

Portfolio overview and major corporate issues

Question 5

Senator Bishop

Hansard 1 November, p. 36-37

Defence Reviews

Please provide an update on Defence Inquiries and Reviews. Please include all reviews that were covered in the response to the question taken on notice at the May/June Estimates hearing. Also include the Ministerial Directed Review into Recruiting and Retention, the Government Initiated Review into ADF command and control structures, the 2006 evaluation of Defence Force Recruiting, the Reserves Remuneration Review and an update on the Defence Improvement Board.

RESPONSE

Refer to Table 1 below.

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Table 1: The significant reviews of Defence management processes, both completed and continuing, between 2003-06.

| Year | Title | Review Type | Outcomes |
|------|--|--|---|
| 2003 | Defence Procurement Review (Kinnaird Review) | Government-initiated | Six of the ten major recommendations and seven of the 12 minor recommendations have been fully implemented. Of the remaining four major recommendations, all are currently in progress. |
| | Defence Industry Market Review | Government-initiated | This was internal research undertaken to inform the Aerospace Sector Strategic Plan, which was commissioned to give effect to a new strategic approach to Defence Industry and procurement policy. It was subsequently referenced in the <i>Defence Capability Plan 2004-14</i> , and its recommendations were used in the development of Australian Defence Industry involvement in a number of programs such as that for the new Air Combat Capability. |
| | Defence Capability Review | Government-initiated | This review resulted in the decision to implement a new force structure of the ADF to ensure a balance force able to achieve the 2000 White Paper objectives. |
| | Veterans' Entitlements (Clarke Review) | Government-initiated | This review provided 109 recommendations across broad areas, including veterans' eligibility for various services and benefits. The Government agreed to many of the recommendations, and amended the <i>Veterans' Entitlements Act 1986</i> in 2004. |
| | Strategic Workforce Planning Review | Secretary/ Chief of the Defence Force-initiated | Annual Defence Workforce Plans are implemented in line with the review's recommendations. |
| | Manpower Defence Force Recruiting Contract Review (Consultancy Report) | Secretary/ Chief of the Defence Force-initiated | Formed the basis of the decision to outsource components of Defence Force Recruiting. |
| | Doctrine Development Responsibilities in the Australian Defence Organisation | Portfolio Evaluation | Endorsed by the Secretary and the Chief of the Defence Force. |

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| | Boston Consulting Group Report | Secretary/ Chief of the Defence Force-initiated | Review of Chief Information Officer Group. The Group has been reorganised in line with the recommendations. |
| | Review of Defence Science and Technology Organisation's External Engagement and Contributions to Australia's Wealth | Government-initiated | The Defence Science and Technology Organisation has developed an implementation plan to improve technology access for industry, especially in small to medium enterprises, and to enhance existing commercialisation mechanisms for technology transfers. |
| | Statutory Review of Part IIIAAA of the <i>Defence Act 1903</i> | Government-initiated | This section of the <i>Defence Act 1903</i> has been amended, and Defence is currently working through an implementation plan with the Attorney-General's Department. |
| 2004 | Review of the ADF's Joint Redress of Grievance process | Government-initiated | The recommendations have been implemented. |
| | Inquiry into Australian Intelligence Agencies (Flood Report) | Government-initiated | Of the 23 recommendations, three were the responsibility of Defence, and have been implemented. |
| | Government Response to Expert Panel Report on SAS Health Concerns | Government-initiated | The Government agreed all recommendations of the review. Of the eight Defence-related recommendations, six have been implemented and two are in the process of being implemented. |
| | Review of the effectiveness of interoperability between the armed forces of Australia and the United States | Secretary/ Chief of the Defence Force-initiated | The Office of Interoperability was formed to see oversee the implementation of the recommendations. This will be subject to continuing review. |
| | Review of Military Health Services (Consultancy Contract) | Secretary/ Chief of the Defence Force-initiated | As a result of this review, Defence has established a Defence Health Services Division, as well as a Health Services Review Committee to consider strategic health service issues. |
| | Corporate Governance of the Defence Information Environment | Portfolio Evaluations | The recommendations have been implemented. |
| | Intelligence and Security Administrative Process Review (Consultancy) | Other ⁽¹⁾ | The contract has been completed and recommendations have been implemented. |

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| | Corporate Resourcing Review | Other | All recommendations have been accepted, and were implemented as part of a restructure and re-baselining of the Corporate Services and Infrastructure Group's budget. |
| | Logistics Management Review | Other | All agreed recommendations have been implemented or are currently being implemented. |
| 2005 | Board of Inquiry into the Sea King Incident – HMAS <i>Kanimbla</i> | Navy-initiated | The Board of Inquiry is expected to deliver a report with findings and recommendations to the appointing authority by 8 December 2006. |
| | Review into Recruiting and Retention | Government-initiated | The Review will be used to develop a set of initiatives for enhancing recruitment and retention outcomes. Currently with the Minister for consideration. |
| | Review of culture in the ADF training (Podger Review) | Chief of the Defence Force -initiated | An implementation plan for the recommendations is being developed. This Review is currently not publicly available and is with the Chief of the Defence Force for consideration. |
| | Review of Defence Funding Guidance Beyond 2010-11 | Government-initiated | Funding of initiatives has been included in the funding submission of the 2006-07 Portfolio Budget Statements |
| | Australian Defence Force Command and Control Structure | Chief of the Defence Force -initiated | The recommendations are currently being implemented. |
| | Health Services Review | Secretary/ Chief of the Defence Force-initiated | The review is currently under consideration by the Chiefs of Staff Committee. |
| | Reserve Remuneration Review | Chief of the Defence Force -initiated | Additional funding has been set aside in the 2006-07 Budget for the implementation of recommendations. |
| | Joint Agency Records Review | Government-initiated | The recommendations are being implemented, and make up part of the Records Improvement Project. |
| 2006 | Inquiry into the death and repatriation of Private Jake Kovco | Chief of the Defence Force Board of Inquiry | An implementation strategy is being developed. |

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| Review of ADF repatriation processes and procedures | Chief of the Defence Force Board of Inquiry | The review has resulted in a new Defence Instruction (General) detailing the policy for the repatriation of deceased ADF members. Defence Instruction (General) – Personnel 20-6 was issued on 18 September 2006. |
| Investigation into the loss of the draft report into the repatriation of Private Kovco's body. | Chief of the Defence Force Board of Inquiry | All the recommendations were accepted and are currently being implemented. |
| Defence Management Review | Government-initiated | In August 2006, the Minister for Defence announced the creation of the Defence Management Review Team. The Team will look specifically at Defence decision making, business processes, and information management processes and systems. The Team has been gathering information via interviews with prominent Senior Executive Service/Star rank past and present employees and materials gathered by the DMR Secretariat. The Review will run for approximately six months, and the Team aims to report to the Minister in the first quarter of 2007. |
| Evaluation of Defence Force Recruiting | Government-initiated | All recommendations have been agreed to by Defence, and will be used to develop a new model for ADF recruiting. The evaluation is currently with the Minister, awaiting endorsement. |
| Defence Business Improvement Board | Secretary/ Chief of the Defence Force-initiated | The Board has met four times during 2006 (between September and December). These initial meetings have been used to give members a view of current Defence management and business process issues, and assist in developing the forward work program for the Board for 2007. |
| Audit of ADF Investigative Capability (Adam's Review) | Secretary/ Chief of the Defence Force-initiated | An implementation plan is currently being developed. |
| Defence Materiel Organisation Procurement Practices for Clothing and Personal Equipment for members of the ADF | Government-initiated | Twenty-nine recommendations have been made, and are being implemented. |

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|--|---|---------------------------------------|--|
| | Navy's SeaSprite Helicopter Program – Super SeaSprite | Government-initiated | The Minister was provided with the completed review on 31 October 2006. |
| | Defence Industry Policy Review | Government-initiated | A discussion paper, identifying industry policy issues, was released in June 2006. The consultation period closed on 30 September 2006. The Review Team is currently analysing the advice and submissions, and will produce a report to the Government on its findings. This report is expected to be made public by the Minister for Defence on 24 November 2006. |
| | Foreign Fisheries | Chief of the Defence Force -initiated | This is a continuing operational analysis of the procedures the ADF uses in dealing with foreign fishing vessels |

Note:

1. 'Other' refers to reviews or inquiries that were not initiated by Government, or the Secretary and Chief of the Defence Force, and were not Portfolio Evaluations.

Question 8

Senator Bishop

Hansard 1 November, p. 43

Consultancy Services in Defence

Provide a break-down of consultancy services, pursuant to Table 6.31 of the 2005-06 Defence Annual Report Volume 1 and Table 7.2 of the 2005-06 Defence Annual Report Volume 2, to explain how approximately \$75 million has been spent on external consultants across the areas of financial remediation, the facilities development program and DMO outsourcing.

RESPONSE

The table below provides a breakdown by Category of Consultancy Services Let during 2005-06 of total contract value of \$10,000 or more (inclusive of GST). Defence and Defence Materiel Organisation (DMO) contracts let are included in the table below.

The data differs from that presented at table 7.2 of Volume 2 of the Defence Annual Report 2005-06, which is incomplete and will be corrected in the *Defence Annual Report 2006-07*. The revised total for DMO consultancies let is reflected below.

Consultancy Services Let 2005-06

| | Contract Value \$ | Contract Numbers |
|--------------------------------|-------------------|------------------|
| Defence | | |
| Financial Remediation Advice | 6,458,902 | 35 |
| Facilities Development Program | 14,509,179 | 64 |
| Project Management Advice | 3,492,345 | 23 |
| Strategic Advice | 2,968,787 | 15 |
| Environmental Advice | 13,630,664 | 61 |
| Compliance Advice | 3,440,796 | 14 |
| Independent Assessment Advice | 338,172 | 8 |
| Information Technology Advice | 3,969,319 | 28 |
| Other Specialist Advice | 15,029,728 | 131 |
| Total Defence | 63,837,892 | 379 |

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| Defence Materiel Organisation (DMO) | | |
|--|-------------------|------------|
| Specialist Expertise | 10,641,989 | 47 |
| Independent Assessment | 1,184,483 | 21 |
| Total DMO | 11,826,472 | 68 |
| Total | 75,664,364 | 447 |

Details of all consultancies are available at the following address:
http://www.defence.gov.au/budget/05-06/dar/downloads/2005-2006_Defence_DAR_21_additional.pdf

Question W3

Senator Faulkner

APEC 2007

- a. Please indicate the total funding allocated to the department for activities related to APEC 2007, please also indicate how this funding is broken down by financial year.
- b. Is all funding allocated to the department for APEC 2007 allocated for security purposes? If not, please indicate the purpose of the funding and the amounts allocated to specific purposes.

RESPONSE

- a. The total funding allocated to Defence for activities related to APEC 2007 is \$19.735m over two financial years, comprising \$8.436m in 2006-07 and \$11.299m in 2007-08.
- b. Yes.

Question W6

Senator Faulkner

Overseas visits

For any of the overseas visits undertaken by the Hon Ian Campbell for which Special Purpose Aircraft were used, for the period November 2004 to October 2006, what were all attributed costs of such travel?

RESPONSE

\$65,979.90

Defence Materiel Organisation

Outcome 1: Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel.

Question W8

Senator Bishop

Mulwala/Benalla leasing

- a. With respect to the leasing arrangements with ADI/Thales, the company that exclusively supplies explosive to Defence. Has the Government signed a 16-year lease with ADI/Thales totalling \$800 million for its Benalla site?
- b. Has the Government agreed that ADI/Thales does not have to pay any rent on a similar lease on the Government-owned Mulwala site?
- c. What is the difference between these two leases?
- d. With regard to these leasing arrangements, could you confirm the lease for the Benalla site is an operating, or a finance lease?
- e. If so, what is the distinction?
- f. Is it correct the Government has to pay \$300 million to upgrade the Mulwala site?
- g. Does the Government pay nearly \$40 million a year for maintenance and repair at the Benalla site? If so, is this as well as the \$50 million a year leasing arrangement with ADI/Thales?
- h. Does the \$300 million costing for the redevelopment of the Mulwala facility include the \$63 million to remediate contaminated parts of the site, or is the \$63 million separate to that costing of \$300 million?
- i. It was stated in the last round of Senate Estimates that, following that \$300 million upgrade of the Mulwala plant, the Government would also have to pay [then ADI] about \$5 million or \$10 million a year more for its product. Is this correct and if so, why?
- j. Also at last Estimates, it was indicated that DMO's annual payment of \$25.8 million a year to ADI to keep capability at Mulwala had to be re-negotiated. Has that happened and if so, what is the new cost?
- k. Does the takeover of ADI by Thales affect the leasing arrangements?
- l. Has Defence completed its review of the SAMS Agreement, as stated in the ANAO report?
- m. Does the review take into consideration the Thales takeover of ADI?

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- n. Under the current leasing arrangement for Benalla, who would have to pay for the type of upgrade just witnessed at Mulwala; DMO, or ADI?
- o. What is Defence's annual expenditure of explosives and propellants, separate to the \$1.58 billion it pays for the Mulwala and Benalla facilities?
- p. The Government and ADI share a 50/50 split in profits from the sale of explosives and propellants from its Mulwala site; who are the main customers, domestically and overseas, besides Defence?
- q. What other countries provide ordnance to Australia and what, in broad terms, are those conditions? Do they allow for on-sale, for example?

RESPONSE

- a. The Commonwealth entered into a 17-year lease with ADI Limited (now Thales Australia), effective 1 July 1998 as part of the Strategic Agreement for Munitions Supply which provides for the maintenance of an indigenous munitions capability and supply of munitions to the Australian Defence Force. The total cost of the lease is \$459m.
- b. The Commonwealth entered into a lease arrangement with ADI Limited (now Thales Australia) on 1 July 1998, under which \$57,000 per annum (fixed) is payable for the use of the Mulwala facility. The lease expires on 30 June 2015.
- c. The difference between the two leases is that the Government owns the Mulwala site and Thales pays the Commonwealth an annual rental fee for the use of the facility. In contrast, Benalla is owned by Thales and the Commonwealth pays an annual fee to Thales. The terms of this latter agreement with Thales mean that at the completion of the lease, the Commonwealth will be able to purchase the facility from Thales for \$1.
- d. At paragraph 4.67 of its report *Procurement of Explosive Ordnance for the Australian Defence Force (Army)* issued in May 2006, the ANAO stated that the Strategic Agreement for Munitions Supply appears to have the characteristics of a finance lease under the definitions of the Australian Accounting Standards. (In previous correspondence with the ANAO, Defence had advised that the Strategic Agreement for Munitions Supply had been categorised as an operating lease.) The ANAO report recommended that DMO and Defence ensure that the accounting treatment of the Strategic Agreement for Munitions Supply is in accordance with the relevant Australian Accounting Standard.

In preparing the 2005-06 financial statements, Defence reviewed the Benalla lease under the Strategic Agreement for Munitions Supply and determined that it should be more appropriately treated as a finance lease. This was taken up in the Defence financial statements and agreed by the ANAO.

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- e. Australian Accounting Standard AASB 117 defines a finance lease as a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.
- f. The Mulwala Redevelopment Project was approved by Government on 5 October 2006 with a cost of \$338.7m.
- g. In 2005-06, the Government paid approximately \$2m for maintenance and repair at the Benalla site. This is in addition to the \$27m annual lease payment.
- h. The \$63m in the Major Capital Facilities Program for remediation of below-ground contamination is separate to the approved funding of \$338.7m for the Mulwala Redevelopment Project.
- i. The future cost of propellants produced by an upgraded facility will depend upon the type of propellant. It is anticipated that the types of propellants will change from those currently produced which, in some cases, will move towards safer products that contribute to more insensitive munitions, as required by current defence policy. Between \$5m to \$10m per year is an approximate estimate of the additional cost of producing these improved propellant products.
- j. No, the need for a renegotiation of the annual capability payment is a natural consequence of upgrading the facility. The facility upgrade, which affects about one third of the plant, is scheduled for completion in 2011/12. The future cost of the annual payment should reflect the expected lower maintenance cost of the upgraded plant.
- k. No. Under a multi-party deed negotiated with ADI and Thales as part of the sole sale process, the Mulwala facility has been identified as a strategic facility disallowing without Commonwealth agreement any changes to ownership, licences, leases or disposal of any interest or rights in the facility.
- l. DMO has completed a review of the Strategic Agreement for Munitions Supply and is in the process of engaging with Thales Australia to negotiate changes to the agreement.
- m. Negotiations on the Strategic Agreement for Munitions Supply will proceed on the basis that Defence strategic interest affected by the change of ownership in the Benalla facility and the SAMS contract has been protected under the multi-party deed negotiated with ADI and Thales.
- n. Given the relatively young age of the Benalla facility, it is unlikely that there would be any requirement for a major upgrade to the existing facility, along the lines of the redevelopment being undertaken at Mulwala. In the unlikely event that a major upgrade of the Benalla facility was required by the Commonwealth, it would be undertaken on terms that would need to be negotiated and agreed between DMO and Thales Australia at the time. Should there be a requirement to increase the capability of the plant (for example, the addition of a new class of ammunition); the initial capital expenditure would be funded by the Commonwealth. The Commonwealth has the option to either fund such an upgrade up front, or to roll the costs into the total project

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investment and have it amortised over the remaining period of the Strategic Agreement for Munitions Supply (until June 2015).

- o. Explosives and propellants produced at Mulwala are used by Thales Australia at the Benalla facility as components in the production of munitions for Defence. Occassionally, Thales Australia imports small quantities of propellants where the quantities are not economical to produce at the Mulwala facility. Defence does not procure propellant or explosives (in raw material form as opposed to a component of all up rounds) other than through Thales Australia.
- p. The Mulwala Agreement provides that profit before tax is shared between the Commonwealth and Thales Australia, according to a formula whereby the Commonwealth receives 25 per cent of profit up to a specified threshold, and 40 per cent of profit above that threshold. The threshold started from a base of \$6m in 1998-99 and is escalated each year. Commercial sales of propellant are exported into the United States sporting shooters' market. Sales of acid and fertilizer material are made to domestic customers. Glycerol tri-nitrate is also sold to the medical industry. The identity of those customers is Thales Australia commercial-in-confidence information not specifically provided to DMO under the Mulwala Agreement.
- q. ADF munitions are sourced chiefly from the United States, United Kingdom, Republic of South Korea, Sweden and France. For the most part, all munitions purchases require the Commonwealth to enter into an agreement that certifies the ADF is the end user and guarantees against any on-sale without specific permission.

Question W9

Senator Bishop

Air Warfare Destroyers

- a. In Media Release Number 200/2004, Minister Hill advised likely costs for the AWD were between \$4.5 billion and \$6 billion. Please provide an outline upon which these costings were determined.
- b. Please advise whether these figures are still correct. If not, provide an updated figure for the cost of the AWD project.
- c. Please provide a status report on the progress of negotiations on the key aspects of the AWD project.
- d. What is the Government's policy in major project negotiations in respect to liquidated damages clauses?
- e. Can you provide a current description of the Aegis Air Defence System?
- f. Is there an exact costing for the Aegis Air Defence System and if so, please provide details.
- g. What is the status of Intellectual Property (IP) for the Aegis system?
- h. Has the Government as yet concluded negotiations concerning IP in the Aegis System?

RESPONSE

- a. These costings were derived from the publicly released figures contained in the Defence Capability Plan.

The previous Minister for Defence's media release (200/2004) listed the Defence Capability Plan cost of \$4.5 to 6 billion (Budget 2003-04 Constant Price and Exchange). This cost estimate was developed through a range of cost estimation activities that included in-depth industry consultation (Team Australia), historical investigations and case studies of comparable international projects.

- b. The current Defence Capability Plan (2006-16) states the estimated phased expenditure at \$4.5 to \$6 billion.
- c. The AWD Alliance is currently progressing through Phase 2 – Design, and preparing for second pass approval, currently scheduled for mid 2007. For the 'Evolved Design' option, ASC and Raytheon are working under Phase 2 design agreements. For the 'Existing Design' option, the Commonwealth entered into a contract with Navantia to act as the existing Platform Systems Designer in May

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2006. ASC and Raytheon are contributing to the existing design via Phase 2 support agreements.

Contract negotiations are currently under-way with the industry participants (ASC and Raytheon) in preparation for entry into Phase 3, after second pass approval. These negotiations are progressing as expected and significant progress has been made.

- d. Provision to claim liquidated damages is often included in Defence contracts for complex and strategic procurements to compensate for losses incurred by Defence if contractor fails to fulfill nominated events. Claims for liquidated damages are commonly considered if a contractor fails to meet its contractual obligations. When a liquidated damages event occurs, damages in the form agreed between the parties become due. Under present policy, liquidated damages may be claimed in the form of cash or compensatory work, or a combination of both. Liquidated damages clauses are core clauses within the Australian Defence Contracting (ASDEFCON) Strategic Materiel template. As such, the wording of the liquidated damages clauses themselves would not normally be the subject of negotiations. Negotiations may take place to determine the form of compensatory work if compensatory work is to become a means of claiming liquidated damages.
- e. The Aegis Combat System being procured for the AWD includes the AN/SPY 1D(V) phased array radar and Aegis Command and Decision System, as fitted to the United States Navy Arleigh Burke-class destroyers. The Aegis system is capable of engaging air targets with the United States Navy Standard Missile and Evolved Sea Sparrow Missile at ranges beyond 150 kilometres.
- f. A foreign military sales case has been signed between the Australian and United States Governments for the procurement of the core Aegis Combat System for the AWD. Listed in the Defence Capability Plan as SEA4000 Phase 3.1, the value of this procurement is approximately \$1.3 billion. The foreign military sales case may be increased to include other elements of the whole AWD warfare system.
- g. The intellectual property for the Aegis Combat System is owned by the United States Government. As part of the agreed foreign military sales case, Defence will be given access to the intellectual property required to allow Australia to install, integrate and maintain the Aegis weapons system in the AWD platform.
- h. Yes.

Defence

Outcome 1: Command of operations in defence of Australia and its interests

Question 3

Senator Nettle

Hansard 1 November, p. 13

Operation Mountain Thrust

What was the role of Australian Chinook helicopters in Operation Mountain Thrust, which took place in the middle of this year?

RESPONSE

The role of Australian Chinook helicopters in Operation Mountain Thrust was to provide aero-medical evacuation and air mobility support to Coalition forces.

Question 4

Senator Bishop

Hansard 1 November, p. 16

British Helicopters

What is the flying time for British helicopters from Basra to Tallil?

RESPONSE

The flying time from Basra to Tallil is approximately one hour, depending on helicopter type.

Question 6

Senator Nettle

Hansard 1 November, p. 39

Civilian casualties in Iraq

How many Iraqis, separated into civilians and others, have been killed by ADF personnel?

RESPONSE

Since the commencement of Operation Catalyst in July 2003, two Iraqis are known to have been killed by ADF personnel, one civilian and one member of a personal security detachment. The number of deaths caused by ADF personnel during combat operations (Operation Falconer) in Iraq prior to July 2003 is not known.

Question 7

Senator Nettle

Hansard 1 November, p. 39

Attacks and Injuries in Iraq

- a. Provide a collation of targeted attacks and injuries sustained by ADF members in Iraq. This summary should include the number of injuries in the security detachment.
- b. Also indicate whether any of the injuries were permanent injuries. Of those members of the ADF that were injured in Iraq, indicate whether any of them have subsequently been discharged from the ADF.

RESPONSE

- a. Since the commencement of Operation Catalyst in July 2003, most attacks have been by mortar, rocket or improvised explosive device, which are not targeted specifically against Australian personnel. Collation of all attacks specifically against ADF personnel would be time consuming and not possible in the time available. There have been four attacks against ADF personnel that caused injuries. A total of 18 injuries were sustained, all within the Security Detachment.

The number of attacks directed at ADF personnel during combat operations in Iraq (Operation Falconer) is not known.

- b. Of the 18 ADF casualties, two members are currently medically downgraded as a result of their injuries. Additionally, three of the injured members have separated from the ADF, all for non-medical reasons. At the time of their discharge, these members had not been medically downgraded.

Question 10

Senator Nettle

Hansard 1 November, p. 80

Cost of Exercise Talisman Sabre

- a. What is the total cost to Defence for Exercise Talisman Sabre?
- b. How much is Defence spending on public relations and consultations in relation to the exercise, including associations with consultations on environmental impact prior to the exercise?
- c. How much is Maunsell being paid for its services relating to the exercise?

RESPONSE

- a. The net additional cost to Defence for Exercise Talisman Sabre 2007 is projected to be approximately \$19 million.
- b. Approximately \$410,000.
- c. Maunsell is being paid \$107,000, which includes approximately \$20,000 to develop the Stakeholder Consultation Plan, conduct meetings and publish the Public Environment Report.

Question W18

Senator Nettle

Afghanistan

How many ADF personnel are on secondment to other forces in Afghanistan and what are their ranks and roles?

RESPONSE

There are two ADF personnel on secondment to other forces in Afghanistan. Information relating to their ranks and roles is classified.

Outcome 2: Navy capability for the defence of Australia and its interests.

Question 9

Senator Hogg

Hansard 1 November, p. 51

Squirrel Maintenance Cycle

Provide the maintenance cycle over a 12 month period for the Squirrel aircraft. Please include scheduling to indicate how many are fully operational at any one time.

RESPONSE

There are 13 Squirrel aircraft in the Royal Australian Navy Fleet Air Arm.

Servicing of these aircraft is based on airframe flying hours and is directed by the following schedule:

| | | |
|------------|----------------------------|----------------------------|
| R1 Service | at 50 hours | Operator Level Maintenance |
| R2 Service | at 100 hours | Operator Level Maintenance |
| R3 Service | at 500 hours | Operator Level Maintenance |
| R4 Service | at 1,000 hours | Operator Level Maintenance |
| R5 Service | at 7,000 hours or 12 years | Deep Maintenance |

Total Navy Squirrel flying rate of effort of 4,000 hrs per annum is based on an average of 333 hours per aircraft per annum. To achieve this overall rate of hours, 12 of the Squirrel airframes are in normal use, and one is in what is known as an 'attrition' cycle. (An 'attrition' aircraft is one that is rotated through the operating pool to manage airframe hours and availability across the Squirrel fleet.)

On average there are six R1 and three R2 services per aircraft per annum. Additionally there is an average of five R3 and/or R4 services across the fleet per annum.

The number of operational aircraft available varies day-to-day due to unscheduled maintenance. The average number of aircraft fully operational on any day across the year is between six and eight.

On 1 November 2006, two of the RAN's Squirrels were in R5 servicing, four were undergoing Operator Level Maintenance and one was undergoing unscheduled minor maintenance. Six aircraft were serviceable and available for operations.

Question W7

Senator Bishop

Management of Capability acquisition

With respect to a Tender 7/2006 released on 18 July 2006 by the RAN Training Authority Aviation, for the Lease of helicopters to overcome a Retention and Motivation concern for Navy trainee helicopter aircrew:

- a. Were Defence Industry participants given prior advice of this requirement and the potential for release of the Tender?
- b. How was the Request for Tender called? Was it subsequent to a private contractor alerting the Navy as to the need for an R5?
- c. Which company subsequently won the tender? Was it the same company that approached DMO advising that that Squirrels needed the R5?
- d. What was the lead-in time for other competitors to submit a tender? What is the normal lead-in time for such a tender process?
- e. Is a company currently contracted to provide Technical and Logistics Support and advice to the RAN for the helicopter training capability able to participate in this Tender?
- f. If so, was there a conflict with that company's contractual obligation to provide advice on solutions to overcome problems confronting the delivery of this capability?
- g. Is it the case that this company, out of the four proposals submitted, has been the only one invited to showcase its solution on 25 September at the Naval Air Station Nowra?
- h. Is it the case that this apparent preferred tenderer is potentially the same company that Navy originally sought to "sole source" this requirement?
- i. Can you confirm the evidence of officials at Estimates on Wednesday, 1st November, that 12 of the 13 aircraft were operational and in use for training purposes?
- j. If not, please outline the exact situation in respect to operational use of each aircraft.
- k. Can you confirm that of the 13 Squirrels as at 1st November, two aircraft were at R5 (major service), six were serviceable and five were unserviceable? If not, please advise correct details of each of the Squirrels.
- l. Can the ADF confirm that it is proceeding with an RMI contract to lease an additional three aircraft? If so, have those negotiations been concluded? When will Navy take delivery of the aircraft? Please provide details of cost of lease or purchase as appropriate.
- m. If the ADF answers in the affirmative to the first part of part l. (above), what is causing the ADF to lease additional aircraft?
- n. Outline the detail of normal R5 servicing of aircraft in terms of location, and venue, for the craft.
- o. How many craft does the squadron need operational and serviceable to train current levels of trainee pilots? How many trainee pilots are currently taking training? Is this figure different to normal complement levels? If so, please outline the reasons for being under standard complement level.

RESPONSE

- a. Yes, the 12 companies identified as meeting the restricted tender criteria were given notice two weeks prior to tender release.

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- b. The request for tender was prepared, registered and dispatched in accordance with Defence Materiel Organisation guidelines. The tender is not related to Squirrel maintenance requirements in any way.
- c. The Preferred Tenderer is Raytheon Australia. No company “approached the Defence Materiel Organisation” advising on Squirrel deep maintenance. Deep maintenance timings are fixed and advice is not required.
- d. All restricted tenderers were given six weeks to submit a tender. The minimum lead-in period under Defence Materiel Organisation guidelines is four weeks.
- e. Yes, provided it met the criteria.
- f. No.
- g. No. Another tenderer was invited to provide a sample of the offered platform in accordance with the request for tender. At that stage of the tender evaluation, only the then two compliant tenderers were requested to provide a sample of the offered solution.
- h. The Navy received an unsolicited proposal from Raytheon Australia for limited training under a full civil operation. The proposal differed significantly from the Navy’s requirements. For example, the proposed aircraft were significantly less capable than required. The Navy did not desire a sole source contract, and it was clear that it was in the Commonwealth’s interest to test the market with a restricted tender in accordance with Defence Materiel Organisation guidelines. There were 12 companies canvassed and there were four responses to the tender. Raytheon Australia was selected as the preferred tenderer. The selection process was in accordance with Defence Materiel Organisation guidelines.
- i. Defence confirms that 12 of the 13 Squirrel aircraft are in the operational pool at any one time, with the 13th being an attrition aircraft that is rotated through the operating pool to manage airframe hours and availability across the Squirrel fleet.
- j. Not applicable.
- k. On 1 November 2006, two aircraft were in R5 maintenance. Six aircraft were serviceable. Of the five aircraft that were not serviceable, four were undergoing scheduled maintenance and one was undergoing unscheduled minor maintenance.
- l. The Navy is leasing three aircraft through an initiative to retain flying skills for junior qualified aircrew. The contract negotiations are still under way and are due to conclude on 24 November 2006. The aircraft are anticipated to be delivered between mid-February and late March 2007. The total lease cost is anticipated to be in the order of \$6m per annum for four years.
- m. Due to the impacts of the delays in the delivery of the twin engine Seasprite, delays in upgrades to the twin engine Seahawk, the Nias accident and previous operational tempo, the operational flying training system has been operating at a significantly reduced capacity. This has resulted in a pool of junior aviators post basic helicopter conversion training who are awaiting operational flying training. The twin engine ‘Retention and

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Motivation Initiative' aircraft have been leased to keep these junior aviators motivated, and to retain and further develop their fledgling aviation skills in preparation for operational flying training.

- n. The R5 maintenance program, which occurs every 12 years for each aircraft, is spread over 3.25 years using a rotational system that delivers one aircraft into the R5 servicing program each quarter. R5 servicing is carried out by Australian Aerospace (the Australian representative of the aircraft manufacturer) at its locations in Redcliffe, Queensland and Bankstown, New South Wales.
- o. The Retention and Motivation Initiative plays no role in supporting ab-initio aircrew helicopter training. 723 Squadron requires five serviceable Squirrel aircraft each day to meet its training commitment. Ten trainee pilots are under training (four in the Pilot Basic and six in the Pilot Advanced courses). This is a normal training load for these courses.

Outcome 5: Strategic policy for the defence of Australia and its interests.

Question 1

Senator Nettle

Hansard 1 November, p. 12

NATO

Can the exchange of letters between Australia and NATO, which refers to Australia's participation in the NATO operation in Afghanistan, be made public documents?

RESPONSE

The exchange of letters on Australia's participation in NATO operations in Afghanistan contains classified information, accordingly, cannot be released.

Question 2

Senator Nettle

Hansard 1 November, p. 13

Afghanistan

Is the Government involved in any discussions with the coalition forces in Afghanistan about bringing the Taliban and other elements into the negotiations?

RESPONSE

There are many groups in Afghanistan with different interests and political associations. The term ‘Taliban’ is often used to collectively identify those groups that do not recognise the authority of the Afghan Government in Kabul and, could undermine stability.

Australia, as a member of the International Security Assistance Force (ISAF), maintains regular dialogue with other ISAF members to keep abreast of their views on engagement with groups across Afghan society.

Question 12

Senator Nettle

Hansard 1 November, p. 86

Defence Exports to Israel

Provide an update on approved defence exports from Australia to Israel since 2004. Include an explanation for why the 2004 figure of \$10 million, which includes \$8 million for armoured or protective equipment, is quite high.

RESPONSE

- a. Defence exports to Israel for the period January 2005 – October 2006:
 - i. Permanent Exports
 - Military \$3,435,567
 - Dual-Use \$30
 - ii. Temporary Exports – an export of a controlled item for repair in Israel then returned to Australia. There is no change of ownership.
 - Military \$12,541,404
 - Dual-Use nil

- b. During 2004, a small number of high-value exports distorted the trends in defence-related exports. In that year, there were two exports of armour grade steel to the same Israeli company with a total value of \$8.26m. The Israeli company specialises in add-on armour kits for commercial and military vehicles, aircraft and personal protection.

Question 13

Senator Nettle

Hansard 1 November, p. 87

Denied Applications for Defence Exports

How many export applications have been denied in the last two years?

RESPONSE

- a. 2005 – Two
- b. 2006 (as at 17 November 2006) – Two

Question 14

Senator Nettle

Hansard 1 November, p. 87

Defence Exports to Israel during conflict

Were there any Australian defence exports to Israel during the conflict between Israel and Lebanon?

RESPONSE

During the Israel/Lebanon conflict, which occurred between 12 July and 31 August 2006, three Australian defence exports to Israel took place:

- On 13 July 2006, Defence issued one export permit for ten protective body armour plates to be used for demonstration purposes by an Israeli company. The value of this export was \$1,961.
- On 14 July 2006, sporting rifle scopes to the value of \$11,440 were exported under an export approval dated 14 June 2005.
- On 22 July 2006, electronic components to the value of \$100,000 were temporarily exported for repair in Israel and return to Australia. These were exported under an export approval dated 22 March 2006.

Question 15

Senator Nettle

Hansard 1 November, p. 88

Defence Exports approval process

Please indicate the latest point along the process of approving defence exports that the approval can be withdrawn or cancelled?

RESPONSE

An applicant can withdraw an application at any time during the consideration process. Once the formal application has been received, only the Minister for Defence can deny the application. Once the application is approved and the applicant notified of the approval, only the Minister for Defence can revoke the permission. Permission may be revoked at any time before the export occurs.

Question 16

Senator Nettle

Hansard 1 November, p. 88

Defence Exports Sensitive Destination List

Can Defence provide to the Committee the Sensitive Destinations List which relates to defence exports?

RESPONSE

The list contains classified information and, accordingly cannot be released.

Question 17

Senator Nettle

Hansard 1 November, p. 88

Defence Exports to Lebanon

Have there been any changes to Defence's criteria or decision making regarding Australian defence exports to Lebanon in light of the recent conflict in Lebanon?

RESPONSE

No.

Question 18

Senator Nettle

Hansard 1 November, p. 88

Top 25 Export Approvals per Country

Provide a table that sets out, by value, the top 25 export approvals per country for 2005. Include an explanation of what they were for.

RESPONSE

Defence advises that the information requested is not readily available, and Defence is unable to devote the considerable resources necessary to responding in full detail to this question.

However, the top 5 exports for the top 10 countries by export value are provided.

Please note this is actual export data from the Australian Customs Service and may contain duplications. Data also contains temporary exports information.

United States of America

| Value (\$AUD) | Goods |
|---------------|------------------------------------|
| 10,340,020.83 | Aircraft parts |
| 8,000,000.00 | Military weapons |
| 3,999,873.00 | Military ammunition |
| 2,801,929.23 | Communication equipment |
| 2,500,000.00 | ADF equipment (various) for repair |

Yemen⁽¹⁾

| Value (\$AUD) | Goods |
|-----------------|--|
| \$67,556,012.53 | Patrol boats |
| \$365,582.97 | Machine guns (part of patrol boats export) |
| \$311,870.46 | Shotgun cartridges components |

Note:

1. There were only three defence-related exports to Yemen in 2005.

United Kingdom

| Value (\$AUD) | Goods |
|----------------|------------------------------------|
| \$2,056,400.00 | Communication equipment |
| \$2,000,000.00 | ADF equipment (various) for repair |
| \$1,541,200.00 | Surveillance system |
| \$1,270,070.00 | Communication equipment |
| \$1,200,000.00 | Turbine parts |

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New Zealand

| Value (\$AUD) | Goods |
|---------------|----------------------|
| \$832,084.00 | Generators |
| \$265,606.00 | Storage unit |
| \$243,200.00 | Detonator assemblies |
| \$241,314.00 | Aircraft parts |
| \$236,231.99 | Machinery |

Ghana

| Value (\$AUD) | Goods |
|---------------|-----------------------|
| \$419,761.56 | Gold mining chemicals |
| \$416,583.00 | Gold mining chemicals |
| \$369,743.25 | Gold mining chemicals |
| \$358,728.81 | Gold mining chemicals |
| \$346,106.38 | Gold mining chemicals |

Peru

| Value (\$AUD) | Goods |
|---------------|-----------------------|
| \$618,710.80 | Gold mining chemicals |
| \$584,873.95 | Gold mining chemicals |
| \$492,152.48 | Gold mining chemicals |
| \$428,188.29 | Gold mining chemicals |
| \$418,520.50 | Gold mining chemicals |

France

| Value (\$AUD) | Goods |
|----------------|-------------------|
| \$8,026,970.62 | Military weapons |
| \$774,000.00 | Thermal equipment |
| \$704,830.00 | Military firearms |
| \$640,000.00 | Aircraft parts |
| \$330,511.32 | Computers |

Indonesia

| Value (\$AUD) | Goods |
|----------------|-----------------------|
| \$1,830,582.77 | Commercial explosives |
| \$1,246,626.40 | Commercial explosives |
| \$1,064,434.97 | Commercial explosives |
| \$965,184.58 | Commercial explosives |
| \$897,763.02 | Military lifeboats |

Canada

| Value (\$AUD) | Goods |
|----------------|-------------------------|
| \$1,899,068.00 | Aircraft parts |
| \$1,340,184.00 | Communication equipment |
| \$670,174.00 | Communication equipment |
| \$657,331.00 | Cartridges |
| \$565,549.32 | Aircraft parts |

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Singapore

| Value (\$AUD) | Goods |
|----------------|--------------|
| \$1,237,620.00 | Patrol boats |
| \$1,224,752.00 | Patrol boats |
| \$1,224,751.00 | Patrol boats |
| \$619,487.00 | Patrol boats |
| \$612,376.00 | Patrol boats |

Question 19

Senator Nettle

Hansard 1 November, p. 88

Defence Cooperation with Thailand

Noting the Annual Report which states that Defence has budgeted \$3.185 million for Defence cooperation with Thailand, please outline what that cooperation is.

RESPONSE

The defence cooperation program with Thailand comprises strategic dialogue, exercises, defence science collaboration and logistics cooperation. Australia also provides capacity building for the Royal Thai Armed Forces in education and training, and professional exchanges in the fields of peacekeeping, defence management and capability planning.

Question 20

Senator Nettle

Hansard 1 November, p. 89

Defence Advice to Government regarding the Thai Coup

When did Defence provide advice to the Government in relation to any changes to the defence cooperation program with Thailand in light of the recent coup?

RESPONSE

On 20 September 2006. Subsequent advice on this issue was provided on 21 September 2006 and 29 September 2006.

Business processes

Question 11

Senator Nettle

Hansard 1 November, p. 80

New Generation Weapons

- a. What are New Generation Weapons?
- b. What tests have been conducted in Australia that involves New Generation Weapons?

RESPONSE

- a. The term New Generation Weapons is a popular term with little in the way of specific meaning. One of the recent paradigm shifts in weapons systems comes from the impact that information and communications technology is having on weapons systems and their application is often described as Network Centric Warfare. There are many aspects of Network Centric Warfare but one of the biggest challenges is having weapons systems work together in a coordinated way, sharing information about the environment in which they operate. This is a challenge for weapon systems in the ADF, and an even greater challenge when Australia operates in coalition with the defence assets of other countries. Testing of such systems during training exercises requires a very high level of detailed planning, as well as risk assessment and management.
- b. Two weapons that broadly fall into this category, and have been recently tested at Woomera, are the Joint Direct Attack Munition – Extended Range (JDAM-ER) and the air to surface missile AGM-142. JDAM-ER is a prototype of a modified version of the satellite guided JDAM currently in use with the United States Air Force and scheduled for acquisition by the ADF, with range capability extended by a Defence Science and Technology Organisation designed wing kit. AGM-142 is the primary air to surface guided weapon armament of the F-111 aircraft, which features a duplex data link from the weapon to the pilot to achieve precision guidance to a target.

Question W1

Senator Ludwig

Annual Report

What date the agency's 2005-06 Annual Report was tabled before parliament?

RESPONSE

Defence tabled its 2005-06 annual report on 31 October 2006.

Question W2

Senator Faulkner

Budget

- a. In relation to the Department of Defence publication BUDGET 2006 – 07: *To Defend Australia*, please provide a list of the Senators and Members of Parliament this publication was provided by the department (through its contracted printer) following the letter of offer circulated by the Minister, and the number of copies provided to each Senator or Member.
- b. Why was the Minister for Defence’s authorisation of this publication, as shown on the hard copy distributed by Senator Ellison, removed from the copy of the publication that has been posted on line at http://www.defence.gov.au/publications/to_defend_australia.pdf [Accessed: 03/11/06]?
- c. Please explain the department’s drafting rationale for the large type heading on page two, “A Stronger Economy Means Stronger Defence”.
- d. Please explain the department’s drafting rationale for the sub-heading on the cover of the publication, “A Long Term Plan to Protect our People Interests and Values”?

RESPONSE

- a. Every MP and Senator was given the opportunity to obtain a limited number of copies of this publication to circulate to groups and/or constituents in their communities. Around 70,000 copies were sent to around 80 Members and Senators, representing the Government, Opposition and Cross Benches.
- b. The version of *To Defend Australia* posted on the Internet was based on the first limited print run of the document produced for budget night. The first print run did not contain the ministerial authorisation because the print run was not designed for larger-scale distribution through the offices of Members and Senators.
- c. The subheading means that a strong economy underpins the Government’s capacity to fund a more capable Defence force.
- d. The subheading refers to the long term nature of Defence budget planning, as well as core strategic goals of the Australian Defence Force.

Question W4

Senator Ludwig

Question Time Briefs

With regard to the preparation of Possible Parliament Questions briefs or other such documents intended to brief Minister's on an issue specifically for Question Time, could the department/agency provide:

- a. The number of such briefs prepared in each of the last three financial years:
 - i. 2003-04
 - ii. 2004-05
 - iii. 2005-06
- b. The number of staff who are responsible for coordinating such briefs and the salary level they are engaged at.
- c. The name of internal unit/team that those staff belong to and a description of its other responsibilities.
- d. The total budget associated with the unit/team referred to in response to part 3.

RESPONSE

- a. The number of Question Time Briefs prepared in each of the last three financial years is as follows:
 - i. 2003-04: 708
 - ii. 2004-05: 630
 - iii. 2005-06: 532
- b. There is one central Question Time Brief coordinator engaged at the APS Executive Level 1 (\$75,708 to \$83,607).
- c. Defence Ministerial and Parliamentary Liaison Services. Responsibilities are management of the workflow between Defence and its Ministers and Parliament, and general support for ministerial offices.
- d. For the financial year 2006-07, the budget was \$0.021m (suppliers), \$1.239m (employee expenses).

Question W5

Senator Ludwig

Legal Services Expenditure

- a. What sum did the department spend during 2005-2006 on external
 - (i) barristers and
 - (ii) solicitors (including private firms, the Australian Government Solicitor and any others).
- b. What sum did the department spend on internal legal services.
- c. What is the department's projected expenditure on legal services for 2006-2007.

RESPONSE

- a. See the *Defence Annual Report 2005-06* p. 321, Table 6.26. The total figure (excluding DMO) is \$23.7m. Defence's accounting systems do not allow the figure to be broken down into (a) barristers and (b) solicitors for previous financial years. However, for 2006-07, this breakdown will be available at the end of the financial year.
- b. See the *Defence Annual Report 2005-06* p. 321, Table 6.25. The total figure (excluding DMO) is \$28.7m.
- c. Defence's projected expenditure on internal legal services for 2006-07, including operating costs and other overheads, is \$28.8m. In relation to external legal spending, Defence is not anticipating a significant variance from the 2005-06 figure.

Question W10

Senator Bishop

Serco Sodexo

- a. On what basis did SSDS win the tender to provide Clothing Stores services at 31 sites Australia-wide and Garrison Support services in the ACT?
- b. We seek the Department of Defence to provide copies of all Auditor General Reports in relation to procurement and logistic support complaints raised in the past five years by Department of Defence uniformed or civilian personnel.
- c. Has full security clearance been given to all SSDS workers to carry out their duties at the 31 Defence Clothing Stores sites Australia-wide and Garrison Support ACT sites, in particular Russell in Canberra?
- d. If not, when will that happen? Has there been a security downgrade for these employees and if so, at what risk to military personnel in Australia and our troops on duty internationally?
- e. Has this same concession been provided to other Defence contractors previously? Has this concession also been offered to individuals being directly employed by the Department of Defence?
- f. Has Defence contracted any services in the past to SSDS, Serco Australia Pty Ltd or Sodexo Australia Pty Ltd, or any other previous manifestations of these companies?
- g. If so, when was that, when was the contract lost and on what grounds?
- h. On what basis is Serco Sodexo occupying Crown Land/ Defence sites – lease, ex gratia payments?
- i. At which sites, if any, does Defence provide Government Furnished Equipment?
- j. Has any of this equipment been purchased, if so at what price – is it at market value?
- k. If the equipment is provided by Defence is it paid for by an hourly rate or on what basis?
- l. Have there been any complaints made by ADF personnel against SSDS in regard to the fulfillment of contractual obligations at any of the sites Australia-wide including the 31 Clothing Stores site or Garrison Support ACT?
- m. What is the expectation of SSDS to be able to meet their short-term and longer-term contractual requirements?

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- n. Are all areas working to 100 per cent capacity currently, or are they only doing urgent work at the sites where SSDS has recently executed the takeover of the contract?
Where are those areas not working to 100 per cent capacity and how long is it expected to take to return the site to 100 per cent capacity?
- o. How many former ADF employees are employed by this company and at what level, most specifically within these new contracts
- p. When did these ADF employees leave Defence to take up these positions
- q. Is it correct that this company has been allowed to offer AWAs with no guaranteed wage increases for five years, instead only offering what the Fair Pay Commission decides? Was the Defence Department aware of this and does it support this pay structure?
- r. It is not a fact that on the majority, if not all, of the 31 Clothing Stores sites, Serco Sodexo has been forced to increase the wage offer per hour on the basis that employees would not sign on with the company. For example in Victoria employees were originally offered \$14.51 per hour but had their hourly rate increased to \$18.71 in-line with their previous rates with the former contractor. If this is the case, who is funding these extra payments?
- s. Are you aware that the Defence Department in 1995 valued/recognised the majority of the work being undertaken by these contractors at Trade level within the Department? On that basis these contracts appear to seriously undermine the hourly rates and conditions for this work which could result in a failure to attract the same level of quality and skilled personnel Defence has expected and had in the past. Is this a concern?
- t. Notwithstanding the effect the lower rates of pay have had on the living standards of employees, many may be forced to undertake other employment to supplement their income. Is the ADF at all concerned that workers forced to take this action are not overworked and exhausted and therefore unable to appropriately perform their vital tasks? Is the ADF at all concerned about the potential resultant errors which could have catastrophic effects?
- u. Is it the case that there was an attempted suicide at ADFA/Duntroon site recently where bullets and weapons from the site storage facilities were involved? Does this not raise the question as to the necessity for skilled, experienced and appropriately paid store people to be employed to do these work functions – hence why in 1995

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Defence gave a specific value to this crucial work. Does it not follow there is potential for catastrophic events if this is not followed?

- v. Is it true SSDS has not been able to provide full cleaning services to ADFA, Duntroon and Russell as part of the Garrison Support ACT contract?
- w. It has been reported Defence personnel are being paid overtime to escort the cleaners without the appropriate security clearance around the site:
 - i) Who is funding the hotel accommodation of the workers who have been brought in?
 - ii) Who is paying the Defence personnel to escort the cleaners while their security clearance is being processed?
 - iii) How much extra has this cost Defence?
- x. Is it a Defence requirement that such labour should be sourced locally?
- y. In transporting workers from Wollongong to work as cleaners [to cover the staff shortfall] does this constitute a contravention of that requirement?
- z. If so, does this mean SSDS has broken part of its contract?
- aa. With respect to garrison support, has SSDS met its conditions in the garden maintenance at Russell Hill?
- bb. Specifically, what is the current condition of the grounds?
- cc. Have there been any complaints, either from within Defence or externally, regarding the state of the grounds?
- dd. To what do the complaints refer?
- ee. Does SSDS still offer value-for-money?

RESPONSE

- a. SSDS was successful in winning open tenders for the 31 clothing stores around Australia and for Garrison Support Services (GSS) in the ACT on the basis of presenting the best value for money for the Commonwealth.
- b. The Australian National Audit Office (ANAO) advises that, to the best of its knowledge, no performance audits have been undertaken by it in the last five years as a result of complaints made by Defence uniformed or civilian personnel about procurement and logistic support matters. However, ANAO advises that the scope of Auditor-General Audit Report No.3 2006–07 dated 7 September 2006 titled *Management of Army Minor Capital Equipment Procurement Projects* was expanded to include consideration of clothing-related issues.
- c. All SSDS employees at Defence Clothing Stores are required to be cleared to Restricted in accordance with the conditions of the contract. The majority of SSDS's approximately

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165 clothing store staff are security cleared to Restricted. As at 13 November 2006, approximately 20 newly-hired clothing store staff are awaiting security clearances. These new employees have submitted security clearance application forms to Defence, which are currently being processed by the Defence Security Authority.

All SSDS staff employed under the Australian Capital Territory and Southern New South Wales Garrison Support Services contract providing services in Russell are required to undergo Australian Federal Police checks, but not all staff require security clearances at Restricted level or above. While many staff employed by SSDS have the necessary security clearances required to undertake their duties, some employees, particularly those who were not employed by the previous contractor, do not yet have security clearances granted and in the interim are being escorted when carrying out their duties. These employees have submitted security clearance application forms to Defence, which are currently being processed by the Defence Security Authority.

- d. Those clothing store and GSS staff who have not yet received their clearances are currently awaiting finalisation of the security vetting process by the Defence Security Authority. Most of the security clearances for newly-hired staff are expected to be completed within six to eight weeks of lodgment. There has been no security downgrade for any of these employees.
- e. No concession is being, or has previously been, provided in relation to the granting of security clearances for contractor or Defence staff.
- f. and g. Over the past ten years, Defence has contracted the services in the table below to SSDS and Serco Australia Pty Ltd. No services have been contracted to Sodexo Australia Pty Ltd. The majority of contracts also have extension options available.

| Company | Contract | Contract Dates |
|---------|---|---|
| SSDS | JLG-6003 Clothing Store Services for Joint Logistics Group | November 2006 – November 2010 |
| SSDS | Garrison Support Services – ACT & Southern NSW Region | October 2006 – present |
| SSDS | Garrison Support Services – Sydney West/South Region | October 2005 – present |
| SSDS | Garrison Support Services – Northern Territory and Kimberley Region | July 1999 – present |
| SSDS | Garrison Support Services – North Queensland Region | December 1998 – present |
| SSDS | Garrison Support Services – Central and Northern NSW Region (Williamstown | July 1996 – present (expires 30 January |

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| | | |
|---|---|----------------------------|
| | area) | 2007) |
| SSDS | Garrison Support Services – Sydney Central Region | October 1999 – April 2006 |
| SSDS | Garrison Support Services – Sydney West/South Region | June 2000 – September 2005 |
| SSDS | Garrison Support Services – Southern Queensland Region | May 1998 – July 2004 |
| Serco Australia | Joint Logistics Group – Medical and Dental Services | 1999 – 2007 |
| Serco Australia | Naval Systems Command – Combat Systems Centre | 1974 – 2008 |
| Serco Australia | Naval Systems Command – HMAS Watson | 2003 – 2008 |
| Serco Australia | DSTO – Media Services | 2003 – 2006 |
| Serco Australia | DMO – Manpower and Professional Services | 1989 – 2007 |
| Serco Australia | DMO – Support Services Standing Offer Panel | 2006 – present |
| Defence Maritime Services (a 50% Joint Venture between Serco Australia and P&O) | Naval Systems Command – Armidale Class Patrol Boats Build | 2003 – 2007 |
| Defence Maritime Services (a 50% Joint Venture between Serco Australia and P&O) | Naval Systems Command – Armidale Class Patrol Maintenance | 2006 – 2021 |
| Defence Maritime Services (a 50% Joint Venture between Serco Australia and P&O) | DMO – Port Services and Support Craft for Navy | 1998 – 2010 |

When contracts expire they are re-tendered on a competitive basis to assess the best value-for-money outcome for Defence. Where SSDS or Serco have not been successful in retaining an existing contract, it is because they have been assessed as not representing

the best value-for-money outcome for Defence in that particular instance and at that point in time.

- h. SSDS occupies Crown Land/Defence sites for the purpose of delivering services under the contract. Where this is the case, SSDS uses Crown Land/Defence sites under a licence agreement or lease arrangement, depending on whether a Defence asset, facility or site has been mandated for use or is deemed to be optional. Where a Defence site is mandated, a nominal rental charge is payable each year. Market rate rental charges will be deemed to be payable where a contractor elects to use an optional facility.
- i. Defence provides some Government Furnished Equipment for all Garrison Support Services contracts and at all 31 clothing stores.
- j. Certain Commonwealth-owned items may be offered for sale to a successful tenderer as part of a Garrison Support Services contract. These items are independently valued and offered for sale at market value in the request for tender documentation. It is at the discretion of the successful tenderer as to whether some, all or any of the items offered for sale by the Commonwealth are purchased or whether they provide these items themselves.

No Government Furnished Equipment has been purchased under the clothing stores contract.

- k. No payment is required by contractors to use Government Furnished Equipment that has been provided by Defence, as the items are Commonwealth-mandated equipment.
- l. Give the scope and the size of Garrison Support Services contracts and the subjectivity surrounding some of the services, feedback and/or complaints may be received from ADF members from time to time in relation to service delivery. For example, in the initial month of the ACT Garrison Support contract, Defence received a number of complaints regarding the standard of cleaning services. However, these have now been resolved. Matters related to the fulfilment of contractual obligations are managed by Defence contract managers.

No complaints have been received in relation to the 31 clothing stores.

- m. While there may be some Garrison Support Services mobilisation issues in the short-term for SSDS, Defence's experience in other Garrison Support Services contracts indicates that these matters tend to be resolved quickly. Defence's broader experience with SSDS in delivering services under a number of other contracts gives confidence that SSDS will meet its longer-term Garrison Support Services contractual obligations. Defence is also confident that SSDS will meet its short-term and longer-term contractual obligations at the 31 clothing stores.
- n. While there have been some mobilisation issues under the new ACT Garrison Support Services contract, particularly in cleaning, all works required under the contract are being

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delivered to a satisfactory standard. All clothing stores are currently working at 100 per cent capacity.

- o. SSDS employs approximately 2,500 staff. It is estimated by SSDS that approximately 350 of its staff are former ADF or Defence civilian personnel. These staff are employed at a range of levels throughout the company.

Within the new clothing stores contract, it is known that 12 former ADF personnel are employed by SSDS. These staff hold the following positions:

| POSITION | NUMBER |
|------------------|--------|
| National Manager | 1 |
| Regional Manager | 3 |
| Leading Hand | 5 |
| Storeman | 3 |

- p. Within the new clothing stores contract, it is known that the National and Regional Managers have all had a substantial period of separation from the ADF prior to joining SSDS. There is no information available regarding the years of separation of the Leading Hands or Storemen. There is also no information available regarding the timing of the separation from Defence of SSDS's other former Defence and ADF employees that deliver Garrison Support Services contracts.
- q. Defence requires contractors to comply with all legislative requirements. Under the *Workplace Relations Act 1996*, SSDS has the legal right to offer Australian Workplace Agreements (AWAs) for a term of up to five years.

SSDS has advised that, prior to 2006, SSDS used the Living Wage Case legislation to increase wages on an annual basis to employees. Historical company data shows that SSDS has passed on between 3 to 5 per cent to its employees per annum for the last five years. SSDS now offers all its employees pay increases each year in line with the decision from the Australian Fair Pay Commission.

In October 2006, the Australian Fair Pay Commission handed down its first decision. This decision was in the range of a 3.8 per cent to 4 per cent pay increase annually for all SSDS staff employed under AWAs. SSDS further advises that, depending on the grading and service line of SSDS staff, some employees will actually receive a pay increase in excess of 5 per cent this year.

- r. The hourly rate offered by SSDS was an increase on that paid by the previous contractor, and the cost is being met by SSDS. The amount being paid by the Commonwealth to SSDS is unchanged from the amount tendered by SSDS.

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- s. The conditions of the clothing store contract require SSDS to employ personnel who have the skills, experience and qualifications appropriate to their duties and to meet the outcomes of the contract. The personnel currently employed by SSDS satisfy this requirement.
- t. There is no indication at any of the 31 clothing stores that employees are underpaid or have been required to undertake further employment to supplement their income. Defence remains committed to providing a safe workplace.
- u. There was an incident at the Australian Defence Force Academy/Duntroon where there may be been the possibility of a suicide attempt. This did not eventuate. A weapon and a round were issued separately. The staff involved in issuing the weapon and round are experienced in this field and followed all Defence requirements. This included implementing appropriate checks to confirm that the person concerned was entitled to draw from the armoury and ammunition store.
- v. Cleaning services have been performed in accordance with the contracted requirement at ADFA and Duntroon. In the first two weeks of the contract, SSDS did not provide the full level of cleaning services at Russell Offices. Services are now being provided in accordance with the contracted requirements.
- w.
 - i. SSDS is funding all expenses associated with its workforce.
 - ii. Due to the length of time it takes for Defence security clearances to be processed, Defence often escorts contractors until security clearances are granted. Therefore, Defence is paying its personnel under usual arrangements.
 - iii. While exact figures are not available, the cost is approximately \$3,400 as at 13 November 2006.
- x. No.
- y. No.
- z. No.
- aa. There were some initial mobilisation and legacy issues in relation to garden maintenance in courtyards at Russell Hill. However, given the large scope of the grounds maintenance requirement in the ACT, these issues were minor and have now been resolved.
- bb. Although there were some initial issues with the courtyard areas at Russell Hill, all other areas are at an acceptable standard.
- cc. Given the large scope of the grounds maintenance requirement in the ACT and the subjectivity surrounding some aspects of the service, it is expected that from time to time some complaints may be received. Since the contract commenced, there have been some

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minor customer complaints regarding grounds maintenance in the Secure Compound (Russell Buildings 5, 6 and 7), referred to the condition of footpaths, steps and garden areas.

dd. See response to part cc.

ee. Yes. Since the beginning of the contract, SSDS has satisfactorily delivered 14 out of 16 Garrison Support Services. While there were some initial issues with cleaning, these have now been resolved. Also, there have been some minor issues with Grounds Maintenance at Russell Buildings 5, 6 and 7, which are in the process of being resolved. The Commonwealth remains satisfied that SSDS still represents value for money.

Question W11

Senator Bishop

Russell Vance

- a. Does Defence subscribe to the Government's "Model Litigation Policy" and if so, what does this mean?
- b. Did it apply the policy to the case of Russell Vance?
- c. The 11-year case of Vance continues; has Defence resorted to mediation to try resolving this issue?
- d. The Board of Inquiry that was set up to investigate Russell Vance's style of management; where did it conduct its investigations?
- e. For how long did it run?
- f. How many counsel and solicitors did Defence employ for this BoI?
- g. What was the cost of the legal bill for this BoI?
- h. Please provide details of all costs incurred by Defence relating to this matter from inception to the present time. Please provide a detailed break-down of those aggregate costs from inception until the present time and provide those figures on an annual basis, from inception to the present time.
- i. How much has been expended by Defence in subsequent legal action regarding the case of Russell Vance?
- j. When does Defence see a conclusion to this case?

RESPONSE

- a. Yes. The Model Litigation Policy is laid down by the Attorney-General in the Legal Services Directions at Appendix B, pursuant to the *Judiciary Act 1903* Section 55ZF. The obligation to act as a model litigant requires the Commonwealth and its agencies to act honestly and fairly, and in accordance with the highest professional standards in handling claims and litigation brought by or against the Commonwealth. The content of that obligation is prescribed in Appendix B, clause 2. The expectation that the Commonwealth and its agencies will act as a model litigant has been recognised by the Courts.
- b. Yes.
- c. Russell Vance commenced proceedings in the ACT Supreme Court on 22 May 2001 against the Commonwealth and two former Chiefs of Air Force. Mr Vance has not suggested mediation and Defence does not consider that it is appropriate to attempt mediation at this stage.

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- d. The Board initially conducted its investigations at RAAF Butterworth, Malaysia before relocating to Canberra on 6 February 1996.
- e. The Board of Inquiry (BOI) was appointed on 24 October 1995, commenced on 2 November 1995, completed its sittings on 21 July 1997, and submitted its final report on 23 September 1997.
- f. The BOI employed five Reserve Legal Officers and two Permanent Air Force Legal Officers.
- g. The cost of the legal bill for the BOI was \$1,400,957.
- h. Costs incurred by the Air Force including the initial BOI, the BOI review, and subsequent claims made by Mr Vance but excluding Permanent Air Force salaries, were as follows:

| | |
|---|--------------------|
| BOI Sitting in Butterworth 27 October 1995 – 14 December 2005 | \$174,111 |
| Specialist Reserve Legal Officer Sessional Pay October 1995 to June 1997 | \$1,142,638 |
| Court Recording Services to October 1995 to June 1997 | \$252,916 |
| Australian Government Solicitor Fees | \$5,403 |
| Refitting of NCC-B-2 Hearing Room | \$72,171 |
| BOI sitting in Canberra 6 February to 4 June 1997 | \$285,886 |
| Sessional Rates Reserve Officers representing affected member July 1997 to April 1998 | \$69,300 |
| Sessional Rates Reserve Officers conducting review into BOI July 1997 – April 1998 | \$180,230 |
| COSTS INCURRED BY AIR FORCE | \$2,182,655 |
| Plus legal costs for subsequent legal action (as outlined in part i.) | \$690,928 |
| TOTAL COST | 2,873,583 |

Note:

Air Force is unable to breakdown the above costs on an annual basis.

- i. Subsequent to the Board of Inquiry, a review was held into the Board of Inquiry report and proceedings to deal with a complaint by then Squadron Leader Vance about the Board of Inquiry. Legal costs for the Supreme Court litigation reflect the several distinct issues arising from the proceedings:
 - an application to recall the judgement of the Supreme Court;
 - the legal costs associated with the substantive issues, including discovery; and
 - a major issue of law on the role on the application of legal professional privilege which was resolved by the ACT Court of Appeal.

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As the Commonwealth was successful in the majority of the grounds of its appeal, it has the right of indemnity for part of those costs. In addition, although the application to recall the judgement was in effect to correct an error of the trial judge and was upheld, despite the application being opposed by the plaintiff, the Court ordered the Commonwealth to meet the plaintiff's costs.

| | |
|---------|-----------|
| 2001-02 | \$ 37,499 |
| 2002-03 | \$114,000 |
| 2003-04 | \$ 56,943 |
| 2004-05 | \$387,756 |
| 2005-06 | \$ 50,772 |
| 2006-07 | \$ 43,959 |

The aggregate expenditure to date by Defence in relation to the litigation is \$690,928 against which it has the right of indemnity of approximately \$120,000 from the plaintiff towards the cost of the appeal to the ACT Court of Appeal.

- j. It is not possible to forecast the conclusion of the claim.

Question W13

Senator Bishop

IT Service and Cyber Attack Protection

- a. What is the status of IT support at Defence?
- b. A status report of IT support backlog i) by state ii) by region iii) by Defence sites?
- c. Can you outline the nature of problems referred to in the question above (b)?
- d. Can you advise what plans Defence has to overcome these problems?
- e. Can you advise when the system will be fully operational with minimal delays?
- f. Can you define what is meant by minimal delays as referred to in question (e) above?
- g. Which departments at Defence does Kaz service in its capacity as IT support back-up?
- h. Do any of these departments have a direct bearing on operations?
- i. Can you confirm advice from officials that poor performance, or under performance by Kaz in the contract referred to above will not be a factor considered in awarding the contract for the installation of the C⁴I system at Bungendore JHQ?
- j. If this is not the case, please outline what factors will be considered in awarding the C⁴I system at Bungendore JHQ?

RESPONSE

- a. IT support in Defence is provided by a combination of contracted and in-house resources across a number of different networks operating at a range of security levels. This response relates to the two major networks; the Defence Restricted Network (DRN) with about 98,000 accounts and Defence Secret Network (DSN) with about 19,000 accounts. These are the networks upon which most of Defence business is transacted, including administration and command and control of deployed forces at deployed locations.

DRN and DSN services are managed centrally from the Defence Network Support Agency (DNSA) headquartered at HMAS Harman; services requiring a local presence are delivered by Defence's regional IT support staff. KAZ Technology Services Pty Ltd (KAZ) is contracted for five years to the DNSA to provide national help desk services, through which all service requests are received, and a subset of network operations functions. Regional support is currently provided by Defence staff with locally contracted support where required. Regional IT support is being market tested with a recommendation from the tender team expected to be put before Defence decision makers in December.

In May of this year, the roll-out of a significant upgrade to the DRN had a twofold impact on service levels. Regional staff were diverted from standard support roles to support the upgrade, and the number of incidents being reported escalated sharply. Changes to service desk operations and the roll-out strategy has now returned help

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desk call rates and performance to normal levels, and the backlog of service requests has been addressed region by region as the upgrade roll-out has been completed. The ACT was the last region to be upgraded and staff are now addressing the service request backlog as a matter of priority.

A significant constraint has been the difficulty in recruiting skilled IT workers in a competitive market. KAZ has now largely overcome service desk shortfalls, but challenges remain for regional IT support where recruitment is hampered by the ongoing market testing process.

- b. Defence retains statistics on service request backlogs by region. The following tables provide the latest breakdown for both the DRN and DSN as at the end of October.

DSN Backlog

| | Number of Jobs Still Open | Number of User Accounts | Number of Jobs Still Open per 100 User Accounts |
|--------------------------|---------------------------|-------------------------|---|
| ACT | 371 | 6301 | 6 |
| Central/North NSW | 55 | 1429 | 4 |
| Central Sydney | 115 | 1826 | 6 |
| North QLD | 27 | 814 | 3 |
| NT Kimberley | 37 | 1146 | 3 |
| Riverina | 3 | 20 | 15 |
| SA | 125 | 1383 | 9 |
| South QLD | 46 | 1574 | 3 |
| Southern VIC | 85 | 1065 | 8 |
| Southwest Sydney | 102 | 2183 | 5 |
| WA | 56 | 1226 | 5 |
| Total all regions | 1,022 | 18,967 | 5 |

DRN Backlog

| | Number of Jobs Still Open | Number of User Accounts | Number of Jobs Still Open per 100 User Accounts |
|-------------------|---------------------------|-------------------------|---|
| ACT | 5,178 | 16,108 | 32 |
| Central/North NSW | 770 | 5,241 | 15 |
| Central Sydney | 1,644 | 8,407 | 20 |
| North QLD | 401 | 7,977 | 5 |
| NT Kimberley | 732 | 6,540 | 11 |
| Riverina | 206 | 4,740 | 4 |
| SA | 480 | 5,622 | 9 |
| South QLD | 841 | 11,995 | 7 |
| Southern VIC | 1,017 | 12,392 | 8 |

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| | | | |
|--------------------------|---------------|---------------|-----------|
| Southwest Sydney | 932 | 11,269 | 8 |
| TAS | 28 | 867 | 3 |
| WA | 585 | 6,671 | 9 |
| Total all regions | 12,814 | 97,829 | 13 |

Further to the above, the number of outstanding regional service requests on the DRN outstanding for more that 31 days as reported by the media is about 6,123. Service requests outstanding for action by KAZ and other central office agencies at the end of October was for the DSN 1,228, and the DRN 3,557. All of this should be compared to the monthly average rate of about 60,000 service requests on the DRN.

- c. Please see response to a.
- d. Now that roll-out of the major system upgrade in the ACT region is complete, national and regional staffs are working closely to address the backlog of service requests in the ACT, Central North NSW and Central Sydney regions. Key short-term initiatives include:
- centralising regional functions where efficiency gains can be realised;
 - accelerating plans for greater use of automation in service delivery; and
 - leveraging contractor panel arrangements to supplement regional staff (noting that industry is also having trouble providing suitable workers with necessary security clearances for short-term employment).
- Defence is in the process of agreeing a timetable with KAZ for returning that portion of the service request backlog in the scope of the contract to ‘business-as-usual’ levels.
- e. Defence is endeavouring to have service request backlogs across all regions at acceptable levels by the start of business next year.
- f. We are currently targeting a backlog on the DRN of less than 10 jobs per 100 customers in all regions. ‘Business-as-usual’ levels for the KAZ contract is dependent on the jobs-arising rate.
- g. KAZ Technology Services supports delivery of IT services to all Defence personnel.
- h. Yes
- i. Defence does take into account the past performance of a company when evaluating a tender response. This information is one component of the overall information used in the tender evaluation process.
- j. N/A

Question W14

Senator Bishop

IT tactical operations

- a. Can we have an update on implementation of Link 16?
- b. How many Defence personnel have been trained to operate Link 16?
- c. Is this sufficient? Are more personnel needed to be trained and if so, when will that be?
- d. When will the Link 16, currently used by US and NATO countries, be fully functioning in Australia?

RESPONSE

- a. Link 16 is a wireless, high-capacity, multifunctional, secure, jam-resistant tactical data link allowing real-time data sharing between multiple stations operating within a managed network. Link 16 is used primarily for air control, combat identification, command and control and situational awareness in a high tempo combat environment. It will be the primary ADF real-time tactical data link system for at least the next five to ten years.

Link 16 is currently being introduced into ADF service through the F/A-18 upgrade program, with ten modified aircraft in service to date. Link 16 is well established in the United States. Although newer data links are in development, the US Department of Defense's commitment to the Link 16 capability is unlikely to reduce until after 2020. It is anticipated that the number of US Link 16 equipped platforms will approach 5,000 by 2015.

Link 16 is also being implemented in a number of other countries including the United Kingdom, Canada, Italy, Netherlands, Germany, France, Norway, Denmark, Hungary, Switzerland, Sweden, Finland, Netherlands, Austria, Israel, New Zealand, Republic of Korea and Japan.

The ADF intends to implement Link 16 in the following major platforms:

| Time Frame | Project | Platforms |
|-------------------|----------------|--|
| 2006-07 | AIR 5276 | AP3C Upgrade |
| 2007 | AIR 5376 | Hornet Upgrade (HUG) - Ten aircraft fielded with 71 fitted |
| 2007-08 | AIR 5333 | Air Defence Ground Environment |
| 2008 | SEA 1390 | FFG Upgrade Program |
| 2008-09 | AIR 5077 | Airborne Early Warning & Control |
| 2008-09 | SEA 1428 | ANZAC FFH Upgrade |
| 2009-11 | AIR 5402 | Air to Air Refuelling Capability |

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| | | |
|---------|----------|---|
| 2009-11 | AIR 5405 | Replacement Mobile Region Operations Centre |
| 2012-14 | AIR 6000 | Joint Strike Fighter |
| 2012-14 | JP 2048 | Landing Platform Amphibious - Link 16 Candidate |
| 2013-15 | AIR 8000 | C-130J Refurbishment/Replacement – Link16 Candidate |
| 2013-15 | SEA 4000 | Air Warfare Destroyer – Link 16 Candidate |
| 2015-17 | AIR 7000 | Maritime Patrol Aircraft – Link 16 Candidate |

The Defence Materiel Organisation through the Tactical Data Link Authority acts as a Defence-wide centre of expertise in tactical data links. It provides a single point of contact for technical and procedural tactical data link expertise and performs a coordinating role for technical data link integration and implementation across Defence.

- b. A mature tactical data link implementation involves personnel carrying out the following functions: planning, command, network management, information management, and maintenance. Hundreds of personnel across Defence have now achieved some level of familiarity with Link 16 in these various roles through combined operations, exchange postings, international exercises or formal training. The Air Force has 27 personnel who have been trained and are operating Link 16 and a further 23 who have had significant exposure to the technology.
- c. The Air Force currently has sufficient trained personnel to operate the ten Link 16 modified F/A-18 aircraft in service with additional training in place to support the full introduction of the F/A-18 Link 16 capability (71 aircraft) by the end of 2007. Further training will be planned and implemented as part of the transition into service arrangements for each of the new capability projects listed in the response to part a.

Internal Defence studies have estimated that by 2015, the demand for trained personnel across the various Defence tactical data link capability (including Link 16) management roles will be more than 1,200 people.

- d. The Air Force expects to have one fully Link 16 capable F/A-18 squadron in operation by early 2007. The full suite of command and management capabilities will mature over time as further force elements acquire the capability in accordance with the time frames given in part a.

Question W15

Senator Bishop

Computer Hacking

- a. What safeguards are being implemented to protect Defence against a 129 per cent increase in network attacks on its computer system, as reported in the *Australian Financial Review* (20th June 2006, page 31)?
- b. What constitutes a "medium risk" penetration of a cyber attack?
- c. Where are these attacks manifesting (e.g. on operational/service IT systems)?
- d. What contingency plans are in place should another "Trojan" or similar destructive program attack a Defence computer system?
- e. What constitutes a "medium risk" breach of Defence security?

RESPONSE

- a. Defence secures its computer systems using the “*defence-in-depth*” principle. This involves using multiple computer security techniques to help mitigate the risk of one component being compromised or circumvented. More specifically, Defence has implemented the following security measures:
 - **Anti-Virus** – Defence employs two different anti-virus software products. This addresses the “*defence-in-depth*” principle and allows for redundancy. Both products scan all incoming email, desktop computers and servers on an ongoing basis. Each software product updates their signatures on a regular basis.
 - **Content Blocking** – is responsible for filtering incoming Internet and email traffic to the Defence domain. It has the ability to block known malicious traffic based on predetermined content.
 - **Intrusion Detection Tools** – Defence employs multiple intrusion detection tools responsible for monitoring Defence networks for unauthorised entrance, activity, or file modification.
 - **Shapes Vector** – a Defence Science and Technology Organisation -developed software system for monitoring and surveillance of large-scale computer systems and networks is being deployed to provide computer network defence and security management.
 - **Vulnerability Management** – Defence has a vulnerability risk management team which coordinates Defence’s response to software and hardware vulnerabilities as well as vulnerability exploits detected on the Internet. In addition it shares information and collaborates with the friendly Defence forces regarding current or emerging attack vectors.
 - **Australian Defence Force Computer Security Incident Response Team (ADFCSIRT)** – is responsible for all IT security analysis and investigations for the Defence network. The team maintains a security information management

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(SIM) system to correlate security-related events from a multitude of sources within the Defence Information Environment

- **User Education** – all Defence personnel (APS, military and contractor) are required to attend annual security awareness briefings.

- b. The categorisation of medium risks is defined by the Defence Signals Directorate and equates to its Category 3 Security Incident Categories (see http://www.dsd.gov.au/infosec/assistance_services/incident_categories.html)

Category three incidents include any successful attempt to actively breach an information system security policy on a single system, and may result in a minor or moderate effect on system operations.

Attacks in this category are a subset of the medium risk breaches and include:

- unauthorised access to any account,
- abuse of privileges or password confidentiality,
- virus, Trojan, and worm found on more than one system,
- web server defacement,
- successful attack against system services, and
- unauthorised access to a security enforcement system.

- c. The majority of these attacks occur on user workstations through user interaction with either malicious websites or from the receipt of malicious emails. Malicious code that reaches this point is either hidden or encoded in such a way that it can avoid known anti-virus signatures and/or file-type blocking. The impact of these attacks is that the workstation needs to be rebuilt and may be taken off the network while this action occurs.

Attacks against servers and other infrastructure are far less frequent and is usually the result of the transfer of data from removable media. These attacks tend to be detected quickly by the Defence anti-virus systems and contained within a very short amount of time. The containment process may result in some portions of the network being inaccessible while servers are being rebuilt.

- d. The contingency plans adopted by Defence to respond to a Trojan or similar destructive program attack are multi-faceted and the exact plan employed varies depending on the particular circumstance.

Scenarios include:

- standard anti-virus cleanup;
- total (or partial) network isolation;
- computer system data recovery and analysis; and
- computer system rebuilds.

Depending on the severity and the type of attack the escalation path can include other Defence organisations, intelligence agencies and law enforcement agencies.

- e. Examples of medium risk breaches of Defence security include:

- unauthorised access to any account,
- abuse of privileges or password confidentiality,
- virus, Trojan, worm found on more than one system,

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- web server defacement,
- successful attack against system services,
- unauthorised access to a security enforcement system,
- national security compromises and disclosures whether intentional or unintentional, and
- equipment loss (accidental or through theft).

See also response to b. above.

Question W16

Senator Bishop

John Coochey

- a. Regarding the case of John Coochey, a former economist with DMO. Has Defence offered any mediation in this case? If not, why not? If it did, what did the mediation involve?
- b. When was John Coochey "constructively dismissed" from his position at DMO?
- c. Since then, what steps has Defence taken to resolve this matter?
- d. How much has Defence expended on this case?
- e. Why has Defence suggested this case is better resolved under the Compensation for Detriment caused by Defective Administration (CDDA) scheme, rather than a one-off, Act of Grace claim?
- f. If Mr Coochey elects compensation to be paid through the CDDA scheme (which Defence advises is administered under the Department of Employment and Workplace Relations), would this mean the case returns to the courts for a new judgement as to compensation?

RESPONSE

- a. Defence has not offered any mediation in this case. Mr Coochey's application to the Federal Court sought the imposition of penalties against the Commonwealth for alleged breaches of a certified agreement registered under the *Workplace Relations Act 1996* (Cth). In these circumstances there was no basis for mediation. The Commonwealth considered, in accordance with standard legal practice, that the issue of penalty for any breaches was a matter for the Court and not a matter for negotiation between the parties.
- b. Mr Coochey was not "constructively dismissed" from his position at the Defence Materiel Organisation (then the Defence Acquisition Organisation). To bring a claim of constructive dismissal, an employee who resigns must show that the termination of their employment was as a result of the employer's behaviour. The action of the employer must be found to be intolerable, and the principal contributing factor that led to the termination of the employment relationship. The principle of constructive dismissal does not apply in bona-fide redundancy situations. In Mr Coochey's case, he separated from Defence through acceptance of voluntary retrenchment on 9 September 1999.

- c. The Commonwealth made a written offer very early in the proceedings to settle the matter on the basis that the proceedings in the Federal Court be dismissed and each party pay its own costs. At the same time, the Commonwealth, through its legal representatives, pointed out to Mr Coochey's legal representatives that the claim by Mr Coochey for a declaration that the termination of his employment was void, and damages for breach of the certified agreement were misconceived and could not succeed.

It was further pointed out that any penalties imposed by the Court for breaches of the certified agreement would be unlikely to cover Mr Coochey's legal costs. Notwithstanding, Mr Coochey declined the settlement offer and proceeded with his respective claims. Claims in the ACT Supreme Court and the Australian Industrial Relations Commission were dismissed for want of jurisdiction. The Federal Court ordered that fines imposed against the Commonwealth in the total amount of \$8,100.00 be paid directly to Mr Coochey. Defence is presently examining Mr Coochey's claim for a discretionary payment.

- d. Defence has expended \$196,087.89 in legal costs, paid to external legal service providers. Additionally, Mr Coochey's claim against the Commonwealth (Defence) for breaches of a certified agreement was dealt with in the Federal Court. The Federal Court found that Defence had breached the agreement in two respects and fined Defence \$8,100.00 to be paid to Mr Coochey.
- e. The comments made by Justice Madgwick in the Federal Court suggest that the issue surrounding Mr Coochey's APS recruitment process could fall within the Compensation for Detriment cause by Defective Administration (CDDA) Scheme. Furthermore, under the Department of Finance and Administration Circular 2006/05 on the CDDA and Act of Grace Schemes, where a claimant unsuccessfully seeks a remedy under the Act of Grace Scheme, he or she cannot then seek a remedy under the CDDA Scheme. However, if a CDDA claim is denied, a claimant may still have recourse to the Act of Grace Scheme. This is consistent with the premise that the Act of Grace Scheme is a last resort discretionary mechanism. Therefore, it is prudent to explore the possibility of a CDDA payment before resorting to the Act of Grace Scheme. Mr Coochey's solicitors were advised of this on 18 September 2006.

If the basis of Mr Coochey's claim is also that the *Workplace Relations Act 1996* has operated in an unintended or inequitable way, then the Act of Grace Scheme may apply in this situation. On 18 September 2006, Mr Coochey's solicitors were advised that if he wished to proceed with an Act of Grace claim on that basis, then the claim should be directed to the Minister for Employment and Workplace Relations.

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- f. The CDDA Scheme does not apply where a legal action exists. Mr Coochey's solicitors were never advised by Defence or external legal service providers engaged by Defence that the Department of Employment and Workplace Relations administered the CDDA Scheme. The CDDA scheme is not administered by the Department of Employment and Workplace Relations.

The CDDA scheme operates on the basis of authority provided to individual portfolio Ministers. CDDA payments are made in reliance on the executive power of the Commonwealth under section 61 of the Constitution.

Defence is unclear about what other court action Mr Coochey would have.

Question W17

Senator Bishop

Headquarters Joint Operations Centre

In respect to Defence Media Release CPA 289/06 on Friday, 3rd November, please provide the following information:

- a. Please provide a list of all persons invited to attend the "first sod turning" ceremony for the JHQ Bungendore NSW.
- b. Please advise when the invitations were issued to each person.
- c. Please advise whether the invitations were issued in a written form; if so, please provide a copy of the standard invitation form if such was used. If not, please advise how invitees received their invitation.
- d. Please provide all details as to how the invitations were extended.
- e. Please provide details of which office or officers and which agency/agencies and which department/departments were involved in the issuing of invitations, by any means.
- f. Please provide the detail of office/officers and departments/agencies responsible for organising the event referred to in the first two paragraphs of the above press release.
- g. Please provide a detailed breakdown of costs associated with the ceremony as outlined in the first two paragraphs of the above press release.
- h. Please advise whether the department regards "turning the first sod" and "launching construction" in the first two paragraphs of the above release as the same as commencing construction of the JHQ at Bungendore.
- i. If not, please explain in more detail what is meant by the terms "launch construction" and "turning the first sod".
- j. Was a member of the Opposition invited to attend the event referred to in the press release? If not, who made the decision not to invite a member of the Opposition and was such a decision referred for approval by Ministers of any department? If so, who?
- k. Bearing in mind the Opposition is regularly invited to attend a range of ceremonial matters to do with Defence issues, (anniversaries, ceremonies, graduation ceremonies, inspections of facilities, tours of bases, etc.) why was the Opposition treated differently in respect to this ceremony? Is this approach intended to be a precedent for future ceremonial matters in Defence?
- l. Has construction work at the site continued on and after Monday, 6th November until the present time? If yes, please provide an outline of the progress of the construction work at the site to date.

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- m. In reference to Paragraph Eight (0) of the above press release, please explain what is meant by the sentence which reads: "Earthworks on the main site will start soon". Is this different to actual construction work on the main site? If so, how? If not, please explain what is meant by the sentence.
- n. At Estimates on Wednesday, 1st November, the committee was advised construction work on the main site would not commence until mid-November and only after approval had been received from the relevant NSW department; is that advice still correct? If the answer is yes, what occurred between 1st November and Friday 3rd November that allowed construction to commence?
- o. Why was the committee not advised on this likelihood?
- p. Was approval received from the relevant NSW department? If so, please provide detail of that approval and a copy of the relevant correspondence.
- q. I refer to the discussion of Wednesday 1st November concerning Aboriginal artefacts. Has complete approval for construction work on the relevant site been reached from relevant Indigenous groups? If so, please provide detail of that agreement and provide a copy of relevant correspondence to that effect.
- r. I refer to the Seventh paragraph of the above press release and the net present value of the contract of \$572 million. Please provide a disaggregated figure showing construction costs and all other costs involved in that figure of \$572 million.
- s. If the construction costs for the project are different to figures previously released by the Government during the calendar year 2006, please provide reasons for the variation in cost.
- t. Please provide full details of the actual construction cost of the project item by item and please provide details of all other costs for the project by item.

RESPONSE

- a. The following persons were invited to attend the "first sod turning" ceremony at the site for the HQJOC facility near Bungendore, New South Wales on 3 November 2006:
 - The Hon John Howard MP, Prime Minister
 - Senator the Hon Richard Colbeck, Parliamentary Secretary to the Minister for Finance and Administration (not able to attend)
 - The Hon Gary Nairn MP, Special Minister of State and Member of Eden-Monaro
 - Representatives from State and Local Government
 - Officials from the Department of Defence
 - Representatives from the local Aboriginal community
 - Local businessmen and contractors engaged in the building and operation of the Joint Operations Centre

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- b. Invitations were issued to each person on the dates between 17 October and 2 November 2006.
- c. The invitations were issued using Microsoft Outlook diary entry, email and by telephone.
- d. See the response to part c.
- e. The invitations were issued by the Headquarters Joint Operations Command Project Office, Department of Defence with the exception of invitations to the Prime Minister and the Special Minister of State, which were issued by the Hon Dr Brendan Nelson MP, Minister for Defence. The Special Minister of State also issued invitations to a number of local individuals.
- f. The "first sod turning" ceremony was organised by the Headquarters Joint Operations Command Project Office, Department of Defence.
- g. The breakdown of costs associated with the ceremony was:
 - hire of marquee (including set up and take down), chairs, generator and port-a-loos: \$3,624.75; and
 - catering (morning tea and including three staff): \$1,707.50.
- h. Yes.
- i. See response to part h.
- j. Due to an oversight by the Headquarters Joint Operations Command Project Office, no member of the federal Opposition was invited to the event.
- k. See response to part j.
- l. Yes. The following construction-related activities have been progressed since 6 November 2006: continued establishment of the site office accommodation and construction workers' facilities; geotechnical investigations; mobilisation of the railway bridge contractor, access road contractor, bulk excavation contractor and the fencing contractor for the fencing along the primary access road from the Kings Highway; orders placed for the railway bridge precast; and implementation of traffic control devices on the Kings Highway.
- m. In the context of the press release, "construction" and "earthworks" are different. The press release advised that "Earthworks on the main site will start soon" in recognition that such works cannot commence on the NSW section of the site until after the Application for a Section 90 Consent has been approved by the NSW Department of Environment and Conservation. Earthworks can commence on the ACT section of the site, as that land is not subject to similar constraints.
- n. At the estimates hearing on 1 November 2006, the Committee was correctly advised that construction work on the main site would commence in about mid-November, but only after the approval of the Application for a Section 90 Consent by the NSW Department of Environment and Conservation. The work that occurred between 1 November and 20

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November when the Section 90 Partial Consent and Section 87 Permit to Salvage were issued, was not subject to the Application.

These activities were the continued establishment of the site office accommodation and construction workers' facilities, which have been located so as to avoid all known areas of Aboriginal objects. Geotechnical investigations have continued under the provisions of the Section 87 Preliminary Research Permit issued by the NSW Department of Environment and Conservation on 3 April 2006, and amended on 14 September 2006. The Section 87 Preliminary Research Permit was required to enable the recent subsurface investigation for Aboriginal artefacts on the site.

- o. The Committee was advised of work to establish the site office accommodation and construction workers' facilities at the estimates hearing on 1 November 2006.
- p. See response to part q.
- q. Construction (earthworks) on the NSW portion of the site commenced after the Application for a Section 90 Consent was approved by the NSW Department of Environment and Conservation, and a Section 90 Partial Consent and Section 87 Permit to Salvage was issued on 20 November 2006. The Application contains the relevant Aboriginal group's agreement to the management of Aboriginal artefacts found at the site. The Application is not released publicly by the NSW Department of Environment and Conservation as it contains the personal details of those involved in the archaeological investigations. The Section 90 Partial Consent and Section 87 Permit to Salvage can be made available to the Committee if required.
- r. The breakdown of the elements of the \$572.2m (2006-07 Budget prices, out-turned) net present cost for the project is:
 - construction - \$234.57m;
 - provision of services by Praeco Pty Ltd for the contract term - \$195.19m;
 - financing, taxation and insurance - \$134.25m (aggregated given their commercial sensitivity); and
 - utilities - \$8.18m.
- s. The construction costs for the project have not previously been disaggregated from the overall project capital cost of \$339.2m (2006-07 Budget prices, out-turned) released by the Government. The overall project capital cost included an estimate for construction of \$250.8m.
- t. The construction and other costs (2006-07 Budget prices, out-turned) for the project are:
Construction costs:
 - headquarters building (includes furniture and fittings but not the command, control, communications, computing and intelligence systems fitout): \$84.1m;
 - support buildings (including the mess, fitness centre, access control facilities and contractor support facilities): \$15.0m;
 - site infrastructure (earthworks, road works, external hydraulics, external electrical, external communications links and site fencing): \$69.2m; and
 - design, preliminaries and supervision costs: \$66.2m.

Other costs:

- The design, procurement, installation, testing and commission of the command, control, communications, computing and intelligence (C4I) systems. The Government-approved project funding contains an allowance of between \$55 and \$65m for this work to be undertaken by a Prime System Integrator. There are a small number of other C4I systems that will be procured and installed separately by Defence. The Government approved project funding contains an allowance of between \$10 and \$15m for this work.
- Land acquisition. The Government-approved project funding contains an allowance of \$1.8m for claims for compensation made under the Lands Acquisition Act 1989 (Commonwealth) for the acquisition of interests in the land acquired for the Headquarters Joint Operations Command Project.
- Office and personal relocations. The Government approved project funding contains an allowance of \$6.2m for these activities.

Question W19

Senator Nettle

Hill 60

- a. Does the government accept that there are Aboriginal burial sites at Hill 60, and the area is highly significant to Aboriginal people?
- b. When did Defence acquire any right to remove Aboriginal people from hill 60 in 1942?
- c. When did the land come into the ownership of the Defence?
- d. If it was purchased, how much for, from whom, and to whom did the money and/or other consideration go?
- e. What conditions (if any) were entered into by Defence (verbal or written) in regard to ownership transfer, and /or removal of Aboriginal people from the site at Hill 60?
- f. If Aboriginal people were only regarded as tenants on the land what were their rights, and were these rights respected?
- g. What was the reason for, and legality of, the burning of houses, previously occupied by Aboriginal people in 1942?
- h. Were Aboriginal people compensated for this dislocation and damage to property? If so when and how much, and who took responsibility for restitution?

RESPONSE

- a. Yes. Hill 60 is owned by the NSW Government and is listed on the NSW State Heritage Register, which states that “the place has in the past been used as a burial site.”
- b. The *National Security Act 1939* covered the use of land by Defence during 1939-1945. Archival research indicates that Hill 60 and adjacent land was covered by this legislation.
- c. Approximately half of the land was acquired by the Commonwealth in 1909 and the remainder in 1950.
- d. The land was acquired from the NSW State Government; details of the transactions are not available.
- e. There is no record of any lease or licence agreement with anyone residing on the site. Defence has searched archival records for the period and has found correspondence relating to two individuals. While there is no record of written notices being given to people to vacate Hill 60, a note on one file dated January 1943 advises that one of these individuals may have been verbally instructed to vacate. A letter dated April 1942 from a second individual includes his comment that he had been advised he could return to Hill 60 after World War II. However, there is no indication that such a claim had any official endorsement or was agreed to.

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- f. There is no record of any lease or licence agreement with anyone residing on the site.
- g. Defence has not found any evidence that any houses were burnt by the Commonwealth.
- h. Archival records indicate compensation was offered to one individual with regard to his moving, but available records do not show the outcome.

Question W22

Senator Carr

Property Disposal

- a. Please provide a table indicating for each block of land or property held by Defence that has been identified as surplus, is being sold or is forecast for disposal:
 - i. location;
 - ii. size of block(s);
 - iii. current zoning of land/property and surrounding blocks(s);
 - iv. proposed timeframe for disposal.
- b. For land or property where disposal is currently underway, please provide:
 - i. the current status of the disposal; and
 - ii. the intended use of the land or property, if known.

RESPONSE

- a.
 - i-iv) Refer to Table 1 below.
- b.
 - i) Refer to Table 2 below.
 - ii) The intended use of a property is generally a matter for the new owner and is subject to their obtaining planning approvals as appropriate from the relevant state and local planning authorities.

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Table 1: Defence properties that have been identified as surplus or are forecast for disposal.

| Location | State | Size of Block(s) (Approximate; in Hectares) | Current Zoning ⁽¹⁾ | Surrounding Land Use | Proposed timeframe for disposal |
|--|-------|---|--------------------------------------|---|---------------------------------------|
| Fairbairn (part), Pialligo Avenue, Majura Road | ACT | Size of potentially-surplus land being assessed in 2007 | National Land | Broadacre | 2007-08 |
| Gungahlin, Barton Highway | ACT | 52 | National Land | Open space | 2007-08 |
| Lawson, Baldwin Drive | ACT | 149.5 | National Land | Residential | 2008-09 |
| Ermington, Spurway Street | NSW | 16 | Residential | Residential | 2008-09 |
| Fern Bay ('Stockton Rifle Range'), Popplewell Road | NSW | 111 | Environmental Protection | Residential/ National Park | 2008-09 |
| Haberfield, 140A Hawthorne Parade | NSW | 1.9 | Residential | Residential | 2008-09 |
| Ingleburn, Campbelltown Road | NSW | 311 | Special Uses | Rural/Mixed use | 2009-10 |
| Moorebank ('West Wattle Grove'), Anzac Road | NSW | 55 | Special Uses | Residential | 2007-08 |
| Moorebank ('Fire Station'), Anzac Road | NSW | 0.4 | Residential | Residential | 2008-09 |
| Neutral Bay (former HMAS Platypus), High Street | NSW | 1.8 | Special Uses | Residential | 2007-08 |
| Penrith, Coreen Avenue and Castlereagh Roads | NSW | 46.5 | Mixed. Residential, Industrial | Residential/ Commercial | 2008-09 |
| Randwick (part), Avoca and Bundock Streets | NSW | 1.1 | Special Use | Residential | 2008-09 |
| Schofields, Nirimba Drive | NSW | 146.1 | Commonwealth Uses | Educational Precinct/ Residential/ Open space | 2007-08 |
| Stockton ('Fort Wallace'), 338 Fullerton Road | NSW | 31.8 | Special Uses | Open Space/ Medical Institution | 2008-09 |
| Berrimah (part), Stuart Highway | NT | 5.1 | Commonwealth land | Residential | 2007-08 |
| Maryborough (Rifle Range), Walker Street | QLD | 190 | Community Precinct (Zone) | Residential/ Industrial/ Agricultural | 2009-10 |

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| | | | | | |
|--|-----|------|---|--------------------------------|---------------------|
| Townsville (part 'Jezzine Barracks'), Isley, Howitt and Mitchell Streets, North Ward | QLD | 12 | Public Purposes (Commonwealth)/ Urban/ Open Space | Residential / Commercial | 2007-08 |
| Deer Park, Robinsons Road | VIC | 5 | Mixed Use | Rural/ Residential | 2007-08 |
| Maribyrnong, Raleigh Road | VIC | 127 | Commonwealth Purposes | Residential/ Commercial | 2010-11 |
| Point Cook (part), Aviation Road | VIC | 98 | Commonwealth Purposes | Nature Reserve | 2009-10 |
| Bullsbrook, Great Northern Highway | WA | 14.7 | Industrial and General Commercial/ Residential | Residential | 2007-08 |
| Fremantle (part 'Artillery Barracks'), Bert, Tuckfield and Queen Victoria Streets | WA | 3.8 | Public Purposes (Commonwealth)/ Urban/ Open Space | Residential/ Commercial | 2007-08 and 2008-09 |
| Hazelmere ('Bushmead Rifle Range'), Midland Road | WA | 296 | Public Purposes - Commonwealth Land | Rural/ Residential/ Industrial | 2008-09 |

Note:

1. This column sets out Defence's understanding of current surrounding land use. Defence does not maintain data on the zoning of surrounding land.

Table 2: Defence properties where disposal is currently under way

| Location | State | Size of Block(s) (Approximately; in Hectares) | Current Zoning ⁽¹⁾ | Surrounding Land Use | Proposed timeframe for disposal | Current Status of Disposal |
|---|-------|---|-----------------------------------|---|---------------------------------------|---|
| Jennings (part), Carrington/High Streets | NSW | 4.6 | General Rural | State Primary School/Rural | 2006-07 and 2007-08 | 400 square metres under priority sale consideration for State school. The remainder of the site is being prepared for disposal in accordance with the Commonwealth Property Disposals Policy. |
| Port Kembla, Military Road | NSW | 0.6 | Residential | Residential/ Institutional/ Public open space | 2006-07 | Offered to Wollongong City Council for \$1 for inclusion in Hill 60 reserve. |
| Amberley (part) | QLD | 0.5 | Amberley Air Base and Aviation | RAAF Amberley/Rural | 2006-07 | Sale of a portion of land for the relocation of an electrical sub-station being considered. |
| Oakey, Corfe and Oakey- Kelvinhaugh Roads | QLD | 1.2 | Special Uses | Rural | 2006-07 | Priority sale consideration to Jondaryan Shire Council for road re-alignment. |
| Rockhampton, Archer Street | QLD | 1.2 | Special Purpose | Central Business / Residential | 2006-07 | Sale under way. |
| Wacol ('Pooh Corner'), Wacol Station Road | QLD | 138 | Special Uses | Industrial | 2006-07 | Priority sale consideration to Brisbane City Council. |
| Portsea (part), Defence Road, Point Nepean | VIC | 90 | Special Use | National Park/ Public open space | 2006-07 | Site to be transferred to the Department of the Environment and Heritage. |
| Werribee (part), Ballan Road | VIC | 242 | Commonwealth Purposes | Rural | 2006-07 and 2007-08 | Marketing material is being prepared in preparation for advertising of first parcel. |
| West Swan ('Caversham'), Corner Youle-Dean and Harrow Streets | WA | 250 | Defence Special Purposes | Residential/Rural | 2006-07 | Priority sale to WA Government being considered. |

Note:

1. This column sets out Defence's understanding of current surrounding land use. Defence does not maintain data on the zoning of surrounding land.

Question W23

Senator Bishop

DMO's Legal Team

- a. Who is the Head of DMO's Legal Team?
- b. When was this person appointed and from where did they come?
- c. What was the brief to employ this person?
- d. Is it true there has been a restructure of DMO's Legal division since this person was appointed?
- e. If so, why the restructure?
- f. What responsibilities fell under the Head of DMO's Legal team before the restructure?
- g. What responsibilities now fall under the Head of DMO's Legal team?

RESPONSE

- a. The General Counsel of the Defence Materiel Organisation is Ms Gillian Marks.
- b. Ms Marks was engaged on 31 October 2004, following an open process of media advertisement and merit selection.
- c. The responsibilities of the General Counsel were to provide high-level legal advice on all aspects of the Defence Materiel Organisation's business, and to set up and manage a division responsible for legal, procurement and financial investigation services.
- d. Yes. In late September 2006, the duties of the General Counsel were separated from those of managing the legal, procurement and financial investigation services.
- e. The reallocation of responsibilities has allowed the General Counsel to focus on providing high level legal advice on more complex projects and strategic matters within the Defence Materiel Organisation's areas of responsibility, as well as personally managing the Procurement Improvement contracting change program. Legal, procurement and financial investigations services now constitute the Legal and Procurement Services Branch within the Chief Operating Officer Division.
- f. See response to part c.
- g. See response to part e.

Defence People

Question W12

Senator Bishop

Recruitment and Retention

- a. What is the exact total of permanent personnel in all Forces and how does this compare with the actual number from 2004/05?
- b. You have the challenge of recruiting 4,100 soldiers in the next 10 years, after the Government announced the creation of two new battalions. What are some of the recruiting initiatives you are investigating to achieve this?
- c. Where are these extra battalions going to be located?
- d. When is the anticipated pick-up date for the full complement of battalions?
- e. What specialist and trades areas within ADF are experiencing shortages?
- f. Specifically, where are the geographical regions in which Defence is finding it difficult to recruit? Is it uniform, for example, or harder in regional areas?
- g. What is the nature of the problem in recruiting i) for the Air Force ii) for the Navy iii) for the Army?
- h. What is the status of the proposed Gap Year to encourage young people into the Forces? Has this been adopted as Government policy? If so, please provide us with a copy of this policy.
- i. Outline proposals being considered by each of the Forces to achieve uniform fitness standards. Are there problems in having uniform fitness standards? If so, please outline those problems. Are any of the Forces considering reducing fitness standards to attract new recruits? If so, which Service and in what areas?
- j. Has the Government signed off on any or all of the above proposals? If not, has a recommendation yet gone to Government? If not, when is a planned recommendation planned to be submitted to Government for consideration?
- k. What role does Manpower Services Ltd have in recruitment?
- l. Is it responsible for all recruitment of ADF personnel?
- m. If so, how long has the contract been held by the company? Please provide details of that contract as to the duration, outlays, method of payment, responsibilities, obligations and assessment criteria.

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- n. Please outline the detail of the current outlays for recruitment initiatives. Have there been any changes initiated since the 05/06 budget papers?
- o. According to the Defence Annual Report, the Navy experiences higher separation rates than the other two Forces; a total of 289 personnel left the Navy in 2004/05. Why does the Navy have a greater problem with separation rates than the other two Forces?
- p. What is being done to address this?

RESPONSE

- a. The total number of permanent personnel in all Forces compared with the actual number from 2004-05 is shown in table 6.1 on p.279 of the *Defence Annual Report 2005-06*.
- b. A number of initiatives are being developed.
- c. The additional battalions are the 7th Battalion (7 Royal Australian Regiment (RAR)) to be located in Adelaide, and the 8/9th Battalion (8/9 RAR to be located in south/east Queensland).
- d. The first additional battalion (7 RAR) will be raised by 2008 and is to have operational capability by 2010. The timing of the raising of the second battalion (8/9 RAR) is subject to Government approval once the core capabilities of the first battalion are in place. It should be operationally deployable three years after it is raised.
- e. The specialist and trades areas within the ADF that are experiencing shortages are highlighted in the following table:

| Navy Categories | Army Categories/Ranks | Air Force Categories |
|-------------------------------------|---|-------------------------------|
| Marine Engineer Officer | Captain | Air Traffic Control |
| Weapons Electrical Engineer Officer | Major | Medical Officer |
| Pilot | Medical Officer | Environmental Health Surveyor |
| Observer | Linguist Intelligence Special Duties | |
| Medical Officer | Analyst Intelligence | |
| Seaman | Investigator Military Police | |
| Electronics Technician | Operator Petroleum | |
| Electronics Technician Submarines | Radiographer | |
| Marine Technician | Technician | |
| Marine Technical Submarines | Telecommunications Systems | |
| Combat Systems Operator | Ammunition Technician | |

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| | | |
|--|--|--|
| Electronic Warfare Linguist | | |
| Naval Police Coxswain | | |
| Communications and Information Systems | | |
| Clearance Diver | | |
| Acoustic Warfare Analyst | | |
| Aircrewman | | |
| Aviation Technician Aircraft | | |
| Electronic Warfare Analyst | | |
| Hydrographic Systems Operator | | |

f. Recruitment is currently difficult in areas where competition for skilled and educated labour is significant. Particular areas of concern are Western Australia and north Queensland due to the competition from the mining sector. In terms of regional versus metropolitan areas, the share of candidates appears to be uniform

g. i) Air Force:

- Recruiting to the RAAF is improving steadily.
- The RAAF has little problem attracting candidates to most full-time job categories.
- Recruiting to the professions, generally in officer ranks, is underperforming and this is reflected in undergraduate and direct entry officer results, for both the permanent and part-time Air Force.
- The RAAF is experiencing difficulty in recruiting to part-time Air Field Guards/Defence Guards, due to the requirement for extended training commitments.

ii) Navy:

- Recruiting to the Navy remains at a constant level.
- The Navy has encountered difficulty attracting candidates to some full-time job categories, particularly in the technical trades area. As with the RAAF, recruiting to the professions, generally in Officer Ranks, continues to underperform, and this is reflected in undergraduate and direct entry officer recruits. However, once attracted to the Navy, candidates tend to remain in the process, and the Navy has the best conversion rate of the three Services.
- The Navy has recently proposed major initiatives that have been aimed at improving the flexibility for recruiting and to reduce the time frame for enlistment. Specifically, three initiatives have been agreed: the introduction of an additional general intake to recruit school for November 2006, the introduction of a non-category specific general entry process, and a modified and more flexible general entry process into the Navy to dramatically reduce the time it takes to enlist. Separate arrangements to improve the entry process for officers are being reviewed, such as increasing the frequency of officer selection boards. The Navy has also sought to improve the community's awareness with the Naval Community Engagement Strategy and, in conjunction with Defence Force Recruiting, through increased Navy-specific advertising, such as the launch of the Navy lifestyle website.

- iii) Army:
- Recruiting to the Army is improving steadily.
 - The Army has encountered some difficulty attracting candidates to full-time job categories, primarily in the technical trades and professional areas. The Army has the most significant requirement of all the Services for part-time officers and soldiers. The results in this area remains steady, with officer specialists the key area of underperformance.
- h. The Gap Year initiative is planned to commence in 2008.
- i. There are two elements to fitness: physical and medical. The Navy and the Air Force have a common physical fitness assessment for enlistment in which all candidates are required to achieve a Multistage Fitness Test (MFT) score of 6.5. The only exception is Navy Clearance Diver applicants who are required to achieve the Army male enlistment standard of 7.5 MFT, 15 push-ups and 45 sit-ups. Female Army applicants must complete 8 push-ups, while meeting male requirements for MFT and sit-ups. In terms of ongoing physical fitness, each Service has a different physical fitness standard, based on the Service capability requirement. Concerning medical fitness, the ADF is currently reviewing a range of recruitment medical fitness standards which are expected to be completed in 2007.
- j. The Minister has already announced changes to entry standards. For candidates with myopia, Defence Force Recruiting now has more decision making powers to provide waivers where individuals have a reading above -5.00 dioptres but below -8.00. Candidates with a Body Mass Index of 30 to 33 will now be admitted to the ADF provided they can pass the physical fitness assessment. Those entering the ADF with a Body Mass Index of above 30 will be monitored over the first 12 months to determine any adverse health or ADF capability impacts. The ADF is conducting specialist studies into asthma and colour perception before reviewing these standards.
- k. The key roles of Manpower within Defence Force Recruiting are as follows:
- Provides recruiting services including advice, testing and coordination of the recruiting process.
 - Owns and manages infrastructure (facilities/technology);
 - Delivers continuous improvement (reduce processing time/costs/innovate);
 - Contract compliance;
 - Reports recruitment and candidate performance data; and
 - Develops marketing and advertising strategies.
- l. No. The Services retain the right to undertake lateral recruitment from overseas in line with applicable labour agreements.
- m. **Duration:** The contract between Defence and Manpower commenced in July 2003 for four years with an option of a further two years.
Outlays: Fees payable to Manpower for the provision of ADF recruiting services consist of a fixed fee and a recruitment fee. The recruitment fee is payable monthly to Manpower and is dependent on Manpower's level of achievement against the enlistment targets set each year. The monthly retainer is paid to cover associated operational costs.

Payment method: Commonwealth Procurement Guidelines of within 30 days apply.

Responsibilities and obligations: Defence retains responsibility for the setting of recruitment targets, policy and recruiting standards. Manpower is responsible for operational development and delivery of recruiting services, achievement of recruiting targets and ensuring candidates meet extant ADF recruiting standards.

Assessment criteria: There are general Key Performance Indicators against which the performance of the Recruiting Services Contract is measured. Additionally, the contract is managed by a contract administrator assisted by two governing bodies; a board of management and an operational management group.

- n. The Defence Force Recruiting marketing budget has been increased by \$12.9m for 2006-07. Adjustments have been made to ADF recruiting standards with regard to past experimental use of prohibited drugs, rules relating to extant tattoos, Body Mass Index has been lifted to 33, and adjustments are being made to myopia assessments. Two new programs have commenced in schools, namely the Step to the Future Program and the recently announced Leadership and Teamwork awards.

In addition, a Navy lifestyle micro-site and a MSN Extreme Battleships on-line game have been launched that use new technologies to generate interest and provide opportunities for young Australians to learn more about Navy careers and life at sea. The site links directly to the defencejobs website and enables prospective candidates to apply for entry to the ADF on-line.

- o. The Navy is dispersed across Australia, with fleet concentrations in the east (Sydney), west (Rockingham) and north (Darwin and Cairns) and the larger training establishments on the eastern seaboard. About 40 percent of the Navy is posted to sea at any time, with this proportion being larger for junior officers and junior sailors. Postings to sea are characterised by lengthy periods away from home and long, arduous hours, both at sea and alongside.

Traditionally, the demands on officers and sailors in appointments at sea have been offset, to some extent, by periods of respite when posted to shore appointments. Manpower shortages, however, mean that in recent years personnel are spending less time in shore appointments and, with fewer personnel to undertake the necessary work ashore, are operating under similarly demanding work pressures when they are posted to such positions.

- p. A significant range of human resources initiatives have been implemented under the Navy's Sea Change Program over the last three years. Two hundred and seventy seven individual initiatives were identified for this program. Of these, 157 have been completed and work continues to finalise the remainder. Sea Change has now embarked on the Navy Workforce Renewal Project, comprising ten individual major projects which have the potential to result in significant structural reform.

Question W20

Senator Hurley

Chaplaincy Services

- a. What chaplaincy services are available to soldiers on deployment?
- b. Are there any deployments where chaplaincy services are not available?
- c. What chaplaincy services are available for soldiers in rehabilitation care or recovering from injuries?

RESPONSE

- a. The chaplaincy services available on deployment consist of denominational and non-denominational church services, pastoral care and counselling as required.
- b. All major deployments have a chaplain in support at each location. Operation Anode (Solomon Islands) chaplaincy support is provided for one week each month by a visiting chaplain from Australia.
- c. Chaplaincy services are provided on an ‘as required’ basis for ADF personnel in rehabilitation or recovering from injuries. Personnel who are in Service hospitals are entitled to receive regular visits from a chaplain. Personnel who may be in home care or a civilian hospital receive pastoral care as part of the chaplaincy support plan for the unit or member concerned. This care is also available for the injured member’s family if requested.

Question W21

Senator Hurley

Transition of Personnel to Department of Veterans' Affairs

What programs are run by the Department of Defence that aid in the transition of personnel to the Department of Veterans' Affairs? Does the Department of Defence facilitate the provision of information about the Department of Veterans' Affairs to personnel who are leaving the service? If yes how?

RESPONSE

Defence provides two levels of assistance to personnel who are leaving the Australian Defence Force in making contact with the Department of Veterans' Affairs. These are ADF Transition Centres and the Transition Management Service.

Yes. ADF Transition Centres – Defence is responsible for providing a compulsory tri-service separation administration service to all members of the ADF. This service is provided by ADF Transition Centres located across Australia. The centres manage, coordinate and assist all members leaving the ADF, ensuring they are aware of all the entitlements available to them, including those administered by the Department of Veterans' Affairs, before and after they leave the ADF.

Transition Management Service (provided by the Department of Veterans' Affairs) – Defence administers a contract with the Department of Veterans' Affairs for the provision of case management services to ADF personnel discharging on medical grounds. The aim of the service is to ensure a successful transition to civilian life and access to Department of Veterans' Affairs-administered benefits including compensation. The Department of Veterans' Affairs provides a regional network of Transition Management Service staff. The Transition Management Service commenced as a trial in November 2000, as an initiative under the Defence-Department of Veterans' Affairs Links Board, and was fully implemented nationally by March 2001. In March 2003, a Service Level Agreement was signed between Defence and the Department of Veterans' Affairs. In 2005-06, 700 medically discharging members used the services provided by the Transition Management Service.