



Australian Government

Department of Defence

Corporate Services &
Infrastructure Group

Office of the
Deputy Secretary

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DEPSEC CS/OUT/2006/154

Dr Kathleen Dermody
Secretary
Senate Legislation Committee on Foreign Affairs,
Defence and Trade
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

I write to clarify evidence that I gave at the Senate Legislation Committee 2006-07 budget estimates hearing on ~~31 May 2006~~/1 June 2006 concerning whether the Criss mediation achieved agreement on the amount

In answer to a question from Senator Bishop (page 42 of Proof Hansard, ~~31 May 2006~~/1 June 2006), I answered "yes" to whether the mediation had achieved agreement on the amount and stated that we reached a settlement in relation to compensation. On reviewing my evidence, I recognised that it might wrongly give the impression that there was an agreed settlement as to the amount of compensation between the parties.

As stated by Dr David Lloyd, this was a Compensation for Detriment for Defective Administration process. That means that it was ultimately for the defective administration decision maker to determine the amount to be offered taking all relevant considerations into account (including the comments of Air Vice Marshal Criss). It is more accurate to state that as a consequence of the mediation process the final sum offered in response to AVM Criss' claim for Compensation for Detriment for Defective Administration was increased. Nevertheless, as indicated by the Secretary of Defence, the final sum offered was lower than Air Vice Marshal Criss would have liked.

The decision on the final amount was put to Air Vice Marshal Criss. He could have chosen to reject the offer and pursue his claims by other means. Alternatively, he could choose to sign a deed of release and indemnity agreeing not to pursue any further claims, but reserving the right to raise the matter with the Commonwealth Ombudsman. He chose to sign the deed of release and indemnity and he was paid. Defence understands that the Ombudsman is satisfied with the final decision, and Defence regards the claim as settled.

I apologise for any misunderstanding that may have arisen.

Yours sincerely

A handwritten signature in black ink that reads "Alan Henderson". The signature is written in a cursive style with a long, sweeping underline.

Alan Henderson
Deputy Secretary Corporate Services

30 June 2006

From: Lieutenant General P.F. Leahy, AO
Chief of Army



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OCA/OUT/2006/901

5 July 2006

Dr Kathleen Dermody

Secretary
Senate Legislation Committee on Foreign Affairs,
Defence and Trade
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

I write to correct evidence that I gave to the Senate Legislation Committee on Foreign Affairs, Defence and Trade Budget Estimates hearing on 31 May 2006 concerning whether Major General Clifford may have a conflict of interest working for General Dynamics Systems Australia Pty Ltd.

In answer to a question from Senator Faulkner, I indicated that the Deputy Chief of Army had taken legal advice on the matter (page 71 of *Proof Hansard* 31 May 2006). I have since become aware that the Deputy Chief of Army had not taken legal advice on this matter, but had based his response to the request by Major General Clifford on procedures used for recent cases involving senior Defence Materiel Organisation officials, for which legal advice had been obtained.

I request an amendment to the Hansard in that any reference to legal advice having been sought on this matter be removed from the record.

I apologise for any misunderstanding that may have arisen.

*Yours sincerely,
Peter Leahy*



Australian Government
Department of Defence

Michael Pezzullo
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DEPSEC S/OUT/2006/102.

11 July 2006

Dr Kathleen Dermody
Secretary
Senate Legislation Committee on Foreign Affairs,
Defence and Trade
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

I write to clarify evidence that I gave at the Senate Legislation Committee 2006-07 budget estimates hearing on 1 June 2006 concerning our Defence Cooperation Program with East Timor.

In answer to a question from Senator Nettle the record has me stating that the "two six-person battalion adviser detachments were with their battalions" (page 28). The more accurate statement would have been "the two battalion adviser detachments were at their battalion bases".

I apologise for any misunderstanding that may have arisen.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Michael Pezzullo', written in a cursive style.

Michael Pezzullo
Deputy Secretary Strategy



Australian Government
Department of Defence
Defence Materiel Organisation

Head Electronic and
Weapon Systems Division
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In reply please quote: HEWS 89/2006

22 June 2006

Dr Kathleen Dermody
Secretary
Senate Legislation Committee on Foreign Affairs
Defence and Trade
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

I write to clarify evidence that I gave at the Senate Legislation Committee 2006-07 budget estimates hearing on 31 May 2006 concerning the provision of a \$50 million annual payment to ADI for the Benalla Facility.

In answer to a question from Senator Mark Bishop, page 97 of Proof Hansard, 31 May 2006, I corrected Dr. Gumley that the \$50 million is all finance charge. This information was incorrect. As stated by Dr Gumley, the \$50 million annual payment to ADI is made up of two components, namely, the capital portion of approximately \$27million to provide for the return on the investment and the return of the investment and secondly a portion to cover the normal overheads of the facility, such as salaries and payroll tax, superannuation, compensation, motor vehicle rental and other normal administrative and operating costs.

In addition, the contract with ADI for munitions from the Benalla Facility was originally signed in 1993 with the overhead elements included in the price of munitions up until the end June 2000 when a change to the contract transferred these elements to the capability payment.

I apologise for any misunderstanding that may have arisen.

Yours sincerely

Shireane McKinnie



Australian Government
Department of Defence
Defence Materiel Organisation

Maritime Systems Division

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CANBERRA ACT 2600

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HMS/OUT/2006/141

Dr Kathleen Dermody
Secretary
Senate Legislation Committee on Foreign Affairs, Defence and Trade
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

I write to correct evidence that I gave at the Senate Legislation Committee budget estimates hearing on 31 May/~~01 June 2006~~ concerning FFG Upgrade.

In answer to a question from Senator Hogg (page 85 of *Proof Hansard* 31 May 2006), I stated that "...perhaps for all of those milestones, is more in the order of 60 per cent of the remaining payments due under the contract. It is in that order." This information is incorrect in that the percentage of milestone payments is closer to 50 per cent so should read: "...is more in the order of **50** per cent of the remaining payments due under the contract..."

In answer to another question from Senator Hogg (page 88 of *Proof Hansard* 31 May 2006), I stated: "...which is why they would not be recorded as assets." This information is incorrect as I should have added the following caveat: "...which is why they would not be recorded as assets until the spares were delivered to Defence."

I apologise for any misunderstanding that may have arisen.

Yours sincerely

T.B. RUTING
Rear Admiral, RAN
Head Maritime Systems

OK July 2006



Australian Government
Department of Defence
Defence Materiel Organisation

Head Land Systems
Division
Victoria Barracks,
Melbourne
Tel: 03 9282 6696

HLS/OUT/2006/121

10 July 2006

Dr Kathleen Dermody
Secretary
Senate Legislation Committee on Foreign Affairs,
Defence and Trade
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

I write to correct and clarify evidence that I gave at the Senate Legislation Committee 2006-07 budget estimates hearing on ~~31 May 2006~~ 1 June 2006 concerning M113 Armoured Personnel Carriers.

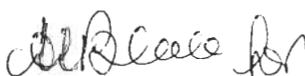
In answer to a question from Senator Bishop (page 71 of Proof Hansard, 1 June 2006), I stated that 'about 280 hours into this 2800 hours testing, Tenix withdrew from the testing of their own voilition'. This information was incorrect because it was after 'approximately 1600 hours into this 2800 hours testing'.

In answer to a question from Senator Bishop (page 71 of Proof Hansard, 1 June 2006), I stated that 'if it is on an incline of 60 degrees it is to hold in a static position. This information was incorrect and should read 'if it is on an incline of 60 per cent'.

In answer to a question from Senator Bishop (page 72 of Proof Hansard, 1 June 2006), I stated 'there is an upgrade program which is the 300 vehicles which will put out a completely new vehicle'. This information was incorrect as the actual number of vehicles is 350 (not 300). This is possibly a transcription error.

I apologise for any misunderstanding that may have arisen.

Yours sincerely


Mr Colin Sharp
Head Land Systems Division Ach