

# Senate Standing Committee on Foreign Affairs, Defence and Trade

## Supplementary Budget Estimates Hearing, 19 October 2010

### Questions Taken on Notice

Q1

**Defence Force Discipline Act – Definition in Section 5A, Hansard 19 October p 12**

**Senator Johnston**

**The point I am making is that there are two parts to Section 5A, (a) and (b). The question I am asking is: was there a specific written instrument to appoint a superior authority to make representations in the interests of the Defence Force pursuant to part (a)? As I read the Section, there needs to be that function carried out.**

**Response:**

There is no separate instrument issued in respect of paragraph 5A(a) of the *Defence Force Discipline Act 1982* (DFDA). The instrument of appointment signed by the Chief of the Defence Force on 22 September 2009 appointed superior authorities for the purposes of section 5A generally.

**Q2**

**Submission to the DMP, Hansard 19 October p 16**  
**Senator Johnston**

**What was the cost we undertook with respect to our submission to the DMP? How much money did we actually spend on it?**

**Response:**

There were no additional costs incurred for the development of the submission to the Director of Military Prosecutions. The submission was written by Defence Department members who received specialist advice from Defence Department legal specialists.

**Q4**

**Afghanistan - Task Force 373, Hansard 19 October p 25**

**Senator Ludlum**

**Are you aware of whether Australian forces have been involved in joint operations with Task Force 373?**

**Response:**

For operational security reasons the ADF does not disclose specific details of operational relationships with US Special Operations Forces.

The Australian Special Operations Training Group (SOTG) maintains an extensive Liaison Officer network in Afghanistan with other Coalition Forces Special Operations Forces, and on occasion has operated in proximity to Task Force 373 in Afghanistan. In these circumstances liaison and de-confliction is conducted at the tactical level, but SOTG remains under International Security Assistance Force (ISAF) Special Operations Force control.

**Q9**

**Housing at RAAF Base Darwin, Hansard 19 October p 63**  
**Senator Johnston**

**As to future capability requirements, could you please expand on that for me? What is the time frame and what is the concept?**

**Response:**

It is important that Defence maintain flexibility for potential future capability requirements at our major bases and facilities. This may include, but is not limited to, basing of future platforms or temporarily accommodating personnel (in either tents or transportable buildings) who are deployed to the north for operational or training contingencies.

On 1 July 2010, the former Minister for Defence Personnel asked Defence to undertake a review of the future use of the housing site at RAAF Base Darwin. This was requested because the current layout of the base and the shortage of undeveloped land constrains options for future development.

The Minister for Defence Science and Personnel announced on 1 December 2010 that Defence will report back in early 2011.

## Q10

### **HMAS Success IMO Double Skinning, Hansard 19 October p 64- 66**

**Senator Johnston**

**In relation to ST Marine:**

- (a) Have we done an ILO assessment of the wages, terms and conditions of their employees? Can you release the AGOs report to the Committee?**
- (b) Do the Singaporeans pay nine per cent superannuation as a compulsory payment?**
- (c) Is ST Marine's dock facility a unionised facility?**
- (d) Regarding the crew - How many personnel will remain and how many personnel will come home?**
- (e) How big is the production oversight team?**
- (f) After the tender contract has been executed, can you provide me with the contract price and the estimated saving? Tell me the next best tenderer and what the estimated savings are?**
- (g) Provide the terms and conditions for the 14 week requirement to undertake the work.**

**Response:**

- (a) Yes. The report is attached.
- (b) The Singapore Employment Act requires Employer Contributions to the Singaporean Government's Central Provident Fund that are aligned with the employee's citizenship/residency status, age, employment-sector, and monthly wage. As an element of a Public Defined Contribution retirement benefits system, the employer contributions are paid to the Central Provident Fund which, in addition to providing retirement benefits, provides employees with access to Fund accumulations for such things as housing, hospital care and children's education.

The Employment Act specifies that the required private-sector employer contribution rate is 15 per cent of monthly Total Wage for Singapore Citizens and 3rd Year Singapore Permanent Residents earning over SGD1,500 per month up to the age of 50; that rate drops to 11 per cent to age 55, 8 per cent to age 60, and 5.5 per cent beyond. Employee contributions are 20 per cent of monthly Total Wage for Singapore Citizens and 3rd Year Singapore Permanent Residents earning over SGD1,500 per month up to the age of 50 and ramp down in line with employer contributions. The maximum amount of contributions payable by the employer is based on a monthly salary ceiling of SGD4,500. In short, while the Singaporean superannuation payment structure differs from that in Australia, the material available suggests that the payments made by Singaporean employers are often higher than those facing Australian employers.

- (c) Yes. Singapore, like Australia, is a signatory to the ILO convention "Right to Organise and Collective Bargaining Convention, 1949 (No. 98)". The Singapore Technologies Marine shipyard is unionised. The company recently received an award at the National Trade Unions Conference for excellence in Employee Relations.
- (d) Up to 75 crew will remain in Singapore during the conversion for security, emergency response and general maintenance. The number will be determined once work schedules have been finalised under the contract.

- (e) The team comprises five personnel, with a contingent capacity to surge to nine during occupational health and safety, schedule and cost compliance assurance phases.
- (f) The contract is written in Singapore Dollars, and is for SGD15,848,705.50 (approximately AUD12.28 million). The specific tendered prices received, and other tender details are confidential under the Conditions of Tender and cannot be released; however the indicative incremental saving made by selecting ST Marine is in the order of AUD10 million against one tender, and AUD20 million against another.
- (g) The final schedule agreed during contract negotiations for the double hull conversion was 16 weeks, commencing 13 December 2010 and concluding 1 April 2011. However an emergent requirement to perform a repair on the ship's rudder has changed the completion date to 13 April 2011. If ST Marine do not complete the double hulling and rudder repair by 13 April 2011, the Commonwealth may impose liquidated damages at a rate of AUD20,000 per day, up to a maximum of AUD1.2 million. The terms and conditions in the contract with respect to the claiming of liquidated damages are comprehensive.

**Q11**

**Submarines – RAND Report, Hansard 19 October p 71**  
**Senator Johnston**

**Regarding the RAND Report on design aspects of submarines: Provide a copy of the report once it becomes a public document.**

**Response:**

Defence will provide a copy of the RAND Report to the Committee once the document is publicly released.

## Q12

### **Obesity in Defence, Hansard 19 October, p. 72** **Senator Barnett**

- (a) **Provide Reserve figures for obesity/BMI numbers.**
- (b) **As at 30 October 2009 approximately 8.3 per cent of ADF personnel were not deployable on medical grounds. That is an answer to a question that you gave me at the time. Has that figure been updated?**

#### **Response:**

- (a) It is estimated that of the Reserve force, approximately:
- 35% to 38% is in the healthy weight range (BMI between 18.5 and 25);
  - 47% to 48% is overweight (BMI 25 to 29.9);
  - 14% to 16% has a BMI in the obese range (BMI 30 or over); and
  - 1% of Reserve personnel are underweight (BMI less than 18.5).

These estimates are based on data drawn from several data systems, which do not provide universal capture of the Reserve force, and are therefore indicative only. These estimates are correct as at 31 January 2011.

- (b) As at 31 January 2011, approximately 9.7 per cent of ADF personnel were non-deployable on medical grounds.



**Q13**

**Awarding of VCs, Hansard 19 October, p. 74-75**

**Senator Barnett**

**Outline the method for review regarding the awarding of posthumous VCs to members of the RAN with particular reference to Seaman Teddy Sheean, Captain Hec Waller, Captain Henry Stoker and Lieutenant Commander Robert Rankin.**

**Response:**

Retrospective reviews for possible meritorious and gallantry decorations for past conflicts are not a standard process.

Defence is currently considering the most appropriate method to review the awarding of posthumous VCs.

**Q14**

**Projects of Concern, Hansard 19 October, p. 84**

**Senator Humphries**

**For the remaining three projects on the project of concern list, provide summary details as to why they are on the list (LPA watercraft, LCM, Medium-heavy trucks).**

**Response:**

There were three projects not covered in detail in Senate Estimates on 19 October. Details of these are provided below. In addition, AIR 5418 Phase 1 was added to the list on 3 December 2010. On 1 February 2011, the Minister for Defence announced the cancellation of JP2048 Ph 1A.

<b>Project</b>		<b>Reason for Listing as a Project of Concern</b>
AIR 5402	Air to Air Refuelling Capability	<ul style="list-style-type: none"> <li>• Project AIR 5402, Air to Air Refuelling Capability was added to the list of projects of concern in early 2010.</li> <li>• As reported in the Australian National Audit Office's 2009 Major Projects Report, the project is late. The current likely delay is more than 18 months.</li> </ul>
AIR 5276 Ph 8B	Electronic Support Measures upgrade for AP-3C Orion aircraft	<ul style="list-style-type: none"> <li>• Project AIR 5276 Phase 8B, the Electronic Support Measures upgrade for the AP-3C Orion maritime surveillance fleet, is currently 18 months behind the contract baseline schedule for delivery, and there remains ongoing risk of further delay.</li> <li>• A joint, independent Commonwealth/BAE Systems engineering review has determined that the project is technically achievable, with a realistic schedule and with manageable residual risk.</li> </ul>
AIR 5418 Phase 1	Joint Air to Surface Stand-off Missile	<ul style="list-style-type: none"> <li>• Will deliver the Joint Air-to-Surface Standoff Missile (JASSM) and will undertake the first integration of JASSM onto the F/A-18 A/B Hornet.</li> <li>• Declared a Project of Concern due to failure to advise Government of difficulties with the project.</li> </ul>

Q15

**CJOPS Visit to Camp Cockatoo Pakistan/Outreach Program, Hansard 19 October, p. 85-88**

**Senator Abetz**

- (a) Was there any increased security provided either by Australian personnel or Pakistani personnel during the visit?**
- (b) Can you also check if entry into the camp was restricted and whether the gates were open during Minister Rudd's visit?**
- (c) How long did Lieutenant General Evans accompany Minister Rudd?**
- (d) Provide LTGEN Evans' itinerary/program for the visit.**
- (e) When did LTGEN Evans undertake the risk assessment for the Outreach Program? Did LTGEN Evans speak directly with the Camp Commander during Mr Rudd's visit to the camp?**
- (f) How long was LTGEN Evans in the camp for?**
- (g) Is the Outreach Program still a joint operation AusAID?**

**Response:**

(a) Yes. A high level of security had already been established within the camp by Pakistani Military for the Australian Medical Task Force. However, ahead of the Minister for Foreign Affairs/Commander Joint Operations (CJOPS) visit the Pakistani Military provided additional security, including explosive detection dogs, and maintained a heightened security posture throughout the visit, including additional Pakistani Military security personnel and the presence of a Quick Response Unit. These additional security arrangements were identical to those adopted during an earlier visit by a Pakistani Military VVIP and would have been adopted had CJOPS visited without the Minister for Foreign Affairs.

(b) The Australian Medical Task Force (AMTF) gates were not closed during the Minister for Foreign Affairs' visit. The Minister for Foreign Affairs observed patients continuing to be treated during the visit.

(c) CJOPS remained with the Minister for Foreign Affairs while being transported by Pakistani Military helicopter to Kot Addu/Camp Cockatoo, after which they conducted separate visit programs, until regrouping at Multan airport for the C-130 flight back to Al Minhad Air Base in the United Arab Emirates.

(d) Itinerary (all times local and approximate), Thursday 16 September 2010  
0800 - depart Al Minhad Air Base (by RAAF C-130)  
1245 - arrive Multan  
1315 - depart Multan (by Pakistan military helicopter)  
1350 - arrive Kot Addu  
1400 – Commander Joint Task Force 636 Operations Brief to CJOPS  
1430 – Executive Officer Joint Task Force 636 Outreach Brief to CJOPS  
1500 - Tour of Camp Cockatoo and Medical Facility  
1530 - Move to Pakistan Military Headquarters  
1540 - Operations Brief from Pakistan military  
1610 - Move to rotary wing helicopter pickup location  
1620 - Arrive Multan Airport  
1730 - depart Multan (by RAAF C-130)  
2030 - arrive Al Minhad Air Base.

(e) CJOPS received an Operations brief from the Commander followed by an Outreach brief from the Executive Officer. At the conclusion of these briefs, with the additional information provided, LTGEN Evans was satisfied that any concerns he had were addressed and that an appropriate procedure was in place at the Australian Medical Task Force to assess each task's risks and ensure appropriate mitigation strategies were in place. In addition to this he was satisfied that the Force Protection measures that were to be provided by Pakistani military were sufficient to minimise the risk to Australian Medical Task Force personnel.

(f) In accordance with his Itinerary, CJOPS was at Camp Cockatoo for 1hr 40mins.

(g) From the outset Outreach operations were planned jointly by ADF and AusAID personnel with the intent to have them jointly conducted. Following the conduct of a Risk Assessment by CJOPS, authorisation for ADF personnel to conduct Outreach operations was granted. At the time of the first Medical Outreach task on 22 September 2010, Other Government Agencies (including State and Territory governments) had not yet provided authorisation for their civilian personnel to participate in Outreach tasks. Once approved, civilian participation was included in all Outreach planning and reconnaissance activity. Overall, this operation has reached a new level of interagency cooperation that has seen a fully integrated approach between all elements of the Force regardless of agency.

**Q16**

**Wharf 10 at Townsville and LHDs, Hansard 19 October, p. 88-89**  
**Senator Macdonald**

**With regard to Wharf 10 and Landing Helicopter Dock ships:**

- (a) If they were on stream at the moment could they berth near Lavarack Barracks in Townsville?**
- (b) It is Defence money? Do you know how the \$30 million was calculated, if it is Defence money?**
- (c) Do you know when it was committed?**

**Response:**

- (a) No. The largest berth currently available in Townsville Port would be unable to accommodate future Australian Defence Force amphibious operations utilising the Landing Helicopter Dock ships.
- (b) and (c) Yes. On 2 May 2009, the then Minister for Defence jointly announced with the Parliamentary Secretary for Defence, that Defence would make a contribution of \$30 million towards upgrade of Berth 10. This amount was based on an estimate made by the Port of Townsville Limited to upgrade the berth to panamax size at an estimated cost of \$50 million. This cost was verified by a separate Defence scoping study.

**Q17**

**RAAF Base Scherger, Hansard 19 October, p. 93**  
**Senator Macdonald**

**Why do we keep RAAF Base Scherger?**

**Response:**

The 2009 Defence White Paper defines Australia's strategic interests and defence posture with a primary focus for the Australian Defence Force (ADF) on tasks in our geographical vicinity. The air-sea gap to our north affords us an opportunity to detect, deter and respond to potentially hostile military incursions at sufficiently long ranges to enable a response before an adversary could reach Australian mainland territory. To do this, the ADF needs to maintain a strong capability to project military power from mounting bases and forward operating bases in northern Australia.

The 2009 Defence White Paper also outlines the Government's strategic basing principles, including that Defence base locations should be aligned with strategic requirements and ensure critical capabilities are suitably dispersed for security reasons. A key strategic military imperative that guides defence basing is the need to maintain locations to enable the ADF to deploy for operations in the north, north-west and west (land, air and maritime).

RAAF Base Scherger forms part of Australia's northern airfield infrastructure required for the ADF to conduct air combat operations, project force, and support ADF operations across the vast expanses of the north in order to successfully deter and defeat potential attacks on Australia.

Q18

**Possible Action by ICC in Relation to DMP Charges, Hansard 19 October, p. 19**  
**Senator Ludlum**

**It was reported in some outlets that Australian prosecutors were warned that, if the Australian Government did not take action, those soldiers might in fact face prosecution in an international tribunal. Are you aware of that reporting, first of all, and is there any veracity to that story? If you could confirm for us whether that holds true for the DMP as well, whether they received any requests? CDF undertook to put the request to the DMP.**

**Response:**

The Australian government understands that media outlets who published claims the International Criminal Court was investigating incidents involving Australian armed forces in Afghanistan were advised by the International Criminal Court that those claims were not accurate.

Publicly available information on the International Criminal Court website demonstrates that the Office of the Prosecutor of the International Criminal Court has been conducting preliminary examinations of the situation in Afghanistan since 2007. The purpose of the preliminary examinations stage is to determine whether there is a reasonable basis to open an investigation into the situation in Afghanistan. At this stage, no decision has been taken to open an investigation into the situation in Afghanistan, nor has there been any investigation into the specific incidents.

The Director of Military Prosecutions has advised the Minister for Defence and the Chief of the Defence Force that the Director has not had any discussions with the ICC.

## WRITTEN QUESTIONS

W1

### Post Election Briefings

#### Senator Fielding

- (a) Did the department prepare a post-election brief for a returned Labor Government (the so-called 'Red Book')?
- (b) Can the department provide the Committee with a copy of this brief?
- (c) If not, can the department outline its reasons for refusing to provide a copy of this brief?
- (d) If the department will not provide a copy of this brief because it contains confidential or sensitive information, can the department provide a redacted copy of this brief as was done by the Treasury department?
- (e) Has the Minister given any instructions to the department regarding the release of this brief and if so, what were these instructions?
- (f) Did the department prepare a post-election brief for a newly elected Coalition Government (the 'Blue Book')?
- (g) Can the department provide the Committee with a copy of this brief?
- (h) If not, can the department outline its reasons for refusing to provide a copy of this brief?
- (i) If the department will not provide a copy of this brief because it contains confidential or sensitive information, can the department provide a redacted copy of this brief as was done by the Treasury department?
- (j) Has the Minister given any instructions to the department regarding the release of this brief and if so, what were these instructions?

#### Response:

- (a) Yes.
- (b-d) A redacted copy is available at <http://www.defence.gov.au/foi/docs/igb.pdf>. and is also attached. The document was redacted to remove information pertaining to national security, defence or international relations, intelligence matters, Cabinet documents and other information that would be prejudicial to the Commonwealth's interests.
- (e) No.
- (f) Yes.
- (g-i) No. Defence only retained copies of the Government's Incoming Government Brief.
- (j) No.



W2

**Defence Budget**  
**Senator Johnston**

- (a) Given the departments response to my first two questions, and given the seeming indication that there is in fact a shortfall in funding needed to achieve the acquisitions planned by Defence, could you please explain how – if we need to find more than \$11 billion just for new submarines – we will do so whilst maintaining existing functions within the Department?**
- (b) In May it was stated that there was no likelihood of imperilling defence expenditure if the Government made good its promise to rebuild defence funding following the return to surplus in 2013. However, in discussing force protection in May, it was indicated that Defence had provided \$912 million for this measure, but the obligation was \$1.1 billion. How have you found the missing, unfunded \$200 million?**
- (c) In May you were able to show a \$2 billion underspend in capability programming, achieved largely through the increasing strength of the Australian dollar. The dollar has grown in strength since then, and the savings have increased, but what mechanisms are you utilising to measure for falls in the dollar in the medium term?**
- (d) What would be the cost to the taxpayer of future capability acquisition if the dollar fell, rather than maintained parity to the US dollar?**

**Response:**

- (a) The Defence White Paper provides three per cent average real growth to 2017-18, 2.2 per cent average real growth from 2018-19 to 2029-30, and 2.5 per cent fixed price indexation for the period 2009-10 to 2029-30 applied from 2013-14. In conjunction with Strategic Reform Program savings, this model delivers sufficient funding to deliver the capabilities outlined in Force 2030, and to maintain non capability Departmental functions.
- (b) In the 2010-11 budget, the Government provided Defence with additional funding of \$221.6 million for enhanced force protection measures (table 10 of the 2010-11 *Portfolio Budget Statements*, at page 22 refers).
- (c) and (d) Defence's departmental appropriations are adjusted on a "no win, no loss" basis, to offset realised foreign exchange losses or gains. Should the value of the Australian dollar fall in relation to other currencies, Defence's budget would be supplemented by Government for the losses incurred as a result of foreign exchange exposure. This arrangement ensures the Defence budget is able to maintain foreign currency purchasing power despite fluctuating exchange rates.

W4

### **Strategic Decision Making in Defence**

**Senator Johnston**

- (a) We currently have sixteen three star officers reporting to the Secretary of Defence and the CDF as the diarchy, plus six two stars. Could you explain how you and the CDF utilise the current structure of command within Defence to control its activities?**
- (b) Most modern management practices within complex regimes recognise the need for around 5 direct reporting elements to each level of management. Within DMO we see that Dr Gumley has structured his organisation this way. Why isn't the DOD structured in a similar manner?**
- (c) Dr Gumley is effectively and Associate Secretary, a grade between deputy secretary and secretary. Given the role of Defence is to utilise military power to support national interests; the APS in Defence are – arguably – largely there to support the ADF. Why haven't the chiefs of service been granted Associate Secretary status, with the power to overrule decisions by APS deputy secretaries?**
- (d) Given the relative size of the APS deputy secretary groups, could these not be run by an APS two star officer, with all subsequent decision levels reduced one level? Surely the savings in terms of APS salaries that could be transferred to military capability would be hundreds if not close to a billion dollars in total saved salary costs?**

#### **Response:**

(a) The Department of Defence is an integrated organisation comprising of Australian Public Servants, members of the Australian Defence Force (ADF) and other statutory office holders.

The Secretary and the Chief of the Defence Force (CDF) have statutory responsibilities under the *Defence Act 1903*, the *Public Service Act 1999*, and the *Financial Management and Accountability Act 1997* for the administration and management of Defence and, in CDF's case, the command of the ADF.

The Defence governance framework is designed to enable the Secretary and CDF to exercise strategic control and decision making over Defence. The primary governance mechanism utilised by the Secretary and CDF is the operation of the Defence Senior Committee system. This enables the Secretary and CDF to remain intimately involved in all aspects of Defence business and operations and to receive key, strategic level advice to support the exercise of their responsibilities. The pre-eminent senior committee is the Defence Committee. Most direct reports of the Secretary and CDF at the Senior Executive Service (SES) Band 3/ADF 3-Star level are members of the Defence Committee. All senior committees operate in an advisory capacity and ultimately the Secretary and CDF retain responsibility for decisions made.

In addition, the CDF exercises command of the ADF. In relation to operations, this is done through the Joint Operations Command. The CDF's command is also supported by the Strategic Command Group, an advisory body that includes the Secretary, the Vice Chief of the Defence Force, the Service Chiefs, the Deputy Secretary Intelligence and Security, the Deputy Secretary Strategy, and other invited military and civilian officials as required by the CDF.

(b) Defence is a complex organisation with many diverse components, some of which are significant organisations in their own right. How components are structured for the purposes of management depends on the nature of the particular organisation and the work that it undertakes. There is no template that applies across all organisations in Defence. Decisions on management structure are based on a pragmatic understanding of the function the particular organisations needs to discharge and the nature of the resources required to enable this. In this respect Defence is no different from other Government organisations where there also exist a wide variety of management and organisational structures.

The Secretary and Chief of the Defence Force (CDF) have specific and shared responsibilities under a range of legislation. The Secretary's responsibilities derive primarily from the *Defence Act 1903*, the *Public Service Act 1999*, and the *Financial Management and Accountability Act 1997*. The CDF's responsibilities derive primarily from the *Defence Act 1903*. With the exception of CDF's exercise of Command, the practical reality is that they share the accountability for the management of Defence and the diarchy arrangement embodies this.

Contemporary Defence management is concerned with coordinating and integrating the outputs of the diverse organisations that make up Defence in ways that ensure that Defence as a whole meets the needs of Government in the most effective and efficient way possible. Defence has in place governance arrangements to ensure this. These include planning, the operation of advisory committees, and the implementation of review and audit processes. This is in addition to the normal administrative, financial and personnel management processes common to many large organisations.

- Defence governance and management arrangements, including the operation of the diarchy and the committee system, and the allocation of roles to, and organisational placement of, senior officers, are designed to ensure that the Secretary and CDF are able to exercise their responsibilities and accountabilities jointly across all aspects of Defence.

Defence is a dynamic organisation and continues to evolve. The test of any organisation structure is whether it supports the ability of the organisation and the people within it to deliver outputs as effectively and efficiently as possible. Defence continues to assess the utility of its structures to ensure that they meet this test. Defence is currently focussed on strengthening its governance, accountability and decision making frameworks to improve its performance and ensure that it continues to be positioned to implement the 2009 Defence White Paper and build Force 2030.

(c) Defence's role is to defend Australia and its national interests. Under Government direction, Defence discharges this role in a number of ways, including through the development and use of military capability, collaboration with other Government and non-government organisations both in Australia and internationally, and through the provision of advice and services to Government. To discharge its role, Defence utilises the capacity and skills of a diverse and specialist military and civilian workforce. Effective strategic management of Defence resides in deploying this workforce in ways that meet the needs of the task at hand and ensure that each individual, military and civilian, is able to maximise their contribution. Some roles are specifically military in nature; other roles can be discharged by specialist civilians. The challenge is ensuring that each has the capacity to contribute effectively as individuals and as part of a team.

The Secretary exercises all the powers and responsibilities of an employer in relation to all Australian Public Service employees within the Department of Defence, including the Defence Materiel Organisation, no matter what their employment classification may be. The

CDF exercises command authority over all ADF members, regardless of Service or Defence Group they are employed by.

Defence decision making processes are designed to ensure that all Defence personnel are able to exercise their lawful authority under relevant legislation and to be accountable for this. The question of particular personnel, including Service Chiefs, having a general power to 'overrule' the decisions of Australian Public Service employees does not arise. It may be appropriate for APS or ADF personnel to overrule the decisions of subordinates where they have properly delegated supervisory authority and have management responsibilities that allow this.

Defence does not currently utilise an Associate Secretary classification. All direct reports to the Secretary are Senior Executive Service Band 3 (or lower) officers employed pursuant to the *Public Service Act 1999*. This includes the Chief Executive Officer of the Defence Materiel Organisation, Dr Stephen Gumley AO.

(d) Defence's organisational components are designed to ensure that they can discharge their function effectively and efficiently and in doing so contribute to the broader Defence outcome.

The determination of whether an organisational component needs to be headed by an SES Band 3 officer or an SES Band 2 officer, or an ADF officer is made by considering a number of factors. These include the nature of the function, its role, its complexity, as well as the broad skills, capabilities and knowledge required to discharge it. Size in terms of staff numbers is only one of many considerations.

Defence ensures that this process occurs in a systematic way, and in line with the framework set in place by the *Public Service Act 1999* and the Australian Public Service Commission

It is normal practice to review the classification of each position before it is filled. This ensures that the ongoing work standard level is consistent with the duties required of each position.

W8

### **Growth of APS Personnel Numbers**

**Senator Johnston**

- (a) In May, advice was provided that we could anticipate a growth of 207 APS positions within Defence. Could you advise where those positions have been assigned? There were vague references to the White Paper, and hinted civilianisation of military positions associated with SRP. But where specifically have the assigned personnel gone?**
- (b) What mechanisms can be disclosed to demonstrate additional APS positions generate improved military capability beyond the simple expedient of saying civilians doing military jobs translates into more military capability. How is the department proving to an audit agency that there is additional capability, because the taxpayer is funding real growth for Defence, and that means real dollars for real jobs?**
- (c) In the DMO how many project personnel are working actually in projects, not DMO personnel working to support the administrative and career needs of those DMO project staff?**
- (d) Are there adequate numbers – of APS personnel in particular – working in direct military project roles? Are additional staff required?**
- (e) How does DOD determine when the DMO has sufficient staff to undertake delivery of the projects that they are tasked to deliver?**
- (f) Where does the responsibility for failure to deliver capability reside? In other words, who is accountable for failure to deliver military capability?**
- (g) We have had a number of Defence projects fail to achieve schedule, go over budget or deliver less than the promised operating functionality. How many senior executive service officers have been dismissed for failure to deliver their assigned capability targets?**

#### **Response:**

(a) The 207 figure provided by the Secretary at the May Estimates hearing was an estimate of the difference between the 2010-11 Estimates and the figure that was forecast in the 2009-10 Portfolio Budget Statements (PBS), for the civilian workforce. This figure was used by the Secretary to articulate more accurately the actual workforce growth taking account of the underachievement experienced in Defence's civilian recruitment in 2009-10. This figure does not specifically relate to increases related to Government approved growth under the White Paper.

Approximately 50 per cent of the workforce associated with the White Paper is to progress the Defence Capability Plan. The balance will be distributed across a range of initiatives, the majority of which are projects related to intelligence capability. The 2010-11 workforce allocation set out in the 2010-11 PBS also includes the conversion of contractors across a wide range of areas particularly in the areas of IT and Health and the conversion of military positions in non-combat administrative areas where it is more appropriate and less costly for civilians to perform these functions. These APS increases are partially offset by Strategic Reform Program cost reductions due to reform across a number of initiatives within reform streams.

(b) The majority of the growth is as a result of contractor conversions and civilianisation of military positions. As the military positions being civilianised are in non-combat administrative areas, the employment of civilians in these roles allows the military personnel to be moved to non-administrative areas, thereby improving military capability. As civilians

are less costly than their military counterparts, this ensures a more efficient and effective use of taxpayer funds in generating capability.

(c) DMO combined current workforce, consisting of APS officers, members of the Australian Defence Force (ADF) and Contractors, working on acquisition projects and sustainment activities is 6006, out of a total workforce of 6941.

(d) DMO has access to the resources necessary to deliver acquisition and sustainment, including APS officers, members of the ADF, and contractor staffing where necessary. The overall need for staff will vary dependent on the requirements of the Defence Capability Plan.

(e) As part of the process in developing the Defence Capability Plan, Defence makes projections of likely workforce requirements. As acquisition and sustainment strategies are developed, these projections are refined. Defence Work Force Planning, working with Capability Development Group, Capability Managers and DMO determines the workforce requirement for each project.

(f) The Government accepted the recommendation of the 2008 Defence Procurement and Sustainment Review (the Mortimer Review), to strengthen the role of Capability Managers. Their role is to ensure that all elements required to build a military capability are brought together. The DMO contribution to capability delivery is the provision of equipment as agreed through the Materiel Acquisition Agreements. These agreements document the responsibilities of DMO, Capability Managers, and Capability Development Group in delivering the materiel elements of the capability.

In delivering these materiel supplies, the key challenge for the DMO and Defence Industry is to reduce schedule slippage. The Major Project Report indicates that the DMO must continue to focus attention on improving all aspects of project scheduling. This slippage is caused by a range of factors, often starting with an initial underestimation of the technical complexity involved in developmental and large scale system integration projects. Australia is not alone in experiencing this, as reports similar to the Major Project Report in the UK and USA demonstrate. The DMO continues to work in partnership with its Defence customers, the Capability Development Group, and contracted industry suppliers to address the underlying causes of slippage.

(g) Defence employs a performance management scheme for its Senior Executive Service (SES) workforce. The scheme includes the requirement for key performance indicators to be developed, learning and development requirements to be identified and managed, and provides a five point rating scale for the assessment of performance.

Performance of members in the SES, as with Defence's non-SES civilian workforce, is based on a twelve month cycle of performance, and the assessment takes a holistic view of an employee's performance over that cycle. Failure to achieve one key performance indicator does not necessarily provide grounds for the dismissal of an employee – rather, it provides an indicator for future development of that person. Defence manages its SES pool to ensure that individuals are placed in jobs that suit their skills and enable their development.

No senior executive service officers have been dismissed for failure to deliver assigned capability targets. Schedule slippage, budget over-runs and scope changes can be caused by a wide variety of factors, many beyond the control of individual project managers. In relation to the management of project costs, Defence analysis shows that of the 279 projects that have been closed over the last twelve years, worth \$29 billion, the total expenditure is 3 per cent below the total budget for those projects. Schedule, rather than cost, represents the key

challenge and the DMO continues to work in partnership with Capability Development Group and contracted industry suppliers to address the underlying causes of slippage.

W10

**MEAO Aviation Contract**

**Senator Johnston**

- (a) Which company, as at 19<sup>th</sup> October, 2010, holds the current long-term contract for the provision of support to the Australian Defence Force (ADF)?**
- (b) What are the key specifications for this contract?**
- (c) How effectively has the contractor, Strategic Aviation, met the requirements and conditions of the current long-term contract?**
- (d) On what date earlier this year was the tender issued for the provision of future support to the ADF?**
- (e) What were the specifications under the new tender?**
- (f) How did the new specifications differ from those of the current long-term contract?**
- (g) What were the reasons for changing the specifications under the new tender?**
- (h) Do the new specifications mean that only one aircraft type was capable of meeting the requirements of the tender? Which aircraft type was it? Which Australian AOC companies operate such aircraft?**
- (i) Who within Joint Movement Group (JMOVG) were responsible for developing the new specifications?**
- (j) Was there any contact with others in Defence regarding the specifications prior to the new tender being issued? If, so, with whom? What was their advice?**
- (k) Were any members of JMOVG based outside of Canberra invited to offer any input or advice regarding the new specifications?**
- (l) Who in Defence, including JMOVG, were involved in the evaluation of the tenders for the new contract?**
- (m) What was the role of each member of the tender evaluation team?**
- (n) Did the tender evaluation team examine and advise on the financial status of each tenderer?**
- (o) What did they conclude about the financial credentials of the preferred tenderer?**
- (p) Did the tender evaluation examine and advise on the credentials of the members of the management team, directors, other staff, including advisers and contractors, of the preferred tenderer? What did the tender evaluation team conclude about those credentials?**
- (q) What other probity checks were undertaken by Defence in regard to the preferred tenderer?**
- (r) When did Captain David Charlton join JMOVG?**
- (s) What was Captain Charlton's role at JMOVG?**
- (t) Did Captain Charlton ever have contact with any members of the JMOVG team responsible for the new tender?**
- (u) What was the nature of that contact? Via email or telephone? When and how often?**
- (v) Did Mr Charlton confirm three days after the release of the new tender that he had a conflict of interest related to it due to his engagement with JMOVG?**
- (w) What was the nature of that conflict by Mr Charlton?**
- (x) As part of the probity check by the tender evaluation team, did they know that an aviation company with which Captain Charlton was involved had collapsed owing \$93 million?**
- (y) Did Group Captain Barnes or SQLDR Cole ever have contact with Mr Charlton regarding the tender or any related subject? If so, when and in what manner?**
- (z) In March 2010 Hi Fly, of Portugal, was contracted by Strategic Aviation to replace their aircraft for a scheduled check of their Airbus A330-200. This was a set yearly occurrence with the Hyfly aircraft being granted a 'one off' international service request by CASA. Hi Fly advised Strategic Aviation that they were going to add the Airbus A340 to their Foreign Air Operator's AOC with CASA. This was not a**



**requirement, but it would seem likely that they were fully aware of the change in the specifications as applicable to the MEAO aviation contract. The subsequent RFT issued shortly after, indicated a requirement for a set capacity and a need for an Australian AOC or a Foreign Air Operator's AOC with a compliant type. In light of this, will Defence commit to a full and thorough investigation into the possibility that Hyfly were aware of the changed parameters of the current MEAO aviation contract before the Request for Tender was released?**

- (aa) I refer to the Deloitte Examination for the procurement process for Tender RFT AO/014/09-10. They referred to the limitations that they acknowledged in the preparation of this report, p. 2. Could you provide itemised and detailed reasons why these limitations were permitted under the terms of having this report compiled?**
- (bb) Why has Defence entered into a \$100 million two year contract for the provision of air services to the MEAO with a company that owns no planes, employs few Australians and is using a Portuguese charter operator that has no Australian RPT (Regular Passenger Transport) certificate operator's licence and when the minimum requirement of the tender specifications requires that any aircraft carrying personnel be that by an operator who has RPT capability?**
- (cc) Why was this tender response not voided due to non compliance?**
- (dd) Did the Department of Defence contract Deloitte Touche Tohmatsu on 1st September to conduct an assessment of the contract, completed on 15<sup>th</sup> September at a cost of \$600,000?**
- (ee) How can this expenditure be justified when Deloitte's admit up front in their report that they did not interview any of the tenderers or Major Charlton, did not verify or check the integrity of the financial information provided, did not verify the information obtained by online media sources and relied upon the transcript of interviews undertaken by others?**

**Response:**

- (a) Strategic Aviation Ltd.
- (b) The June 2008 Request for Tender specified 200 passengers, a minimum of 30,000 kg uplift payload and no minimum volumetric cargo capacity requirement. Contract Change Proposal (CCP) 002 signed on 28 January 2009 amended the cargo minimum volumetric capacity to 144 cubic metres (integral to the aircraft) and specified three pallets to be moved by freight forwarding. Contract Change Proposal (CCP) 007 signed on 5 March 2010 aligned the specification to equate to an Airbus A330-200 sized aircraft, with a passenger capacity of 227 and an agreed minimum of 114 cubic metres of cargo to be uplifted via Strategic Aviation's A330-200, and three aircraft pallets (totaling 33 cubic metres as per industry standard) to be uplifted via freight forwarding capability. This took the effective minimum volumetric cargo requirement of the contract with Strategic Aviation to 147 cubic metres and 36,000 kg of uplift payload.
- (c) Strategic Aviation has provided an effective service. A fuel consumption dispute had to be settled by dispute resolution negotiations resulting in the signing of a deed of release and CCP 007 to Contract AO/052A/07-08 in March 2010.
- (d) The Request for Tender was issued 29 March 2010.
- (e) 200 passengers, a minimum 42,050kg uplift payload (ie comprised of cargo and passengers) and 150 cubic metres minimum volumetric cargo capacity, specifying an aircraft solution capable of handling all passengers, baggage and cargo.

- (f) An increase from 36,000 kg to 42,050 kg for aircraft uplift payload offset by a decrease in the minimum passenger requirement from 227 to 200, an increase of three cubic metres in volumetric capacity and an aircraft solution for all passengers, baggage and cargo. In essence, based on actual operational requirements experience, the new tender traded a decrease in the minimum passenger capacity (from 227 to 200) for an increase in cargo uplift payload (from 36,000 kg to 42,050 kg), essentially retaining the same minimum cargo volumetric requirement of 150 cubic metres.
- (g) Based on actual operational experience, in the new Contract (AO/014/09-10) a single aircraft solution was preferred to reduce the complexity of the current split passenger/freight service and to overcome problems associated with coordinating and gaining necessary clearances for cargo movements with the current split solution. The global financial crisis in 2009 resulted in a significant increase in air charter availability around the world and it was an opportune time to re-test the market.
- (h) No, there is more than one aircraft type capable of meeting the requirements of the tender. The tender did not specify an aircraft type. Tender responses included A340, B777 and B747 type aircraft. The only Australian companies with an AOC for any of these types of aircraft are QANTAS (B747) and V Australia (B777). The RFT included the right of the Commonwealth to consider non-compliant solutions.
- (i) Headquarters 1JMOVGP Executive staff.
- (j) Contact (in the form of a minute) was made with Air Force to confirm whether capacity to support the MEAO Air Sustainment operational requirements existed within Air Force for the required period. Air Force advised that they had no capacity to support this requirement.
- Contact (in the form of a minute) was made with Joint Logistics Command (JLC) to confirm that the current cargo capacity of the aircraft met their sustainment requirements. They advised that based on historical operational requirements data, the AO/014/09-10 tender specifications were appropriate.
- (k) No.
- (l) Members of Headquarters 1JMOVGP, the Defence Materiel Organisation (DMO) and Strategic Logistics Branch (Joint Logistics Command).
- (m) Members of Headquarters 1JMOVGP were responsible for developing the tender and managing the overall tender and tender evaluation processes. The Tender Evaluation Board (TEB) was comprised of Headquarters 1JMOVGP staff. The Technical Tender Evaluation Working Group (TEWG) was headed by a 1JMOVGP staff member, with technical and logistics representation from Joint Logistics Command staff. The Financial Tender Evaluation Working Group (TEWG) was conducted by Defence Materiel Organisation specialist Financial Investigation Service staff, who made final recommendations to the TEB on the proposed corporate structure, the financial viability of each tenderer, and the fuel efficiency of each tendered option. Tender evaluation was conducted in accordance with Commonwealth and Defence procurement policy.
- (n) Financial Investigation Service (FIS) staff from the DMO were engaged to carry out the financial tender evaluation.

- (o) Actual details of their financial evaluation remain commercial-in-confidence but they concluded that Adagold's proposed corporate structure (including sub-contractors) was financially viable.
- (p) The evaluation criteria relating to this question (as contained in the tender documentation) are listed below with the answers appended to each criterion:

The proposed corporate structure and the financial and corporate viability of the Contractor and any proposed Operator to fulfil their obligations under this Request and the Deed.

Adagold is an Australian proprietary company limited by shares. The corporate structure was considered to be acceptable for an air charter company providing air sustainment services. It was assessed that the proposed corporate structure and the corporate capability and financial viability of Adagold and the operator Hi Fly were considered adequate to fulfil the MEAO Air Sustainment contract. Additional independent financial viability and fit and proper assessments were conducted by Deloitte Touche Tohmatsu which re-affirmed the Tender Evaluation Board's assessment that there were no issues with the credentials of key personnel for the preferred tenderer's proposal.

The Contractors demonstrated the technical and managerial capability to meet the requirements of this Request and the Deed.

The Tender Evaluation Board commented that Adagold provided an experienced and viable commercial structure to support this contract from previously having performed these services. Hi Fly displayed a strong record as a charter operator in performing their obligations as a subcontractor to Strategic Aviation for the same service during 2005 - 2009.

- (q) Adagold was already a member of Defence's Air Standing Offer panel DNL09009 and a reliable provider of air charter support to Defence.
- (r) Captain Charlton was initially posted as a Reservist to the Joint Movements Control Office (JMCO) within 1JMOVGP on 6 November 2001. After a period of Reserve service, Captain Charlton commenced a period of continuous full time service in an operational movement's coordination role with 1JMOVGP Headquarters until 5 January 2005. Captain Charlton rejoined 1JMOVGP in a Reserve capacity as a training officer on 24 June 2009.
- (s) Captain Charlton was employed as a Training Officer at Joint Movement Control Office Brisbane (JMCO BNE) during 2009-10. Captain Charlton ceased to have any involvement in 1JMOVGP operational movements functions in January 2005.
- (t) No.
- (u) No contact.
- (v) Mr Charlton advised a potential for a conflict of interest to the Officer Commanding Joint Movement Control Office Brisbane on 31 March 2010, as his employer, Aviation Integration Services, had been approached by members of the Air Standing Offer Panel to provide technical and regulatory advice for the MEAO Air Sustainment tender.

- (w) He saw a potential for a perception of a conflict of interest due to his employment in the civil aviation air charter industry and his employment as an Army Reservist in IJMOVGP.
- (x) The tender evaluation team was aware of the media reports but considered Mr Charlton's commercial history irrelevant to the tender evaluation as Mr Charlton was not a tenderer. This view was supported by the independent Australian Government Solicitor review findings.
- (y) No.
- (z) Defence's Chief Audit Executive (CAE) Probity Review concluded that the decision to re-tender the MEAO Air Sustainment Support contract was based on sound and objective commercial and operational considerations. These included the likelihood of an improved 'value for money' outcome arising out of changes in the aviation industry conditions following the global financial crisis and the requirement for a consolidated movement solution.

The specifications within the Request for Tender were based on valid operational considerations. The increased payload volumetric requirements of 150m<sup>3</sup> and point-to-point delivery specifications within the Request for Tender are linked to current actual Defence operational air sustainment needs and functional requirements.

The CAE Probity Review found that, based on the Contract Change Proposal No.7, Strategic Aviation (the contractor at that time) would have been aware of the likely volumetric cargo requirement should Defence elect to re-tender the contract.

The CAE Probity Review found no evidence to suggest that Adagold had any prior knowledge of the decision to re-tender or the tender specifications.

The CAE Probity Review interviewed Adagold principles who advised in a Statutory Declaration that:

- At no stage prior to the release of RFT AO/014/09-10 was the Executive Director and CEO of Adagold, or any other representative of Adagold made aware of the tender specifications or the intent to re-tender.
- At no stage did Adagold request that Hi Fly approach the Civil Aviation Safety Authority to upgrade its Foreign Air Operators Certificate to include the Airbus A340 aircraft.

Based on these findings, Defence does not propose to further investigate this matter.

- (aa) Defence placed no limitation on Deloitte as to the work they might undertake to respond to the Terms of Reference, and Deloitte have specifically acknowledged that no limits were placed on them.

Deloitte were aware that their report would have an audience beyond Defence and therefore appreciated the need to very clearly differentiate between what they were requested to do in the Terms of Reference, that had been agreed with the Minister for Defence and Shadow Minister for Defence, and what was out of their scope.

As to the specific limitations to the scope of Deloitte's work these were due to the following:

- Defence had conducted interviews and obtained statutory declarations from Adagold representatives and Major Charlton. Given the scope of Deloitte's engagement, the timeframes involved and their assessment of the information contained in the interviews and the fact that the statements were supported by statutory declarations, Deloitte concluded that further interviews were not required.
- Deloitte was not engaged by Defence to re-perform the tender evaluation process.
- The scope of the work was not an audit hence Deloitte did not perform audit procedures, such as testing the accuracy of information provided by the tenderers, financial viability spreadsheet or online media sources.
- Deloitte was aware that Defence was keen to have the review completed as expeditiously as possible, to avoid disruption to the critical air sustainment services and to minimise the additional costs associated with an interim solution. In response to these concerns Deloitte framed its work, through the assignment of a large team that included a significant number of Partners and Directors, to ensure they did not, unnecessarily, compromise this objective.

(bb) The contract with Adagold is estimated at AUD \$62 million over two years. After a full and proper tender evaluation, as well as clearance by five investigations/probity reviews into the tender process, Defence concluded that this contract provides best value for money to Defence in meeting the current MEAO Air Sustainment requirements. The procurement method used for the MEAO Air Sustainment service request was DNL09009, Air Transport Deed of Standing Offer. This Panel consists of 13 companies who are a mix of Australian and Foreign aircraft operators and brokers. No panel member currently operates an aircraft with the capability specified in the request document.

The requirements for the MEAO Air Sustainment tender request were for an all-inclusive service from Australia to the Middle East and return. It comprised a point-to-point air charter service from civil airports with the whole breadth of air charter management services, including passenger reception and handling, ground handling services, customs and quarantine services. The service being sought was therefore not limited to aircraft operators. The DNL09009 Panel was created to provide all of the services mentioned above to the Commonwealth and it was deemed to be the procurement method most suited to meeting this service requirement.

Where air charter management services are required for a contract, it is common Government practice to contract with an air charter management company rather than directly with aircraft operators. This has occurred recently for example with the Queensland Government contracting Independent Aviation as the supplier of all their air charter management services.

Under the terms of the contract with Adagold, flight and cabin crew are to be Australian citizens within six months of contract commencement. This is to allow the company time to recruit and train the necessary personnel to the required standard. Originally, Australian cabin crew were to be available at contract commencement, however, due to the delay in contract signature, this has been extended to within six months of contract commencement.

The successful tenderer is required to provide an aircraft/service that meets the listed tender requirements. This included the aircraft having a Civil Aviation Safety Authority (CASA) issued Air Operators Certificate (AOC) or a CASA-issued Foreign Air Operators Certificate (FAOC) in conjunction with a country of origin Air Operators Certificate. The Defence requirement, set by Military Aviation Regulation MILAVREG5.5 within the ADF Airworthiness Manual (AAP7001.048) for the carriage of ADF passengers, requires

the aircraft to be western built, the aircraft operator approved for Regular Passenger Transport (RPT) operations by the Federal Aviation Authority (FAA), Transport Canada, European Joint Aviation Authority (of which INAC, Portugal's airworthiness authority, is a member country), CASA or the New Zealand Civil Aviation Authority (CAA). The aircraft provided by Adagold from Hi Fly under the contract each have a CASA issued Foreign Air Operators Certificate and an Instituto Nacional De Aviação Civil (INAC) AOC for scheduled and unscheduled air operations. Adagold therefore meets the ADF equivalent requirement for Regular Public Transport Operations.

- (cc) See (bb) answer above. The tender response was assessed as valid with respect to the airworthiness requirements specified in the request document and the Deed. The tender response contract requirement was for the successful tenderer to be compliant by the commencement of the service, originally scheduled for 23 October 2010, but since revised to 23 November 2010 due to delays caused by probity reviews of the tender process.
- (dd) Defence engaged Deloitte Touche Tohmatsu on 1 September 2010 to undertake an independent examination of certain aspects of the 2010 MEAO Air Sustainment Services tender process. Work commenced on 2 September 2010 and the report was released on 15 September 2010. The actual cost of the Deloitte Touche Tohmatsu review was \$597,000. During the course of the assignment 23 staff were involved of which seven were partners, seven were directors and nine others were senior staff, totalling 996 hours. Due to the importance of this review and acknowledging the concerns expressed by Defence, (that the review be completed as expeditiously as possible, to avoid disruption to the critical air sustainment services and to minimise the additional costs associated with an interim solution), Deloitte assigned only very senior staff, including a significant number of Partners and Directors, to work on the review.
- (ee) Given the contract cost (ie approximately \$62m over two years), its operational importance and the seriousness of the allegations regarding the tendering process, Defence acted immediately to initiate the separate Deloitte and Australian Government Solicitor reviews which independently verified the findings of Defence's internal review.

Deloitte Touch Tohmatsu and the Australian Government Solicitor were given unfettered access to all tender and probity review documentation and staff for the 2010 MEAO Air Sustainment tender. Based on the terms of reference agreed with your office, Deloitte undertook a comprehensive review of the tender and probity review documentation, and conducted a series of detailed interviews with probity review and tender evaluation staff to arrive at its findings. Deloitte also undertook comprehensive additional financial viability and fit and proper assessments, to verify information provided by the Commonwealth. The limitations acknowledged by Deloitte clarified that their review was not to duplicate work already done by the Defence Chief Audit Executive or the Australian Government Solicitor and in no way impacted on the completeness or thoroughness of their work.

**W15**

**Outreach Program – Pakistan**  
**Senator Abetz**

- (a) Were the security arrangements required at the camp?**
- (b) Were the gates of the camp closed during the visit?**
- (c) What impact did that have on the suffering civilians seeking assistance?**
- (d) Is it correct that Lieutenant General Mark Evans, Chief of Joint Operations in Australia, is in Pakistan and part of his role was to do a risk assessment of an Outreach Program?**
- (e) Did Mr Rudd's visit mean adjustments or changes to his plan in relation to undertaking the risk assessment?**

**Response:**

- (a) The response to this question is answered at Q15 (a).
- (b-c) There were no restrictions on the admission of any patients to Camp Cockatoo during the Minister for Foreign Affairs/Commander Joint Operations visit. These patients underwent the normal security screening required before they gained access to the facility.
- (d) Yes.
- (e) No. The Commander Joint Operations visit and subsequent assessment on Outreach Operations were brought forward by 24 hours as a result of the Minister for Foreign Affairs' visit.

W16

**Army Tactical Tank Force**  
**Senator Johnston**

- (a) Could you provide a summary of the decision-making that underpinned the initial requests of your predecessors to purchase new American Abrams tanks for the Australian Army?**
- (b) That initial proposal had an indicative price tag of some \$550 million, which with subsequent examination eventually exceeded \$900 million when the full costs associated with introduction into service were counted. Is this correct, if not, what is the total cost to date?**
- (c) Given that we funded three tactical tank units, when do you see any of the tank units purchased for operations offshore being used?**
- (d) If these tactical tank units are solely to address overseas contingencies, but contingencies that appear limited to near region operations, and given the nature of such operations, how are they that different from the circumstances our troops find themselves in Afghanistan today?**

**Response:**

- (a) Strategic guidance on the range of likely land force tasks identified the need for a direct fire, protected mobility platform, integral to Army combined arms teams. Measured against regional benchmarks, Leopard AS1 was no longer a viable tank capability. The Leopard 1 had become increasingly vulnerable to the proliferation of hand held anti-armour weapons. This reduced the options available to Government for the use of land forces.

The M1A1 Abrams offers a significantly enhanced capability compared to the obsolete Australian Leopard 1 tanks. It was selected due to a combination of superior performance, low schedule and technical risk; as well as there being a world wide fleet community of more than 4000 vehicles.

The M1A1 Abrams is fitted with advanced composite armour that makes it the most survivable tank available, providing the secured land force with a capability that overmatches like capabilities in the region.

- (b) No. The Land 907 Main Battle Tank Replacement Project has a current approved project budget of \$564 million. This includes all equipment acquisition and supporting costs to introduce the tank into service. Expenditure to mid-October is \$437.23 million. The project is on budget.
- (c) Decisions on the deployment of Army's tank capability are informed by the same factors that have led to the deployment of other vehicle platforms including the Australian Light Armoured Vehicle (ASLAV) and Protected Mobility Vehicle (PMV). These factors include the operational environment and the mission to be performed by the deployed force. In Afghanistan the PMV has been assessed as the best possible vehicle to provide protection to Australian troops against the current threat they are facing. The Tank capability will be considered for deployment if current or future operational environments or missions change, or there is an indication that a tank capability may be required. Currently, the Commander of Australian forces in Afghanistan has assessed that tanks are not required in Afghanistan.



- (d) The main focus of the ADF's mission in Afghanistan is mentoring the 4th Brigade of the Afghan National Army (ANA). The 4th Brigade ANA is a light infantry Brigade that conducts predominantly dismounted operations. The 4th Brigade ANA does not contain, nor will it contain in the future, Main Battle Tanks. The Mentoring Task Force is structured to mentor and partner a light infantry Brigade and does not primarily focus on the destruction of insurgent forces. Deploying a tank capability to Afghanistan may create a dependency that may not be sustained by the ANA once the ADF achieves its' mission in Uruzgan Province. If future operational environments and missions indicate that a tank capability may be required then the tank capability will be considered for deployment.

W17

**JP 2077**

**Senator Johnston**

- (a) Could you advise of the specific lessons observed of JP 2077 since the Secretary's comments in May, and how those lessons have been applied within Defence?**
- (b) What is your estimate of the length of time corrective action will take to have effect in this project?**
- (c) (i) What governance mechanism or regime are you using from JP 2077 to impact on the broader capability community?  
(ii) Is there a newsletter?  
(iii) Are other projects required to demonstrate how they have avoided the mistakes of JP 2077?  
(iv) In other words, what tangible mechanisms can Defence officials access to guide their own decision-making?**
- (d) Given JP2077 is focused on information technology within material logistics, how are lessons from within JP2077 transferrable to other projects?**
- (e) What is the financial windfall observed from these 'lessons'?**
- (f) What savings or efficiencies have emerged from examination of these lessons?**

**Response:**

- (a) The Secretary did not make any comments about JP 2077 during the May 2010 Budget Estimates hearing. In respect of JP 2077, the Military Integrated Logistics Information System being delivered under Phase 2B.1 went live on 5 July 2010. The collection and collation of lessons learnt from JP 2077 Phase 2B.1 will be completed at project closure, expected by end of March 2011.
- (b) In 2009 the Government approved the deferral of the implementation of JP 2077 from November 2009 to the end of the financial year in order to reduce risks relating to training, stocktake and financial accounts. JP 2077 went live successfully in July 2010. Since that time there have been some performance and functional issues but these are well within the norm for this type of project and are being resolved.
- (c) (i) Capability development arrangements developed as a result of the Kinnaird and Mortimer reviews either remain in place or are subject to further development in accordance with agreed implementation plans. The experiences of JP 2077 have not suggested any amendment to these programs of improvement for the capability life cycle.  
(ii) Yes. JP 2077 uses a range of communications media, including newsletters, to communicate with its stakeholder community and users. The use of these media is not connected to any recommendations from any reviews.  
(iii) It is unclear what "mistakes" the question refers to. Lessons learnt from JP 2077 Phase 2B.1, when available by end of March 2011, will be shared with other relevant projects. Defence and the DMO have governance processes in place to report on and assure project performance and are conscious of the need to improve the effectiveness of project outcomes.  
(iv) The tangible 'mechanisms' to guide decision-making include, but are not limited to, a comprehensive suite of acquisition policy and guidance stored in the DMO Quality Management System and published as Defence Materiel Instructions or as DMO manuals or guides. For example, the DMO acquisition and sustainment manual outlines the underpinning characteristics of the DMO business to everyone involved in achieving the DMO's mission to equip and sustain the ADF. In addition, the DMO has in place a

comprehensive reporting and assurance regime that is structured to provide early identification of emerging issues and allow timely intervention. The Gate Review Assurance Boards and regular acquisition performance reporting are but two examples.

(d) – (f) Defence strives to be both an effective and efficient organisation in the delivery and sustainment of leading-edge military assets. Lessons learnt exercises are integral in an environment of rapid technological, regulator and strategic change. The lessons learnt from JP 2077 Phase 2B.1 are expected to be complete by end of March 2011, at project closure.

W18

**British Nuclear Testing and Nuclear Veterans**

**Senator Ludlum**

**The Committee secretariat has transferred questions (a) – (c) to the Department of Resources, Energy and Tourism.**

- (a) *The Totem tests occurred at Emu Fields on 15 and 27 October 1953. Is it the case that ordinance, planes, clothing and earthmoving equipment, and other debris from the tests were sent back to Woomera for decontamination and disposal?*
- (b) *Where is the disposal site?*
- (c) *Are there dump sites at the Amberley Air Base for ordinance, planes and clothing that were sent there for decontamination and disposal following all the major trials?*

**Note:** *The following questions relate to those seeking compensation through the British courts and the Woomera babies – 60 infants who died without explanation which these families attribute to the nuclear testing at Maralinga. This was raised in the Adelaide Advertiser on 7 May 2003 and the following day the Minister of Defence promised a full investigation into the matter. I understand that investigation has never been made public.*

- (d) Can you confirm that the CSIRO was tasked with carrying out post mortems on the remains of the children and to investigate and report on what happened to the babies?**
- (e) Can you confirm that a report was written by the CSIRO but is now sealed and bears the inscription, “Never to be released”?**
- (f) Will the Government release the findings of what happened to these babies?**
- (g) Have the bones of the children taken for study on the effects of nuclear fall out been returned to their families?**
- (h) Are the names of those occupying graves at Woomera listed on cemetery registers? I understand people have had great difficulty accessing that data.**
- (i) Are Woomera’s hospital records available for release to oncologists and other medical professionals managing the health treatment of people who once lived there? I have received communications from someone who grew up in Woomera who now has cancer and her hospital records from Woomera will not be released, why is this the case?**
- (j) If there is any evidence of radioactive damage, will the Government compensate the 68 families?**

**Response:**

(d) – (f)

There is no evidence to suggest the CSIRO, the Department of Resources, Energy and Tourism nor the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) were either requested to or conducted the investigations or studies referred to in these questions. In addition, contrary to the claim in the Adelaide Advertiser of 7 May 2003, there is no evidence to suggest an investigation was either requested or undertaken by Defence.

- (g) On 19 February 2003, the then Minister for Health and Ageing announced that next of kin would be able to obtain information about the identity and whereabouts of ashed bone samples used in nuclear fallout research from 1957 -78 and organs and tissues retained after autopsy.

The then Minister for Health and Ageing outlined that families would be able to seek information and after carefully checking all available records, the type of information that would be provided to inquirers could include whether any organs or ashed bones samples were retained; if material was retained but subsequently disposed of; whether or not any retained material still exists, and where material still exists; and options for disposal or continued use.

Further information is available on (i) the Department of Health and Ageing's (ii) Australian Radiation Protection and Nuclear Safety Agency's (ARPANSA) and (iii) the National Health and Medical Research Council's (NHMRC) websites.

- (h) The Woomera Cemetery burial register is available to the public from the Defence Centre at Woomera. Headstone listings are also available on line at [www.ozgenonline.com](http://www.ozgenonline.com).
- (i) Medical records for Woomera residents, excluding current residents, from 1990 onwards are located at the Defence Centre Woomera. Records prior to 1990 are held at the National Archives. Requestors are asked to submit their details in writing to Defence Centre Woomera. If files are located at National Archives, requestors are advised and directed to them. For files held locally requestors complete a release form and copies of medical records are released to the requestor, their medical practitioner or legal entity as per the request.
- (j) Compensation in response to claims arising from the British Nuclear Test Program is determined on the merits of each individual case.

**W20**

**Defence Travel**  
**Senator Johnston**

**Since Mr Sargeant explained his actions in May, what financial dividends have resulted from his efforts? He indicated there was some reform initiative underway.**

**Response:**

There are a series of travel initiatives that are currently being implemented as part of the Strategic Reform Program to reduce Defence travel costs, including the adoption of a Whole of Australian Government travel contract. In terms of savings achievement, from 2007-08 to 2009-10 there has been a decrease in travel expenditure of 12 per cent in nominal terms.

W21

**East Timor**  
**Senator Johnston**

**CDF, you mentioned in May that the United Nations was focusing on building the capacity of the East Timor police. How is that initiative proceeding, and what impact is it likely to have on ADF force numbers currently deployed within East Timor in the next 12 months and in the next three years?**

**Response:**

The security situation in East Timor is progressing well. In terms of policing, 10 of the 13 districts have been handed over with Bobonaro and Covalina awaiting handover post a successful assessment. At this stage, Dili is due for assessment in March 2011.

The Australian Defence Force (ADF) is not involved in capacity building of the East Timor police or in police duties. Notwithstanding the fact that the International Stabilisation Force is working very closely with the United Nations, ADF force numbers will not be determined by the capability of the East Timor police.

W23

**Civilians in Afghanistan**

**Senator Johnston**

- (a) Where have we progressed on enhancing the civilian element of our contribution? CDF, you said in May a plan has been under development since February that would see 52 personnel in total, but how has that plan manifested itself? Specifically, how many are Defence as opposed to DFAT, AusAID, Police etc?**
- (b) Will we see substantial and further numbers of Defence civilians deploying – if they volunteer – to Afghanistan? If not, why not; surely the improvement of governance at a provincial level will reap as much benefit as training Afghan security personnel? What further functions currently undertaken by the ADF in Afghanistan could be transferred to the APS from the ADF?**
- (c) Have we considered conditions of service implications for Defence civilians in Afghanistan and what they might be in comparison to current ADF personnel serving there, given the level of danger faced by both would be similar, perhaps more for the civilians, given if shot at they cannot shoot back?**

**Response:**

- (a) Defence has around 10 civilian personnel in Afghanistan. In addition, there are around 50 further civilian personnel from the Department of Foreign Affairs and Trade, AusAID and the Australian Federal Police in Afghanistan. These numbers seasonally fluctuate in accordance with mission and administrative requirements.
- (b) Defence is comfortable with the current ratio of civilian to military personnel deployed to Afghanistan. Defence will continue to keep its mission under review and will remain flexible in responding to International Security Assistance Force requirements. Some Defence civilians provide advice to ADF commanders, while others provide intelligence, scientific and technical analysis in support of ADF operations. Other Government agencies, through the Provincial Reconstruction Team, focus on tasks including the improvement of governance at the provincial level.
- (c) Defence Australian Public Service (APS) staff employed in Afghanistan operate under conditions of service appropriate to their role. Operations planning includes an assessment of the potential risk to Defence APS employees who are to be employed in an area of operation (AO). It also includes an assessment of the ability to protect the Defence APS employee in an AO. Defence civilians do not travel 'outside the wire' unless adequate force protection is provided.



W24

**Afghanistan – 4<sup>th</sup> Brigade Training**  
**Senator Johnston**

**CDF said in May that when 4<sup>th</sup> Afghan Brigade concluded its training, it would be quote ‘ a very capable formation’.**

- (a) Has 4<sup>th</sup> Brigade concluded its training?**
- (b) How long until that training concludes?**

**Response:**

(a) Headquarters 4th Brigade, 1st (Infantry), 2nd (Infantry), 3rd (Infantry), 4th (Combat Support) and 5th (Combat Services Support) Kandak have completed their training and are now in the field mentoring phase.

(b) The field mentoring of the 4th Brigade to a suitable level of operational viability will take between two and four years.

W25

**Internet Access on Deployment**

**Senator Johnston**

- (a) Where have we progressed on the issue of providing deployed troops with adequate internet access? Have the complaints discussed in May been resolved, and if so, how were they resolved?**
- (b) What is the status of the ‘amenities internet’ project we were advised of in May?**
- (c) Are all overseas deployments receiving equal and comparable levels of internet access and support?**

**Response:**

- (a) Defence has made substantial progress in providing deployed Defence personnel with adequate amenities internet access since May 2010. This has been in terms of modest enhancements to the existing facilities and also in progressing Internet Access Project.

In May 2010, there was an extended outage of the Internet service at one of the patrol bases in the Middle East Area of Operations (MEAO). The patrol bases are remote and hard to access. Competing tactical priorities and force protection requirements can restrict movement of technical personnel and their equipment. The May 2010 outage was resolved in August 2010 by the replacement of all Amenities Internet Access equipment at the patrol base. It has been stable since that rectification.

- (b) The Maritime component of Amenities Internet Access known as Navy Internet Café has completed installations on five ships - MELBOURNE, TOBRUK, MANOORA, KANIMBLA and STUART. The feedback from sailors has been very positive. The majority of the Major Fleet Units are expected to be completed by the end of this financial year (FY 2010-11). Due to operational commitments the frigates PARRAMATTA and BALLARAT will not be fitted out until after June 2011.

The request for tender for the land component of Amenities Internet Project was released on AusTender on 11 August 2010 and closed on 22 September 2010. The project team has now finalised contract negotiation. It is expected that a contract will be entered into, and work commence, in the coming months.

- (c) Not yet. Having said that the level of service has improved to the point where the overall service is satisfactory. It remains a non-standard service delivered on a best-endeavours basis. The Amenities Internet Project will establish a contract with a single supplier such that Defence can order services on a site-by-site basis and have the one supplier provide, maintain and manage internet services. These services will be delivered to an improved and more standardised level.

W26

**Procurement of FMS Stores**

**Senator Johnston**

- (a) Given the position of the Australian dollar, and with currency markets indicating it will remain at parity or even escalate to \$1.12 US, how will that affect the bottom line in terms of our procurement of FMS stores and similar capability? Will Defence see any tangible benefit from this very favourable financial picture, or will adjustments in project Cost Estimates see any 'savings' returned to consolidated revenue?**
- (b) What is planned to do with those funds, given the clear indication the current budget for Defence cannot service their ambitions for military capability?**

(a) and (b) In accordance with the agreed 'No-Win No-Loss' Foreign Exchange (FOREX) funding arrangement, Defence is required to adjust its budget for estimated FOREX rates. A positive fluctuation would result in a downward adjustment to the budget with the funds being returned to Consolidated Revenue. This arrangement ensures that the Defence budget is able to maintain purchasing power despite fluctuating exchange rates.

**W33**

**Cyber Threats**  
**Senator Trood**

- (a) Is the Department aware that Britain has listed cyber security as “Tier 1” in their new national security strategy?**
- (b) Is the department considering designating cyberspace as a fifth domain of warfare?**

**Response:**

- (a) Yes.
- (b) The department is yet to make cyberspace a separate domain but this is being closely examined.

W34

**White Paper Review**  
**Senator Trood**

- (a) The 2009 Defence White Paper was proclaimed by the former Defence Minister, Joel Fitzgibbon, as “a vital planning document that will form the foundations of our future Defence capabilities.” A little more than 12 months on from its release, how confident is the Government of the judgements/assessments and resourcing in the White Paper?**
- (b) Does the government or the Department have any plans to review the contents of the 2009 Defence White Paper?**
- (c) What does the need for a review say about the rigour of the assessments used in the production of the White Paper?**

**Response:**

- (a) While the fundamental judgements of the 2009 Defence White Paper remain sound, the global economic crisis has accelerated some established trends in our strategic environment such as the growth of Chinese economic and military power relative to that of the US. Our assessments are reviewed and updated on a regular basis. The Government is confident that the funding plan laid out in the White Paper remains a sound basis for planning.
- (b) Through the 2009 Defence White Paper (paras. 13.12-13.16) the Government has directed Defence to follow a planning cycle in which a White Paper is produced every five years, preceded by a strategic assessment, force structure review, independent audit and the annual Defence Planning Guidance. This continuous strategic planning process positions Defence well to develop further options for Government consideration that would contribute to regional security and stability if the strategic situation requires.
- (c) The White Paper anticipated the need for continuous review by establishing a five-year planning process. It acknowledged that perfect knowledge of the future is unattainable and that as new information became available, the Government would reassess its strategic outlook (para. 3.20).

W35

**Defence Base Security**

**Senator Trood**

**In response to questions on notice about the review of defence base security, the Department advised:**

**‘The review of Defence protective security arrangements, completed in August 2009, made 33 recommendations. Of the 33 recommendations, 15 have been completed....The remaining 18 recommendations are all in progress and have been consolidated into a base security improvement work program, with associated funding identified across the forward estimates from within the Defence budget.’**

- (a) When was the review completed?**
- (b) Why have only 15 been completed?**
- (c) What has been the cause of the delay?**
- (d) What are the remaining 18 recommendations?**
- (e) When are they likely to be complete?**

**Response:**

- (a) The Review of Defence protective security arrangements was completed on 14 August 2009.
- (b) Twenty-two recommendations have been completed as at 31 January 2011.
- (c) Those recommendations that could be implemented quickly, including the policy changes made to the Defence Security Manual, have been completed. The implementation of some recommendations was reliant on the results of individual base security risk assessments across the Defence estate. The security risk assessments for 88 bases have now been completed and projects have started to deliver an improved capability on identified bases. Some of these projects include infrastructure work, such as modifying traffic arrangements on entry and exit to some bases, and establishing vehicle search and inspection areas. Other recommendations, reliant on the introduction of legislation into parliament to amend the Defence Act, were delayed by the recent election. This legislation was reintroduced in the House of Representatives on 29 September 2010, and was referred to the Senate Foreign Affairs, Defence and Trade Legislation Committee for inquiry, with a reporting date at the end of February 2011.
- (d) In the broad, the outstanding recommendations relate to the enhancement of existing capabilities, infrastructure works and additional contracted services. Defence is not prepared to release precise details of the recommendations as these relate to the security of Defence personnel, equipment and Defence bases.
- (e) Of the eleven recommendations that now remain outstanding, some are nearing completion whilst others – which are complex in nature or which require whole-of-Defence project delivery – are undergoing planning, procurement and design activities. Some of these projects will take a number of years to complete.