estimate of when full production of the Bushmaster will begin (assuming all reliability trials are passed)?

RESPONSE

- a) ADI passed the latest reliability trials conducted between October and December 2002. The reliability qualification test involved two prototype Bushmaster vehicles covering some 46,000km at Defence's test facility at Monegetta in Victoria under conditions that were representative of credible military operations. These conditions, defined in the contract, included a mix of first and second-class roads, tracks and cross-country terrain that might be encountered in a typical twelve-month continuous operation. The vehicles had to complete the trials within an agreed number of maintenance actions to represent the required level of reliability.
- b) and e) Low-rate initial production has commenced. This involves the construction of twelve vehicles in slower time (one per month) than would be expected once full-scale production is authorised. This procedure allows ADI to transition the design of the vehicle, as represented in the prototypes, into full production, thereby ensuring that ADI's production arrangements are able to meet the necessary standards and tolerances. Full-rate production, subject to the outcome of the second reliability trial, will commence in May 2004, with eleven vehicles being manufactured per month. The first low-rate production vehicle is due for delivery in late August 2003.
- c) The second round of reliability trials is scheduled to commence in mid-November 2003.
- d) The total amount spent for acquisition of the Bushmaster vehicles to 30 June 2002 was \$69.5m. The latest estimate of the total amount that will be spent on this project to 30 June 2003 is \$86.9m. The latest estimate on the total amount to be spent on this project to 30 June 2004 is \$100.8m. All amounts are calculated in December 2002 figures.

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FFG upgrade

QUESTION W15

SENATOR: Evans

HANSARD: Written question

- a) Please provide dates for when the upgrade of each of the FFGs is scheduled to commence.
- b) How much of the current budget for the FFG Upgrade project is set aside for incentive payments? What is the nature of these payments? What milestones trigger payment of these incentives? What is the amount of these incentive payments? Why was it decided to reintroduce the incentive payments, given that the project is at least 18 months late?
- c) What are the time frames for the liquidated damages provisions in the original and revised contracts with ADI and when are they triggered? What is the amount of the liquidated damages? What is the nature of the liquidated damages in the revised contract?
- d) How many additional phases are there beyond Phase 2 of this project? Please provide an outline of each of the additional phases, including proposed schedule and budget information. When were each of these additional phases determined? Please provide this information for each additional phase beyond Phase 2. Has funding approval been granted to any of the phases beyond Phase 2? Please provide this information for each additional phase beyond Phase 2.
- e) Why do none of the phases beyond Phase 2 appear in the Defence Capability Plan, or on the Defence Materiel Organisation (DMO) Internet site, or in any other publicly available material released by Defence?
- f) Part 6 of the response to Question on Notice 1039 indicates that in his response to a Question without Notice on 10 December 2002, the Minister was referring to Phase 4B of Project Sea 1390. Why does Phase 4B of the project not appear in the Defence Capability Plan, nor on the DMO Internet site, nor in any other publicly available material released by Defence?
- g) Why will all of the FFGs not be upgraded to the same level under Phase 4B of this project (refer to part 6 of the response to Question on Notice 1039)?
- h) In the response to Part 12 of Question on Notice 1039, it was indicated that the original life for HMAS *Newcastle* and HMAS *Melbourne* is unchanged as a result of the upgrade. Why is this the case, given that the life of all other FFGs is increased by 5 years as a result of the upgrade?

RESPONSE

- a) Refer to response to Senate Notice Paper question 1504, part (1).
- b) Under the original contract, the Commonwealth may pay the contractor a performance incentive fee to a maximum of 1.9 per cent of the contract price, approximately \$18m. The regime for payment of the incentive is currently being negotiated with the prime contractor as part of the contract change to reflect the revised schedule.
- c) Potential liquidated damages would apply at the provisional acceptance stage of each upgraded FFG, the team trainers, and the weapons software support centre, as defined by the Commonwealth. The aggregate liability limit for potential liquidated damages under the contract is not to exceed \$10m. The revised contract is yet to be negotiated. Due to the complexity of the contract and the timing for negotiations, finalising the associated contract amendment is expected to be completed by the end of August 2003.
- d) Refer to response to Senate Notice Paper question 1505, parts (1) to (3).

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- e) and f) Refer to response to Senate Notice Paper question 1505, part (4).
- g) Refer to response to Senate Notice Paper question 1505, part (6).
- h) Refer to response to Senate Notice Paper question 1505, part (7).

Anzac anti-ship missile defence upgrade

QUESTION W16

SENATOR: Evans

HANSARD: Written question

- a) What exactly are the aims of this project? What is it designed to achieve? Why is it necessary?
- b) Why was the ‘year of decision’ for this project deferred by 12 months in the 2002 DCP Supplement?
- c) Why wasn’t the project approved during 2002–03? When is it expected that funding approval will be granted?
- d) What is the current timetable for the project? If the schedule for this project has changed again, why has this occurred?
- e) What is the current budget for the project? What has been the cost of this project to date? If the projected budget for this project has increased, why is this the case?
- f) What are the implications of the continued delays with this project on future Navy capability?
- g) Are the Anzac class frigates as they are currently configured vulnerable to attack? Does the Navy think that the fleet of Anzac frigates are configured to handle the sorts of threats that were foreshadowed in *Defence Update 2003*?
- h) Given that the FFG upgrade project is likely to commence soon, does this mean that the fleet of Anzac frigates will be put under greater operational strain (given that some of the FFGs will be inoperable for up to 12 months while they are upgraded)?

RESPONSE

- a) The aim of the project is to provide the Anzac ships with a reasonable level of anti-ship missile defence to enable the ships to operate in a wide range of circumstances throughout Australia’s maritime approaches and beyond.
- b) and c) In the 2001–2010 Defence Capability Plan, SEA 1448 Phase 2 was scheduled for approval in 2001–02. This year of decision was subsequently moved to 2002–03 to enable a more detailed assessment of capability options to be undertaken. Phase 2 will now be considered as part of the Defence Capability Plan review.
- d) See response to Senate Notice Paper question 1507 parts (4) and (5).
- e) See response to Senate Notice Paper question 1507 parts (7), (8) and (9).
- f) See response to Senate Notice Paper question 1507 part (6).
- g) Under the Anzac ship build contract, and the already approved evolved SeaSparrow missile and undersea and surface warfighting upgrade programs, the Anzac-class frigates possess significant capabilities. The anti-ship missile defence project was initiated as studies have shown that the ships will become increasingly vulnerable to new-generation missile attacks,

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particularly multiple missile scenarios. This project is being reviewed in light of the *Defence Update 2003* and further advice can be given when the review is complete.

- h) No. The number of Anzac frigates available for deployment will be increasing from the current level of four to eight by 2007.

Capital Facilities

Sale of the former Gan Gan Army Camp at Port Stephens

QUESTION 5

SENATOR: Senator Hogg

HANSARD: Pages 326-328

- a) Who is managing the sale of the former Gan Gan Army camp and how much are they being paid?
- b) Have any organisations other than Hands Off Gan Gan expressed interest in buying the land?
- c) Does the land have any environmental value?
- d) How many parties responded to the request for tender?

RESPONSE

- a) Ray White Real Estate. The fee is \$24,000 (excluding advertising costs).
- b) Yes.
 - Port Stephens Council expressed interest in acquiring the land in May 1997.
 - The Indigenous Land Corporation, on behalf of the Maaiangal Aboriginal Heritage Incorporated, inquired about the possible acquisition of the Gan Gan property in September 1999.
 - Informal interest in the sale was expressed in November 1999 by the National Heritage Unit of the NSW National Parks and Wildlife Service, reiterated in a letter dated 22 May 2003 from the Hon Bob Debus, NSW Minister for the Environment.
 - The Ako Kotahitanga Maori Cultural Group expressed interest in the possible acquisition of a surplus building from the Gan Gan property in May 2002.
 - The Port Stephens 4WD Tours company inquired about the possible leasing of the Gan Gan property in May 2002.
 - The Christian Outreach Centre inquired about the possible acquisition of the Gan Gan property in October 2002.
- c) Yes. In accordance with government practice, Defence commissioned an environmental site assessment from GHD Pty Ltd and provided copies of the report to potential tenderers/purchasers. GHD Pty Ltd consulted with relevant state and local government planning authorities to ensure the environmental attributes of the property were identified with regard to significant flora and fauna and known aboriginal heritage issues.
- d) Four tenders were submitted, including one late tender.

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List of sites handed over to state or territory governments

QUESTION 6

SENATOR: Senator Hogg

HANSARD: Page 328

Please provide the committee with a list of sites that have been handed over to state or territory governments, including those that have been sold for a nominal amount, over the last five financial years.

RESPONSE

The sale of Block 19 at Bonegilla, Victoria, is the only concessional sale to a State or Territory Government in the last five years. The transfer of the Torrens Parade Ground in Adelaide was completed under the Federation Fund. You might also note that Defence will transfer properties at North Head, Middle Head, Georges Heights, and Woolwich to the NSW Government in accordance with Sydney Harbour Federation Trust legislation.

The Government has agreed to the hand-over of 205ha at Point Nepean to the Victorian State Government subject to Defence's clean-up of unexploded ordnance which is scheduled to be completed in 2003–04. It is also anticipated that the hand-over of the Artillery Barracks Fremantle WA, excluding Gun House, to the Western Australian Government will occur in 2003–04.

Sale of the former Brighton Barracks

QUESTION 7

SENATOR: Evans

HANSARD: Page 330–334

In relation to the former Brighton Barracks:

- a) Who was the unsuccessful single tenderer and what was the tender price?
- b) On what date was the open market offer accepted?
- c) Please provide the committee with a copy of the 2002 valuation.

RESPONSE

- a) The identity of the unsuccessful tenderer is commercial-in-confidence. The tender price offered was \$26,500.
- b) 17 October 2002.
- c) A copy of the Australian Valuation Office valuation report of 19 August 2002 has been provided to the committee.

Attachment: Australian Valuation Office, Valuation report—Brighton Army Camp, Midland Highway, Brighton, Tasmania, 19 August 2002 (29 page document).

[This document is not available in this volume. *See the Committee's website.*]

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Mulwala remediation

QUESTION 8

SENATOR: Senator Evans

HANSARD: Pages 369–370

How is the \$63 million allocated for the Mulwala remediation project being managed?

RESPONSE

See response to question W26, parts a) and d).

Training College at RAAF East Sale

QUESTION 9

SENATOR: Senator Evans

HANSARD: Pages 371–372

Has funding been allocated for an officer training college at RAAF East Sale? If so, what is the amount?

RESPONSE

See response to question W30, parts a) to e).

Point Nepean—residential use sites

QUESTION 10

SENATOR: Allison

HANSARD: Pages 445–446

- a) Please provide a site plan that identifies residential use sites at Point Nepean.
- b) Was this plan made available in the expressions of interest documentation?
- c) Of the buildings not protected by heritage values on the land, how many are for residential use and how many are for other purposes?

RESPONSE

- a) A plan detailing the existing residential use sites has been provided to the committee.
- b) No.
- c) Three are for residential use and 36 are for other purposes.

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Sales and leaseback of Defence property

QUESTION W17

SENATOR: Evans

HANSARD: Written question

- a) What was the sale price of the National Storage and Distribution Centre at Moorebank?
- b) The Defence College in Canberra, the REVY Building at Pyrmont in Sydney, the logistics base at Meeandah in Queensland, and the logistics facility at Winnellie in the NT were all supposed to be sold and leased back during 2002–03. What is the current status of each of these proposed sales?
- c) Has Defence conducted an internal audit/evaluation of its sale and leaseback program? If so, can this be made available?
- d) Please provide a list of properties that will be subject to sale and leaseback arrangements in 2003–04.

RESPONSE

- a) \$209.143m, inclusive of GST.
- b) (i) Defence College: sale of the property was settled on 13 June 2003.
(ii) Pyrmont: sale of the property was settled on 26 June 2003.
(iii) Meeandah: sale of the property has slipped to 2003–04 as offers for the property were not acceptable and the Government intends to re-market the site.
(iv) Winnellie: contracts for the sale were exchanged on 23 May 2003 with settlement due to occur on 22 July 2003.
- c) No. However, in accordance with the Commonwealth property principles, properties in the sale and leaseback program were assessed against a ‘hurdle rate’ to determine whether they should be retained or sold and leased back.
- d) There are no properties on the sale and leaseback program for 2003–04, noting that the sale of Meeandah and Winnellie will be finalised in 2003–04.

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Property sales (general)

QUESTION W18 (INITIAL RESPONSE)

SENATOR: Evans

HANSARD: Written question

- a) What are the total receipts from property sales in 2002–03?
- b) Please provide a full list of all property sold for 2001–02 and 2002–03. Please include in these lists the location (town/suburb, state/territory, postcode), size of the property, nature of the property (vacant land, facilities etc), sale price and purchaser of the land. The information should be in an identical format to the information provided in response to question W10 from Senate Estimates in February 2002 (which included sale price).
- c) Please provide a list of all properties to be disposed of during the 2003–04 financial year. The 2003–04 list should include a description of the current use of each of these properties be provided (such as vacant land, empty building, currently being used by Defence (if so, what for), currently being leased)? Also indicate which properties will be leased back following sale.

RESPONSE

- a) The total proceeds from the sale of property in 2002–03 are currently being reconciled for end of year financial reports. A response will be provided to the committee as soon as it is available.
- b) Refer to response to Senate Notice Paper question 1438 for 2001–02. The details of the sale of property in 2002–03 are currently being reconciled for end of year financial reports. A response will be provided to the committee as soon as it is available.
- c) Details of the 2003–04 property disposal program have not been disclosed by the Government. However, general details of the forward disposal program were provided in response to Parliamentary Question on Notice 136 (Hansard 14 May 2002). The Budget Papers indicate that \$199.9m from Defence property sales will be returned to the Government.

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Australian Government

Department of Defence
Defence Improvement Division

SRA 26/2003

1 September 2003

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

Dear Mr Holmes

I write to provide you with a full response to question on notice W18 arising from the 2003-04 budget estimates hearing in June. Interim responses to parts a) and b) of the question were provided to you in my letter of 31 July 2003 (attached).

Senator Evans placed a similar question relating to property sales on the Senate Notice Paper (No. 1670) on 28 July 2003. The response to that question, which will be tabled next week, is the same as Defence's response to parts a) and b) of W18.

The attached response has been approved by the Minister for Defence.

Yours sincerely

Original signed

Tony Corcoran
Director Statutory Reporting and Accountability

Senate Foreign Affairs, Defence and Trade Legislation Committee

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Property Sales (General)

QUESTION W18 (FINAL ANSWER)

SENATOR: Evans

HANSARD: Written question

SENATE QUESTION ON NOTICE No. 1670

Senator Evans asked the Minister for Defence, upon notice, on 28 July 2003:

Can a list be provided of all the Defence property sold during the 2002-03 financial year, indicating for each property: (a) the date of sale; (b) the property name and/or address; (c) the type of property (vacant/buildings); (d) the size of the property; (e) the type of sale (auction, request for proposal, advertised price); and (f) the sale price.

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

Defence sold property worth some \$616.12 million in 2002–03, inclusive of Goods and Services Tax. Following is a spreadsheet providing details of 2002–03 sales. Noting that the title transfer for some properties has not yet occurred, some details are commercial–in–confidence.

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Defence property sold in 2002–2003									
Settle- ment date	Property location	Address s	State	Post code E	Descriptio n	Area (ha)	Sale price (including GST)	Purchaser	Type of sale
1-Jul-02	Townsville	Cnr Duckworth & Dalrymple Sts	Qld	4810	Vacant Land (Lots 1 & 3)	5.79	\$400,000.00	Australia Post	Priority Sale
1-Jul-02	Edinburgh	West Ave	SA	5111	Lot 10 & 11	12.73	\$1,607,881.00	Department of Manufacturing and Trade—SA	Priority Sale
13-Sep-02	Edinburgh	West Ave	SA	5111	Lot 112	2.81	\$339,888.00	Department of Manufacturing and Trade—SA	Priority Sale
18-Sep-02	Edinburgh	West Ave	SA	5111	Lot 117	2.39	\$185,055.00	Department of Manufacturing and Trade—SA	Priority Sale
23-Sep-02	Edinburgh	West Ave	SA	5111	Lot 114	2.02	\$147,898.00	Department of Manufacturing and Trade—SA	Priority Sale
15-Nov-02	Cootamundra	Lot 22 Parker Street	NSW	2590	Training Depot	0.55	\$48,950.00	James & Kerry Girdler	Auction
19-Dec-02	Edinburgh	West Ave	SA	5111	Lot 128	1.69	\$123,297.00	Department of Manufacturing and Trade—SA	Priority Sale
14-Jan-03	Gungahlin	Barton Hwy	ACT	2912	Vacant Land (part RAAF transmitter station)	0.50	\$16,500.00	ACT Govt—Dept Urban Services	Priority Sale
17-Jan-03	Bullsbrook	21 North Ave	WA	6084	Vacant Land	0.73	\$39,000.00	S M Snow & J G Schiewe	Private Treaty
21-Jan-03	Rockbank	Leakes Rd	VIC	3335	Vacant Land (core property)	749.00		C in C	Tender
21-Feb-03	Clarence	Newnes Forest Road	NSW	2790	Former fuel storage depot 'Newnes Junction'	5.10	\$27,500.00	Lithgow City Council	Priority Sale
26-Feb-03	Sale	Cnr Raymond & York Sts	Vic	3850	Punt Lane Training Depot	0.11	\$198,000.00	Wellington Shire Council	Priority Sale
28-Feb-03	Brighton	Midland Highway	Tas	7030	Barracks	61.70	\$150,040.00	Touma International	Private Treaty
17-Mar-03	Bullsbrook	28 Brearley St	WA	6084	Vacant Land	0.12	\$57,000.00	D. Clifford & MM Rees	Private Treaty
26-Mar-03	Moorebank	Moorebank Ave	NSW	2170	DNSDC	82.90	\$209,143,000.00	Westpac Funds Management Pty Ltd	Tender
02-Apr-03	Holsworthy	Heathcote Road	NSW	2173	Former Playing	14.09	\$20,130,000.00	Mirvac Homes (NSW) Pty Ltd	Tender

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Defence property sold in 2002–2003									
Settle- ment date	Property location	Address s	State	Post code E	Descriptio n	Area (ha)	Sale price (including GST)	Purchaser	Type of sale
					fields (Kokoda Ovals)				
16-Apr-03	Dubbo	Palmer St	NSW	2830	Former RAAF Stores Depot	38.60	\$4,650,000.00	SPV 2 Pty Ltd	Tender
28-Apr-03	Acacia Ridge	79–116 Brookbe nt Road, Pallara	Qld	4110	Former Comms Station	87.85	\$4,000,000.00	Stockland Development Pty Ltd	Tender
15-May-03	Banyo	Cnr Tufnell and Earnsha w Rds	Qld	4014	Former Stores Depot (Lots 1, 121 to 140, 616)	10.19	\$5,170,000.00	State of Queensland	Priority Sale
16-May-03	Townsvill e	4 Leichhar dt & 6 Oxley Sts, North Ward	Qld	4810	North Ward Training Depot	0.42	\$1,023,000.00	Townsville Resorts Pty Ltd	Tender
21-May-03	Coffs Harbour	100 Duke St,	NSW	2450	Training Depot	0.26	\$286,000.00	City of Coffs Harbour	Priority Sale
26-May-03	Townsvill e	Cnr Duckwor th & Dalrympl e Sts	Qld	4810	Vacant Land (Lots 2 & 4)	3.59	\$4,082,000.00	Lancini Properties Pty Ltd	Tender
30-May-03	Coogee	88–102 Moverly Road	NSW	2034	Endeavour House	6.74	\$77,777,000.00	Mirvac Funds Limited	Tender
03-Jun-03	Cairns	14–148 Mann St & Mulgrave Road	Qld	4870	Vacant Land	3.50	\$3,000,000.00	H&S Vision Pty Ltd	Tender
05-Jun-03	Schofields	Symonds Rd	NSW	2762	Former Airfield	8.23	\$3,700,000.00	Medallist Golf Developments	Priority Sale
12-Jun-03	Weston Creek	Kirkpatri ck St	ACT	2611	Australian Defence College (Weston Creek Campus - Canberra)	9.01	\$31,693,750.00	Strategic Property Holdings No. 3 Pty Ltd	Tender
16-Jun-03	Bullsbrook	28 Bowman St (lot 87),	WA	6084	Vacant Land	0.07	\$40,000.00	Mr Barrett & Ms Currell	Private Treaty
17-Jun-	Regents	Chisholm	NSW	2143	Regents	24.37	\$40,865,000.00	RP1 Pty Ltd	Tender

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Defence property sold in 2002–2003									
Settle- ment date	Property location	Address s	State	Post code E	Descriptio n	Area (ha)	Sale price (including GST)	Purchaser	Type of sale
03	Park	Road			Park (Industrial Portion)				
17-Jun- 03	Bogan Gate	Beddgere bond Rd	NSW	2876	Fernliegh - part of Bogan Gate Stores Depot	460.00	\$160,000.00	David Lloyd Nock	Priority Sale
18-Jun- 03	Banyo	Cnr Tufnell and Earnsha w Rds	Qld	4014	Former Stores Depot (Lot 13)	20.62	\$9,900,000.00	Grosvenor Freeholds Pty Ltd	Tender
19-Jun- 03	Darwin River	1030 Reedbeds Rd,	NT	800	Former Quarry	127.50	\$167,200.00	NT Power and Water	Priority Sale
20-Jun- 03	Queensclif f	1 Flinders St, Queenscl iff	Vic	3225	Crows Nest Barracks	1.43		C in C	Tender
23-Jun- 03	Townsvill e	Duckwor th St	Qld	4810	Vacant Land (Lot 7)	2.45	\$715,000.00	Macrac Pty Ltd	Private Treaty
25-Jun- 03	Bondi	59–61 O'Brien St	NSW	2026	Lady Gowrie House	0.33	\$11,780,000.00	Trans Dominion Holdings Pty Ltd	Tender
25-Jun- 03	Randwick	Bundock St	NSW	2031	Stage 1A	4.23	\$56,182,500.00	Mirvac Projects Pty Ltd	Tender
26-Jun- 03	Pyrmont	38–42 Pirrama Rd & 5– 6 Jones bay Rd	NSW	2009	REVV	0.93	\$29,000,000.00	REVV Investments	Tender
26-Jun- 03	Nelson Bay	Nelson Bay Rd	NSW	2315	Former Gan Gan Army Training Camp	79.15	\$2,420,000.00	Dubbo Holdings Pty Ltd	Tender
26-Jun- 03	Korumbur ra	150–160 Mine Rd	Vic	3850	Vacant Land	0.89		C in C	Auction
27-Jun- 03	Holsworth y	Cnr Anzac Rd & Mooreba nk Ave	NSW	2173	Yulong Ovals	25.80	\$40,900,000.00	ING Industrial Custodian Pty Ltd	Tender
27-Jun- 03	Melbourne	Somerton Rd	Vic	3225	Former RANAD Somerton Stores Depot	208.00		C in C	Tender
27-Jun- 03	Voyager Point	Sirus Rd	NSW	2213	Former East Hills Barracks	15.74	\$17,250,000.00	Defence Housing Authority	Priority Sale
27-Jun-	MacDonal	Cnr	SA	5121	Smithfield	220.00	\$2,449,700.00	Maranello	Tender

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Defence property sold in 2002–2003									
Settle- ment date	Property location	Address s	State	Post code E	Descriptio n	Area (ha)	Sale price (including GST)	Purchaser	Type of sale
03	d Park	Curtis & Andrews Rds			Magazine Area			Holdings P/L	
30-Jun- 03	Albury	Victoria St	NSW	2640	Former Army Training Depot	1.41	\$1,760,000.00	RVLH P/L	Tender

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Facilities Projects—New South Wales

QUESTION W19

SENATOR: Evans

HANSARD: Written question

- a) How many times has the redevelopment of HMAS Albatross and the construction of naval ammunition facilities at Eden been announced in Government media releases? Why have these projects been re-announced so many times?
- b) What is happening with these two projects? Have delays been experienced? Why are these projects taking so long? Please include information on the date of approval, original schedule, current schedule, original budget and current budget.
- c) At the time of the 2002 budget, how much did the Government say it would spend on facility projects in NSW in 2002–03? How much did the Government end up spending on facility projects in NSW in 2002–03? Please provide a full breakdown of how this money was spent. What is the explanation for the difference?
- d) Were certain projects delayed/deferred/cancelled? Why were these projects delayed/deferred/cancelled?

RESPONSE

- a) Defence records indicate that there have been two Government media releases specifically related to the redevelopment of HMAS Albatross project and three specifically related to the Twofold Bay naval ammunition facility project since January 1999. This does not include budget media releases, which are issued in May of each year. In each case, there was an initial announcement of the respective project. For the ammunition facility, subsequent Government media releases were updates on the project's progress.
- b) The budget for the HMAS Albatross redevelopment remains at the original amount of almost \$110 million. Parliament approval for Stage 1 was granted in April 1998 and Stage 2 in May 2000. Planning for the project commenced in February 1997 and the project was scheduled for completion in late 2002. Ninety-five per cent of the scheduled work for the project has been completed to date. The component of the project experiencing delays is the flight deck procedural trainer, due to siting issues with the master plan and a resolution of the total noise signature for the base. These issues are expected to be resolved by the end of September 2003, with subsequent project completion in the last quarter of 2004.

The proposal to build the Twofold Bay naval ammunition facility was granted parliamentary approval in June 2000, with a scheduled completion of December 2001. Significant delays occurred between project approval and the start of the marine works package. This was due largely to an underestimation of the time it would take to resolve land tenure and native title issues. The commencement of construction was dependent on the resolution of these issues. The land tenure process included agreement between Commonwealth and New South Wales agencies. The pre-acquisition declaration process was dependent on the native title and indigenous land use agreement processes. Extensive consultation was required to gain agreement on the indigenous land use agreement.

Construction of the wharf, jetty and approach roads commenced in March 2002 and is scheduled for completion in September 2003. Construction of the ammunition storage facility commenced in February 2003 and is scheduled for completion in November 2003.

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The original budget for the project was \$40 million (in 1999) which has been indexed to a 2003 cost of \$43.4 million. The project remains within budget.

c) 2002–03 expenditure on facilities projects in New South Wales.

Program of Works (State, Federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000	Comment
NEW SOUTH WALES				
Eden-Monaro – Major Works				
Eden – naval ammunitioning facility	14,000	30,100	18,400	Elements of the work were accelerated to maintain the project schedule.
Gilmore – Major Works				
Nowra – HMAS Albatross – base redevelopment	5,100	13,400	4,100	See response to part b).
Gilmore—Medium Works				
Nowra – HMAS Albatross – Commander Australian Naval Aviation Group office refurbishment	300	1,800	2,237	Additional funds were required for unplanned asbestos removal and project completed ahead of schedule.
Nowra – relocation of Defence Materiel Organisation naval aviation systems program office	300	742	730	Increased scope.
Hughes – Medium Works				
Holsworthy – special operations forward mounting facilities	3,000	1,000	0	Delayed due to higher priority tasks.
Holsworthy – interim special forces	0	4,174	4,082	Holsworthy Special Forces interim facilities were constructed as a high priority.
Kingsford-Smith – Medium Works				
Randwick – pre-disposal site works	0	4,600	0	Delays due to local approvals.
Lindsay – Medium Works				
Werrington (formerly Penrith) – construction of Army multi-user depot	5,102	2,010	300	Delayed as tenders were in excess of project budget.
Macquarie – Major Works				
Richmond – reinvestment	3,000	740	0	Awaiting parliamentary approval.
Macquarie – Medium Works				
Richmond – RAAF Richmond – fuel farm upgrade	2,900	1,400	15	Delayed due to a revised procurement plan being put in place after negotiations with preferred designer were unsuccessful.
Richmond – RAAF Richmond – Air Lift Group office accommodation	1,000	0	1,600	Additional scope was added to the project.
Richmond – RAAF Richmond reclad hangar	1,400	2,000	1,300	There was a minor variation in the program of works.
North Sydney – Medium Works				
Waverton – HMAS Waterhen – wharf power infrastructure	168	417	168	Delayed due to technical difficulties with electrical equipment.

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Program of Works (State, Federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000	Comment
Waverton – HMAS Waterhen – relocation of Defence Materiel Organisation mine warfare and clearance diving systems program office	1,000	1,000	0	Delayed pending review.
Waverton – HMAS Waterhen – relocation Defence Science and Technology Organisation's Maritime Operations Division	3,000	0	0	Project deferred.
Parramatta – Major Works				
Ermington – pre-disposal site works	7,600	7,600	2,318	Approval delayed.
Paterson – Major Works				
Williamtown – RAAF Williamtown – Eastern regional operations centre	1,100	602	35	The project was completed with cost savings.
Williamtown – RAAF Williamtown – redevelopment stage 1 and airborne early warning and control works	10,000	9,300	2,126	Changes in departmental process and the associated introduction of a new managing contractor contract has delayed the project.
Paterson – Medium Works				
Williamtown – RAAF Williamtown – building extension for computer services	1,300	1,400	1,376	
Williamtown – RAAF Williamtown – lead-in fighter works	835	965	835	
Williamtown – RAAF Williamtown – Duckhole Hill radar works	900	900	1,286	Increase in scope. New project out turn cost is \$1.3m.
Williamtown – RAAF Williamtown – install dehumidifiers to aircraft shelters	410	410	30	The project is expected to be completed in 2003-04 with cost savings.
Williamtown – RAAF Williamtown – Salt Ash perimeter fence	500	500	0	Delayed due to adverse weather conditions to access the site.
Williamtown – RAAF Williamtown – relocation of Defence Materiel Organisation tactical fighter system program office	50	50	37	
Williamtown – RAAF Williamtown – weapons training simulation system	100	844	790	Works program accelerated.
Williamtown – RAAF Williamtown – childcare facility	2,000	1,000	0	Delayed as the project has progressed in parallel with the RAAF Williamtown redevelopment.
Riverina – Medium Works				
Kapooka – weapons training simulation system	0	584	564	Project completed under budget.
Sydney – Medium Works				

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Program of Works (State, Federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000	Comment
Mosman – Headquarters Training Command Army relocation to Victoria Barracks, Paddington	1,600	3,179	3,147	Program catch-up from 2001-02.
Garden Island Dockyard – waste management systems	0	3,500	900	Delays in obtaining Environmental Protection Authority approval for ADF-leased area.
Warringah – Medium Works				
Balmoral – 1 Commando Company collocation	2,500	200	0	Delayed as Defence development of the detailed requirements has taken longer than planned.
TOTAL: NEW SOUTH WALES	67,765	94,417	46,376	

d) The status of New South Wales facilities projects which have been delayed are as follows:

Projects	Current status
HMAS Albatross – redevelopment	See response to b) above.
Holsworthy – special operations forward mounting facilities	Delayed due to higher priority tasks associated with special forces, such as development of the new special operations command capability.
RAAF Richmond – reinvestment	Awaiting parliamentary approval.
RAAF Richmond – fuel farm upgrade	Delayed due to a revised procurement plan being put into place after negotiations with the preferred designer were unsuccessful.
HMAS Waterhen – relocation of Defence Materiel Organisation mine warfare and clearance diving systems program office	Delayed pending review of consolidation of system program offices to the Sydney area, and consideration of property holdings at HMAS Waterhen.
HMAS Waterhen – relocation of Defence Science and Technology Organisation's Maritime Operation Division	Delayed while consideration of property holdings at HMAS Waterhen is reviewed.
Ermington – Pre-disposal site works	Delay in approval of the development application by the NSW Department of Planning.
Werrington (formerly Penrith) – construction of Army multi-user depot	Delayed as all tenders received were in excess of project budget. Defence is redeveloping options.
RAAF Williamtown – redevelopment stage 1 and airborne early warning and control works	Delayed due to changes in Defence processes and the associated introduction of revised managing contractor contract.
RAAF Williamtown – install dehumidifiers to aircraft shelters	The project is expected to be completed in 2003-04 with cost savings.
RAAF Williamtown – Salt Ash perimeter fence	Delayed due to difficulties in accessing the site to conduct preliminary surveys because of flooding.
RAAF Williamtown – childcare facility	Delayed as the project has been progressed in parallel with the RAAF Williamtown redevelopment.
Balmoral – 1 Commando Company relocation	Delayed as Defence development of the detailed requirements has taken longer than planned.

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Facilities projects—Queensland

QUESTION W20

SENATOR: Evans

HANSARD: Written question

- a) In the 2002 budget, how much did the Government say it would spend on facilities projects in Queensland during 2002–03? How much was spent on facilities projects in Queensland during 2002–03? Please provide a full breakdown of this expenditure. What is the explanation for the difference?
- b) Why have projects been deferred/cancelled/delayed?
- c) What happened to the \$12 million project to rationalise catering facilities at Enoggera Barracks and the \$6 million project to develop new facilities at Wallangarra? If these projects have been deferred/cancelled, why did this occur?

RESPONSE

- a) and b) The 2002 budget and revised estimates for capital facilities projects in Queensland during 2002–03 are shown in the table attached. Actual expenditure achieved during 2002-03 is \$127.860m. The full breakdown of expenditure is shown in the table, together with reasons for deferral or delay.

Program of Works (State, Federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000	Comments
QUEENSLAND				
Blair – Major Works				
Amberley – RAAF Amberley – base redevelopment stage 1	2,600	1,720	679	The main contract was completed in February 2002. Some delays were experienced in letting contracts for lower priority approved works, and expenditure has been slower than originally estimated. The balance of expenditure will occur during 2003-04.
Blair – Medium Works				
Amberley – RAAF Amberley – relocation of Defence Materiel Organisation strike reconnaissance systems program office	4,960	4,800	5,333	Expenditure was achieved earlier than expected. The project is substantially complete with the building occupied by the unit during March/April 2003.
Amberley – RAAF Amberley – fire and security school	2,400	2,375	2,266	The project has been completed.
Amberley – RAAF Amberley – fire and security school working dog accommodation	850	850	1,243	The project budget was increased by \$455,000 to cover unfavourable tender market outcomes.
Amberley – RAAF Amberley – weapons training simulation system	100	844	844	
Forde – Major Works				
Canungra – Defence	15,900	12,132	8,190	This project was delayed by three months due to longer

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Program of Works (State, Federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000	Comments
Intelligence Training Centre				than expected design finalisation. Following the construction start, there was a further one month delay due to wet weather.
Forde – Medium Works				
Canungra – Defence Water Treatment Upgrade Project	0	4,000	731	The project has been significantly affected by wet weather.
Groom – Major Works				
Oakey – Oakey base redevelopment	35,000	20,005	20,997	
Herbert – Major Works				
Townsville – Lavarack Barracks redevelopment stage 2	250	877	685	The project has been completed.
Townsville – Lavarack Barracks redevelopment stage 3	40,467	41,676	44,411	The higher project expenditure in 2002-03 was due to increased construction performance.
Townsville - RAAF Townsville – redevelopment stage 1	5,730	7,364	2,500	The project has been completed.
Townsville – RAAF Townsville – redevelopment stage 2	29,444	35,715	35,005	
Townsville – RAAF Townsville – flight deck procedural training facility	10	0	0	The project has been deferred while priorities are reviewed.
Herbert – Medium Works				
Townsville – RAAF Townsville – 25m range	460	471	676	The project has been completed. The project budget was increased to cover unfavourable tender market outcomes and site specific costs.
Townsville – Lavarack Barracks – tactical training simulation capability	4,400	4,382	3,400	The project has been delayed due to processing delays and was compounded by wet weather delays following the start of construction.
Townsville – Lavarack Barracks – regional training centre facilities	500	100	0	Design development of the project has been delayed to resolve emerging functional user requirements.
Townsville – Lavarack Barracks – Combat Training Centre (Live)	2,400	2,400	900	Departmental processing delays.
Townsville – Halifax Bay range relocation	10	10	0	Departmental processing delays.
Mount Stuart - Mount Stuart training area grenade range	400	200	0	Departmental processing delays.
TOTAL QUEENSLAND	145,881	139,921	127,860	

- c) The catering rationalisation has been incorporated into the Gallipoli Barracks Enoggera redevelopment project that is foreshadowed for approval in 2004–05. The Wallangarra development was to improve storage facilities for F-111 parts. More cost-effective storage options have now been identified under the Defence Integrated Distribution System project.

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Facilities projects—Northern Territory

QUESTION W21

SENATOR: Evans

HANSARD: Written question

- a) In the 2002 budget, how much did the Government say it would spend on facilities projects in the Northern Territory during 2002–03? How much was spent on facilities projects in the NT during 2002–03? Please provide a full breakdown of this expenditure.
- b) How many times has the Timber Creek project been announced in Government media releases?
- c) What is this project designed to achieve?
- d) Why is the project taking so long? What was the original schedule for this project?
- e) Why has the relocation of 1 Aviation Regiment not gone ahead? Why was funding approved for this project in the 2002 budget, but later withdrawn?
- f) What is happening with the Married Quarters Electrical Upgrade at RAAF Darwin? Why has less than \$300,000 been spent on this project, even though it was supposed to be completed in 1999–2000?
- g) Why has the \$9.5 million project to build a fence around RAAF Tindal not gone ahead? What is the reason for the delay with this project?

RESPONSE

- a) The Government's estimated revised expenditure for facilities projects in the Northern Territory during 2002-03 was \$36.658m. Actual expenditure (based upon payments to 2 June 2003 plus payment of anticipated invoices up to 30 June 2003) during 2002–03 is estimated to be \$10.658m. A full breakdown of this expenditure is provided in the following table.

Program of Works (state, federal electorate and locality)	Budget Estimate 2002-03	Revised Estimate 2002-03	Projected Result 2002-03
	\$'000	\$'000	\$'000
NORTHERN TERRITORY			
Lingiari – Major Works			
Timber Creek – Bradshaw Field Training Area	27,000	10,000	3,326
Katherine – RAAF Tindal – Perimeter Security Fence	4,250	4,250	0
Lingiari – Medium Works			
Katherine – Delamere Radar Facilities	2,000	0	0
Bathurst Island – Facilities Upgrade	2,000	1,000	0
Katherine – RAAF Tindal – Northern Regions Operations Centre 2 – Control and Reporting Unit	1,050	0	0
Katherine – RAAF Tindal – Approach Control Facility	100	45	37
Katherine – RAAF Tindal – New 400m Range	2,900	1,200	1,135
Katherine – RAAF Tindal – Vehicle Shelters	1,000	1,000	0
Katherine – RAAF Tindal – Living-In Accommodation Stage 1	4,700	3,500	2,460
Katherine – RAAF Tindal – Living-In Accommodation Stage 2	2,000	0	0
Solomon – Major Works			

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Program of Works (state, federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000
Darwin – Robertson Barracks - Joint Army Deployment Facility Development Stage 2	250	700	395
Darwin - RAAF Darwin – Development of Operational Facilities Project	1,000	1,500	1,815
Darwin – Larrakeyah Barracks – North Australia Naval Infrastructure Stage 1	127	43	29
Darwin – 1 Aviation Regiment Relocation	10,000	2,000	0
Darwin – RAAF Darwin – Base Redevelopment	3,600	1,900	437
Solomon – Medium Works			
Darwin – Robertson Barracks – Emergency Response Facilities	3,000	0	0
Darwin – Robertson Barracks – Tactical Training and Simulation Site	4,775	4,000	796
Darwin – RAAF Darwin – Central Emergency Power Station	250	180	180
Darwin – Married Quarters Electrical Upgrade	2,600	500	48
Darwin – 1 Brigade Military Operations in Urban Territory Facility Construction	2,000	1,000	0
Darwin – Vehicle Shelters	3,000	2,000	0
Darwin – RAAF Darwin Child Care Facility	0	600	187
Palmerston – Robertson Barracks Armouries Upgrade	0	1,240	0
Various Sites – Air Defence Radar Sites	400	0	0
TOTAL NORTHERN TERRITORY	78,002	36,658	10,845

- b) In December 1995, the then Minister for Defence announced the purchase of Bradshaw Station for use as a Defence training area. Since then, the Government has issued media releases in the context of the Commonwealth Budget in 1997, two in 1999, and one each in 2000, 2001, 2002 and 2003. In 1999, the second release related specifically to the Northern Territory.
- c) See page 149 of the *Portfolio Budget Statements 2003–04*.
- d) The delay has been explained on page 149 of the *Portfolio Budget Statements 2003–04*. The original schedule for this project was for construction to commence in August 1997 and be completed by October 2000.
- e) The relocation of 1 Aviation Regiment has not yet been approved. It was heard by the Joint Standing Committee on Public Works on 8 July 2003. Funding has not been withdrawn for this project, and is now reported in Table 3.15 in the *Portfolio Budget Statements 2003–04* (at page 150) as a proposed major capital project for parliamentary consideration without a value shown against the project.
- f) The project was delayed by uncertainty over development options for the married quarters precinct. These concerns have now been resolved and the project is proceeding, with construction expected to be completed by mid–2004.

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- g) The project is not yet approved, and is now reported in Table 3.15 in the *Portfolio Budget Statements 2003–04* (at page 150) as a proposed major capital project for parliamentary consideration without a value shown against the project. It was heard by the Joint Standing Committee on Public Works on 9 July 2003.

Facilities projects—Western Australia

QUESTION W22

SENATOR: Evans

HANSARD: Written question

In the 2002 budget, how much did the Government say it would spend on facilities projects in Western Australia during 2002–03? How much was spent on facilities projects in WA during 2002–03? Please provide a full breakdown of this expenditure. What is the explanation for the difference?

RESPONSE

The Government estimated expenditure of \$13.250m for facilities in Western Australia during 2002–03 and the projected result was \$2,353m. The full breakdown of expenditure and explanations are shown in the following table.

Program of Works (State, Federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000	Comments
Brand – Major Works				
Garden Island – HMAS Stirling Base Development Stage 2D – Static Frequency Converter	0	0	265	The project that commenced in 1994, and a majority of the works was successfully completed by 1997. The final part of this project is the installation of a static frequency converter to supply power to the wharf. There has been ongoing remedial redesign and construction work by the contractor to address the technical shortcomings of the present system.
Brand – Medium Works				
Garden Island - HMAS Stirling – Periscope Workshop Facility	2,300	2,300	164	The project was delayed due to technical complexity of the required facility and other higher priority projects to progress. These issues have been addressed through the design phase and the design now meets all the maintenance testing requirements of the periscope. The project is progressing and will be completed in 2003-04.
Garden Island - HMAS Stirling – Armoury, Magazine and Gunners Store	850	950	963	
Garden Island - HMAS Stirling – Wharf Services Upgrade	4,900	3,300	782	The project was delayed due to other higher priority projects to progress. The project is now progressing and will be completed in 2003-04.
Garden Island - HMAS Stirling – Defence Science and Technology Organisation Submarine	2,200	1,600	56	The project was delayed due to the technical complexity of the required laboratory design and other higher priority projects to progress. The project is progressing and will be completed in 2003-04.

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Program of Works (State, Federal electorate and locality)	Budget Estimate 2002-03 \$'000	Revised Estimate 2002-03 \$'000	Projected Result 2002-03 \$'000	Comments
and Surface Combatants Science and Technology Facility Extension				
Curtin – Medium Works				
Swanbourne – 4 Signal Troop Facilities	2,800	1,000	122	The project was delayed due to operational requirements and security design issues that have now been finalised. The project is progressing and will be completed in 2003-04.
Pearce – Major Works				
Bullsbrook - RAAF Base Pearce – Facilities for Lead-In Fighter	200	200	1	The project was delayed due to siting issues relating to the explosive storage component of the proposed facility. These issues have been resolved and the project is progressing and will be completed in 2003-04.
Total	13,250	9,350	2,353	

Sale of Somerton Storage Depot

QUESTION W23

SENATOR: Evans

HANSARD: Written question

- a) When was the Somerton Depot sold? What was the sale price?
- b) When was this sale advertised? Who managed the sale process? How much were they paid?
- c) How was the sale for this property conducted?
- d) Is it normal to offer property for sale on more than one type of contract?
- e) Why were 'conditional' bids allowed? Please explain the nature of the outstanding issues with the sale?
- f) Who took the decision to allow conditional/unconditional bids?
- g) How many bids were received? Which organisations submitted bids? How many conditional/unconditional offers were there? What was the range of bids for the property on the conditional/unconditional contracts?
- h) Why did Defence choose to accept the bid from Peet and Co?
 - i) Was Peet's bid the lowest bid received?
 - ii) On what basis did Defence choose to accept the lowest bid?
 - iii) Who took the decision to accept Peet's bid?
 - iv) Was the decision taken within Defence or by the Minister?
 - v) When was this decision taken?
- i) How long did Defence expect the outstanding issues would take to be resolved?
- j) What was the most likely outcome of this matter?

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- k) Why didn't Defence wait until the re-zoning application was settled? Would Defence have got a higher price for the property if it had waited until the re-zoning issues were resolved?
- l) Did Defence accept Peet's unconditional bid so that the sale could be processed in the 2002-03 financial year?

RESPONSE

- a) The Somerton Depot was sold on 28 April 2003. The sale occurs when the contract of sale from the approved tenderer is executed by the delegate, therefore effecting exchange of contracts. The purchase price is commercial-in-confidence.
- b) Advertising commenced on 10 February 2003. Knight Frank, Melbourne, managed the sale process. The fee is \$59,000 (excluding advertising costs).
- c) Through a public tender process.
- d) In accordance with standard practice, the property was offered on one type of contract. In this case, the property was offered on one type of contract, but there were two contract options—that is, two copies of the contract were issued with one containing the conditional clause.
- e) Conditional bids were allowed so that Defence could try to capture the full value of the property given the Commonwealth's inability to rezone the property. The tender documents provided for the submission of a tender for the unconditional purchase of the whole property or purchase of the whole property conditional upon approval of the urban growth boundary by the Minister for Planning.

The outstanding issues with the site are related to the release of *Melbourne 2030: Planning for Sustainable Growth* (October 2002), which provides a strategic framework for the development of the Melbourne metropolitan area. Two key issues from this document that relate to the Somerton site are the newly established interim urban growth boundary (within which residential development may occur) and the protection of "green wedges" on the fringe of the Melbourne metropolitan area where residential development may not occur. The Somerton site was identified as being part of the green wedge even though planning for its development as a residential estate had been under way for some years.

With the support of the Hume City Council, Defence identified the Somerton site as an area suitable for future residential land use development. Under the provisions of *Melbourne 2030* planning document, Defence provided a submission to the Victorian Government Department of Infrastructure for relocation of the interim urban growth boundary to include the Somerton site within the urban growth area. Hume City Council continues to support Defence with its application.

- f) The Assistant Secretary Strategic Planning and Development approved the tender evaluation plan.
- g) Thirteen submissions were received. The names of the organisations, together with the range of bids, is commercial-in-confidence.
- h) Defence chose to accept the bid from Peet and Co in accordance with the tender evaluation plan as it was identified as the best value, low-risk bid and met the overriding objective to maximise sale proceeds on a risk-adjusted basis.
- i) No.

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- ii) Defence did not choose to accept the lowest bid.
- iii) Head Infrastructure was the delegate who took the decision.
- iv) The decision was taken within Defence.
- v) The decision was taken on 28 April 2003.
- i) Defence expects it to be at least two years before a decision is made regarding the relocation of the urban growth boundary to include the Somerton site.
- j) The Victorian Government Department of Infrastructure has not released any advice on potential outcomes of individual submissions.
- k) Victorian planning laws prevent Defence from rezoning land while in Commonwealth ownership. Therefore, Defence could not make the sale conditional upon re-zoning or wait until the rezoning issue was resolved.
- l) The Government's requirement for settlement of the property within 2002–03 was one of a number of evaluation criteria taken into account in the assessment of tenders. As stated in h) above, the decision to accept Peet's unconditional bid was consistent with Defence's objective to maximise sale proceeds on a risk-adjusted basis.

Sale of Brighton Barracks

QUESTION W24

SENATOR: Evans

HANSARD: Written question

- a) How much were Roberts Real Estate paid to oversee the sale process for the Brighton site?
- b) Can a property be withdrawn from sale if there is not sufficient interest from buyers? Why didn't that occur in this case? Has it occurred previously? Why didn't Defence withdraw the property from sale if there was only minimal interest from prospective buyers?

RESPONSE

- a) The consultant's fee is \$7,000 (excluding advertising costs).
- b) Yes, a property can be withdrawn if there is insufficient interest and this has occurred on some occasions. However, as the price offered for the Brighton site was only marginally below the market valuation, and given the holding cost of the property, the Defence delegate agreed to accept the offer.

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Sale of former Army Barracks at Brighton

QUESTION W25

SENATOR: Brown

HANSARD: Written question

In the matter of the sale of the former Army Barracks at Brighton, and regarding answers Mr Pezzullo and Mr Scrafton gave to the Defence portfolio estimates committee on 4 and 5 June 2003:

- a) Was the Australian Valuation office valuation for the Brighton Army Barracks for land or land and improvements? If it was for land without improvements, why was it described as a property valuation?
- b) What was the original tender price?
- c) On what date was the minister first told about the sale and price and by whom?
- d) On what date was the minister first acquainted with the intention to sell?
- e) Did the putting of the property on the market require ministerial approval and, if so, when and how was that approval given?
- f) Did the decision to sell the property to the purchaser require ministerial approval and, if so, when and how was this given?

RESPONSE

- a) The valuation covered the entire property, including land and buildings.
- b) \$26,500.
- c) In December 2002, through the property disposals program status report.
- d) March 2002.
- e) Yes. Approval was provided by the Government in the 2002-03 budget process.
- f) No.

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Mulwala environmental remediation

QUESTION W26—INITIAL RESPONSE

SENATOR: Evans

HANSARD: Written question

- a) What has happened to the \$63 million Mulwala environmental remediation project? When was this project first announced?
- b) What was the original schedule for this project? What is the current schedule? What is the explanation for the delay?
- c) Given that funding was approved in the 2001–02 budget statements, why was this project not mentioned in either the 2002–03 or 2003–04 PBS?
- d) How much has actually been spent on this project to date?
- e) When will the project start?

RESPONSE

- a) The project funding of \$63m is included in the capital facilities forward estimates in table 3.10 of the *Portfolio Budget Statements 2003–04* (page 133). The project was announced in the 2001–02 budget.
- b) There has been no delay. The schedule was dependent on the outcome of a range of environmental studies and the timing for the modernisation of the facility. The schedule needs to be coordinated with the modernisation of the facility as much of the contamination lies under the existing plant. It is expected that full-scale remediation will occur upon demolition of the current buildings, which is scheduled to commence in 2007–08.
- c) The project was not mentioned in either the 2002–03 or 2003–04 portfolio budget statements as no project expenditure was planned for these years.
- d) None of the \$63m allocated to the Mulwala environmental remediation project has been spent to date. However, since 1999, approximately \$12.6m has been committed towards implementing safety measures, pollution reduction initiatives and some small-scale remediation as part of a range of interim safety and environmental related initiatives announced by the Prime Minister on 17 December 2000.
- e) The project is currently planned to commence on the completion of a range of environmental studies. The bulk of the remediation works will coincide with the demolition of the buildings (see response to b) above).

Mulwala Environmental Remediation

QUESTION W26—UPDATED ANSWER

SENATOR: Evans

HANSARD: Written question

- f) What has happened to the \$63 million Mulwala environmental remediation project? When was this project first announced?

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- g) What was the original schedule for this project? What is the current schedule? What is the explanation for the delay?
- h) Given that funding was approved in the 2001–02 budget statements, why was this project not mentioned in either the 2002–03 or 2003–04 PBS?
- i) How much has actually been spent on this project to date?
- j) When will the project start?

RESPONSE

- f) The project funding of \$63m is included in the capital facilities forward estimates in table 3.10 of the *Portfolio Budget Statements 2003–04* (page 133). The project was announced in the 2001–02 budget.
- g) There has been no delay. The schedule was dependent on the outcome of a range of environmental studies and the timing for the modernisation of the facility. The schedule needs to be coordinated with the modernisation of the facility as much of the contamination lies under the existing plant. It is expected that full-scale remediation will occur upon demolition of the current buildings, which is scheduled to commence in 2007–08.
- h) The project was not mentioned in either the 2002–03 or 2003–04 portfolio budget statements as no project expenditure was planned for these years.
- i) None of the \$63m allocated to the Mulwala environmental remediation project has been spent to date. However, approximately \$12.6m has been committed towards implementing safety measures, pollution reduction initiatives and some small-scale remediation as part of a range of interim safety and environmental related initiatives announced by the then Minister for Defence on 21 December 2000.
- j) The project is currently planned to commence on the completion of a range of environmental studies. The bulk of the remediation works will coincide with the demolition of the buildings (see response to b) above).

Headquarters Australian Theatre

QUESTION W27

SENATOR: Evans

HANSARD: Written question

- a) What is happening with the Headquarters Australian Theatre Project? Why has no money been allocated to this project? When is it expected that this project will be approved?
- b) Why was the project announced during the 2001 election campaign if it was unapproved?
- c) When is it expected that construction of the facility will commence?
- d) In the DCP supplement, the year of decision for this project was brought forward to 200–03 from 2003–04. Precisely why did this occur?

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RESPONSE

- a) Work on the Headquarters Australian Theatre project is continuing. Funding is allocated in the Defence Capability Plan, with formal Government approval expected in early 2004. Activities presently under way are:
 - engineering and siting studies, which are being carried out by GHD Pty Ltd;
 - a risk management study by Broadleaf International Pty Ltd;
 - an environmental impact statement by URS Pty Ltd, which will be available for public comment in August 2003 and will be completed by the end of 2003; and
 - a private financing business case analysis by Macquarie Bank.
- b) The project is one phase of a multi-phase project intended to update all aspects of ADF command and control. The announcement by the Prime Minister on 3 October 2001 reflected the results of initial independent studies that identified “a site on the Kings Highway, east of Queanbeyan in New South Wales” as the preferred location for Joint Project 8001 Phase 2b, the collocated Headquarters Australian Theatre.
- c) Construction is expected to commence in late 2004.
- d) At the time of the last Defence Capability Plan review, Defence held the provision for the collocated Headquarters Australian Theatre in two components of its unapproved capital investment program. One part of the funding was held in the unapproved facilities program with a year of decision of 2002–03, and the other in the unapproved major capital equipment program with a year of decision of 2003–04. Defence decided to synchronise the year of decision for both components of the project, and moved the year of decision for the equipment aspects of the collocated Headquarters Australian Theatre from 2003–04 to 2002–03. As indicated in answer to part a) above, this timeline has subsequently been revised to achieve the Government’s approval in early 2004.

RAAF Richmond reinvestment

QUESTION W28

SENATOR: Evans

HANSARD: Written question

- a) What is happening with the reinvestment works at Richmond RAAF base?
- b) What were these works supposed to achieve?
- c) Given that \$40 million in funding was approved in the 2002–03 budget statements, why was this project not mentioned in the 2003–04 PBS?
- d) Why has this funding now disappeared from the capital facilities budget? Why has this project now gone back to the Department for further approval?

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RESPONSE

- a) The Minister for Defence has approved the referral of the RAAF Richmond base reinvestment project to the Joint Standing Committee on Public Works.
- b) The project aims to provide a limited capital reinvestment to address pressing infrastructure deficiencies. Works will support the current operations of the Air Lift Group, an upgrade of the base engineering infrastructure and provide a new fitness centre and ablutions.
- c) The project is identified in the *Portfolio Budget Statements 2003–04* as a foreshadowed project for public works committee consideration. This reflects the new departmental process where funding is not specified until parliamentary approval for the project is received.
- d) As the project does not have parliamentary approval, it does not appear in the capital facilities approved major projects table within the *Portfolio Budget Statements 2003–04* but is included in the proposed major capital projects for parliamentary consideration in 2003–04 (see Table 3.15 on page 150 of the *Portfolio Budget Statements 2003–04*). The project has not gone back to the department for further approval.

Defence land sales—Point Nepean

QUESTION W29

SENATOR: Allison

HANSARD: Written question

- a) Can details be provided of all offers made to former and current Victorian State Governments for Defence land at Point Nepean including;
 - i) A description of the land on offer?
 - ii) Offers to rehabilitate contaminated parts of the land and clear unexploded ordnance?
 - iii) Details of what coastal land was offered?
- b) What responses were received and can details be provided including the conditions offered?
- c) For the 2003–2004 budget, \$115 million from the sale of Defence and/or Commonwealth land around Australia has been allocated to the restoration of defence heritage in Sydney. In regard to this matter:

How many and which Commonwealth properties have been sold to provide the funding for this restoration project?

 - i) What was the sale price of each?
 - ii) How did each the sale price of each property compare with the market value of each property?
 - iii) How will the \$115 million be used in the Defence heritage restoration works in Sydney?
- d) In the Commonwealth transfer of Defence land on Sydney Harbour, was cliff top and foreshore land included?
- e) In relation to communication between the Parliamentary Secretary (Defence) and her staff and parties expressing interest in the Point Nepean land, can details be provided of the communications between the Parliamentary Secretary (Defence) and a consulting group called Como Partners in relation to the Point Nepean land including:
 - i) the nature and content of such communications;
 - ii) how many communications there have been and over what time period; and
 - iii) the present position with regard to such communications?

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- f) Is the Minister aware that Como Partners has connections with Mr Bill Kelty and Mr Lindsay Fox in relation to their interest in the Point Nepean land?
- g) Has this expression of interest, with which La Trobe University is associated, known as a Global Knowledge Sanctuary been withdrawn?
- h) Is the Minister aware of any proposal to reactivate that bid by or on behalf of Latrobe University and for it to be submitted after the advertised due expiry date? If so:
 - i) what person(s) or interests are seeking to activate such a bid subsequent to the due expiry date for expressions of interest?
 - ii) would an attempt to reactivate a bid by or on behalf of Latrobe University after the closing date be contrary to the due process established by the expression of interest procedures?
- i) Can any landscape, archaeological or other assessments pursuant to the provisions of the *Australian Heritage Commission Act 1975* be provided to the Committee?
- j) What does the Commonwealth deem to be market value of the Defence land currently on the open market?
- k) What effect will the state's announced planning regime (Minister John Thwaites press release, Wednesday, May 21, 2003) have on market value?
- l) Can the specific sites, including their names, position and area, that are legally known as 'residential use right' be provided to the committee?
- m) Does the Department have, or is in the process of seeking, a legal opinion on legal redress for a future owner of the lands against state or local government if rezoning occurs?
- n) In answer to my question No 1416 9(d), the Government advised that the beach and foreshore land would not be excised from the site to provide for public access to the Point Nepean National Park, as requested by the Victorian State Government. In answer to my question on 5 June, Minister Hill advised "there was an attempt to balance various interests. Public access was provided to other parts" (Hansard p 445).

Can the Government confirm that its intention was that the beach and foreshore land would, after the sale, pass to and remain in private ownership?

- o) Was it the intention of the Government that the beach and foreshore land would be available to the purchaser of the site:
 - i) for their exclusive use;
 - ii) for commercial use; and
 - iii) for on-selling for either purpose?
- p) Would expressions of interest for the Point Nepean site be rejected by the Government if they included proposals to develop the following facilities on beach or foreshore land:
 - i) Private or commercial jetties, piers, marinas, boat sheds or clubrooms;
 - ii) Tourist accommodation such as hotels, serviced apartments, hostels or caravan parks;
 - iii) Restaurants, cafes or other food vending establishments; and
 - iv) Conference facilities.
- q) Mr Pezzullo said on 5 June 2003 with regard to the inclusion in the site of the beach and foreshore "...the moment the title switches over, issues to do with alienation of foreshore planning controls over beach access et cetera are completely within the gift of the state government and the applicable local council regulations, rules and ordinances" (Hansard p 444).

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If, at the point of sale, the beach and foreshore area passes to private ownership, by what process would the State Government or local council be able to require public access?

RESPONSE

- a) On 3 March 1999, the then Minister for Defence, the Hon John Moore MP, wrote to the then Premier of Victoria, the Hon Jeff Kennett MLA, offering the transfer of the property, less 40 hectares to be retained by Defence, as a Federation Fund initiative. This included coastal land on the bay and ocean side of the Defence land. The land was offered following unexploded ordnance survey and clearance of the vehicle trails on the bushland area.
- On 12 March 2003, the Parliamentary Secretary to the Minister for Defence, the Hon Fran Bailey MP, wrote to the Premier of Victoria, the Hon Steve Bracks MLA, offering to transfer 205 hectares of the Portsea Defence land on the southern side of Defence Road. In addition, the Victorian State Government was invited to submit a priority sale submission for the purchase of approximately 90 hectares of the Defence land at Portsea on the northern side of Defence Road. The offer to transfer 205 hectares was on the basis of the Commonwealth cleaning up any unexploded ordnance on that land.
- b) On 8 April 1999, Mr Kennett wrote to Mr Moore advising that, without all studies being known, it appeared too soon to accept the transfer of the site without the 40 hectares closest to the Portsea township and without a contribution from the Federation Fund for the ongoing operation and maintenance of the site.
- On 20 March 2001, the Premier of Victoria, the Hon Steve Bracks MLA, wrote to the then Minister for Defence, the Hon Peter Reith MP, advising that the Victorian Government was unable to accept the transfer of the property on the terms offered. The Premier stated that Victoria would work collaboratively with the Commonwealth to ensure an appropriate outcome for the site.
- On 9 April 2003, Mr Bracks wrote to the Minister for Defence, Senator the Hon Robert Hill, to acknowledge the transfer of 205 hectares of the Defence land at Portsea and to advise that the best course of action would be for the Commonwealth to transfer the land at no cost.
- On 11 April 2003, Mr Bracks wrote to the Minister for Defence advising that the Victorian Government was not in a position to make an offer at market value for the 90-hectare site and proposing that the Commonwealth transfer the site at no cost and in a fit state.
- c) \$115m was not allocated to Defence in the 2003–04 Budget for the restoration of Defence heritage in Sydney. This question has been referred to the Department of Environment and Heritage and the Department of Finance and Administration.
- d) Yes.
- e) At the request of Como Partners, the Parliamentary Secretary, the Hon Fran Bailey MP, agreed to a meeting with a representative of Como Partners, which was held on 3 April 2003.
- i) The representative of Como Partners stated that he was representing two universities that were interested in acquiring the Point Nepean property for education purposes. The Parliamentary Secretary provided specific detail in respect to the transfer of approximately 205 hectares of land to the State Government of Victoria and 20 hectares of land to the Mornington Peninsula Shire Council.

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The representative inquired as to the potential of having a percentage of the property for residential purposes, with the majority of the site to be developed for education purposes. The Parliamentary Secretary responded that she was opposed to new residential sub-divisional development on the site and referred to the development requirements detailed in the draft master plan for the site, as developed by Defence and community and planning reference groups. The Parliamentary Secretary outlined that an invitation had been extended to the Victorian Government to submit a priority sale submission for the remaining area of the site.

Further references by the representative from Como Partners were made to associated education uses for the site with the general planning concept of an education hub for the site.

The representative inquired whether universities would be eligible for priority sale consideration as public institutions, and was told that any request for priority sale would need to be referred to Defence.

- ii) The Parliamentary Secretary's staff received a call from the representative of Como Partners on Friday 4 April 2003 and, within this discussion, contact details of the appropriate division within Defence were provided.

The Parliamentary Secretary's office returned a call from a representative of Como Partners on Tuesday 22 April 2003 confirming that the property was being offered to the market through an expression of interest process and, once again, the representative from Como Partners was referred to the appropriate area within Defence.

- iii) Since the commencement of the expression of interest process, there has been no further communication with Como Partners. Prior to the commencement of the expression of interest process, Defence formally advised Professor Michael Osborne, Vice-Chancellor and President of La Trobe University that the property would be marketed through an expression of interest process and that the university would be welcome to participate in the expression of interest process.

- f) No.
- g) Information about the status of expressions of interest is commercial-in-confidence.
- h) No.
- i) The site assessments were tabled in the Senate on 16 June 2003. An archaeological report was not tabled as it contains sensitive aboriginal heritage information.
- j) Valuation information on the property is commercial-in-confidence.
- k) Any possible effect is not known.
- l) There are three buildings with residential use rights, PMQs 1036, 1038 and 1039. The residential use rights are only associated with the building and not the land around the site. A map that identifies the buildings was provided to the committee in response to question Q10.
- m) No.
- n) Yes.

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- o) i) to iii) Yes.
- p) The expression of interest documentation did not request this level of information.
- q) Public access could be acquired by a compulsory acquisition process, or through the subdivision approval process which would be lodged after the site had passed out of Commonwealth ownership.

Facilities projects—RAAF Training College East Sale

QUESTION W30

SENATOR: Evans

HANSARD: Written question

- a) What is the current status of the project to relocate Training College elements based at Point Cook to East Sale? Didn't former Minister Peter Reith say that \$42 million had been allocated to this project? Why has no funding ever been allocated in the budget for this project?
- b) Has the project actually been approved? If so, what is the approved budget, and why doesn't it appear in the 2003–04 Portfolio Budget Statements?
- c) If the project hasn't been approved, why did former Minister Reith announce that it was going ahead during the 2001 election campaign?
- d) The former Minister claimed that construction would start in late 2002. Why hasn't construction started yet? When is it anticipated that construction will start? When will the project now be completed?
- e) Has the delay in construction had any impact on the project budget? Are alternative sites now being considered for the Training College? Is Wagga Wagga one of the alternative sites now being considered?
- f) Why did the member for Gippsland claim as recently as 3 weeks ago that "the Federal Government would honour its previous commitment for expansion of the East Sale RAAF base"?

RESPONSE

- a) to e) As stated by the Minister for Defence during the hearing on 5 June 2003, the Government intended, with the closing of Point Cook, to transfer the RAAF College headquarters and officers' training school to East Sale. The RAAF College project had been approved in the 1999–2000 budget at \$36m. Defence has publicly acknowledged a delay in progressing this project as it reviews the capability impact of force disposition at its bases across Australia.
- f) Defence is unable to comment on the Member for Gippsland's statement.

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Facilities projects—HMAS Stirling static frequency converter

QUESTION W31

SENATOR: Evans

HANSARD: Written question

- a) What is happening with the Static Frequency Converter project at HMAS Stirling? What are the ‘technical difficulties’ that are being experienced? Why has it taken until now to find out that ‘technical difficulties’ may prevent delivery of the project?
- b) Why has \$31.4 million been spent on this project if it is still unsure it will be delivered? Please provide a detailed breakdown of how the \$31.4 million has been spent.
- c) When will it be known if this project will be able to be delivered?

RESPONSE

- a) The HMAS Stirling Base Redevelopment Stage 2D—Static Frequency Converter project aims to deliver a direct current power supply to Navy ships docked at HMAS Stirling. The static frequency converter takes the alternating current power from the Western Australian power grid and modifies it to produce the required output. Due to large fluctuations in the incoming power supply to the static frequency converter, it has not been possible to provide a constant flow of direct current power to the wharf over an extended period. The contractor has undertaken remedial redesign and construction work aimed at addressing the technical shortcomings of the system. Despite recent executive negotiations, the system has yet to be completed. These negotiations are continuing.
- b) HMAS Stirling Base Redevelopment Stage 2D is a major project that commenced in 1994. The majority of the project has been successfully completed. The final part of this project is the installation of a static frequency converter to supply power to the wharf.

Major elements of the approved statement of works are:

Facility	\$m
Torpedo Maintenance Facility	10.0
Training Centre West (Defence Science and Technology Organisation)	6.6
Powerhouse upgrade—ongoing ⁽¹⁾	2.1
Extension to the Submarine Training System Centre	6.5
Helicopter Support Facility	6.2
Total	31.4

Note:

1. The static frequency converter is part of the powerhouse upgrade.

- c) Defence and the contractor are discussing whether the technical difficulties can be addressed. Provided an appropriate strategy can be initiated, the works will be completed in 2003-04.