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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Friday, 5 April 2019

Members in attendance: Senators Abetz, Fierravanti-Wells, Gallacher, Kitching, Marshall, McCarthy, McGrath, Moore, Patrick, Rice, Watt, Wong.
DEFENCE PORTFOLIO

In Attendance

Senator Fawcett, Assistant Minister for Defence
Senator Reynolds, Minister for Defence Industry, Minister for Emergency Management and North Queensland Recovery

Department of Defence

Portfolio overview and questions arising from opening statements

Mr Greg Moriarty, Secretary
General Angus Campbell AO, DSC, Chief of the Defence Force

Outcome 1: Defence Australia and its national interests through the conduct of operations and provisions of support for the Australian community and civilian authorities in accordance with Government direction.

Program 1.1: Operations contributing to the safety of the immediate neighbourhood
   Lieutenant General Richard Burr AO, DSC, MVO, Chief of Army
   Vice Admiral Michael Noonan AO, Chief of Navy
   Air Marshal Leo Davies AO CSC, Chief of Air Force

Program 1.2: Operations supporting wider interests
   Lieutenant General Richard Burr AO, DSC, MVO, Chief of Army
   Vice Admiral Michael Noonan AO, Chief of Navy
   Air Marshal Leo Davies AO CSC, Chief of Air Force

Program 1.3: Defence contribution to national support tasks in Australia
   Lieutenant General Richard Burr AO, DSC, MVO, Chief of Army
   Vice Admiral Michael Noonan AO, Chief of Navy
   Air Marshal Leo Davies AO CSC, Chief of Air Force

Outcome 2: Protect and advance Australia’s strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government.

Program 2.1: Strategic Policy and Intelligence
   Mr Tom Hamilton, Acting Deputy Secretary, Strategic Policy and Intelligence Group
   Mr Hugh Jeffrey, First Assistant Secretary, International Policy
   Dr Sheridan Kearnan, First Assistant Secretary, Defence Industry Policy
   Dr Peter Sawczak, Acting First Assistant Secretary, Strategic Policy

Program 2.2: Defence Executive Support
   Mrs Rebecca Skinner, Associate Secretary
   Ms Celia Perkins, First Assistant Secretary, Security and Vetting Services
   Dr Tom Clarke, First Assistant Secretary, Audit and Fraud Control Division
   Mr Adrian D’Amico, Head, Defence Legal
Mr John Geering, First Assistant Secretary, Ministerial Executive Coordination and Communication
Ms Megan Lees First Assistant Secretary, Governance and Reform Division
Dr Tom McGregor, Assistant Secretary, Enterprise Reform Branch

**Program 2.3: Chief Finance Officer**
Mr Steven Groves, Chief Finance Officer

**Program 2.4: Chief of Joint Capabilities**
Air Marshal Warren McDonald AM, CSC, Chief of Joint Capabilities
Major General Marcus Thompson AM, Head, Information Warfare
Air Vice-Marshel Tracy Smart AM, Commander Joint Health
Major General David Mulhall DSC, AM, CSC, Commander Joint Logistics
Major General Michael Ryan AM, Commander Australian Defence College
Brigadier Duncan Hayward CSC, Acting Head, Reserve and Youth Division

**Program 2.5: Navy Capabilities**
Vice Admiral Michael Noonan AO, Chief of Navy

**Program 2.6: Army Capabilities**
Lieutenant General Richard Burr AO, DSC, MVO, Chief of Army

**Program 2.7: Air Force Capabilities**
Air Marshal Leo Davies AO CSC, Chief of Air Force

**Program 2.8: Australian Defence Force Headquarters**
Vice Admiral David Johnston, Vice Chief of the Defence Force
Rear Admiral Jaimie Hatcher, Head, Military Strategic Commitments

**Program 2.9: Capability Acquisition and Sustainment**
Mr Tony Fraser, Deputy Secretary, Capability Acquisition and Sustainment Group
Mr Greg Divall, Group Business Manager, Capability Acquisition and Sustainment Group
Mr Shane Fairweather, First Assistant Secretary, Helicopter Systems and Acting First Assistant Secretary, Procurement and Contracting
Mr Stephen Johnson, Deputy Secretary, National Naval Shipbuilding and General Manager, Submarines Air Vice-Marshal Leigh Gordon AM, CSM, Head, Joint Strike Fighter
Major General Andrew Bottrell, Head, Land Systems
Major General David Coghlan AM, Head, Armoured Vehicle Division Rear Admiral Wendy Malcolm, Head, Maritime Systems
Mrs Sheryl Luutz, First Assistant Secretary, Ships Division
Rear Admiral Gregory Sammut, Head, Future Submarine
Mr Peter Chesworth, First Assistant Secretary, National Naval Shipbuilding Office
Commodore Peter Ashworth, Director General, Navy Aviation Systems
Air Vice-Marshel Catherine Roberts, Head, Aerospace Systems Division
Air Commodore, Gregory Hoffmann, Acting Head, Aerospace Systems
Ms Traci-Ann Byrnes, First Assistant Secretary, Program Performance
Mr Ivan Zlabur, First Assistant Secretary, Joint Systems
Ms Angela Diamond, First Assistant Secretary, Financial Management and Performance
Mr Daniel Fankhauser, Assistant Secretary, Naval Shipbuilding

Program 2.10: Estate and Infrastructure
Mr Steve Grzeskowiak, Deputy Secretary, Estate and Infrastructure
Mr Chris Birrer, First Assistant Secretary, Estate Division

Program 2.11: Chief Information Officer
Mr Stephen Pearson, Chief Information Officer
Mr Jeff Goedecke, First Assistant Secretary, ICT Service Delivery and Reform

Program 2.12: Defence People
Ms Justine Greig, Deputy Secretary, Defence People
Mr Patrick Hetherington, First Assistant Secretary, People Policy and Culture
Major General Natasha Fox AM, CSC, Head, People Capability
Mrs Lisa Phelps, First Assistant Secretary, People Services

Program 2.13: Defence Science and Technology
Professor Tanya Monro, Chief Defence Scientist
Dr David Kershaw, Chief Maritime Division
Dr Michael (Mike) Davies, Chief Science and Technology Program

Program 2.14: Defence Force Superannuation Benefits Program 2.15: Defence Force Superannuation Nominal Interest Program 2.16: Housing Assistance

Australian Signals Directorate
Mr Mike Burgess, Director-General, Australian Signals Directorate
Mr Alastair MacGibbon, Head, Australian Cyber Security Centre

Department of Veterans' Affairs
Ms Liz Cosson AM, CSC, Secretary
Mr Mark Cormack, Deputy Secretary, Policy and Programs
Mr Charles McHardie AM, Deputy Secretary, Business Transformation
Mr Craig Orme DSC, AM, CSC, Deputy President
Major General Mark Kelly AO, DSC, Repatriation Commissioner
Mr Don Spinks, Commissioner
Mr John Fely, First Assistant Secretary, External Stakeholder and Government Relations Division
Mrs Kate Pope PSM, First Assistant Secretary, Veterans' Services Design Division
Ms Gayle Anderson, First Assistant Secretary, Client Engagement and Support Services Division
Ms Natasha Cole, First Assistant Secretary, Clients' Benefits Division
Ms Bobbi Campbell, First Assistant Secretary, Legal, Assurance and Governance Division
Mr Mark Harrigan, First Assistant Secretary, Business Support Services Division
Mr Graeme Rochow, Chief Finance Officer, Assistant Secretary, Finance and Property Branch
Mr Paul Nothard AM, CSC, National Manager, Commissions and War Graves Branch
Dr Jenny Firman, Chief Health Officer

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
CHAIR (Senator Abetz): I declare open this budget estimates 2019-20 hearing of the Senate Foreign Affairs, Defence and Trade Legislation Committee. Today the committee will examine the Department of Defence, the Department of Foreign Affairs and Trade as set out in the circulated program. The committee is due to report to the Senate on 14 May 2019 and to set Friday, 24 May 2019 as the date for the return of responses to questions taken on notice. Information on procedural rules governing the estimates hearing and claims of public interest immunity has been provided to departments and agencies and is available from the secretariat, and will be incorporated in Hansard.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer’s statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

Department of Defence

[09:02]

CHAIR: I welcome Senator the Hon. Linda Reynolds. I understand this is your first appearance at estimates in this capacity, so congratulations and welcome.

Senator Reynolds: Thank you, Chair.

CHAIR: You are the Minister for Defence Industry, but you are appearing here today also representing the Minister for Defence.

Senator Reynolds: That's correct.

CHAIR: Thank you for that. We also have the Secretary of the Department of Defence, Mr Moriarty—welcome—and the Chief of the Defence Force, General Angus Campbell, and various other officers from Defence. I note that this will be the last estimates hearings at which Air Marshal Leo Davies will attend before his retirement as Chief of Air Force in July, when Air Marshal Mel Hupfeld will assume that role. I would to take this opportunity to acknowledge Air Marshal Davies's long and distinguished service in the Australian Defence Force, thank him for his assistance to this committee and wish him well in the future.
Whilst having provided that accolade, can I also provide one to Senator Claire Moore, who is in a similar circumstance. I think, depending what may or may not happen on the weekend—which we won't try to predict—but if something does happen on the weekend then we won't be setting out estimates next week. In those circumstances, Senator Moore, on behalf of the committee and everybody associated with it, thank you for your longstanding interest and contribution to this committee.

Senator MOORE: Thank you, Chair.

Senator PATRICK: Chair, I don't think we should be so pessimistic as to think that there won't be estimates next week. They could actually go ahead.

CHAIR: I'm highly excited by the prospect—not! Minister, do you wish to make an opening statement?

Senator Reynolds: Thank you, but no.

CHAIR: Mr Moriarty?

Mr Moriarty: No, thank you.

CHAIR: General Campbell, can we get a trifecta on this?

Gen. Campbell: We can indeed.

CHAIR: Thank you very much. I understand Senator Gallacher's going to kick off for us.

Senator GALLACHER: Mr Moriarty, we did communicate with you directly as to some of the detail we need to talk about. We'd like to examine Defence estate and PFAS in particular. Do you have the detail that we sought? Is that going to be tabled? How are we going to handle that?

Mr Moriarty: The department received the letter that you addressed to me and General Campbell. Officers of the department have been working since the receipt of that letter to provide our responses to the committee today. We can take it in any way that you, subject to the chair's concurrence, would be happy to proceed. Would you like to start with PFAS?

Senator GALLACHER: Yes. I just note that on other committees the detail has been tabled, which means we don't have to fish.

CHAIR: Do we have written answers? So, rather than them currently being read, would it be of assistance to the opposition if the answers were provided so you can go through them and then come back to it later? Would that be of assistance?

Senator GALLACHER: I can ask the questions here but, I mean—

CHAIR: All right. Look, handle it as you wish.

Senator GALLACHER: Forecast expenditure across the forward estimates for all of the Department of Defence activities related to PFAS investigation and management program, including details of FTEs within the department, number and value of consultants, contractors and administrative expenditure. What's the big figure?

Mr Grzeskowiak: If I look at the forward estimates starting with financial year 2019-20, our budget estimate is $205 million. For financial year 2020-21—

Senator GALLACHER: Sorry, that was $205?
Mr Grzeskowiak: Correct. For financial year 2020-21, it's $101 million. For financial year 2021-22, it's $59 million. For financial year 2022-23, it's $32 million. In terms of the size of the team—

Senator GALLACHER: Perhaps I could just examine those figures before we go to the next detail. So $205 million, $101 million, $32 million—and what was the fourth one?

Mr Grzeskowiak: It was $205 million, $101 million, $59 million, then $32 million.

Senator GALLACHER: Is that because your examination of the Defence estate will be completed and you've got less exploratory activities to take? Why is that figure decreasing?

Mr Grzeskowiak: It's our current estimate from what we know at the moment. As you say, we've completed around half of the investigations that are ongoing at the moment. We've had a total of around 27 investigations; around half are complete, and the other half will be completed over the next year or so. We're moving into producing PFAS management area plans for all of the sites. They're essentially documents which will advise and inform our remediation strategies. As we've spoken here before, we've commenced remediation at a number of sites through either water treatment or removing contaminated soils. What we have here are estimates of the size of the task, as we see it today. Obviously, as further site investigations mature, we'll look at that and see what remediation can be done and is sensible to do, so these estimates may change as our investigations roll to completion over the next year or so.

Senator GALLACHER: What I'm trying to ascertain is: has the examination of the Defence estate been completed? Do you know where your problem areas are?

Mr Grzeskowiak: We have a very good idea of that. As I said, around half of the investigations are still ongoing.

Senator GALLACHER: You could potentially have 50 per cent unexplored or unidentified?

Mr Grzeskowiak: I wouldn't characterise it in that way. We're confident that the 27 sites we've looked at are the areas where we're most likely to find PFAS.

Senator GALLACHER: So you know from your historical use where you're likely to find this problem?

Mr Grzeskowiak: Yes. That's right. Before we started—

Senator GALLACHER: And you've locked that in? There are no areas that you haven't looked that potentially could have contamination?

Mr Grzeskowiak: You never say never with these things, but we think we've got the main sites. We did a very thorough desktop evaluation at the beginning of this process that informed the 27 sites that we're doing the detailed work at.

Senator GALLACHER: That sort of expenditure has been completed. You've identified where the issues are?

Mr Grzeskowiak: Yes. And all of those investigations—

Senator GALLACHER: Now the next expenditure is on the issues and dealing with it. Is that what you're saying?
Mr Grzeskowiak: Yes. All of those investigations are on contract and ongoing, and the estimates are informed by what we know those expenditures are, plus what our best estimate at this point is about the remediation that we'll move into in the future—and other things, like the research we're funding in various places, into remediation technologies.

Senator GALLACHER: Okay. So the problem's identified, there's been a considerable amount expended on doing that and you're now into remediation investigation of what best to do. How many people did you have working on it in the evaluation phase? Let's go to my next bit, then: details of full-time equivalents within the department, number and value of consultancies and contractors and administrative expenditure? What are the figures saying?

Mr Grzeskowiak: We've established a branch within the Department of Defence that manages this, run by an SES band 1. Within that branch, there are 40 APS members, five of whom are part time. Also working within that branch are 44 people who are contractors bolstering that team. Those numbers will change as we go forward with the work. You asked as well about contracts. There are currently 74—

Senator GALLACHER: Sorry, if I could just stop there. What's the value of 40 APS, five of which are part time and 44 contractors? What's the budget amount for that cohort?

Mr Grzeskowiak: I think a reasonable capitation rate would be something in the order of $120,000 per head for an APS—

Senator GALLACHER: I don't want to be difficult, but you don't have a budget for the department you've created, like a global budget for full-time equivalents and consultancies?

Mr Grzeskowiak: We do—

Senator GALLACHER: Are you asking us to do the calculation at $120,000 a head times 40, and subtract some that are part-time?

Mr Grzeskowiak: I can get that figure through the day. But the way we've managed this is to allocate a number of people within the broader departmental figures, but it's 40 APS; it's 44 contractors working in that central team which manages and controls this work.

Senator GALLACHER: When you say 44 contractors, is that a business that's contracted specialist services and put people in your department, or is that a factor in the—

Mr Grzeskowiak: It's people from three separate companies.

Senator GALLACHER: What's the budget for that? There must be an AusTender figure for that, surely.

Mr Grzeskowiak: There would be. I can get those figures for you. But they're within the overall annual figure that I was talking about earlier. The overall figure for all of my PFAS activities for this financial year will—

Senator GALLACHER: I don't mean to be disrespectful, but we're in budget estimates, we're examining expenditure, I'm asking for detail of expenditure and you're not giving me any joy at all. You've given me a global figure. You've dissected a bit. Why can't we know what the 44 contractors' figure is or the 40 employee figure is?

Mr Grzeskowiak: I don't have that number here, but I'll seek to get that number through the day for you.
Senator GALLACHER: What do we know about administrative expenditure? Do you have a team that oversees this division of 40 APS and 44 contractors?

Mr Grzeskowiak: The branch of 40 APS and 44 contractors is the branch that controls the PFAS activity. They control all of the project planning, all of the work to place contracts—which we'll come to in a minute—with the companies that are running investigations and remediation for us, all of the work to run and manage the 123 community engagement sessions we've run across the country so far, and all of the work to provide briefings et cetera. So those people are the people that run the totality of the enterprise, if you like, that manages PFAS for Defence.

Senator GALLACHER: So there's no additional administrative expenditures?

Mr Grzeskowiak: No. It's all included.

Senator GALLACHER: If I was to look at 2019-20, $205 and 2020-21, $101, what does that do to your 40 people and 44 contractors? Is this a diminishing group? Is this group going to wind down over the forward estimates in line with expenditure?

Mr Grzeskowiak: I would imagine that the group would contract over time.

Senator GALLACHER: You budgeted for it to contract.

Mr Grzeskowiak: That's right.

Senator GALLACHER: How many?

Mr Grzeskowiak: I couldn't tell you the detail because we don't know at the moment. These are budget estimates. They are our estimate based on what we know at the moment and what we forecast in terms of work that we'll need to do in the next few years. As we have gone through this process over the last few years, we have learnt things, we have discovered there's often more work to do than we thought. We've had to scale up. As we move through completion of the investigations, my expectation is that the management team will be able to be reduced over time. But we need to manage that as and when the information emerges so that we know, clearly, what we have to do in terms of remediation.

Mr Birrer: The contractors are predominantly project-management staff. They're managing a range of projects. At the moment, as Mr Grzeskowiak said, most of those projects are investigations, but some are also remediation and long-term management.

Senator GALLACHER: I understand that you're doing work, and I understand you've allocated tasks. I'm actually going to the detail of expenditure, which I'm not seeing. Mr Moriarty, is there a response to our letter? Is there a written response to our letter seeking the detail that we've got?

Mr Moriarty: No. What I've asked my officers to do is be prepared to work their way through the questions that you've asked us.

Senator GALLACHER: So there's no response formally?

Senator Reynolds: Just to be clear, in your letter you didn't specifically say you wanted them written, so the officials have come here ready to discuss these issues. Given that they cover a lot of different areas, Chair, would it be—

Senator GALLACHER: I accept that qualification, but they're not giving me the answers.
Senator Reynolds: Given that you would like things in writing and there has been a misunderstanding because they were expecting to come here and discuss them as per your letter, I'm certain—for the order today, Chair—if you wanted some of these in writing, we could go and seek, rather than going through them one by one—

CHAIR: That is what I was suggesting at the very beginning, but I understand my Labor colleagues were not minded to do that.

Senator GALLACHER: What we found out, Chair, with respect is that there is no preparatory work done. In other committees the departments have provided the full fiscal detail that we sought. I accept we didn't spell it out as clear as perhaps you would like, but when we ask questions like, 'How many people are going to be employed in the outward forward estimates?' I think that's a reasonable question but your answer is you don't know. In the $32 million year, how many of these 40 and 44 will be about?

Mr Grzeskowiak: My honest answer is: I don't know in detail. I expect the team to reduce in size. It depends entirely on what we discover from the conclusion of the investigations, what we are able to do with remediation and the number of projects we will need to run.

Senator GALLACHER: How do you construct the forward estimates if you don't have an estimate of the people you are going to need?

Mr Birrer: There is also work underway in the national framework.

Mr Grzeskowiak: We do estimates and we revise them constantly, depending on their workload.

Senator GALLACHER: But you're not telling us what that is.

Mr Grzeskowiak: It is a moveable feast. I'm telling you exactly what I've got at the moment. I'm telling you it's likely that the team size will decrease over time as we fully understand and narrow down the work that we need to do.

Senator GALLACHER: Two further questions. Can we clearly, in writing, get an answer with dollar amounts attributed to the questions we've asked? Can that happen?

Senator Reynolds: Senator Gallacher, can you be more specific?

Senator GALLACHER: The forecast expenditure has been given—

Senator Reynolds: Just for the sake of clarity, in your letter there are a number of summary dot points about a range of issues. Could you just be very clear? Are you just talking about the PFAS questions now or are you talking about all of them?

Senator GALLACHER: We would like an answer to the whole lot. But, very specifically, Mr Grzeskowiak said he can get information through the day, he just doesn't have it to hand, so, on the subject of PFAS, can we get those answers? How much has been allocated for compensation?

Mr Grzeskowiak: No amount.

Senator GALLACHER: No amount. For those people who are expecting to be compensated at Oakey or Williamtown or Katherine, there is nothing in the forward estimates about compensation?

Mr Grzeskowiak: It is an unquantifiable figure at this point.

Senator GALLACHER: No provision at all?
Mr Grzeskowiak: I think it's an unquantifiable contingent liability. I'm not aware of a figure that may have been allocated.

Senator GALLACHER: There was, in earlier estimates, talk about settlements, people making approaches and you doing it confidentially. Has any of that been achieved?

Mr Grzeskowiak: There was one settlement achieved recently from one of the non-litigated claims. That's been canvassed in the media. It related to one of the claims from Oakey. The settlement was made to a Dr Donaldson.

Senator GALLACHER: Is there any public disclosure of the amounts of settlement?

Mr Grzeskowiak: No. All of these settlements are confidential and so—

Senator GALLACHER: How does that go in a budgetary sense? I understand that between people there's confidentiality, but how do you account for the money? You can't be confidential from the public—from the taxpayer. How do you account for it?

Mr Grzeskowiak: The settlements are managed by the whole of government through the Attorney-General's Department, but, as is normal business for these sorts of settlements, they are confidential settlements between the parties.

Senator GALLACHER: So, if we go to the Attorney-General's budget papers, there'll be some confidential settlement detail, will there?

Mr Grzeskowiak: I would doubt that, Senator.

Senator PATRICK: Chair, on a point of order, it's very clear that the confidentiality provisions in any contract or secrecy provisions in any law or privacy provisions in any law are subservient to the inquiry powers of the Senate. The proper approach if you don't want to answer this question is to advance public interest immunity. You can't just say it's confidential.

Mr Grzeskowiak: Senator, I can't tell you the figure because I don't know what it is because it's a confidential figure and I am not aware of it. The issue is managed by the Attorney-General's Department—

Senator PATRICK: Perhaps to help Senator Gallacher, you could get those numbers. There are no problems with advancing a public interest immunity, but that is the proper process in this committee. If you don't want to answer a question, you state a public interest immunity and you state the harm that would be caused by revealing that to the Senate.

Senator Reynolds: Senator Patrick I'm sure the officials are very grateful for that lecture on public interest immunity—

Senator PATRICK: Their answer was unacceptable, Minister.

CHAIR: Please let the minister finish.

Senator Reynolds: There is no suggestion at this stage that that claim is being made. However, what we are trying to ascertain initially is we've got a very large number of dot points here that the officials across pretty much the entire portfolio, in good faith, are coming here to address. In relation to the first one, what we're trying to ascertain is exactly what information Senator Gallacher is requiring. We are now just getting that information in terms of where the money is coming from. So, Senator Patrick, I think you're making a leap that is not under discussion.
Senator PATRICK: I was raising a point of order in respect of the very question that Senator Gallacher asked, to which he is entitled to an answer.

Senator Reynolds: Senator Patrick—

Senator PATRICK: It's a matter for the chair, actually. It's a matter for the chair.

CHAIR: One at a time!

Senator Reynolds: It's going to be a very unhelpful day if you are going to intercede every time you want to make a political point.

Senator PATRICK: It's not a political point; it's a process point.

CHAIR: Yes, but Senator Gallacher was not making that point at the time. You now have, Senator Patrick, and, of course, it's up to you, should you wish to make that point for yourself under your name or whether you're just throwing a suggestion—

Senator PATRICK: I was raising it as a point of order on—

CHAIR: It's a suggestion to Senator Gallacher; it's up to him whether or not he seeks to pursue it. Of course, it is open to officials, if they have concerns about elements, to take questions on notice to give detailed consideration as to whether or not such a request is ultimately made.

Senator Reynolds: Chair, as I just said, Senator Patrick was taking a leap that was not even under suggestion. There is no claim for public interest immunity. However, what the officials will do is take that on notice for a short period of time and actually clarify. The heart of Senator Gallacher's question is whether AGD is funding that or does that come from Defence, and we will get back to you shortly.

CHAIR: Thank you.

Senator GALLACHER: I'm happy to wrap this up, but what I do want to understand is: do you have a detailed written answer to our letter or not?

Mr Moriarty: No.

Senator GALLACHER: You don't?

Mr Moriarty: No. I've asked officers of the department to come prepared to answer the questions that you put to General Campbell and myself.

Senator GALLACHER: So, just going forward then, we're going have to ask each individual sector, if you like, for the detail to be tabled today.

Senator Reynolds: Senator Gallacher—sorry, Secretary—your letter says, 'I therefore request that you be able to provide the following information when you attend Senate estimates in the week of 1 April.' I think the clear understanding of the officials here was that, when they attend, they would be ready to answer these questions.

Senator GALLACHER: You've said that to me three times now, Minister. I do understand English.

Senator Reynolds: If you would like it in writing, please clarify, and we will endeavour to see what we can get to you today in writing.

Senator GALLACHER: I would point out, Minister, that other departments attending estimates throughout all of yesterday used common sense and tabled the detail, and we then
didn't have to go exploring every line-by-line item. If your department doesn't want to work that way, that's fine.

**Senator Reynolds:** Senator Gallacher, the officials here are many wonderful things but they are not mind-readers. They clearly interpreted your letter in terms of providing that information which they've come here in good faith to do. So, if you now want it in writing, which wasn't clear, then would you like us to see how many of these we can actually get to you more formally in writing today, or do you want to go through them?

**Senator GALLACHER:** Absolutely.

**Senator MOORE:** Both.

**Senator Reynolds:** Both?

**Senator MOORE:** My understanding, Minister, is that each of the officials have come prepared to answer the questions. I understand that, as always they'd had that information available in their briefs. It would be useful if they do have that in a format, question by question, that we could have in writing, but we don't want to delay any further asking why we haven't got it. It would be useful, as it happened yesterday in estimates. People provided the briefs and we then had the briefs in front of us and were able to follow up on questions.

**Senator Reynolds:** That wasn't my experience yesterday in Home Affairs, for example. You've gone right through to one of the middle dot points. Would you like to start at the beginning and walk through those, or just go through the outcomes—

**Senator GALLACHER:** We'd like to hand the call to Senator Wong, so we can move on to another area.

**CHAIR:** Senator Wong.

**Senator WONG:** Mr Moriarty, can we talk about contractors?

**Mr Moriarty:** Yes, Senator.

**Senator WONG:** We had a long discussion, I think—Mr Groves and I, was it?—on the last occasion about contractors. We had a discussion about the quantum—how many contracts—which was the 23,000 in 2017-18 year to the value of $28 billion. I asked for the analogous figures and then asked about the article in 2017 with Mr Richardson talking about 18,000 service providers, consultants and contractors. I asked: what is the equivalent number today? It was taken on notice. The answer frankly doesn't really help because all you've given me again is contract notices published in AusTender and contract values published in AusTender, which I can just get off the internet. What I'm asking for is the equivalent figure to the figure that Mr Richardson referenced in the article which we discussed previously.

**Mrs Skinner:** We don't have that figure. We don't calculate that figure, and what we have done is, as I explained at the last—

**Senator WONG:** Actually, what you've just done is downloaded what's on AusTender, which is a little bit irritating, given that this is a Senate estimates and the best the Department of Defence can do is to give me publicly available information that I can go to myself.

**Mrs Skinner:** We don't calculate the number of contractors, but let me go a little bit further. I think we discussed last time that that was a manual process. It didn't give us the sort of workforce information that helped us manage the workforce.
Senator WONG: I just don't accept that. How can you say to me that not knowing how many actual contractors you have isn't relevant to managing the workforce?

Mrs Skinner: So the system and the process—I'm not disagreeing with the point that understanding the workforce is important. The point is the process that we used to calculate that figure was highly manual. It wasn't a use of resources that helped us manage our workforce in the end. What we've been doing is calculating the number of—we're looking to try to manage the workforce outcome. So, rather than have a mandraulic process that delivers that number that is a point in time that is most likely not highly accurate, we focused our effort more recently, particularly following our last discussion, for example, in our shipbuilding area, where we do understand the number of contractors. That's an important part of our workforce. There are 379 contractors working in our ship program.

Senator WONG: You've got it for that. What else do you have it for?

Mrs Skinner: I don't have it for anything else.

Senator WONG: Do you even have a budget line item for them? Are you even able to tell us: is it all ex post? For example, what you've given me is year-to-date figures for the current financial year and past financial year of total contract value. You don't have a projected figure for an equivalent figure over the forwards?

Mrs Skinner: Just for the contractor workforce?

Senator WONG: I don't have it for anything else.

Mrs Skinner: I think I need to get the CFO to answer that question, but I believe it's part of each of the programs—

Senator WONG: Obviously it's part of the programs. What we fundamentally disagree with is the point you started with, which is, 'This isn't relevant to managing the work we do.' Our view is that who is doing the work is part of managing that work and knowing who is doing the work, how many people are doing all the work, how much money taxpayers are spending on non-public servants doing the work and which work is relevant to managing outcomes. So I disagree with you—and I think the shadow minister has made statements about this, too. We simply do not agree that this dataset is not relevant to efficient management of the Defence portfolio, given how much money is being spent in this portfolio. We are talking about—what's the year-to-date figure of the contract value? Is it $20.7 billion? Have I got that right?

Mr Groves: Yes, that is the figure of contracts that have been let during the period from 1 July—

Senator WONG: Yes; for year-to-date.

Mr Groves: They could go over a number of years—

Senator WONG: Of course they can. This is the point—

CHAIR: Can we allow Mr Groves to actually finish a sentence, Senator Wong?

Senator WONG: Sorry; I am just frustrated about this because we had such a long conversation last time—

CHAIR: I think we get that.
Senator WONG: and they've come and served me up the same stuff that they served up last time. You were saying something?

Mr Groves: Yes, I was just confirming that the year-to-date figure was $20.7 billion. As we just discussed, they are for contracts that could be for over multiple years. Our expenditure figures are different numbers—

Senator WONG: I know the difference between expenditure and budgeted amounts, thank you.

Mrs Skinner: If it helps, we fundamentally agree with the point that we need to understand how many people are in particular parts of our workforce, aside from the more standard service provision for things like catering and base maintenance. I can ask Mrs Greig to go through the process that we are trying to put into place to mirror areas like our shipbuilding workforce, where it's very important that we bring in particular skills and that we have a transfer of that skill set to APS and ADF members. We highlight some skills that we might only need for a short time, where a contractor workforce is perfectly appropriate.

Senator WONG: As opposed to continued decline in the capability of the APS, and, frankly, a decline in the capability of being able to manage multibillion-dollar contracts that taxpayers are paying for, which is one of the arguments that might be said about contractors. Can I just ask you, Mr Groves: how many contractors work in your area? Do you know?

Mr Groves: I don't track the numbers. I have a rough idea of how many people would be in my area, which is relatively small, within Defence. I must say; I think there are some complexities when you try to track the number—

Senator WONG: Can you just answer the question?

Mr Groves: I don't have a number.

CHAIR: How about you allow Mr Groves to answer it without interruption?

Senator WONG: Approximately, in your division—if I get another Defence—

CHAIR: Senator Wong, please, I'm calling you to order now. Please let Mr Groves answer the question.

Mr Groves: I would probably have in the order of 50 to 70 contractors.

Senator WONG: Out of how many?

Mr Groves: My total APS workforce is around 660.

Senator WONG: Okay; so around 10 per cent. And what do they do? Do you know what they do?

Mr Groves: I have an area that looks after our financial systems that has been outsourced to a company, more on a mixture of both time and materials work but also on specific deliverables. On the specific deliverables, for instance, I wouldn't track the numbers. I have support around financial statements, the Commonwealth budget and internal budgets and tax management. I have a variety of ad hoc specialist resources that come in for particular activities that I don't have the expertise in-house to support.

Senator WONG: There is an issue about what function is being exercised. There is a whole range of procurement activity or building activity—it seems to me, in my head, that there are pretty clear, broad categories of contractors. You could have a contract with Naval
Group; that's a big contract. Then there are people who work alongside APS officers who are doing public servant work, but there's been a decision to give that work to a contractor. That appears to be a reasonably devolved decision. Is there any policy framework that applies to those sorts of decisions?

Mr Groves: If I may, I think we have a variety of controls. Obviously we have financial delegations around the approval of contracts, including those that have elements of service provision as part of those contracts. Likewise, for the specific hiring of a contractor within the Department of Defence, we have an internal policy that needs to be approved by an SES Band 1 officer or above.

Senator Wong: We don't have a lot of time. I don't really want to hear another justification; I don't agree with it. Essentially, the evidence from Defence is—that's a big contract. Then there are people who work alongside APS officers who are doing public servant work, but there's been a decision to give that work to a contractor.

Mrs Greig: At the moment, it's 16,010.

Senator Wong: You've got 16,000 public servants and you have 26,000 contracts; is that right?

Mrs Skinner: About 24,000 contracts, I think.

Senator Wong: Sorry, 14,000 year-to-date—$20 billion worth. You can't tell us how many service providers, contractors or consultants you have; is that correct?

Mrs Skinner: Of individuals who are working in either a service provision or are a contractor or a consultant? No, but we believe we need to be more focused on the contractor element. Where we would put our effort, which is around that piece that you're discussing—the role could be done by an ADF/APS member, where we might use some contracted support for a whole range of good reasons. That is the number that we seek to focus our efforts on understanding, and using that as part of our workforce management and capability building.

Senator Wong: I think what you're telling this committee is that, if you stood at the door at Russell this morning and asked everybody who walked through the door, 'Are you a service provider, a contractor, a consultant or a Defence employee?', that would be the only way at the moment that you could track this information?

Mrs Greig: We have a good sense in the shipbuilding program, as I mentioned—

Senator Wong: That's the 370 figure.

Mrs Greig: The point being that we want to use that model to now extend across other capability areas so that we can answer that question, so that we have a clearer sense across the enterprise of those contractors who are working on those high-value, high-end skills that we really need, where we can't access them from the APS workforce and the market.

Senator Wong: But there's also the flipside, which is: are you actually contracting out where you don't need to? Do you see what I'm saying? You're saying we should analyse these areas—I think that's reasonable—to work out how we're managing them. They're high-risk, high-value. How do we maximise the benefit, the skills transfer and those things that you've described; that's a set of policy objectives. But then there's the other side, which is, 'Actually, have we got a whole bunch of people where we should really just have public servants doing this, because we don't need to contract this out?'
Mrs Greig: One option we're exploring very much against some of those points is, as Mr Groves described, the current policy framework, where the SES Band 1 officer or one-star officer or above is the accountable officer for employing the contractors. What we want to look at, then, is potentially a reporting function.

Senator WONG: It's obvious, isn't it? With all the reporting functions that division heads or branch heads—whatever your constituent unit is—have to do, why don't you just add that?

Mrs Greig: We're trying to look at a way that's not so mandraulic. That's been a problem with the systems.

Senator WONG: 'Mandraulic'? This is the buzzword of the morning, isn't it?

Senator Reynolds: Senator Wong, context is very important in this. As you will recall—

Senator WONG: I didn't ask you the question.

CHAIR: All questions are asked of ministers, and they then defer to an official.

Senator Reynolds: Senator Wong, as you will well recall, when you were the finance minister, the ALP cut the APS numbers within Defence. This government hasn't changed the trajectory that you set for the APS in Defence. As you well know, apart from anything else, with the $200 billion investment in Defence programs, Defence do not have all of the specialist knowledge and expertise resident within Defence. At the appropriate level of delegation, they are doing, I think, a very good job with the systems and the legacy systems that they have. There is a lot of work underway to improve AusTender and other Defence financial contract systems to make this information clearer. However, what is clear in the budget is that there is a reduction in costs over the forward estimates of over $300 million for contracts and contractors. Whilst it is not perfect, I think Defence are doing a very good job in managing who they need to bring in and for how long. Over time, there will be more fidelity in terms of the information that you're looking for.

Senator WONG: I'll finish up on this now; we've got other things to do in a short time frame. Mr Moriarty, does it worry you at all that you're not able to understand precisely how many people work for the APS and how many are contractors and service providers? Is that a dataset that you think would be useful to you, as the secretary?

Mr Moriarty: One of the things that the CDF and I have done is try to talk to all of the group heads and service chiefs and say: 'In your workforce, in your group, we need to work out what needs to be done by government employees, whether uniformed or APS. What are those core skills that we want in-house, and what are the other ones that we can afford to let be done by contractors and consultants?' The group heads and service chiefs do that work with the branch heads and divisions, and they rationalise. There are hard decisions to be taken sometimes. There is work that we might like to do in-house but we say, 'No, actually, this work can be safely given to a trusted contractor or a consultant.' I do have faith that the group heads and service chiefs go through a couple of times a year, look at the workforce within and prioritise critical skill categories and what we need to build APS and ADF skills in. On what we can't do but we still need to do, we look for other mechanisms to deliver that service for Defence.

Senator WONG: Is that a long way of saying, 'Yes, it's good to know'?
Mr Moriarty: It's good to know, but the group heads and service chiefs are quite often making weekly or monthly decisions about that, because—

Senator WONG: I know, but it's hard to manage if you don't measure, isn't it, because then one is abstracted. You're dealing with abstract concepts. Can I go to PBS page 18, please? I want to understand what comprises the bring-forward—table 2. Mr Groves, we don't have a lot of time; it's the Friday before an election, probably. Can you just try and answer what you can, thank you. I would just like to know what the bring-forward is for.

Mr Groves: The answer is that it is a fairly standard practice for us.

Senator WONG: You see; this is what I've started. I was the finance minister. I understand bring-forwards. What are you spending on in this financial year that was going to be spent on—

Mr Groves: Predominantly, it's around air capabilities—$530 million of the $620 million. I can itemise those, if you wish.

Senator WONG: Yes, I would like them itemised. So $530 million for air capability?

Mr Groves: Yes, and there was $200 million for the Joint Strike Fighter, $100 million for Triton, $80 million for AIR 555—the airborne intelligence, surveillance, reconnaissance and electronic warfare system.

Senator WONG: Is this the unmanned—no? Sorry, I was just trying to remember which project that was.

Mr Groves: There's $125 million for P-8s; $25 million for Growlers; $10 million for Land 154 phase 4, which is the counter improvised explosive device capability; $40 million for maritime explosive ordnance; and $40 million for maritime infantry spares and repairable subsystems.

Senator WONG: That was very helpful.

Mr Groves: I'm here to help, Senator.

Senator WONG: Thank you. I know the Defence budget is reasonably large, but it is a reasonably large bring-forward and a lot of additional money to spend, in—where are we?—a few months.

Mr Groves: If I may, Senator, it is not inconsistent with what's been done in other budgets, and it's largely on those items where we have the opportunities to put additional funds into foreign military sales arrangements.

Senator WONG: When were you asked to do this? Were you asked to do this?

Mr Groves: We were asked as part of the budget context. I would have to take on notice the exact date, but it was certainly not finalised until sometime in March.

Senator WONG: So you were asked, through the cabinet process and the budget submission process, to find some bring-forwards?

Mr Groves: Correct.

Senator WONG: What that answer infers is that this is driven less by a capability requirement and more by a need to take money out of the 2019-20 year.
Mr Groves: As I said, this is a fairly standard practice that does happen with the Defence budget. In the 2018-19 budget, there was a similar amount done and also, I think, in 2016-17 as well.

Senator WONG: Yes. It's about protecting the surplus year.

Senator Reynolds: It's about the benefits of a strong economy, Senator Wong. We've got the funds available.

Senator WONG: No, you don't even understand what we're talking about, so maybe just don't. Mr Groves, were you give a figure?

Mr Groves: No, Senator. We were asked what would be the opportunities, and we put forward a range of options. Some were selected and some were not.

Senator WONG: Are you going to spend this in this time?

Mr Groves: We are confident that we will spend the additional $620 million because of the arrangements that are underpinning those.

Senator WONG: Meaning you can just give all money to foreign—sorry, what was the phrase you used? I apologise.

Mr Groves: Foreign military sales. In the end, this is really a timing issue. It was obviously always budgeted to occur in 2019-20.

Senator WONG: Sure. I'm not suggesting that Australia's not going to spend this money. I'm suggesting that the process that drove this was an accounting process, not a capability demand. You were asked to bring forward money into this year so that $620 million was not attributed to the surplus year.

Mr Groves: There was a bring-forward of the expenditure. Having done this for many, many years in many, many portfolios, those opportunities are always looked upon.

Senator WONG: Sure. I do just want to confirm your evidence is that this was something Defence was requested to put forward, not a request that was generated by Defence because you had an urgent need to spend money between April and June.

Mr Groves: We were requested, as part of the budget process, to look at options.

Senator WONG: I'm asked to ask you about Triton. Can you tell me what the $100 million is for?

Mr Groves: Once again, it was expenditure which, under other course of events, was planned to be spent in 2019-20. Really, it still aligns with the next acquisition of the second airframe associated with the Triton project.

Senator WONG: This is money we were going to spend anyway, and we're going to spend it earlier—correct? We don't get anything any earlier for it?

Mr Groves: No, I think it's part of our normal arrangements, largely with the US, around the foreign military sales. I'm not sure whether there are other intangible benefits that we would get from the process.

Senator WONG: Being a friend, ally and partner?

Mr Groves: Correct.
Senator WONG: Okay. But, certainly with Triton, the bringing forward of $100 million does not deliver any capability any earlier to the ADF?

Mr Groves: Correct. That's my understanding.

Senator WONG: Is that the case also for the JSF, that the bringing forward of $200 million into this next four months doesn't deliver any capability earlier?

Gen. Campbell: I'll ask the Chief of Air Force to come to the table.

Senator WONG: Thank you very much. What else do I have to ask the Chief of Air Force? I have to ask about Air 555, P8 or Growler?

Air Marshal Davies: The programs for all of the air systems that Mr Groves mentioned are still on a normal acquisition time line. That is, the building of the infrastructure, the arrival of aircraft, the arrival of systems and training remain on the same time line. We have an opportunity here to make these payments as part of the budget process that Mr Groves mentioned to maintain those time lines. This is for the air acquisition no change to timelines for IOC, FOC or flying.

Senator WONG: IOC?

Air Marshal Davies: Initial operating capability.

Senator WONG: FOC?

Air Marshal Davies: Final operating capability.

Senator WONG: Right. So we don't get the first bit any earlier and we don't get to full capability any earlier.

Air Marshal Davies: There is an opportunity here of course for us to continue to build the infrastructure required to operate these systems. So there is a modest improvement, if you like, in a time line, but it doesn't change the major events during each project.

Senator WONG: Thank you. I think that answer has saved me asking all questions. That's in relation to all of the air platforms that were described by Mr Groves.

Air Marshal Davies: Yes.

Senator WONG: Thank you very much. I appreciate that. What about land, maritime and maritime inventory? It was Land 154, wasn't it? That would not be you, Air Marshal.

Mr Groves: Whilst the other members come to the table, my general comment would be the same across all of these categories.

Senator WONG: Okay, thank you. Can you just confirm that?

Lt Gen. Burr: Land 154 is the counter-IED protection system. With rapidly changing technologies and threats, bringing this forward helps the force protection of our army.

Senator WONG: Thank you for that. Just to confirm that the answer that the Chief of Air Force gave is the same for this project.


Senator WONG: So IOC and FOC: no change.

Lt Gen. Burr: No change.

Senator WONG: See? I've learnt the acronym. I'll forget it by the next time. Hopefully, I won't have to worry about it. Maritime?
Mr Moriarty: The same.

Mr Fraser: Many of the milestones that have been brought forward into this financial year that are being addressed here were in the current calendar year. Many of the overseas companies that we work with run a financial year which is tied to the calendar year, so there's a lot of flexibility in whether it's a July or a June payment.

Senator WONG: Fair enough, but, just to confirm, the situation is the same as with the other capabilities.

Mr Fraser: That's correct.

Senator WONG: There's no change to IOC or FOC. We don't get capability earlier, or full capability earlier, we just have changed the timing of the payments.

Mr Fraser: It reduced the risk in some ways, because it allows us to go out to contract earlier and shore up the contract schedule.

Senator WONG: What are the two maritime projects? Sorry, I wrote down 'maritime' and 'maritime inventory'. I was trying to go quickly.

Mr Groves: The two projects were the maritime explosive ordnance and maritime inventory spares and repairable subsystems, both at $40 million each.

Senator WONG: I think you described them as foreign military sales, all of them, across the three—

Mr Groves: Predominantly. There's another term which I can't remember off the top of my head. I think they're 'coordination arrangements' in place.

Senator WONG: Sorry, I was trying to use your terminology.

Mr Groves: The majority are; correct.

Senator WONG: This is an odd question, but do we pay in US dollars or Australian dollars?

Mr Groves: I would have to take that on notice. Obviously it is reflected in our accounts in Australian dollars.

Senator WONG: Sure, we budget accordingly, but are the contractual requirements—

Mr Groves: I assume that if they're into a US bank account then we're paying it in US dollars and the expenditure is reflected for us.

Senator WONG: How do we manage exchange rate risk when we have a timing change. Is that budgeted for?

Mr Groves: We have adjustments to elements of our budget every budget update, which is almost like a no-win, no-loss arrangement for foreign exchange movements.

Senator WONG: That just means that you don't have to worry about it because the budget funds it.

Mr Groves: Correct. We don't gain and we don't lose.

Senator GALLACHER: Is it possible to get the number of security passes issued to contractors and the number of passes issued to APS employees? I presume you do have security passes for contractors and employees.

Mr Moriarty: Yes.
Senator GALLACHER: Take it on notice, but we'd like to see that. If you could get it today, that would be excellent.

Mr Moriarty: We'll do the best we can.

Senator GALLACHER: Thank you.

Mr Groves: If I may, we obviously track it and provide passes. The issue, when trying to link that back to numbers, is that sometimes people may only come in once a fortnight.

Senator GALLACHER: I understand that perfectly. That was the intent of my question.

Senator PATRICK: This is to the secretary or perhaps the minister. You might recall that at the last estimates I raised the issue of unanswered questions on the Senate Notice Paper. I provided those, I think, to you, Mr Moriarty, at the time. Indeed, Minister Payne gave an undertaking that she would get those answers to my office. Despite three phone calls or other contacts from my staff to the minister's office, I haven't yet received those answers, and some of them go back to September last year. I'm wondering: why haven't we got those answers? It's not really a matter from a committee perspective; these are questions that were asked through the Senate Table Office rather than through this committee. But, nonetheless, the minister gave an undertaking that those answers would be provided.

Mr Geering: I'll follow those up with the relevant office now, and I'll get back to you.

Senator PATRICK: That's exactly the same answer I got from a minister last time.

Senator Reynolds: I'll chase that up with the minister's office today for you. I don't have any information on it here with me, but I will chase that up for you.

Senator PATRICK: Sure. I've got the questions, and I'm happy to hand them to you in the break.

Senator Reynolds: If you could pass on the numbers that you're particularly interested in, I'll chase those up today for you.

Senator PATRICK: Okay. I've got a question for the Chief of Navy if he's in the room. Chair, if I may, I'd like to table a photograph that was taken by a tourist in Sydney.

CHAIR: Let's have a look at it so we can see what it is.

Senator PATRICK: I've made multiple copies for the benefit of the committee.

CHAIR: It looks like a Navy ship with an imaginative colour scheme.

Senator PATRICK: It's a big ship.

Senator GALLACHER: It's a big ship.

Senator PATRICK: I've made multiple copies for the benefit of the committee.

CHAIR: Are you willing to identify this picture?

Senator PATRICK: Yes, this is HMAS Adelaide.

Senator GALLACHER: It's got a hole in the side.

Senator PATRICK: It has got a dent in the side of it, so I'm sure the Chief of Navy's aware of the matter.
CHAIR: I assume there won't be any issue, but could the minister and the Chief of Navy look at the picture before we agree to tabling.

Senator PATRICK: It's a very nice ship.

CHAIR: And it's so big it couldn't fit into the photograph.

Senator Reynolds: It's magnificent.

Senator PATRICK: It is a very big ship.

CHAIR: Are we happy for it to be tabled? Yes? All right, it is tabled.

Senator PATRICK: Thank you.

Senator Reynolds: Before that, I've got an answer for Senator Patrick on the questions on notice. As they were questions taken in the Senate on notice, not at estimates, I don't have a ready answer for you here today for the questions, but I will chase those up for you.

Senator PATRICK: Yes, I understand that, but I did raise it at the last estimates with the minister, and she undertook to provide them to me.

Senator Reynolds: I will chase that up.

Senator PATRICK: Sure. On 28 November 2018, who was the captain of HMAS Adelaide?

Vice Adm. Noonan: The commanding officer of HMAS Adelaide was and still is Captain Jonathan Earley.

Senator PATRICK: There was clearly an incident that took place on that day in Townsville. You're aware of the incident?

Vice Adm. Noonan: I have a broad overview of the incident, yes.

Senator PATRICK: Who was in charge of the vessel at the time of the incident? Was it under the command of the captain, or was it a duty watch situation?

Vice Adm. Noonan: From my recollection of the events of that day, the ship was actually alongside; it was secured alongside during what was a pretty difficult weather situation. The exact whereabouts of the captain at that time I am not sure of, but the ship would have been under the control of the officer of the day.

Senator PATRICK: When did it break free from its mooring? Obviously, the ship drifted across. I accept what you say about weather; it would have a fairly large wind grab on that vessel. How long did it take to drift across to Glorious Sunrise, which is the merchant vessel that it hit?

Vice Adm. Noonan: I don't have the exact details of the incident available to me. My recollection is that it was a matter of minutes that it was unsecured before it was able to be resecured.

Senator PATRICK: What damage was done to Glorious Sunrise?

Vice Adm. Noonan: I don't have those details available.

Senator PATRICK: What damage, other than the damage I can see on the photograph, was done to HMAS Adelaide?

Vice Adm. Noonan: There was no other damage to HMAS Adelaide.
Senator PATRICK: Have we looked at why it broke from its moorings? I understand there was a weather condition, but in my experience—and we share a common background, sir—navies are generally pretty good at dealing with these situations—planning for weather, additional lines if necessary and even taking the vessel to sea.

Vice Adm. Noonan: That's correct. The berthing arrangements for the vessel on that day were in accordance with what we would normally have in those weather conditions. On this occasion, one of the berthing hawser failed and the vessel was insecure for a matter of minutes. They then resecured it using extra hawser, which would be above and beyond what we would normally use. As to the exact reason for the parting of the line, I don't have that detail available.

Senator PATRICK: Noting that you would have been aware of the weather conditions, are you aware of whether or not the captain had any additional instructions in place in relation to that predicted weather?

Vice Adm. Noonan: I would have to come back to you with full details. My understanding was that the weather conditions on that morning did change beyond those that were predicted, and it did pick up rather quickly.

Senator PATRICK: It was reported in the paper that the crew of Glorious Sunrise attempted to contact HMAS Adelaide's crew by radio. Is it not a standard procedure to have someone in the commcen or on the bridge?

Vice Adm. Noonan: While the ship is alongside in a port, I would not expect that the commcen would be manned. The routine for managing the ship would be run from the gangway, not from the bridge.

Senator PATRICK: Is it Channel 16 or something that you would normally listen out on?

Vice Adm. Noonan: Channel 16 and Channel 69 would be available, but the normal way of communicating with a ship when it's not at sea is via the telephone exchange.

Senator PATRICK: When was the incident reported to the COMAUSFLT?

Vice Adm. Noonan: I'd have to take that on notice. I would expect that it would have been as soon as possible on the day of the event.

Senator PATRICK: Was the minister informed of that?

Vice Adm. Noonan: I'd have to check on that one.

Senator PATRICK: What was the damage to HMAS Adelaide? You mentioned it was really only the skin of the hull.

Vice Adm. Noonan: That's correct.

Senator PATRICK: I presume it's been repaired now. I went past the other day and I saw an LHD. It looked okay.

Vice Adm. Noonan: That's HMAS Adelaide. She's been in dock in a programmed maintenance period for the last eight weeks. She will soon be back at sea.

Senator PATRICK: So it has been repaired?

Vice Adm. Noonan: I'd expect it has been.

Senator PATRICK: Is there any idea of the cost that's been associated with that repair?
Vice Adm. Noonan: I don't have that detail available.

Senator PATRICK: Could you take that on notice, please?

Vice Adm. Noonan: I will.

Senator PATRICK: I presume there was damage done by HMAS Adelaide to Glorious Sunrise.

Vice Adm. Noonan: I understand that there was a small amount of damage to Glorious Sunrise. The details of that I don't have available, but my understanding is that details were provided to the commanding officer or the master of that ship in terms of how they might seek to have repairs done if, in fact, there was work that needed to be done that was deemed to be something that we would seek to support from the Commonwealth under the insurance arrangements we have in place.

Senator PATRICK: What action has taken place in terms of corrective action and administrative action in response to what's happened?

Vice Adm. Noonan: We've looked at the incident as it has occurred. The findings of the inquiry were that it was not as a result of any failure of processes or any individual. What we would seek to do in future, as we gain more experience with these ships in heavy weather conditions, is that we've adjusted the birthing and hawser arrangements in severe weather conditions as we experienced on that day.

Senator PATRICK: I don't want to be alarmist in any way, but it is a $1.5 billion ship. In these incidents, and thankfully it didn't occur, you actually never know what could happen. In this case, we had a merchant ship operating as a fender, in some sense. It could have got a lot worse. My concern is that this could have been, at worst, a situation like we've seen with the Norwegian Air Warfare Destroyer, which has basically been written off.

Vice Adm. Noonan: I think there's a very different set of circumstances surrounding the grounding of that ship.

Senator PATRICK: I understand that. But my point is that, when these things happen, they can go wrong. In this instance, we've been quite lucky, and I'm glad that nothing happened. I'm wondering whether some report exists within Navy—I presume you follow these things up—that could be provided to the committee.

Vice Adm. Noonan: There would be. We would, as a matter of course, raise what we call an 'incident grounding report' on something of this nature. This is done almost immediately upon the incident occurring. I'd be prepared to make that available to the committee.

Senator PATRICK: Is this sort of thing common? Are these incidents—

Vice Adm. Noonan: No; it's not common at all. This is the first and only incident of its nature that's occurred with any of the LHDs since they've been in service.

Senator PATRICK: Okay; thank you. Mr Moriarty, you might recall that in, I think, December 2017 we had a conversation about an investigation into fraudulent behaviour in relation to the building in France, the Australian Navy's residence in Cherbourg. I've asked on a couple of occasions, and the investigation was still ongoing. Hopefully, that has now concluded and you can give some details.

Mrs Greig: That investigation was concluded. Where we are at the moment is the investigation found that there were concerns. That employee was terminated from the Public...
Service and it's currently a matter with the Fair Work Commission. That's really as much as we can say, Senator.

**Senator PATRICK:** So the public servant is contesting the matter in the Fair Work Commission?

**Mrs Greig:** That's correct.

**Senator PATRICK:** I'll avoid any questions in relation to that, but what was the magnitude of the alleged fraud?

**Mrs Greig:** I can only make a broad comment, given what I've already said. It was regarding implementation of Defence policies and procedures.

**Senator PATRICK:** Clearly, in those sorts of circumstances, some Commonwealth money has been involved and allegedly used inappropriately. I think it would just be a statement of fact rather than anything that might be contested. What was the order of the alleged fraud?

**Mrs Greig:** I can't say any more than what I've said at this point in terms of not following procedures and policies that we had in place.

**Senator PATRICK:** Did it involve the expenditure of Commonwealth money?

**Mrs Greig:** I think at this point in time, given it's a matter with the Fair Work Commission, that's as much as is appropriate to disclose.

**Senator PATRICK:** What's the issue that the applicant has made in the Fair Work Commission? What's the contest that's before the court?

**Mrs Greig:** The applicant deems that that dismissal was unfair.

**Senator PATRICK:** That's not going to go to the amount of money that was involved, surely.

**Mr Moriarty:** We'll be able to give you a little more.

**Dr Clarke:** The investigation has concluded. That investigation found that the individual failed to declare a conflict of interest and engaged in unnecessary and unauthorised expenditure of Commonwealth funds. What I'm not able to give you is the quantification of those funds.

**Senator PATRICK:** Because it's contested?

**Dr Clarke:** Yes.

**Senator PATRICK:** Not even a rough order of magnitude?

**Dr Clarke:** No.

**Senator PATRICK:** Okay. I'd like to go to mine warfare. Sorry to the Chief of Navy—if you wouldn't mind coming back. Could you give a general outline of the mine warfare capability that the RAN has or is seeking to obtain by way of projects?

**Vice Adm. Noonan:** Yes. The 2016 white paper gave details of priorities around the investment in Navy's mine warfare and countermunitions capability through which we've looked at the modernisation of in-service capabilities and the acquisition of new deployable technologies, including autonomous surface and underwater systems. The defence white paper stated that the life of the Huon class minehunters would be extended into the mid-
2030s, while new autonomous technologies are developed to counter the threat of maritime mines. The project that's associated with that is SEA1179 phase 1, which is the Minehunter Coastal Service Life Extension and Capability Assurance Program.

Senator PATRICK: Admiral, that was paused for a little while, wasn't it, when the OPVs were first proposed—SEA1180?

Vice Adm. Noonan: Yes.

Senator PATRICK: That was going to take over that?

Vice Adm. Noonan: There was a proposal that we looked at—that being a replacement process whereby we would look at a batched arrangement for the OPVs to have a mine-hunting capability. Specifically around 1179 phase 1, it achieved first pass in February 2017. Defence Intelligence Australia, who originally built the MHCs, as they were then known as Australian Defence Industries, conducted initial design activities to understand the cost and technology risks of extending the life of these vessels. Since then, we've seen the reliability and performance of autonomous systems have advanced quite significantly and, certainly, have been faster than those predicted in the defence white paper of 2016.

Senator PATRICK: The chair is putting some pressure on me in relation to time. We had six MHCs, but it appears that you've sold two of them.

Vice Adm. Noonan: That is correct: two have been sold.

Senator PATRICK: What's the rationale for that? This was actually one of my questions that I'd asked of the minister via the Senate. We went through a fairly expensive project to get six of these vessels, and I seem to recall it was to make sure we had enough assets available to deal with mine clearance and protection in Australian priority ports—I think it was the fundamental task of those vessels. How do we get to a situation where, having done all of that analysis and then going through a procurement stage and spending a lot of taxpayers' money, we end up then making a decision to get rid of two of them? What was the capability basis for that decision?

Vice Adm. Noonan: The original decision around building six minehunters was based on the threat of the time and, I guess, the expectations around mine warfare and where they would be developed. The six vessels were used extensively. We trained personnel and we developed skills during the period that they were commissioned, and then, as you'd be aware, we laid two up because there simply wasn't the need—the threat—to continue to use six vessels continuously. We were using our patrol boats for other tasks and it became more a case of priority—

Senator PATRICK: Excuse me, I want to go back to that. You say that there wasn't the threat. As you know, there have been more ships sunk by mines than by any other method across warfare. I've read a paper called 'The Assassin's Mace' on Chinese mine warfare capability—I'm not suggesting anything other than that they have a very, very significant capability. You went through a process that determined that you needed six. How did you get to a point where you then made a decision that, 'Actually, it's not six; it's only four'?

Vice Adm. Noonan: Circumstances changed, technology changed and we did not have a requirement to deploy those vessels overseas in support of any contingencies that could have arisen in the initial life of the vessels. We've operated and maintained four and, as I remarked at the last hearings, two of the vessels, Gascoyne and Huon, deployed last year into North-
East Asia for a period of three months. That's the first time that we've deployed vessels of that sort, that far, for that long, ever, and they operated very successfully. But the nature of the exercises that they undertook in 2018 was very, very different to the nature of the exercises and training conducted when the vessels were first commissioned. So my point is that the strategic environment, the operational environment and the technical environment in which these vessels have operated have changed significantly over the last 30 years. We have maintained the mine warfare capability of our Navy through a number of various updates to existing programs, not just through the availability of what was originally six MHCs. The decision to dispose of the two boats that were sold last year—

Senator PATRICK: How much were they sold for each?

Vice Adm. Noonan: The exact details of that I don't have available, but it is on the public record. They were sold publicly.

Senator PATRICK: What was it in the order of? $100,000? $1 million? I mean, they were vessels that cost several hundred million dollars.

Vice Adm. Noonan: I'd have to take that on notice and get back to you with the exact details of the disposal figures.

Senator PATRICK: The chair's given me his best death stare, and he's almost as good as Ms Bishop, actually. A lot of these questions would be perhaps covered if my questions on notice were answered—the questions to the minister through the Senate—so I might leave it at that. Thank you.

CHAIR: Back to Senator Wong.

Senator WONG: Thank you. I just want to quickly go to the Future Submarines question-on-notice answer, which I think was question on notice No. 12. Mr Johnson, is that right? Mr Johnson, I know that sometimes you have a little trouble hearing me. I don't want you to answer questions if you haven't heard them. It's really not fair, so just ask me to repeat them. I'll try to be patient. Everyone can watch that happening. That was me joking!

Unidentified speaker: We understood that.

Senator WONG: Everyone was really silent! Maybe it wasn't very funny.

CHAIR: There's always a first, isn't there.

Senator WONG: I asked, 'I want to know, on notice, if you can't give it to me now, the percentage of Australian industry content for the first three subs,' and you said, 'I will take that on notice.' With respect, I don't think you gave it to me in the answer. Can I get it?

Mr Johnson: Yes, ma'am.

Senator WONG: Thank you.

Rear Adm. Sammut: I think the question's come to me.

Senator WONG: I'm sorry. I was going to Mr Johnson because the question on notice was taken by him, wasn't it?

Rear Adm. Sammut: I understand. He did. I wasn't present for Senate estimates at the last hearing.

Senator WONG: No. You were missed.
Rear Adm. Sammut: I apologise for not being here, and I hope it didn't cause too much concern. The question is answered as best we can at the moment. We don't know what the full amount of Australian content will be in the first three submarines—indeed, across the entire fleet—because we are involved in a design process at the moment whereby we are reaching out to Australian industry to ask it to tell us what it can offer in terms of supplying equipment and systems into that submarine. It's only through the design process, whereby we continue to maximise Australian industry involvement whilst we continue to make sure we design a submarine that meets our capability needs within our budget and on schedule, that we can properly determine what the level of Australian industry content will be.

Senator WONG: Okay. This is the same answer.

Rear Adm. Sammut: But that's the simple fact of where we are in the design process—

Senator WONG: But you can't tell me where we're at, at the moment?

Rear Adm. Sammut: No, I can't, because we're in the process of designing. We are reaching out to Australian industry now. There are a number of EOI—excuse me, expressions of interest—

Senator WONG: That one I know. That's not particular to Defence.

Rear Adm. Sammut: Excuse me?

Senator WONG: I said I know that acronym. It's not particular to Defence. It's all right. It was a reference to an earlier discussion.

Rear Adm. Sammut: For the benefit of the public, perhaps, I wasn't being very clear.

Senator WONG: Sure.

Rear Adm. Sammut: I meant no disrespect.

Senator WONG: That's fine.

Rear Adm. Sammut: We're in the process of approaching Australian industry as we engage on the Future Submarine program. We're using the Australian Industry Capability Network to place with and obtain expressions of interest from Australian industry. At this stage, we have 1,113 companies—Australian companies, companies with an Australian Business Number—that have registered interest with Naval Group. Naval Group has placed 105 work packages—

Senator WONG: Okay—

Rear Adm. Sammut: and I can say that we are going out with requests for information—indeed, 1,018—to Australian companies.

Senator WONG: Sorry, we haven't got a lot of time. You can't give me a percentage and you're explaining to me why.

Rear Adm. Sammut: That's what I'm endeavouring to do.

Senator WONG: I'm moving on to the next question. We're going to have to agree to disagree on that one. When do you think you will be able to provide a percentage? At which point in this process—and please don't give me another explanation of the process; we've done a lot of that—do you think you'll be able to tell the Australian people and the government of the day what the percentages of the first one, two or three subs will be?
Rear Adm. Sammut: I think we'll have a good indication of that by the process that is called the preliminary design review, which is when we complete the design of the submarine before we go into detailed design and production engineering, in the 2022-23 time frame.

Senator WONG: Does that answer mean that, under this program, Australians won't know what the Australian industry content of the Future Submarines will be until 2022-23?

Rear Adm. Sammut: We'll have an appreciation of how that is increasing. I won't be able to give you a good indication of the final figure until that time frame because that's when we complete the design process, after which we would have approached most of Australian industry for equipment that will go into the Future Submarine that will be built in Australia.

Senator WONG: How much will already have been spent at that point on this project?

Rear Adm. Sammut: The budget out to that point—I'm not saying how much would be spent, because we have a budget which we spend towards—would be in the order of $4.5 billion. That includes, of course, not just work that we do with Naval Group and Lockheed Martin for design. It includes work that we would have done also in terms of establishing infrastructure and running the program in terms of the workforce that we have to deliver the program. It would be building up the capacity of Naval Group Australia to be able to build the submarines and so forth.

Senator WONG: So $4.5 billion includes those other—

Rear Adm. Sammut: Can I say: that's a rough order because I haven't calculated that.

Senator WONG: Sure. I'll take that as an estimate, in the small 'e' sense. So it's with that caveat. I understand that. It's around $4½ billion, but your additional evidence to that or the condition upon that or the qualifier on that is that it's across a number of aspects of the project. Is that fair enough?

Rear Adm. Sammut: Including ramping up Naval Group Australia with an Australian workforce to build the fleets.

Senator WONG: But we're looking at multiple billions before we get to a point where we actually have what you would regard as a figure on which we can have reasonable confidence about Australian industry content?

Rear Adm. Sammut: Indeed, reflecting that—

Senator WONG: Could you explain to me, then, why the former minister felt it was appropriate to give the percentage figures that we've discussed previously in estimates, which have gone from 90 per cent to 60 per cent?

Rear Adm. Sammut: To 30 per cent. Those were the numbers that were provided to me on a question on notice.

Senator PATRICK: To 30 per cent. Those were the numbers that were provided to me on a question on notice.

Rear Adm. Sammut: Which question? I'll go to Senator—

Senator WONG: I think I have the call. I'll pick that up, if you like.

Rear Adm. Sammut: I would like to prosecute that because I don't think it reflects accurately what we're doing.

Senator WONG: I'm not asking you to prosecute anything. I'm actually asking you to answer a question. The point I'm making is that the former minister—sorry, he's still current. He resigned from parliament; he's not recontesting. Mr Pyne put figures in the public arena.
around percentages, but his department today is again saying, 'We can't give percentages.' So how did he give them?

Rear Adm. Sammut: I don't think there's been any commitment to the actual content. If I understand the statements that have been said by the minister, it was around the fact that 90 per cent of the build of the Future Submarine will be conducted in Australia. And, because this Future Submarine is going to be constructed in Australia, that was a statement that reflected what we plan to do with the entire fleet. I believe, on the other statement that was made—that content of about 60 per cent to 70 per cent would be regarded as Australian built—that there's been no statement about what the actual content in the boat will be, which is consistent with what I've just said. We can't state that until we complete the design process.

Senator Reynolds: Senator Wong, given that this was a statement by the minister, not by Defence officials, there are a couple of points. One is the government has never officially said there will be a minimum percentage of Australian industry content, for the very reasons of the political discussions that you are now making here. The fact is that, when in government, you commissioned not a single submarine. We have now commissioned 12. And we are going through—as the officials have said—a very deliberate, a very clear and a very transparent process to ensure that we have the best capability that we can procure for the Australian Navy, with as much sovereign capability as we can. As you and Senator Patrick know, we don't have resident in Australia at this moment all of the capabilities that we need—as yet. So, as part of this contract, under the SPA and initial design contract, as the officials have said we are going through a process of assessing what the design will be, what components, requirements and capabilities we need to build this vessel here in Australia. By necessity, some of that has to be sourced from overseas in these early stages. This is, again, the government getting on and filling a deficit, Senator Wong, that you and your team never filled.

Senator WONG: Are you finished? Really.

Senator Reynolds: I've made the point.

CHAIR: Here endeth the lesson. We will suspend for 15 minutes.

Senator WONG: Rear Admiral, I will need you after the break, as a consequence of the minister's intervention. Thank you.

Proceedings suspended from 10:30 to 10:46

CHAIR: The committee will now resume. I understand the minister has some clarifications for the committee.

Senator Reynolds: Yes, in relation to the questions Senator Gallagher requested of the committee. I've got one here relating to the question on advertising. Through the course of this morning, if we can get some more tabled for you we'll do that, just to save the committee's time. I'll provide this one now on advertising. In fact we'll table it now.

CHAIR: And do you have another matter, Minister?

Senator Reynolds: Not yet, Chair.

CHAIR: In that case, as indicated, if I may, I'll ask a few questions. I'm not exactly sure who will be needed at the table but, as the questions develop, I trust the relevant personnel can come forward. First of all, can we be agreed that defence has a moral and legal obligation
to ensure risks to health and safety of personnel arising from military aircraft operations are eliminated or otherwise minimised as reasonably practicable?

Gen. Campbell: Yes.

CHAIR: I thought that might be the answer. Thank you very much. Were critical safety risks in operating the Tiger helicopter in the maritime environment identified over a decade ago?

Gen. Campbell: I'll just ask if the Chief of the Army might step forward.

CHAIR: Yes of course.

Lt Gen. Burr: Sorry; can you just restate the question please?

CHAIR: Yes. Were critical safety risks in operating the Tiger helicopter in the maritime environment identified about a decade ago or, indeed, over a decade ago?

Lt Gen. Burr: I'd have to take that question on notice. It's been an aircraft that's been in service for some time now and it's matured over the course of its life. In recent months we have validated its capability operating from the maritime environment aboard ships. But, going back a decade ago, I'd have to—

CHAIR: Defence and defence industry commenced a program to develop an emergency flotation system for the Tiger helicopter back in 2011. So that's about eight years ago now. Is that correct?

Lt Gen. Burr: We engaged with industry to explore some commercial options for a flotation system, because we were aware that in flying across the water there could be risks.

CHAIR: Was that back in about 2011?


CHAIR: Right. That would only have occurred because there was an understanding of the safety risks, and that would have of course occurred prior to the commencement with industry in 2011. Having identified the risk about a decade ago would be, in rough terms, a correct timetable that I'm asserting.


CHAIR: Thank you. So how is Defence meeting its moral and legal obligation after failing to fit the Tiger with an emergency flotation system at least after seven years, if not eight years, of seeking to deal with this and, as I understand it, spending over $8 million worth of taxpayers' money?

Lt Gen. Burr: Senator, the system that was developed was through money provided by Defence and the innovation fund to see what was possible in fitting a flotation system to the Tiger helicopter.

CHAIR: And that was about $8 million worth of taxpayers' money.

Lt Gen. Burr: Over its life, that's about the right number. But ultimately there were high levels of technical risk associated with putting it on the Tiger helicopter.

CHAIR: What were those high-technical risks?
Lt Gen. Burr: Because of the sensors and the weapons systems on the aircraft, it didn't come together as an integrated capability system that provided a safety dividend. But I might defer to an expert on some of that detail.

Mr Fairweather: You're quite correct. The technology was developed, and then to look at the integration onto the Tiger's very complex airframe and to install that equipment on the airframe is a very expensive and lengthy proposition. We need to understand how it fits and operates on the aircraft aerodynamically and also how it affects it when the aircraft deploys into the water. That requires a lot of analysis around the carriage on the aircraft and the physical and fatigue elements of it by fitting that piece of equipment to the aircraft—the way it's structurally mounted on. The Tiger structure is very complex and to understand the fatigue and structural impacts of those loads on the airframe needs a lot of detail. So, it is going through the certification process to make sure that by putting that piece of equipment on the aircraft, which may address one safety risk, is not going to introduce other safety risks that actually have a worse case.

CHAIR: With all these things, it's a work in progress. But my concern is that the work is no longer being progressed and has basically stalled in circumstances where, I think, if you and I were flying in those aircraft, seeking to serve our nation, we would be happy if those in charge try to ensure that if we did have to ditch in water, we might actually have a chance of getting out.

Mr Fairweather: The Chief of Army may want to comment, but the aircrew carry bottles so they can breathe underwater and they have ditching drills as well. So it's true to say that there are other systems—

CHAIR: If it were that simple, with respect, I doubt that Defence would have spent over $8 million worth of taxpayers' money up to this stage. And, if I might say, as I understand it, the flotation device that has been suggested and experimented on is a bolt-on-bolt-off, and integration is a simple mechanical attachment. And there are, in fact, no electronics involved. Is that correct? So why this story about electronics being some problem?

Mr Fairweather: The software that runs it on the system has been altered, and so you need to prove that software is safe for flight. One of the things you can't have happen is to have those devices inadvertently open in flight. That's a normal process you need to go through to do the testing.

CHAIR: If that's an issue, why wouldn't you keep testing it? Why the stalling? Why has it been stopped after $8 million worth? It was deemed to be a worthwhile venture for the safety of the aircrew, and the reason for it is that if they do ditch in water, despite safety procedures, it's very difficult if not impossible to get out. If it were simple to get out, one assumes you would not have embarked on the $8 million of expenditure thus far.

Gen. Campbell: I think it's right to assume that we were interested to see if a technical solution to improve the extant levels of ditch-at-sea safety could be realised. In that case, I would say that $8 million has been a worthwhile investment to explore that question, and it's relevant not just to the Tiger helicopter but to any helicopter—

CHAIR: Of course, and that's why this—

Gen. Campbell: as I say, to enhance the extant safety-in-ditching arrangements. But there are aerodynamic flight systems test requirements and requirements for the operation of the
Tiger as a combat system, all of which would require continuing testing, and that's a long process to bring into something that's accepted as airworthy. Acknowledging the intention to see the Tiger withdrawn from service in a short number of years, you look at the question of whether you continue to invest or whether you manage the over-water flight requirements of the Tiger and ensure the training arrangements for your crew for ditching are at the highest level possible, because that is, I think, now the question: where is the value of investment and the mitigations for risk? The start process, as you say, some years ago, was inquiring into the question: is this possible? It's a very worthy, innovative path to pursue but one we have chosen not to further continue at this stage.

**CHAIR:** So a decision has now been made not to pursue—

**Gen. Campbell:** No, that's not correct.

**CHAIR:** So what is the evidence?

**Gen. Campbell:** The situation now is that we're considering whether there is a right balance of risk and opportunity to further pursue.

**CHAIR:** The Tiger is allegedly going to be removed from service in 2025, in about seven years?

**Lt Gen. Burr:** Yes.

**CHAIR:** I suggest to you that Defence promulgating removal from service is one thing and actual ceasing of operation of a military platform has often been another. Usually those promulgated dates are extended because you don't have a replacement. I suggest to you that, at this stage, we don't have a strong, reliable time line for the replacement of the Tiger by 2025, and therefore its in-life service will extend beyond 2025.

**Gen. Campbell:** That's a proposition.

**CHAIR:** And, given Defence's history, a realistic proposition. Would any of you be willing to give up your pension if that time line were wrong? I know I wouldn't be.

**Gen. Campbell:** Pension for pension!

**CHAIR:** That's why I'm saying I wouldn't be. I'm wondering whether you would be.

**Gen. Campbell:** I think we should move on to more substantial areas here.

**CHAIR:** The substantial area is this: sure, promulgation dates are put forward, but they have a history of being extended and extended and, if that is the case, we have men and women flying in these machines whose lives are prejudiced in the event that they ditch in water. Even if the Tiger were replaced, as I understand it, new attack helicopters et cetera will have a similar difficulty. That is why there are defence forces around the world, and indeed commercial interests, looking at this development and people are scratching their heads as to why Defence is now stalling this development. What is it? Lack of money? Lack of concern for the welfare of our personnel?

**Lt Gen. Burr:** As Chief of Army, I am absolutely committed to ensuring the best possible safe and productive work environment for our people. This particular helicopter has unique challenges in terms of fitting a buoyancy system. We are—

**CHAIR:** We use that sort of terminology. What is the 'unique' challenge to which you refer, given that we haven't pursued it further?
Lt Gen. Burr: I'd defer to the head of Helicopter Systems. But there are unique challenges around the weapons, the sensor systems, the flares and—

CHAIR: How, when it's a bolt-on, bolt-off system?

Lt Gen. Burr: But to operate it requires a number of interfaces with the helicopter which make this problematic, and we could perhaps—

CHAIR: I thought it was a self-contained unit.

Lt Gen. Burr: We could offer a private briefing on what we know about this.

CHAIR: I thought it was a self-contained unit which is bolted on and bolted off.

Mr Fraser: This is a complex issue for every large manufacturer of attack helicopters. You implied that, I think, previously. And it's not just for the attack helicopters. To make any modification requires a certification program to ensure that there's no risk as it becomes matured that would otherwise prevent just fitting it. It's not just a simple matter of bolting on and bolting off of any piece of equipment. There's the test and certification, the design and evaluation of it—and Chief of the Defence Force has indicated some time line aspects of the Tiger. We're aware of the company that you're talking to, and they've made some great initiatives in the work that they are doing, and if it were easy to fit it and complete our 22 aircraft and/or gain commercial viability for them elsewhere then we'd assist and try to do that. But it's really—

CHAIR: But it's all stalled, isn't it?

Mr Fraser: It's not straight—just fitting it onto this aircraft. We've got other troop-carrying aircraft and, of course, oil and gas, where there are large platforms where people are trying to fit certain flotation devices. And the company might be successful in doing that and in assisting to do it, but it requires a full certification program. It's not just a simple matter of—

CHAIR: But what are you doing to ensure that the full certification program actually goes ahead? You're not investing any money. You've stalled the project, with respect. It's all well and good to say it needs all this certification, but what are you doing to ensure it gets there?

Mr Fraser: It might not get there for Tiger, but that's a matter that's—

CHAIR: Why not?

Mr Fraser: It's still under investigation. That's a matter they're still working through. What we need to make sure we've got wrapped around all of the aviation operations is an appropriate layered risk management framework to reduce the risk of exposure in the first place.

CHAIR: And the reason we embarked on this was the risk of exposure to personnel, which was identified over a decade ago. We've agreed to that. As a result, S$8 million worth of taxpayers' money has been invested in this because, one assumes, it was deemed a worthwhile project to protect our service men and women. And here we are stalled, saying, 'It needs to be certified and tested,' but we're not willing to do the certification and testing. It's a bit of a circular argument. If we're concerned about the wellbeing of our personnel and we accept we've got a legal and moral obligation to minimise risk to them and if we've identified that risk and spent money, why are we now stopping and stalling the further endgame, which would be the certification?
Mr Fraser: Senator, I might just ask if the Defence airworthiness authority, the Chief of Air Force, to comment on the time to mature experimental systems, the time for airworthiness in certification. That plays into, as I said, this balance between the opportunities it provides and our capacity to gain the value from that opportunity.

CHAIR: And let's not forget in all this the value we place on the lives of our Defence personnel.

Mr Fraser: That's right, Senator.

Air Marshal Davies: There are three things at play here in attempting to answer your question and proposal. The first is that about 10 years ago there was an opportunity to expand the viability of the Tiger to include increased over-water performance—that is, to spend more time offshore over lakes in areas where a water landing or a crash could occur and, if there was a problem, we could mitigate the risk. As the CDF has described, we continued down that path. My understanding—not being part of the helicopter design team—is that that is problematic at the moment, first, from an instalment and then a flight test program, to make sure that it is air worthy.

CHAIR: What's the problem? We are told that there are potential problems, but we are not testing or certifying to find out what those problems might be. Can you identify a specific, alleged problem so that the people developing this can actually deal with these alleged, unique and other issues?

Air Marshal Davies: I will sit corrected by CASG if I am a bit wrong here, but my understanding is there are some airborne flight issues—that is, the ability of the aircraft to perform its primary role, reconnaissance, with the flotation elements bolted on. It is not a simple bolt-on, small package. It does take up some real estate on the aircraft. Therefore, it needs to be certified to fly as it was designed to, to perform its role. The second element that I am aware of—

CHAIR: Can I just interrupt there, if I may, to unpack that further?

Air Marshal Davies: Yes.

CHAIR: If there's a problem, what is the problem? Does it take off? Can't it fly as fast or can't it manoeuvre as quickly? What is the actual, specific issue?

Air Marshal Davies: The second element might help answer that question.

CHAIR: All right. Thank you.

Air Marshal Davies: That is a part of the problem. The second part is that we are still not convinced of the ability of the flotation device to work to save the lives—as you quite accurately and rightly put—of the airmen and airwomen who fly them as soldiers. It is not proven yet that it works in a way that would save the lives of those aircrew. We need to combine both the air worthiness and the safety outcome to guarantee proceeding with the flotation devices for Tiger.

CHAIR: I have seen one of the experiments firsthand where they dropped a helicopter frame and the flotation device operated. It tilted the helicopter and, as a result, the door was on the top. If there were personnel in it, they could have got out, so what is the issue? Are you saying that that would not happen in real life?
Air Marshal Davies: I'm not saying that the system does not work. We are still going through the evaluation of its—

CHAIR: When was the last time Defence took one step in evaluation of this very innovative, life-saving product?

Air Marshal Davies: Can I go to the second part of my answer from your earlier point before we come back to that? The operation of the Tiger helicopter through the conduct of army aviation and the evaluation from air worthiness boards every 12 months is to ensure that the safety of those that operate the helicopter is not compromised. We have in place operational effects, some limitations, on the time the helicopter can spend over water and distance from shore—all of those elements. I want to put it on record that the safety of the aviation community is not at risk because the flotation device is currently not fitted.

CHAIR: If they're not at risk, why on earth did you waste $8 million of taxpayers' money? Can I suggest to you that, yes, lives are still at risk. Nevertheless, you are limiting the capacity of this platform over water because of this very real risk? Whereas, if you were confident that, if they ditched in water, the aircrew could get out, then they would be allowed to fly further over water, wouldn't they?

Air Marshal Davies: That's exactly the point. We are looking at the ability of the helicopter to perform its primary function whilst having the flotation device fitted. We are looking at whether the device actually works when it's called upon. Until we get that proof and we are confident, then we are restricting the operation of the helicopter to its primary mission. The other part of that is it's not just about Tiger. We call upon all the assets of the ADF to perform the role. We have Romeo, MRH, Chinook and fixed-wing aircraft to perform the role that the ADF is called upon to do. It would be, I agree with you, a better situation to have an expanded overwater role for Tiger, but, until we get the testing and the airworthiness completed, we're not in a position to do that.

CHAIR: Yes, but you are not keeping on with the testing of it and the airworthiness testing of it and, as a result, you will continually say to me 'we are waiting for' but you're not pursuing it. As a result, we will never get to that point, will we?

Senator Reynolds: Chair, the officials have offered a private briefing on this with all the relevant people in the room. Can I suggest that might be a good thing to take up.

CHAIR: Thank you, Minister.

Senator Reynolds: As well as, obviously, the opportunity today.

CHAIR: I have seen many a paper on this, and, with respect, obfuscation by Defence. I think this is a great innovation, it should be pursued, and I still haven't got a justification—or tell me: when did we stop spending money on this project? It is in hiatus and has now been in hiatus for a long period of time. At private briefings, in private chats with you and your predecessors, I've just got the same answers. That is why airing it publicly, I hope, will make Defence live up to their legal and moral obligation in relation to Defence personnel safety; and then, secondly, ensure that the $8 million worth of taxpayer money that has already been invested is not just ditched but in fact built upon to ensure this capability, this life-saving capability—indeed, something that the world is looking to us for. I understand the UK, for example, and other military forces are very interested in this, and people are asking why it is
that Australian defence is not supporting an Australian innovation that may well have worldwide application.

Senator Reynolds: Chair, thank you for that. I will pursue this further. In fact, I've just had a side discussion on this. It appears from the evidence that we've had here that this is a capability that does have potential. The issue is where the appropriate project or venue is to develop that capability further. So I will take that discussion offline with the department and see if there are any other opportunities for the project, to support them.

CHAIR: All right. With the indulgence of the committee, I have two quick further questions. Is it correct that there is an extant statement of requirement to fit the Tiger helicopters with a mission-fit flotation system?

Mr Fairweather: I believe there was a statement of requirement—

CHAIR: No. Is there?

Mr Fairweather: I don't believe there is an extant—

CHAIR: So when did it become non-extant? If it's no longer extant, is that the explanation for why you're no longer spending money on it? What I have been advised, at all times, is that this statement of requirement was still in existence. So when was it pulled?

Mr Fairweather: I'll have to take that on notice. I haven't—

CHAIR: Can you please get back to me as a matter of urgency—still before lunch, if possible—about when that was done, because my view was that it was still extant.

The other one is that my understanding is that project 4503, future vertical lift, won't commence until 2040. Is that correct?

Gen. Campbell: Future vertical lift is an American program, for the thirties and forties possibly—experimental efforts in the early twenties. But we are not necessarily going to assume that we are following in that path.

CHAIR: So it's likely that Defence will be operating attack type helicopters with outward-opening windows for at least another 20 years. In those circumstances, for the safety of our air personnel, I invite you to give this project very, very serious consideration. I thank the committee for its indulgence. Senator Wong has walked in—

Senator WONG: I was here; I was just walking around to stay awake! I think Senator McCarthy has to go to catch a flight shortly, so perhaps I could defer to her. She has a few discrete questions, and then I'll come back.

CHAIR: Of course. Senator McCarthy, over to you.

Senator McCarthy: Thank you very much. I'd like to go to NT infrastructure and ask some questions about Defence's infrastructure spending in the Northern Territory. I understand the committee has written to you to ask for information on this subject. While we're waiting for a change to the table, Minister, can I just say to you and to the head of Defence a very big thank you for the recent evacuation of over 2,500 people in the Northern Territory from our remote regions during Cyclone Trevor. The support of Defence during that process was awesome.

Senator Reynolds: Senator McCarthy, thank you very much. On behalf of the government, it's a good opportunity to thank the department for all of the joint task forces that
have been established so quickly and so effectively to support the national disaster season. They did a magnificent job for Trevor, as the two task forces did in Queensland in the assistance for the Townsville floods and also the north-west Queensland floods. Thank you. I'm sure we'll get that message back, Secretary and CDF, to those concerned.

Senator McCARTHY: Yes, please. Certainly, on behalf of those residents in all the regions there, I say that it was an unprecedented evacuation in the Northern Territory in terms of the regions, so thank you.

If I can go to the infrastructure questions, the committee has written to ask for information. Is there any update you'd like to provide?

Mr Grzeskowiak: Yes. If we go to the Northern Territory in the broad, I can advise that, if we look at the forward estimates, we currently have infrastructure projects that are approved for the forward estimates period that total $1.64 billion. I could give you the year-by-year totals for those projects.

Senator McCARTHY: Yes, I was just going to ask about Defence spending on infrastructure in the Territory for 2016-17, 2017-18 and 2018-19.

Mr Grzeskowiak: I have the 2018-19 figure, which would be $334.4 million. I have the 2019-20 figure, which would be $413.3 million. I have the 2020-21 figure, which is $235.6 million. And 2021-22 is $149.5 million.

Senator McCARTHY: So you don't have 2016-17 or 2017-18?

Mr Grzeskowiak: I don't have those historical figures with me, but I can get those.

Senator McCARTHY: Thanks. What's your expected spend on infrastructure in the NT in this budget? Is that the $413.3 million?

Mr Grzeskowiak: For the financial year 2019-20, that's correct. That's the currently approved spend.

Senator McCARTHY: You said at the outset it's a $1.6 billion general spend.

Mr Grzeskowiak: Over the forward estimates of currently approved projects.

Senator McCARTHY: For the Northern Territory?

Mr Grzeskowiak: Correct.

Senator McCARTHY: Would that be largely in Darwin or in Katherine as well?

Mr Grzeskowiak: It's spread across mostly Darwin and the Katherine region, at RAAF Base Tindal. I could take you through some of the bigger projects that are in that list, if that would help.

Senator McCARTHY: Yes, please. Thank you.

Mr Grzeskowiak: We've got the Larrakeyah Defence Precinct redevelopment project, which includes new wharfage for future naval operations in the North.

Senator McCARTHY: How much was that?

Mr Grzeskowiak: That project's a total of $495.5 million. That project's commencing now. We've got a project which is building air traffic control infrastructure both at RAAF Darwin and at RAAF Tindal. The RAAF Darwin cost for that infrastructure is $46.9 million. The RAAF Tindal cost is $49.2 million.
We have a project associated with the maritime patrol aircraft—the P-8s—for its forward operating base capability in Darwin. That's $161.6 million. Obviously, we have the New Air Combat Capability project in construction at the moment at RAAF Base Tindal. That's been in construction for a year or so. That's a total cost of $492.8 million. As well, we have facilities at the Delamere Air Weapons Range associated with some of the new Air Force technology to make that range fit for purpose into the future. That project is $102.9 million. There are a range of other projects that add up to the total of $1.64 billion, which I can table. But they're all much smaller than the other projects.

**Senator McCARTHY:** Are there any outstanding projects in relation to NORFORCE?

**Mr Grzeskowiak:** NORFORCE—the Larrakeyah Barracks redevelopment will be upgrading the NORFORCE headquarters and some of the NORFORCE facilities on Larrakeyah Barracks as part of that project.

**Senator McCARTHY:** How much will that be?

**Mr Grzeskowiak:** I'd have to take that on notice for the exact figure. But from memory it's something of the order of about $50 million of that project. But that's included within that total project price that I quoted before.

**Senator McCARTHY:** In terms of unapproved projects, do you have any that you expect to come into the budget over the forward estimates?

**Mr Grzeskowiak:** There is a range of unapproved projects. I'd just look at projects that we would have scheduled for likely appearance at the Public Works Committee in the future year, or the year of this budget estimates, 2019-20, in the Northern Territory. We have a project that will upgrade base facilities at RAAF Base Tindal—not yet approved, but going through its process—and that would be submitted to the Public Works Committee later on this year or early next calendar year.

**Senator McCARTHY:** How much is that?

**Mr Grzeskowiak:** I don't have the figures for that at the moment. Then there are also projects associated with United States Force Posture work. There'll be some works there at RAAF Base Tindal as well. Again, not yet approved, but we'd expect to be putting those to the parliamentary Public Works Committee at some point in the 2019-20 year. I can't give you the exact figures for both of those projects now, but they're both fairly significant projects that would run into hundreds of millions of dollars.

**Senator McCARTHY:** Finally, are there any projects from previous years that you expected to enter the budget earlier and they just haven’t been spent?

**Mr Grzeskowiak:** No. All of the projects that we had from previous years approved are all either in flight or complete.

**Senator WONG:** Let's try to get this done. Let's go to Future Submarines, please. After that, I will probably move from there to Collins sustainment, which I think is the same—

**Senator Reynolds:** While the officials are changing over, we've just got another question from Senator Gallacher on the Innovation Hub, which has just been tabled.

**CHAIR:** As I understand it, the answers are coming through and when and as they are coming through they are being provided to the committee, Minister. I thank officials for how expeditiously they're dealing with those answers. Senator Wong.
Senator WONG: What should I call you? It's not a loaded question.

Rear Adm. Sammut: In my current incarnation, most people call me Rear Admiral Sammut, but you're welcome to call me whatever you choose!

CHAIR: The chair might intervene if you did. 'Rear Admiral' I'm sure will do fine.

Senator WONG: Thank you. I think we've established, both in the last estimates and this one, when Mr Pyne said:

... most people regard a local build as about 60 to 70 per cent, so in fact that is very good news for Adelaide and Australia.

I think evidence from the previous estimates, which you've confirmed today, is that that's not an assertion, regardless of how it might have been reported, that the Australian industry content will be 60 per cent to 70 per cent. Is that correct?

Senator Reynolds: Senator Wong, I can actually clarify that because it was—

Senator WONG: I'm asking him. Can you just, please—

Senator Reynolds: I understand, but it was a question of Minister Pyne, and since that last—

Senator WONG: No, it's not. It's a question of—

Senator Reynolds: Yes, it is.

Senator WONG: This would be much easier if you would just—

I'm going to move off this shortly.

Senator Reynolds: Since that exchange, I've actually sought clarification from Minister Pyne in terms of what he actually said, to make sure that we are absolutely correct. What Mr Pyne actually said was this:

... the 90 per cent estimate was from DCNS, the submarine builder. The Federal Government never said that. I always said, and I consistently say and I'm still saying, that around 60 per cent is defined as a local build, because obviously we don't make torpedoes, and we don't make all sorts of other things ... If DCNS can get to 90 per cent, I'll be the happiest person in ... Australia, but that was never the government's figure.

Senator WONG: That is not the quote that I'm reading.

Senator Reynolds: Just for the point of absolute clarity, that's what Minister Pyne actually said.

Senator WONG: I was actually reading the Q&A quote from 23 May 2016, but thank you for confirming that it is not the government's commitment that there be a 60 per cent to 70 per cent Australian industry content. That is the evidence you just gave, correct?

Senator Reynolds: I've read out word for word what Mr Pyne has said and what and the government has consistently maintained: there is no minimum number.

Senator WONG: Thank you. Can we move on? I was actually just confirming that that was the case. We've had a discussion previously—I can't recall if it was Mr Johnson or someone else—about the architecture of the arrangements with Naval Group and the fact that there is a strategic partnership agreement which is, for want of a better term, an umbrella agreement, an overarching framework agreement. Obviously within that—or beneath that or
in the context of that—there will be a series of different contracts that are project based but also quite possibly more granular than that; correct?

Rear Adm. Sammut: That's a good depiction, yes.

Senator WONG: Okay. I just want to know how many contracts have actually been signed.

Rear Adm. Sammut: There has been one program contract under the strategic partnering agreement. It's called the submarine design contract, and it was signed on 1 March this year.

Senator WONG: I thought it was the 'strategic partnership agreement'?

Rear Adm. Sammut: The 'strategic partnering agreement'.

Senator WONG: Okay. We're a verb, not a noun. The strategic partnering agreement has been signed and, within that framework, we have one, which is the submarine design—

Rear Adm. Sammut: The submarine design contract.

Senator WONG: And that was signed on 1 March?

Rear Adm. Sammut: Yes.

Senator WONG: The one just gone; last month?


Senator WONG: How much was that for? What's the value of that?

Rear Adm. Sammut: It includes two scopes of work. The first scope of work is for $605 million, which runs until 2021.

Senator WONG: And what's the second scope?

Rear Adm. Sammut: We will negotiate that. That next contract work scope is defined out of the work that we do during the first contract of work scope.

Senator WONG: Sure. But the second scope is not actually subject to contractual obligations?

Rear Adm. Sammut: Yes, it is. The strategic partnering agreement includes all of the operative terms and conditions for all program contracts we will write for the Future Submarine Program. It was important, of course, that we agreed those with Naval Group before we commenced any program contracts. Indeed, what it will do is ease the process of forming program contracts as we move forward, because we won't be arguing about—or, I should say, debating—terms and conditions.

Senator WONG: But the problem with that point in this context is the evidence you've also given is that it is through these subsequent contracts that the AIC will actually become clear. So it's not actually to the point to talk about all of the range of conditions associated with the contracts—I will come to some risk issues which I want to ask which do go to those points, but I'm actually interested in the AIC. You've already given evidence that there is no AIC figure in the. There is an exhortation about maximisation. Is that a reasonable phrase?

Rear Adm. Sammut: I wouldn't say there's an exhortation. There are obligations regarding Naval Group in terms of their—
Senator WONG: And I want to know what they are. Let's not re-traverse this. We haven't got a lot of time. I want to go to the contract you've signed. What's in that about AIC? Is there a figure?

Rear Adm. Sammut: No, there is no figure.

Senator WONG: Thank you. What is there on AIC?

Rear Adm. Sammut: There is a requirement on Naval Group to approach Australian industry. Procurements will be written from Australia by its subsidiary, Naval Group Australia. There are obligations towards meeting our objectives to maximise Australian industry involvement, in terms of setting up the sovereign sustainment and operating capabilities and also the capacity to build the submarine in Australia. I do not wish to go into some of the more commercially sensitive arrangements that we have in place to ensure that we maximise Australian industry involvement. What Naval Group are required to do is ensure that they are articulating their plan for each work scope, as we move forward, that moves us towards the maximisation of Australian industry involvement so that it's clear in those plans, which have to follow and have to abide by the terms and conditions set out in the strategic partnering agreement, specifically what they're going to do during each contracted work scope as we move forward. They're generally reflected in more granular form in what we call local industry activities—the activities that will be conducted in local industry as we move forward at each stage of the program towards maximising its involvement.

Senator WONG: Okay, but to date we have one contract approved in the context of the SPA—correct?

Rear Adm. Sammut: Yes.

Senator WONG: And, for the reasons you've laid out, your evidence is that there is no level of Australian industry content specified in that $605 million contract?

Rear Adm. Sammut: There is no level specified in that program contract.

Senator WONG: Is that the only contract for which approval has been sought to date?

Rear Adm. Sammut: To date, no. We were operating under the design and mobilisation contract before the SPA was signed.

Senator WONG: Sorry—in the context of the SPA.

Rear Adm. Sammut: In the context of the SPA, that is the only contract that's been signed with Naval Group.

Senator WONG: What's the next one?

Rear Adm. Sammut: The next will one will be about the completion of detailed design and commencement of construction.

Senator WONG: What is the scope too?

Rear Adm. Sammut: No.

Senator WONG: This is a parallel process.

Rear Adm. Sammut: Forgive me, I wasn't very clear on what I was saying. Program contracts comprise different work scopes. There are certain activities we will do under a program contract and, generally, that follows the phasing of the design process. Before we
move into a contracted work scope to get through the full design process, we need to know the outputs of the first contract-of-work scope.

Senator WONG: Okay.

Rear Adm. Sammut: So—

Senator WONG: Sorry—is it really important?

Rear Adm. Sammut: I just wanted to make sure my explanation was as clear as it could be, Senator.

Senator WONG: Regarding other contracts approved, in answer to an earlier question, I clarified that I was looking to contracts signed within the aegis of the SPA. What other contracts has Naval Group signed with you? Are there many?

Rear Adm. Sammut: Sorry—out of the SPA, there's one.

Senator WONG: Yes, ex-SPA.

Rear Adm. Sammut: Before the SPA, there was the design and mobilisation contract.

Senator WONG: Just that one?

Rear Adm. Sammut: We signed another contract with Naval Group Australia for design services for the submarine construction yard.

Senator WONG: And they're the only two? These are pre-SPA.

Rear Adm. Sammut: They're pre-SPA contracts.

Senator WONG: Design of the construction yard?

Rear Adm. Sammut: Yes.

Senator WONG: Design and mobilisation and the design of the construction yard.

Rear Adm. Sammut: Design and mobilisation contract with Naval Group, and with Naval Group Australia we signed the design services contract for the submarine construction yard.

Senator WONG: Can you tell me the value of each of those, please?

Rear Adm. Sammut: Yes, I can. The contract value for the design and mobilisation contract—and this is the contract value, not our expenditure under the contract—is not to exceed $453 million, rounding to the millions of dollars there. With the design services contract, the contract value to date is $11.6 million.

Senator WONG: Sorry, you gave me a contract value not a budget figure for the second one.

Rear Adm. Sammut: Both were contract values. I'm sorry if I wasn't clear. Both are contract values.

Senator WONG: More budgeted than—okay.

Rear Adm. Sammut: There's a contract value that we spend up to.

Senator WONG: That's the right figure then—and, just to confirm, none of those have an Australian industry content identified or specified?
**Rear Adm. Sammut:** Not specified. I can say the design services contract was conducted in Australia with the Australian subsidiary of KBR. That work was done in Australia. There has been some work done in Australia under the design and mobilisation contract.

**Senator WONG:** What's the 'some work'?

**Rear Adm. Sammut:** I believe we've given an indication of that in answer to a question on notice from Senator Patrick.

**Senator WONG:** Sorry, I don't have that with me. I apologise; I haven't got that here.

**Mr Moriarty:** Could I add as well that the government has decided that Lockheed Martin Australia will design and integrate the mission combat system.

**Rear Adm. Sammut:** I'm sorry; I thought we were talking about Naval Group. There is another contract—

**Senator WONG:** I did ask the question about Naval Group.

**Rear Adm. Sammut:** Just to be clear, we have signed a contract with Lockheed Martin Australia for the design, build and integration of the combat system, and that first work's scope is underway as well.

**Senator WONG:** That's not part of the design and mobilisation contract, which is what we're talking about.

**Rear Adm. Sammut:** No, that is an entirely separate contract.

**Senator WONG:** Can we just stick with the contract we're talking about. I understand the political point the secretary is making. There is no Australian industry content specified in the design and mobilisation contract, but some Australian work has been done, and you were going to tell me about what it was. You said it was in a QON from Senator Patrick.

**Rear Adm. Sammut:** We had answered what contracts had been—

**Senator WONG:** I'm sorry; I do a lot of estimates—

**Rear Adm. Sammut:** That's fine—

**Senator WONG:** I do try to prep, but I have not read Senator Patrick's answer.

**Rear Adm. Sammut:** I'm trying to find what we've said so far.

**Senator WONG:** I'm sure they're great.

**Rear Adm. Sammut:** We can look that up.

**Senator WONG:** Okay. Why don't we come back to it? I was going to move on—

**Rear Adm. Sammut:** I'm sorry; I don't have those figures committed to memory.

**Senator WONG:** That's okay. Perhaps we can come back to that. Could I go to Collins sustainment, please.

**Rear Adm. Sammut:** We can help you with that.

**Senator WONG:** I'm sure you can. I asked some questions at the last estimates about the time frames for the withdrawal of the Collins class, and I think, over the period of time between different defence ministers, these time frames have changed. I think at the time Mr Andrews was defence minister, the government indicated in 2015 that the first retirements of the Collins class would begin in 2026. I think Vice Admiral Noonan subsequently confirmed that the expectation of delivery of the first Future Submarine would be in 2032, with full
service to commence in 2035. So we've got those two dates now. Just to confirm, there is no change on the second two dates—that is, full service in 2035 after delivery of the first in 2032? They're still the end points—or the beginning points, depending on where you're looking from?

Rear Adm. Sammut: In broad terms, yes.

Senator WONG: What does 'in broad terms' mean?

Rear Adm. Sammut: The Future Submarine will commence operational test and evaluation in 2032, and that process will be completed by 2034. Over that time frame, Navy will make assessments about the release of the boat into operations as it goes through its operational test and evaluation. That is the plan at this stage.

Senator WONG: Rear Admiral, I understand this is a long way off and it is a complex capability. Since the last estimates, has there been any change in Defence's position to the evidence that full service is intended to commence at 2035?

Rear Adm. Sammut: No; no change.

Senator WONG: So we've got this capability gap we've discussed between 2026 and 2035. I think that the evidence was at that point that five of the Collins class would be—

Rear Adm. Sammut: Life-of-type extension.

Senator WONG: Thank you. Is that still the thinking? Is that still the intention?

Mr Moriarty: That's the thinking, subject to government approval.

Senator WONG: In terms of what you now call the DCP, the IIP, is that where the sustainment comes out of?

Mr Moriarty: That is where it will be programmed—

Senator WONG: There will be a requirement to fund those life-of-type extensions, and that is not currently budgeted for in the IIP?

Mr Moriarty: That's right.

Rear Adm. Sammut: It is budgeted.

Senator WONG: Well, what is budgeted for? What are you assuming in the current IIP? Is it five at $2 billion a pop?

Rear Adm. Sammut: There is a provision within the IIP, which we believe we are able to do life-of-type extension for at least five of the vessels. We have not defined the cost of life-of-type extension as yet. That work is continuing through definition studies that are going on to look at the systems on board and the actual work that will need to be done to ensure that the boats can be extended over life. It's important that we don't state what provision we have in here—

Senator WONG: Hang on; I'm actually trying to work out if there's enough money budgeted.

Rear Adm. Sammut: We believe—

Senator WONG: Please let me finish. I understand your point. Obviously these costs have to be refined, and I'm not asking you to declare in the Senate estimates the total cost, because there might be some commercial implications. You obviously have to go to tender
and you want best costs. I get all that. But I want to know the basis on which the assertion is made that the IIP provision is sufficient. So why don't we work out how we explain that.

Senator Reynolds: Senator Wong, first of all—

Senator Wong: But you're not going to help me on this, with respect. Nothing you will say—

Senator Reynolds: I'm sorry Senator Wong; there's nothing respectful about that. As the minister at the table I can actually provide some information on this.

Senator Wong: That just means I have to go and ask them after you and we just have to wait.

Senator Reynolds: Oh, Senator Wong. First of all, I just want to clarify that there will be no capability gap. My understanding is Chief of Navy has consistently—

Senator Wong: We are having an argument—

Senator Reynolds: You said that you talked about a capability gap.

Senator Wong: No. You don't listen to the question, do you? You just don't listen to the question. You're arguing strawmen—or women in this case. You're arguing a political point against an attack that you think I'm making that I'm actually not making. We understand how the government of the day—

Senator Reynolds: I am clarifying for you, Senator Wong, that there will be no capability gap.

Senator Wong: No; I did not say that.

Senator Reynolds: It was included—

Senator Wong: I did not say that. We made clear that we have 2026 to 2035 and we have to work out how we're doing it and I'm now going to the budgeting process. That is the question. If you want to have your political hit against a political attack I'm actually not making, then I would like to get back to the officials to find out why they say the provision in the IIP is sufficient and to take me through that. But if you need to make these political points we can just all sit here and wait.

Mr Moriarty: Senator, could I, before we talk about the IIP provision, if the judgement is made by the Chief of Navy and consulting the other areas about the importance of maintaining a particular number of submarine platforms, then the Chief of the Defence Force and I will look at the IIP and we will reprioritise the IIP once the experts sit down and come to a judgement that that is the priority. We would then suggest or recommend to government that the IIP be re-profiled, if that is the strategic judgement and the judgement of the program manager. The IIP is re-profiled quite often, because of changes in demands.

Senator Wong: Of course it is. There's a lot to—

Mr Moriarty: If that is identified as an absolute core requirement for the protection of Australia, I'm sure the CDF and I will recommend to government that that be a key priority from the IIP. So I can assure you, Senator, that we do take this very seriously.

Senator Wong: Of course. Have I said anything to suggest that you don't?

Mr Moriarty: No; I'm just trying to—
Senator WONG: I don't mind having a political barney, but I do when we're not having one and we have one for no reason. Let's go to this: you answered a question on notice from Senator Gallacher, portfolio question No. 47. I don't understand why we have two different numbers in this portfolio, but someone can explain it at some point. The answer included a $6.7 billion out-turned cost, referred to in the Naval Shipbuilding Plan as an initial high-level cost estimate to extend the first three Collins class submarines based on Coles and Rizzo. Do you need me to give you that?

Mr Moriarty: No.

Senator WONG: You've got that. So you were actually happy at some point to give us some figures. How much is provisioned for in the IIP for the extension of the Collins class? Vice Admiral, can you help me?

Senator PATRICK: Is there a new IIP? The last one was in 2016.

Senator WONG: No, can I just have the question answered, please, and then we can go to yours.

Senator Reynolds: The secretary is just looking for the right official to give you that information.

Rear Adm. Sammut: The Naval Shipbuilding Plan refers to a broad figure, just as the public version of the IIP refers to broad figures for our capabilities there. Again, I'm very hesitant to say what is in the IIP, which is the funding provision that currently is in there for LOTE, because there are commercial sensitivities to that. Even when we ran a defence capability plan, we never had the exact estimation that we had for our things.

Senator WONG: Well, what can you give me? You've already given us $6.7 billion. It might be in your interests, frankly, to consider whether you want that to be the public figure that's retained, because I suspect that is at a higher level than you have provision for in the IIP. Would that be a correct assertion? If you divide three into $6.7 billion, you're going to have to be provisioning in excess of $10 billion for the five. If it is less than that, or if your assertion is that the $6.7 billion is a higher level estimate for a reason, this might be the time to tell us that or to tell us the rationale for why. Secretary, everybody's quiet, and I've asked a few questions. I'm being polite, because I understand you're talking to each other. So how do you want to handle this? I'm happy to take a break from this and come back to it if you'd like some other questions to be asked for a period of time.

Mr Moriarty: The CFO is coming to the table to—

Senator WONG: Assist?

Mr Moriarty: talk a little bit about the process.

Senator Reynolds: Senator Wong, while the official is coming to the table, I note that the reason they're having a little difficulty is that it's almost a hypothetical because it is so far out. As the secretary said, there was a study into the life-of-type extension for the Collins, which was completed in 2012, and they are still undergoing further inquiries. But there are 120 substantial activities across six system groups that they're still working through to work out more detailed costings and time frames. So, given it's so far out, it is almost a hypothetical. I've now got Mr Groves here. He might be able to provide some more.
Senator WONG: Sure, but it's not that far out in capability terms, and it is something that is being dealt with now because it's critical to the submarine capability. Anyway, we all know that.

Senator Reynolds: As I said, they've been working on this since 2012. It's a long-term and complex—

Senator WONG: The figures I gave were the 2015-16 figures. Anyway, Mr Groves, see what you can do.

Mr Groves: Senator, I think I'm going to disappoint you. I don't have any specifics. It will have to be covered within the IIP. It is my understanding—I'd have to confirm—that there is no specific line item for that, but it certainly will be covered in the funding envelope that's currently envisaged out over that period of time within the whole of the Integrated Investment Program.

Senator WONG: I think what you're telling me—and now I understand what the secretary's evidence was—is that, if there's no line item, basically other capability spends will have to be adjusted to provision for the life-of-type extension.

Mr Groves: Correct.

Senator Reynolds: Which is actually business as usual and good management.

Mr Moriarty: If I could just add to that—

Senator WONG: It's $10 billion. On figures, if you just do the basic arithmetic on 2015-16 figures, you're looking at in excess of $10 billion, which you're saying is not currently provisioned for specifically, and that we'd have to shift capability procurement around in order to find that. Is that right?

Mr Groves: It may be the case that we need to shift that. But, out that far, consistent with the trajectory of funding in the 2016 white paper, there are elements of our funding profile which go beyond the decade—certainly beyond the forward estimates—which are still very much in estimates land, that we have not allocated to particular acquisition or sustainment lines. Obviously, they will have to be managed within that overall funding line that was envisaged as part of the trajectory in the 2016 white paper.

Senator WONG: I've given people a couple of opportunities to push back on—shall I put it broadly—the $6.7 billion figure from 2015-16, for the three. If it's in the ballpark—let's just say it's in the ballpark. The Rear Admiral wants to say something—well, he may not want to, but he's going to.

Rear Adm. Sammut: The question on notice talks about statements in the Naval Shipbuilding Plan about the allocation of funding for two activities. The first is the capital improvements—the projects, or the new capability that we're putting into Collins. Outturned, there are approved and unapproved projects that sum $2.6 billion. It also then talks about $6.7 billion outturned, which refers to all of the activities—

Senator WONG: It says: 'refers to an initial high-level cost estimate to extend the first three Collins-class submarines, based on a benchmark sustainment cost information in the Coles report and ageing parameters in the Rizzo report.' It was developed in 2015-16 for medium-term planning. I'm just asking you if that is the best public information to date. Do you wish to alter it?
Rear Adm. Sammut: No, I wish to clarify it, which is what I'm endeavouring to do. That is to say it includes what's required for life-of-type extension, but it also includes what's required to continue sustaining the boats once life-of-type extension activities are complete. We don't do life-of-type extension simply as a continuum of activities—

Senator WONG: Sure.

Rear Adm. Sammut: it'll be done discretely. Then we have to keep sustaining the class while it's in service for the extended life.

Senator WONG: So what's the disaggregation between those two components of the $6.7 billion? I understand the input of your evidence as being, 'Senator Wong, you don't have to worry about the IIP having $10 billion, because the $6.7 billion includes ongoing sustainment costs as well as life-of-type extension. Is that, broadly, it?

Rear Adm. Sammut: That's broadly—

Senator WONG: Broadly the objective of the evidence? Okay, I'm glad I understood that. How much of the $6.7 billion is in which bit?

Rear Adm. Sammut: That's what we didn't want to say about what's in the IIP for the actual—

Senator WONG: No, no, no. This figure is already public.

Rear Adm. Sammut: And that includes a totality of what we're doing.

Senator WONG: Yes, and I'm asking you to disaggregate at least between ongoing sustainment and the life-of-type extensions. You just said to me that this is over the odds, because—

Rear Adm. Sammut: But if I were to do that, wouldn't I be defining what we've allocated to life-of-type extension, and therefore compromising our—

Senator WONG: Only if you're telling me that this is the figure that is used as at baseline for the IIP. This is a public figure.

Rear Adm. Sammut: And we put a lot of public figures out there about the totality of programs. The Future Submarines Program is an example of that. I say it is $50 billion, but I don't say what is going to be for Naval Group for platform systems and what's going to be for Lockheed Martin.

Senator WONG: That's not to point, with respect.

Rear Adm. Sammut: I thought it was the point, Senator.

Senator WONG: No, the point—

Rear Adm. Sammut: That's why I was saying that if we start disaggregating this and it points to approximate figures in the IIP, then we're into a situation—

Senator WONG: That's the bit that you hadn't said before. I had put the Naval Shipbuilding Plan figure to you, but you hadn't confirmed that that's the basis of the IIP.

Rear Adm. Sammut: Well, the Naval Shipbuilding Plan—

Senator WONG: IIP budgeting, I suppose.

Rear Adm. Sammut: The Naval Shipbuilding Plan has to be based on what we have budgeted in our IIP to be of credence and, therefore, the figure does point to—
**Senator WONG:** So basically, $6.7 billion is broadly on the mark, you don't want to disaggregate. It continues to include both life-of-type extension, plus ongoing sustainment—

**Rear Adm. Sammut:** That's correct.

**Senator WONG:** Is that fair enough?

**Senator PATRICK:** They've made the ongoing sustainment numbers public, actually. It's in the budget papers: $560 million. And you know, Admiral, that that number varies typically between about $550 million and $600 million per annum. So Senator Wong hasn't asked an unreasonable question. You give those numbers publicly, as you should.

**Rear Adm. Sammut:** We do and we predict those out to a certain number of years, not over the life of type of the capability.

**Senator PATRICK:** I can recall Senator Johnston used to regularly ask for sustainment numbers in the out years. They were given and they were of that order of magnitude. Her question is quite reasonable, and you have in the past always given out sustainment numbers in the out years.

**Rear Adm. Sammut:** We're talking about now out years that go beyond the forward estimates, Senator.

**Senator PATRICK:** And Senator Johnston used to get them as well.

**Rear Adm. Sammut:** He would get estimates and approximations of what they are. But I'm going to maintain the position that I stated: if we start disaggregating this now, we're going to point to provisions that are in the IIP that may be available to Defence for LOTE funding, which means it does compromise our ability to finally negotiate with all of the companies that will be involved in these activities.

**Senator WONG:** Can I try it a different way, then. The 128 of the PBS is the figure to which Senator Patrick is referring. So you've given us a 2019-20 estimate of Collins-class submarine sustainment costs; correct?

**Rear Adm. Sammut:** Yes.

**Senator WONG:** So when you speak to me about the 6.7, including both classes of cost—the life-of-type extension plus sustainment—can I at least infer that the second component is what is given to us for the purposes of the 2019-20 estimate, which is the 566?

**Rear Adm. Sammut:** Yes. You could assume that, generally noting that that's a constant figure and these are outturned, as you understand.

**Senator WONG:** Of course. I have to remind myself each time of the budgeting process. But the 566, though, relates to sustainment of all of the Collins-class?

**Rear Adm. Sammut:** The entire fleet.

**Senator WONG:** But we don't do all of them at the same time, so in each year—

**Rear Adm. Sammut:** They're the activities that we're going to do next year.

**Senator WONG:** This is an annual activity in sustaining that capability, even if not every sub is going to be affected by the 566?

**Mr Johnson:** Yes.

**Rear Adm. Sammut:** In broad, yes.
Senator PATRICK: And it doesn't change much, Senator Wong.

Senator WONG: Yes, because you've got a very regular sustainment process.

Mr Johnson: Yes.

Senator WONG: I'm going to move to the next point. Full-cycle docking takes two years?

Rear Adm. Sammut: Two years.

Senator WONG: I assume life-of-type extension is much more substantial?

Rear Adm. Sammut: At this stage, we're endeavouring to see whether we can conduct a life-of-type extension within a full-cycle docking period.

Senator WONG: Has that been done?

Rear Adm. Sammut: Can I let you know that, at this stage, we actually conduct a number of upgrades to the Collins-class during the full-cycle docking—

Senator WONG: This I know.

Rear Adm. Sammut: and, as part of the Collins reform program, there are a certain number of hours dedicated to upgrades within a full-cycle docking so that what we can do during the upkeep activity is actually deliver upgrades in capability at the same time. What we're looking to achieve, as we do life-of-type extension, is that, by the time we get to life-extending the submarines, a lot of our capability upgrades would have been completed, so the hours that we devoted to upgrade activities in previous FCDs will be hours that we can devote to life-of-type extension related activities, as well as the routine maintenance of the boat, noting that some of the systems that we replace in the submarine to extend its life will negate the need to do maintenance on the old systems. So the work we're doing—

Senator WONG: I get that. So you're saying, 'We're doing all these other upgrades now so we're hopeful that the life-of-type extension won't take longer than the two years full-cycle docking currently.' Is there any—sorry.

Rear Adm. Sammut: Noting that planning is underway to make that endeavour and to also make sure that what we can do is distribute life-of-type extension across a number of maintenance activities, not simply FCDs. So we may do the main tranche of work during an FCD and we may do subsequent tranches of work in other maintenance periods.

Senator WONG: Is there any international experience that demonstrates this possibility that this kind of extension for a particular type of capability—let's just stick with submarines—can be done in that two-year period?

Mr Johnson: Yes. You should have great confidence that we can do this in a two-year period. We are being careful in our answer because we haven't done the scope of work. But I would tell you, with great confidence, that we'll be able to do this, in the same confidence that the first time we do it will be the most difficult.

Senator WONG: Well, yes, it always is—pretty much.

Mr Johnson: The first one is always the tricky one, but you should have confidence that we can do this.

Senator WONG: Did you want to add to that, Rear Admiral—my question about international experience?
Rear Adm. Sammut: We continue to engage international experience in reviewing what we're doing.

Senator WONG: Has someone else in the world done something like this?

Mr Johnson: Yes.

Senator WONG: Where?

Mr Johnson: The United States Navy typically does this work in the same time frame.

Senator WONG: They're a little bigger—a bit more capability—with all due respect, CDF!

Gen. Campbell: I'm laughing on the inside, Senator!

Senator WONG: Okay! It's very hard to discern! Can I go to the contractual arrangements or the intention? What are the contractual arrangements currently, or what is the intention around contractual arrangements, for dealing with life-of-type extension?

Mr Johnson: Our primary approach is an integrated team doing the studies, which is primarily ASC staff, augmented with Commonwealth. As we speak today, it's four Commonwealth and 30 ASC in that team.

Senator WONG: Let's talk about the team. What are they called?

Mr Johnson: The LOTE—life-of-type extension study team.

Senator WONG: And that contract—

Mr Johnson: Is with ASC.

Senator WONG: But it only goes to the study? Scoping?

Mr Johnson: At this point—

Senator WONG: What are the current intentions about the contractual arrangements for the LOTE?

Mr Johnson: Ultimately, we'll contract with ASC to do that work.

Senator WONG: Has the government made that decision to single-select, or has the government made a decision to go to an open tender?

Mr Johnson: To put this back in context, we talked about doing this work in the full-cycle dockings. Now, as we pick different pieces of equipment, jointly with ASCs, with this team, we will evaluate individual approaches to contracts.

Rear Adm. Sammut: I think it's also reasonable to assume that we would be investigating what we can achieve under the in-service support arrangements that we have in ASC, as part of this work and also the work that we do with our other suppliers under existing in-service support contracts.

Senator WONG: As I understand that answer, you've got a series of arrangements currently with ASC, which I won't go through again. Because of the plan that you've described to me, which is that we want to utilise full-cycle docking as much as possible to pre-prepare or do part of aspects of what would be required in a life-of-type extension in those full-cycle dockings, it therefore makes sense to continue utilising ASC. But there is the option of other contractual arrangements, depending on capability, and the government has not yet made a decision about the whole architecture of that. Correct?
Rear Adm. Sammut: That's fair, and of course other realities there—that the capabilities are largely within ASC and our current people to do the work.

Senator WONG: Absolutely.

Rear Adm. Sammut: Indeed.

Senator WONG: ASC currently has no contractual arrangement with government as to its involvement in the LOTE—correct?

Rear Adm. Sammut: Other than the work they're doing to their studies, the scoping.

Senator WONG: Right. So that will have to be contracted, subsequent to the study?

Rear Adm. Sammut: But there'll be further scoping and contracting of that work, yes.

Senator WONG: You've made indications here, but there's not been a policy decision as yet by government that the majority of that work would go to ASC?

Rear Adm. Sammut: We haven't taken anything to government about that at this stage.

Senator WONG: In other words, no, they haven't yet made a decision?

Rear Adm. Sammut: No decision's been made.

Mr Johnson: No decision has been made. We're in the study process.

Senator WONG: How long will the study take?

Mr Johnson: Our expectation is that we'll remain with a relatively small team for another 12 to 15 months. At that point we should be in a position to get approval for the next phase of work.

Senator WONG: What's the next phase?

Mr Johnson: It would be both pricing and proposing the extent of the capability upgrade. We're almost in the hypothetical range now. We'll probably do that in at least two steps, meaning a core work package and then a follow-on work package as we work through this. The first life extension is seven years away, so that's a measured approach to getting both the right scope of work and the right pricing that goes with it. So it's probably a two-step process—perhaps three.

Senator WONG: I assume there's a design required for that life-of-type extension?

Rear Adm. Sammut: Yes.

Senator WONG: So, even though it's an existing vessel, you've still got to have a design. So is there a suggestion that, post the LOTE, you'll go to market on the design element?

Rear Adm. Sammut: I'm sorry. I missed that.

Senator WONG: After the study has been completed, presumably one of the contracts would have to be for design—no?

Rear Adm. Sammut: In terms of design—

Mr Johnson: For the modifications, yes.

Rear Adm. Sammut: For modifications. For upgrade or update—which is what this is—that would have to be an element of design work to incorporate the various equipments that would have to be updated into the boat.

Senator WONG: Is the intention to go to tender for that component? No?
Mr Johnson: Again, it's in front of us, but the committee should reasonably expect this to be largely within the capability of ASC to do, and you should equally expect that the department will use independent critical peer review of that work.

Senator WONG: I'm sorry. You did tell me this: was it 12 to 15 months for the life-of-type extension study?

Mr Johnson: In the study phasing, yes, in that order—recognising that the first life extension's about seven years away.

Senator WONG: When are you intending to start the integration of aspects of life-of-type extension into full-cycle docking?

Rear Adm. Sammut: The first LOTE activity in a full-cycle docking—is that what we're talking about?

Senator WONG: Yes.

Rear Adm. Sammut: 2026.

Mr Johnson: July of 2026.

Senator WONG: But that's the date of the original withdrawal date. Wouldn't you do it before?

Rear Adm. Sammut: Withdrawal occurs at the end of a running cycle for the boat, at which point it normally enters an FCD, at which stage it's available for maintenance. So this fits in with the usage and upkeep cycle of the Collins class.

Senator WONG: Right. I had understood that some of this work would occur prior to 2026.

Rear Adm. Sammut: I'm sorry. I misinterpreted you. You were talking about the commencement of LOTE work in the submarine itself. Did I misunderstand you, Senator?

Senator WONG: And you said 2026.

Rear Adm. Sammut: That is the beginning of the work, yes. The actual physical work—

Senator WONG: I'm saying that is the date that people were told by a former defence minister was essentially the end of life for the Collins. You're now telling me the only date on which you start the extension is at that date.

Rear Adm. Sammut: Yes. So you take a boat that was about to retire—in the normal scheme of things, it would have gone going through an FCD, a full-cycle docking—and you do the work on it to give it another operating cycle.

Senator WONG: But you don't even start that work to give it another operating cycle till the year which the defence minister told Australians was the end of that capability.

Rear Adm. Sammut: We're talking at cross purposes here, I think.

Senator WONG: Okay. You explain it to me, then, Rear Admiral.

Rear Adm. Sammut: In the normal course of events when we maintain the Collins class, we give them a full-cycle docking, and they run for 10 years before we give them another full-cycle docking. The way boats would run is that we would run them to the end of an operating period before we withdraw them to service, so it would be the end of that 10 years. What we're saying now is that rather than retiring them at that point, if we gave them a life-of-
type extension during the period that would normally be dedicated to an FCD, we can run them for another 10 years. Does that make sense?

Senator WONG: Yes, it does, but it's the timing. I understand that. We've already had—

Rear Adm. Sammut: There's always a submarine in full-cycle dockings.

Senator WONG: The first retirements were intended to begin—I know that—in 2026. The intention is to avoid any capability gap between 2026 and 2035 as you do these life-of-type extensions. What you're telling me is the first time we actually start to do that is at 2026.

Rear Adm. Sammut: That's right.

Senator WONG: Yes, it does, but it's the timing. I understand that. We've already had—

Rear Adm. Sammut: There's always a submarine in full-cycle dockings.

Senator WONG: I'm saying, surely, if that's the drop-dead date, as it were, that a previous defence minister said, don't you start—wouldn't it be the intention—

Rear Adm. Sammut: No, we don't. Because at the time we commence life-of-type extension activities in that boat in 2026, there are another five submarines out there doing other activities to support Navy. And that'll be the case when we commence LOTE. There will be—

Senator WONG: But all of those submarines are after the date at which a defence minister told the country—

Rear Adm. Sammut: No, I'm sorry—

Senator WONG: No—all of those submarines are operating after the date at which a defence minister told the country that that capability—

Rear Adm. Sammut: No. There's a misunderstanding in what the defence minister said.

Senator WONG: Okay.

Rear Adm. Sammut: In that, planned withdrawal would commence in 2026 when the first Collins class—not the entire class—reaches end of life. Does that make sense?

Senator WONG: Yes. I don't necessarily agree. I agree that that was what was said. I don't necessarily agree about what the import is. But I will move on now. I understand what you're saying. I do have a question about something in the statement of risks. I just have to find it. Did you want to add to that, Rear Admiral? You're not looking very happy.

Rear Adm. Sammut: No, Senator. I have nothing to add.

Senator WONG: Okay.

Unidentified speaker: That's happy.

Rear Adm. Sammut: This is my happy face, apparently, Senator.

Senator WONG: It's like CDF laughing on the inside. Dinner party with you folks would be great.

Gen. Campbell: We're seeing a whole new side here, Senator.

Senator WONG: I really hope he calls an election. Otherwise, we're here next week. Doing all this again. Excellent. Okay. Budget paper No. 1 has a statement of risks in it. I don't know who in Defence dealt with it, but it deals with the Naval Group guarantee. I want to ask some questions about that because, obviously, there were some media issues. There was media reporting that, when the SPA was being negotiated, there was some—I don't want to say delay, but it was taking some time. Amongst the issues, what was described as a 'key
point of contention was who would assume the risk of financial penalty if the submarines suffered defects or ran late—length of warranties, those sorts of things were in the media as being issues. In the statement of risks in the budget, which generally sets out risks which are identified risks but not necessarily quantifiable—you're frowning at me.

**Rear Adm. Sammut:** No, I'm just making sure—

**Senator WONG:** Do you want to see the entry? Is that—

**Rear Adm. Sammut:** I've not seen the entry, but we can continue to explore this with you.

**Senator WONG:** Can someone give the Rear Admiral Budget Paper No. 1, statement 8 at 8-27. You should have it in front of you.

**Rear Adm. Sammut:** Sorry, what page?

**Senator WONG:** It's Chapter 8, page 27. When you look at the bottom, it says 8-27 at the bottom. There's an entry—Australian Naval Infrastructure—guarantee in favour of Naval Group Australia. Do you want to have a read of that? Then I'll ask you some questions about it. Chair, do you want to—I'm in your hands, Secretary. I can sit and wait. Do you want to go to another—

**Rear Adm. Sammut:** I'm familiar. I'm happy.

**Senator WONG:** Okay, great. So this entry says:

Under the commercial arrangements in respect of the Future Submarine Program and the Submarine Construction Yard, Australian Naval Infrastructure Pty Limited—which is the Australian subsidiary of Naval Group—correct? No?

**Rear Adm. Sammut:** Australian Naval Infrastructure Pty Ltd?

**Senator WONG:** Who is that?

**Rear Adm. Sammut:** That's a government business.

**Senator WONG:** That's the government business.

**Senator WONG:** Sorry. The next bit:

… is responsible for the construction of a purpose built Submarine Construction Yard and providing access to the yard to Naval Group Australia and Naval Group South Australia (SA) …

—also a subsidiary; correct?

**Rear Adm. Sammut:** That shouldn't say 'Naval Group South Australia'. It's 'Naval Group SA', which is the French 'Pty Ltd'.

**Senator WONG:** Yes. Okay. That's funny. You should tell Finance that they got it wrong.

As part of these commercial arrangements, the Australian Government has entered into a Deed of Guarantee and Indemnity with Naval Group Australia Pty Limited and Naval Group SA, whereby the Australian Government has agreed to provide a guarantee in respect of ANI's financial obligations under the Submarine Construction Yard Access arrangements with Naval Group Australia and Naval Group SA.

Could you please tell me what that means?

**Rear Adm. Sammut:** That means there is a guarantee in terms of the obligations that ANI have under access arrangements with Naval Group. The access arrangements are built around the fact that the shipyard is owned by ANI on behalf of the Commonwealth. It is not owned
by Naval Group or its subsidiary. As it does own the shipyard and it will have an access agreement with Naval Group to use that shipyard to be able to operate it and deliver our submarines, there are obligations on ANI to ensure that it operates in accordance with that access agreement in a way that does not impede Naval Group's ability to deliver on the strategic partnering agreement in program contracts to the Commonwealth.

Senator WONG: Okay. So, if ANI don't do that, taxpayers are up for what costs flow as a consequence to Naval Group and Naval Group SA?

Rear Adm. Sammut: That's correct.

Senator WONG: Do you have a sense of the upper limit of that? Is there an upper limit to that indemnity?

Rear Adm. Sammut: There is an upper limit to that indemnity, as negotiated between ANI and Naval Group.

Senator WONG: What's the upper limit?

Rear Adm. Sammut: I don't know what the upper limit is. I don't have that figure with me. I'd have to provide that.

Senator WONG: Are there any other guarantees—indemnities—in the SPA?

Rear Adm. Sammut: There are contingent liabilities that arise in the course of the contract that have been managed under section 60 of the PGPA.

Senator WONG: Okay.

Rear Adm. Sammut: There are also guarantees that Naval Group provide to us, in terms of the performance of Naval Group Australia. So they flow both ways.

Senator WONG: Right. Are they public?

Rear Adm. Sammut: No.

Senator WONG: I'd like to understand what the guarantees are—or the indemnity. What I'm interested in is the risk to taxpayers and how they're being managed. How do we go about that?

Rear Adm. Sammut: Sure. A lot of it refers, of course, to the performance of the Commonwealth, and its terms are in the contract. Again, in the time that may be available, with the minister's agreement, we could provide a private briefing on what they are, because they do relate to the way terms and conditions are put together in the contract.

Senator WONG: Right. I'll take some advice and maybe come back on that point.

Rear Adm. Sammut: Sure.

Senator WONG: Who in Defence negotiated with Finance in relation to what appeared in the statement of risks in relation to the SPA?

Rear Adm. Sammut: Who negotiated with?

Senator WONG: Finance has to prepare this statement of risks. I'd like to know who in Finance would have to look at what guarantees and indemnities and contingent arrangements taxpayers might become liable for under various arrangements. They obviously have looked at this one. I assume that the SPA was considered by Finance. I'd like to know who in Defence was engaging with Finance in order to understand the risks.
Rear Adm. Sammut: I was, as the lead negotiator and head of the Future Submarine program.

Senator WONG: Okay. Can you tell me why nothing else appears in the statement of risks—what the justification for that is—in light of the various indemnities and guarantees that you've just described?

Rear Adm. Sammut: I can only state that the risks that are there in terms of any contingent liabilities are those within the department under the delegation provided by the finance minister to the department to accept.

Senator WONG: That can't be right. In the sense that the quantum of potential risk is higher than what would be delegated.

Rear Adm. Sammut: It is. In terms of the contingent liabilities that are left under our negotiation, they're not of a large nature. I was just being very open with you that there are some contingent liabilities. They fall under the threshold, though, to actually get approval from the finance minister for those contingent liabilities. They're within the delegation of the secretary because of their size after we've done our risk assessment.

Senator WONG: I can't recall what that is at the moment. What's the quantum of the—

Rear Adm. Sammut: I don't have the figures with me.

Senator WONG: That's probably public.

Rear Adm. Sammut: No; our—

Senator WONG: No; the delegation of the finance minister.

Rear Adm. Sammut: I'm sorry; I don't have the figure of which the contingent liability would be—

Senator WONG: But, whatever that figure is, your evidence is that this is the only risk that exceeded that delegation figure—correct?

Rear Adm. Sammut: Yes.

Senator WONG: And the remainder don't?

Rear Adm. Sammut: That's correct.

Senator WONG: That's your evidence?

Rear Adm. Sammut: Yes, and we sought the finance minister's approval for that.

Senator WONG: Thank you.

CHAIR: I might ask whether you have that information yet in relation to when the matter of my request no longer became extant? Do we have that answer?

Senator Reynolds: Not yet, Chair.

CHAIR: That's fine, but I wouldn't mind having that before the lunch break so I can make further inquiries.

Senator Reynolds: We are endeavouring to do that. I do have another one here for Senator Gallacher as well on operational deployment. So we'll table that now.

CHAIR: Thank you. Does somebody want about five minutes worth of questioning?

Senator KITCHING: I might start on the Anzac class sustainment, but I have quite a lot of questions.
CHAIR: It is up to the opposition to determine how much time. We'll have another hour, I think, after lunch, before we move to Veterans' Affairs. Depending on the answer I get, I wouldn't mind having about an extra five minutes after lunch.

Senator KITCHING: Okay. I might start on the ANAO audit into the sustainment of the Anzac class frigates. I particularly want to go to pages 9 and 10 of that report. There are some concerning findings in this report. For example, on pages 9 and 10, it says:

The performance reporting indicates that there was underperformance for most of the Key Performance Indicators for the sustainment of the ANZAC class frigates during 2017-18.

It then goes on to say:

The current sustainment plan and available budget do not accurately reflect the operational use of the frigates, which is higher than planned.

The misalignment between operational use and sustainment funding … has caused Defence to defer maintenance activities and transfer items of equipment between frigates.

Defence has identified the effects of the current misalignment between sustainment planning, funding and actual operational use. The ANZAC class has experienced degradation of the ships’ hulls and sub-systems, with successive reviews and performance information highlighting the link between lack of conformance to operating intent/requirement, reduced platform life and reduced sustainment efficiency.

The report obviously covers the decade, but I'd like to focus on the last few years. Since 21 September 2015, how many times has Defence provided information about Anzac class sustainment to the defence minister or their office?

Rear Adm. Malcolm: I'll have to take on notice exactly what we have provided, but I can tell you that we report monthly on sustainment outcomes for the class. I'm happy to talk to the specifics of your questions regarding the report.

Senator KITCHING: Because we are going to have a lunch break shortly, is it possible that, over the lunch break, you're able to give us a figure on the number of times the Anzac class sustainment was discussed with the defence minister?

Rear Adm. Malcolm: I'll endeavour to do that.

Senator KITCHING: Thank you. Please continue.

Rear Adm. Malcolm: Just on the performance, I would note that the ANAO report did identify some issues with performance. I can go through those either in detail or at the high level, depending on what you would like to see. I would note that there are performance measures that were identified that we have not met, but what I would say first up is that the key performance measures—material ready days, the availability of the ships to the Chief of Navy for raise, train and sustain and also to the CDF for operations—have been met, they continue to be met and they continue to improve. Also, overall, priority 1 urgent defects—those are defects that would stop the ship from sailing, for instance—have decreased markedly over the last three years, as have overall defects under the current arrangements. So what I would note to you is that whilst I concur with the specific comments that the ANAO made about the performance measures—in particular, they did identify some month-by-month measures that weren't met, and I can talk to those specifically if you like—overall the performance of the class has actually improved, and we've received better availability and more reliable performance of the class, particularly since 2015. I'm happy to talk further about the performance.
Senator KITCHING: I've given you the date of 21 September 2015. When did the improvement start?

Rear Adm. Malcolm: If I look at, broadly, improvements since 2015—

Senator KITCHING: Maybe increased compliance with the KPIs might be another way of expressing it.

Rear Adm. Malcolm: Yes. If I just talk to that specifically, since 2015-16 our priority 1 urgent defects have decreased by 83 per cent under the warship asset management agreement, which is the contract that serves the Anzac sustainment. For our overall priority 2 defects that are open, since 2015-16 there's been a decrease of 60 per cent in open defects overall. In terms of cannibalisation between ships, from 2015-16 until the present we've had a decrease in cannibalisation rate of 76 per cent. I would note the material ready days measure has been met during that period and continues to be met. So they're really the key performance measures.

Senator KITCHING: You're perhaps going to be able to provide this after lunch, but was the sustainment discussed in the monthly meetings? Is it a standing agenda item?

Rear Adm. Malcolm: It certainly is. Also, we report under our Defence Sustainment Performance Management System—SPMS—monthly. So we report these measures monthly. There are a large number of measures, and some of them, I would note, we haven't met. Some of those are administrative and some of them are related to finance and budget phasing. But I would note that we have continued to meet end-of-year financial budgeting, for instance. We've continued to meet actual maintenance period delivery—coming out of maintenance on time. So, whilst I don't disagree that there have been some measures that ANAO have brought to our attention and that we were certainly aware of, they had been reported, and I do not believe that they present in any way a material deficiency of the class.

Senator KITCHING: So you don't agree that the Anzac class has experienced degradation of the ship's hulls, subsystems et cetera? I'm looking at paragraph 17 on page 9 of the report.

Rear Adm. Malcolm: We certainly agree with the performance assessment that the ANAO have made against the specific measures, but I would note to you that, operationally, the ships have continued to be available. The material degradation of the hulls is something that we measure and monitor carefully. In the case of your point about deferrals of maintenance, anything that's done in that regard is something that we carefully measure, monitor and assess.

I might talk to the deferral of maintenance there. There can be very good reasons why you would want to defer maintenance from time to time—if you came up with a major overhaul milestone required for your engines whilst they were deployed in the Middle East, for instance. What we would normally do is forecast that that was due to happen. We would discuss that with the relevant naval engineering authority and we would request permission to defer the particular overhaul until after we returned from the deployment.

Senator KITCHING: From whom do you request permission to defer?

Rear Adm. Malcolm: In CASG we would do that assessment and do the risk assessment. We would go through the capability manager in Navy and we would consult the appropriate Navy seaworthiness authority in order to do that. The important point there is that that
maintenance liability is known and understood, it's risk-managed and prioritised, and it is never deferred without the express approval of the Navy seaworthiness authority required.

CHAIR: Would that be a convenient time to break?

Senator KITCHING: Can I just put some questions and then perhaps they could be incorporated in the response that I'm optimistically hoping for after lunch. I'll give you that date again: 21 September 2015. How many times has Defence provided information about the Anzac class sustainment to the defence minister—their office? What form has that advice taken? What feedback or instruction has Defence received? Since 19 July 2016, how many times has Defence provided information about Anzac class sustainment to the defence industry minister or their office? What form has that advice taken? What feedback or instruction has Defence received?

CHAIR: It does not seem that you as yet have the information I requested. If it could be provided to me immediately after lunch I'd be much obliged. The committee will suspend until 1.30 pm.

Proceedings suspended from 12:31 to 13:32

CHAIR: The committee will resume. I'll just ask a further bracket of questions, following on from those that I raised earlier today. I understand, Mr Fairweather, that the statement of requirement to fit the Tiger helicopters with a mission fit flotation system was withdrawn on the 2 February 2018.

Mr Fairweather: Yes. It was withdrawn on 2 February 2018.

CHAIR: And what was the reason for that?

Mr Fairweather: The reason for the withdrawal was the risk assessment conducted into ditching and the costs associated with developing what is a good technology further for Tiger. It was not deemed to be value for money to continue down that pathway.

CHAIR: By whom was that decision made?

Mr Fairweather: I believe that was made by the director general of aviation.

CHAIR: And was that communicated to anyone outside of Defence?

Mr Fairweather: I'm unaware if it was communicated outside of Defence.

CHAIR: There are defence industry proposals that wait on these sorts of things and I would have thought, not only do you have a legal and moral duty to keep your personnel safe; you might also as a minimum have a moral duty to tell people that are expending their own money and energy to develop some of these things that you have now determined that it was no longer a statement of requirement. But look, that aside, can you confirm that the procurement process was complete in as much as it was the Army who asked for the request for proposal to occur?

Mr Fairweather: From my understanding, this dates back to the RPDE days in the first instance. There was—

CHAIR: And what's RPDE?

Mr Fairweather: Rapid prototype and development. That was done pre-FPR, and the first round of work was done in innovation technology. Then there's been some further work and review to look at the level of technology in the TRL.
The position we're at now is that, to take it to Tiger, as we discussed earlier, the TRL level needs to come up. It hasn't advanced as far as we believed it had. We did a detailed review in November 2018. We went and visited the site and did a detailed review. They've had to do some work on the software to make it deploy fast enough but also to understand the attitude of the aircraft. There is an interconnection with the aircraft software for it to understand the attitude of the airframe that may be required. There's also a lot of work to be done to understand the vibration impacts, the carriage in flight, its deployability et cetera. So the TRL level is quite low, and the cost and effort to put it on the Tiger is extremely difficult.

The Tiger is a combat helicopter with many systems, outboard and inboard. The technology is developed, but it's inappropriate at this time to go forward to the Tiger in its current guise.

**CHAIR:** But you had a look-see in November 2018, nine months after you had withdrawn the statement of requirement to fit the Tiger. Did you pass on to the people that had been spending all this time developing this proposal that you were coming to do a look-see in circumstances where you had withdrawn the statement of requirement?

**Mr Fairweather:** I'm unaware of what was communicated.

**CHAIR:** Can you please take that on notice and see.

**Mr Fairweather:** Yes, I'll take that on notice.

**CHAIR:** That said, I am concerned about the withdrawal of the statement of requirement. In relation to all these certification matters, there is an innovation hub program, is there not? This project was ready to go there. It was, at the time of the creation of the innovation hub, the most mature proposal to hit the hub, if I recall.

**Mr Fairweather:** The technology is a sound technology. The TRL levels are lower than we expected. The problem is not the technology; the problem is the integration onto a very complex platform and everything that's involved. That is where the problem is. We are looking at other options as to how we can help develop the technology further without the difficulty of trying to integrate it into what is already a very complex system to maintain.

**CHAIR:** Can we go through this step by step. There is an innovation hub within Defence. That's correct?

**Mr Fairweather:** Yes.

**CHAIR:** Is there an innovation hub program ready to go to address the matters to which you've just referred?

**Mr Fairweather:** There is a proposal that is with the innovation hub for the one atmosphere. That is still being assessed, and a response will be going back. I can ask the innovation hub people—

**CHAIR:** But in circumstances where you've withdrawn the statement of requirement—anyway, I think we've been through that. Can you also confirm that this project was the most mature to hit the innovation hub when it first hit the innovation hub? I don't know if others have come along or not, but, at the time, this project was the most mature.

**Mr Fairweather:** I'd have to take that on notice because I'm unaware of other projects that have come to the hub.

**CHAIR:** All right, if you could. Thank you very much. Senator Kitching.
Senator KITCHING: I'm going to go back to Anzac class frigates. Rear Admiral, were you able to get any information relating to the questions I asked before the break.

Rear Adm. Malcolm: We are gathering that together, but I don't have a consolidated response for you yet.

Senator KITCHING: That's fine. I think, Vice Admiral Noonan, you looked like you wanted to tell me something just before the chair adjourned, so I'm wondering if you'd like to do that now?

Vice Adm. Noonan: I wanted to provide some detail with respect to my faith in the current capability of the Anzac frigates. Admiral Malcolm gave a great description of the increased reliability and availability that we've got with those ships. Of the eight ships, we currently have five of them at sea as we sit here today. One of them, HMAS Ballarat, is deployed on Operation Manitou; HMAS Parramatta is deployed on Indo-Pacific Endeavour 2019—she's currently off the coast of Sri Lanka; and three of the other vessels are operating around Australia in raise-train-sustain activities. One of those ships is preparing to deploy for the next Manitou operation. As we had planned, we have three of the Anzac class frigates in maintenance. In terms of the overall usage, upkeep and availability of the ships, they are as good as they've ever been—in fact better than they've been—and the operational performance of those vessels has been world-class.

Senator KITCHING: I have been on the Toowoomba, and it was a wonderful experience. The men and women on that ship were very professional and really wonderful human beings, so thank you for the opportunity.

Vice Adm. Noonan: Thank you.

Senator KITCHING: Have you provided advice to the government on how long the capacity these ships give us can be maintained in their current condition at their current tempo?

Vice Adm. Noonan: Certainly the planning with respect to the transition from the current fleet of Anzacs to what will be nine Hunter class will occur as we see the introduction of those new vessels. We are yet to finalise a transition plan for the Anzacs, but the upgrades that those ships have experienced over the period that Admiral Malcolm has referred to will allow us to see some of the class. I expect they'll be serving into the 2040s.

Senator KITCHING: The Audit Office stated in their report that there'll be capability implications because of the mismatch between the operational tempo and the maintenance budget. Would you like to comment on that? Firstly, did you agree with that?

Rear Adm. Malcolm: We did agree with that from the point of view that the ANAO did point out that, in terms of the budget that we are looking at for our Anzac ships and the money that was available in the budget, there was a cumulative shortfall, which they highlighted. What I would say to that in the first instance is, under the Warship Asset Management Agreement, we've seen very good performance in terms of being given a target-cost incentive model. The contract vehicle incentivises savings and efficiencies across the contract. We have seen that. We have seen the budget being able to be met and not exceeded. We have seen the performance being met and, in some cases, exceeded. We certainly are looking very closely in terms of what we need to do to capably extend the Anzac warships. Perhaps if I could just expand on what the Chief of Navy said before, to reassure you.
Over the last 10 years we've done a number of studies into the Anzac class that have looked at: can we sensibly and practically extend the life of the class? They currently have a 30-year hull life. The hull is the important and, if you like, the long pole in the tent in this respect. We've done a number of external and internal studies that have looked at: can the hull be extended? We've been able to answer yes to that question and we can sensibly and practically extend the life of the hull by 10 years. The platforms have effectively been in service for 20 years, and they can be sensibly in service for another 20 years, provided that we keep up the maintenance to the hull.

That's the important point that we were able to establish very early on, that the life of the ships could be extended. We've also, over the last two years, undertaken a deep dive into all of the systems on board the ship—there are over 100 complex systems on board the Anzac warships—and looked at: will those systems be able to survive the life of the ship? Are there obsolescence and reliability issues? Are there also contemporary capability issues that we need to look at? We're putting that together in terms of various options that we will present to the Chief of Navy that will give him a range of ways to look at how he can keep that capability going until full introduction of the Hunter right through to the 2040s. We'll provide that to him for his consideration to meet his capability needs. My understanding is that that will be, in due course, presented to government.

So what I would say there is that we understand that in order to extend the life of these ships we will require a further budget injection and that is part of the study that we are currently doing. In terms of the current sustainment, the ships are being sustained and they are performing. That's really in terms of where we're going with the capability and to reassure you that we are doing the study and the work needed to ensure that we can meet the life-of-type extension, extend the Anzacs and ensure that that fits with the transition of the Hunters.

Senator KITCHING: Okay. Do you have a ballpark figure on the sustainment?

Rear Adm. Malcolm: We don't have a ballpark figure from the perspective that there's a number of different options that we need to consider in terms of capability, obsolescence and system replacement, and it's important that Navy gets to consider those before we actually put that up.

Senator KITCHING: In relation to the cumulative shortfall, have you advised government of that? Did that come up in the monthly meetings that you have?

Rear Adm. Malcolm: So we report the progress on Anzac sustainment. As well as in our monthly performance reporting, we also do a quarterly performance reporting that goes to government. We have highlighted that we're doing these studies and that we will be presenting those to government. We have highlighted the performance and where we currently are at. I think that we have, if you like, foreshadowed that there will be a need for further budget injection in terms of life-of-type extension, yes.

Senator KITCHING: When did you first advise that?

Rear Adm. Malcolm: I would have to take that on notice.

Senator KITCHING: If you could that would be good. What was the response to that?

Rear Adm. Malcolm: The government is actually waiting for us to present those options so that they can be fully considered.
**Senator KITCHING:** Given that you know there's going to be a cumulative shortfall, what's prevented you from matching the maintenance budget with the operational tempo?

**Rear Adm. Malcolm:** What I would say there is that the operational and support intent for these vessels was conceived in the 1980s, and it has undergone significant change as we have needed to respond to the government of the day. In doing so, when that occurs, we adjust the maintenance regime and the maintenance requirements to meet that. The ANAO quite rightly pointed out that perhaps we should be doing more to highlight that, but I guess I would reassure you is that we've got a very good handle on the maintenance that needs to be done as a result of those operations and the forecasting of those operations, and we're meeting the performance in terms of that operational intent and how the vessels are being used.

**Senator KITCHING:** Can I read you another passage? This is from page 23 of the report:

In 2015, Navy delayed expenditure on three ANZAC class frigates’ sustainment to address funding pressures. HMAS ANZAC … had $600,000 of maintenance tasks deferred, and HMAS Perth … and HMAS Ballarat … each had $3 million of maintenance tasks deferred. Navy was aware that delaying expenditure on maintenance tasks would ‘result in deferred maintenance creating a large body of outstanding work and associated cost and risk to seaworthiness’.

What caused the funding pressure that meant you needed to defer this maintenance?

**Rear Adm. Malcolm:** I would just go back to the comment that I made prior to the lunchtime break, where I noted that there are often reasons where the maintenance is deferred. The maintenance cannot be deferred unless that is agreed by the seaworthiness authority. So, in the case of Anzac, Perth and Ballarat, there were specific reasons in each case why those maintenance activities were deferred—Perth in particular because it was about to enter into a larger Anzac mid-life capability assurance program, so an extended period of maintenance. So, instead of doing some of the major items of maintenance, they were deferred by six months to a year to go into that. That had to be approved by Navy. So the point I would make to you is that the funding shortfall did not drive the maintenance not being done. The maintenance was not done because the argument was made that it was a more efficient use of funds and time to do those in the larger availabilities, and Navy's approval was sought in each of those respects.

**Vice Adm. Noonan:** And I might add that, in making decisions of that nature, it's not always with just that one program in mind. The decision to delay some of that maintenance would have been based on higher level capability requirements across other capabilities within Navy. So we've moved sustainment funds to a higher priority, based on the operational requirement of Navy. The other aspect is the manning envelope of the fleet. As we've brought new capabilities in, such as the new destroyers, we've had to look very carefully at the balance between ship availability, trained personnel and the introduction of new capabilities. Certainly in the case of the Anzac frigates, we've taken decisions with respect to the availability of all eight ships relative to our ability to train people to bring the first of the new destroyers into service. So it's not always just a straight sustainment funding decision with respect to the delay of an activity.

**Senator KITCHING:** Did you inform the minister or their office of the need to defer the sustainment?
Rear Adm. Malcolm: I don't believe so. But the point I would make is that the quarterly performance reports would have particularly detailed the performance and the budget situation.

Vice Adm. Noonan: And I might add there that the decision to delay some of the maintenance for HMAS Perth was informed to the minister in the total decision to extend the availability period of that particular ship, and that particular ship remains out of the water in Henderson at the moment, and the driving factor of that was manpower.

Senator KITCHING: Did you request any additional funding to address the issue?

Rear Adm. Malcolm: Certainly, we are always in a situation where we would like to get ahead of the game, particularly in terms of obsolescence and system replacement to ensure that we have a reliable system. If you like, we have a prioritised list of projects, replacements, that is over and above the sustainment that we would always like to be funded. That is continually provided as part of our twice-yearly review of our formal budget arrangements that we go through with Navy. The important part about that is that it is prioritised in terms of delivering seaworthiness and operational availability. So there is always a wish list for things that we would like to do but we certainly believe we have a very good handle and understanding of what we have to do.

Senator KITCHING: Did you inform the minister or their office, and it's part of the quote that's on page 23 of the report, that 'delaying expenditure on maintenance tasks would result in deferred maintenance, creating a large body of outstanding work and associated cost and risk to seaworthiness'? And did you receive any feedback, if you did?

Rear Adm. Malcolm: I'm not aware of us doing that, but I would reiterate my comments that I do not believe that it resulted in a detrimental performance or degradation to the class.

Vice Adm. Noonan: Ultimately, as the Defence seaworthiness authority, it's my decision as to whether or not a vessel is safe and seaworthy to proceed to sea, and in every instance I've been very satisfied that the process that we've undertaken in reviewing the material and operational state of the Anzac class frigates, prior to their proceeding to sea after a maintenance availability, has conformed with the seaworthiness requirements.

Senator KITCHING: So it has complied with the seaworthiness requirements?

Vice Adm. Noonan: It has, yes.

Senator KITCHING: I don't want to be too obvious about this, but, since September 2013, did you come to the minister or other cabinet ministers to ask for a funding increase to deal with the fact that the maintenance budget was below what you needed to prevent what was described in the ANAO report in paragraph 17?

Rear Adm. Malcolm: I'd have to take that on notice, as I'm still consolidating the input that might have been provided to the minister.

Senator KITCHING: That's fine. Thank you. I appreciate it. Earlier, Senator Wong was asking some questions about funding that's been brought forward from next year into this year. Did you consider doing something similar to cover the funding shortfall in this program?
Rear Adm. Malcolm: The money that was brought forward was not something that we could either use or expend during this financial year, so that was the principal issue from our perspective.

Senator KITCHING: But otherwise that might have been something that you could have used, but I think, Admiral Noonan, you said there was an issue about manpower. So that's the reason?

Vice Adm. Noonan: That's right.

Senator KITCHING: I might move on to the ASD, because the secretary has very kindly facilitated their presence. Thank you very much. In the last estimates, on 20 February, I asked some questions. I'll start with the four mandatory mitigation strategies. I was told that in fact each department was responsible. I was particularly interested, given that we are having an election—hopefully, that will be announced sooner rather than later—in whether the AEC was complying with the top four mitigation strategies. I was told that in fact I would have to go back to each agency or department. I did ask PM&C and Home Affairs yesterday. I only have the proof of the Hansard from yesterday, but I was told that I would have to come back to the ASD, having been told in February that in fact the ASD didn't hold that information. I did say to Ms Bennett that I would be deeply unhappy if that were the case and I had to come back to you. So can we just go to the AEC and whether they're actually cyber-resilient. Chair, I add the caveat that I don't want to ask anything that would give any hostile player any information, so this may not necessarily be the appropriate forum, but what Mr MacGibbon and Mr Burgess are able to tell the committee would be appreciated.

Mr Burgess: Firstly, senators, my apologies on behalf of Mr MacGibbon and myself for not being in the last estimates. We were called off on another matter, so our apologies for not being there. In regard to the top four: yes, it is unfortunate that the secretaries of departments themselves are responsible for their compliance with that, and for assessing that. We don't hold that information, but they do report that to us. We also assess when they come back to us with their self-assessments and, if we see problems, either Mr MacGibbon or I will go back to the departments and have a conversation around any concerns we might have.

In regard to your question on the security status of the Australian Electoral Commission, I'll let Mr MacGibbon provide an update for you.

Senator KITCHING: Thank you.

Mr MacGibbon: Thanks, Senator. We work closely with the AEC on a range of matters—not just their compliance with the top four, but a range of other matters as well.

Senator KITCHING: I understand there could be up to 30 different risk strategies or mitigation strategies; is that correct? And that it might depend on the size and complexity of the department.

Mr MacGibbon: For simplicity, there is what's called the top four, which are considered to be the four best mitigations. Then you'll also hear a phrase—the essential eight—which are those four, plus an additional four that we believe provide even greater assurance.

One of the things to emphasise is that, even with compliance, that's an ongoing process. No-one ever says, 'I'm now compliant and therefore secure'; compliance is an important part of creating a security maturity posture. But again, no-one who works in cybersecurity—
sure the Director-General would agree with this—would ever hang up a 'mission accomplished' sign, for example.

**Senator KITCHING:** So the AEC is compliant with the four mitigation—you'll have to—

**Mr MacGibbon:** Top four.

**Senator KITCHING:** the top four mitigation strategies.

**Mr MacGibbon:** My understanding is yes.

**Senator KITCHING:** About the recent DPS cyber breach: is the damage assessment finished?

**Mr Burgess:** Yes.

**Senator KITCHING:** Has the intruder been fully evicted?

**Mr Burgess:** Yes.

**Senator KITCHING:** Again I say that, if you can't answer these questions, I very much understand. Was there any compromise of any confidential correspondence or information?

**Mr Burgess:** There was a small amount of data taken; none of that was deemed sensitive, but the assessment of that is a matter for the parliament themselves.

**Senator KITCHING:** Did the attack have the characteristic of a private or a state actor?

**Mr Burgess:** This attack has been assessed as a sophisticated state actor.

**Senator KITCHING:** Would you call out a country—so a 'state actor'—if it were the state actor? And how much confidence would you need in order to do that?

**Mr Burgess:** Attribution is a really difficult thing, so tying it down to a particular country, a particular organisation, and perhaps particular individuals, is a piece of work that takes considerable time. Even if we got to that point, whether that got called out or not is a matter for other organisations—the government—not for the Australian Signals Directorate.

I would say, though, that if you do get to the point of knowing who it is, sometimes you have an option of calling it out, and the Australian Government has taken action previously to call out state actors for known problems—that's an intent to call out inappropriate behaviour. Sometimes, however, there might be other reasons why you don't call it out, but I'll end with attribution: to get to the point where you could prove it in a court of law is terribly difficult.

**Senator KITCHING:** Yes; I guess the British didn't let anyone know that they had broken Enigma and that they had used it against Russia in the '50s.

**Mr Burgess:** Correct.

**Senator KITCHING:** Are there any departments or agencies that—actually, I was going to ask you if you had particular concerns—

**CHAIR:** Senator Kitching, if I may, Senator Fierravanti-Wells has a question.

**Senator FIERRAVANTI-WELLS:** Just following on from that—do I understand correctly that the Signals Directorate ascertained that it was a state actor?

**Mr Burgess:** That's correct.

**Senator FIERRAVANTI-WELLS:** And you identified which state actor it was?

**Mr Burgess:** I could not say that in this forum.
CHAIR: No not name it.

Senator FIERRAVANTI-WELLS: Not name it. I'm not asking you to name it. I'm asking you whether you identified whether it was a state actor.

Mr Burgess: Our investigation is still ongoing. We have our suspicions. Our investigation is still ongoing.

CHAIR: But you have confirmed it was a state actor?

Mr Burgess: The level of sophistication here leads us to believe it has to be a state actor. That's our assessment. Of course that could still be just a very, very clever individual but we think that's highly unlikely.

Senator FIERRAVANTI-WELLS: And that assessment is what has been provided to government?

Mr Burgess: Correct.

Senator FIERRAVANTI-WELLS: And then it's a matter for government—

Mr Burgess: And the presiding officers.

Senator FIERRAVANTI-WELLS: to then decide whether they continue to pursue which particular state actor and engage in a more sophisticated investigation of what that potentially could be?

Mr Burgess: Correct.

Senator FIERRAVANTI-WELLS: Thank you.

Senator KITCHING: I have actually written to the Minister for Defence to ask for a private briefing. Obviously we live in interesting times, and that might not happen for a while. But I really do appreciate your coming and answering those questions. But we might have a private briefing at some point.

Mr Burgess: Absolutely.

Senator KITCHING: But thank you very much.

CHAIR: Senator Patrick.

Senator PATRICK: Thank you. I'll start with the Chief of Air Force. When we have a normal session in relation to the Growlers—the Growler where we had that accident. I'm just wondering if you could very quickly give an update in respect of the Growler and where we're at, in terms of replacing the aircraft, insurance claims to have the aircraft replaced, and/or a decision not to replace the aircraft.

Air Marshal Davies: The Growler that was in the accident at Nellis Air Force Base has been removed from the register. In the report that I received last year that it was confirmed as an engine issue, therefore not involving the rest of the aircraft or the fleet. That engine performance issue has now been managed to the point where we are safely operating the Growler fleet and indeed, the Super Hornet fleet that have the same engine. There has been no further progress that I've been made aware of in terms of an insurance option, and we have not yet begun any formal process with regard to a replacement for the 12th Growler.

Senator PATRICK: Last time we talked you indicated that an insurance option was being considered. Has it just not been further advanced, or is there no option?
Air Marshal Davies: It has not been further advanced that I'm aware of.

Senator PATRICK: Maybe take it on notice and provide an update. I'm really after whether or not we get that aircraft back. Obviously it wasn't the fault of the pilot and it wasn't the fault of the aircraft manufacturer, but there would be a chain of responsibility.

Air Marshal Davies: I understand your question. My appreciation is that, because this was an FMS buy—foreign military sales buy—through the United States Navy, there are some United States Navy and some United States legal and industrial elements to go through, hence the longer-than-we-would-normally-expect time line.

Senator PATRICK: Thank you, Chief. That's my Air Force questions done. Admiral Sammut and Mr Johnson, you might recall, back in December 2017, I asked some questions on pump jets—not quite as eloquently as Senator Hanson. At the time you indicated there were some derisking activities that were going on. Perhaps, in a period of two minutes, you could explain what derisking has happened and where you're up to with the pump jet.

Rear Adm. Sammut: I think we also responded in writing to some questions—that we will start developing the initial inputs for the pump-jet design by about this stage, as we come out of the feasibility studies period for the submarine. There are inputs that go into a design process. The work that we've done, in terms of derisking, continues to be about the work that we're funding within DST—Defence, Science and Technology—to build up our own understanding of the operation of pump jets and the modelling that we will use to check and validate the performance of the pump jet that we get. That has been the nature of the work. We haven't built a scale model of the pump jet, if that's what you're asking.

Senator PATRICK: I thought Mr Johnson had indicated that that might happen.

Rear Adm. Sammut: No, I think he has indicated that we will be building one that will eventually be tested within facilities at Val-de-Reuil in France. The process has to proceed in tandem with the design of the submarine, as I'm sure you'll appreciate. I've often said before the committee that the pump jet has to be designed in unison with the hull form of the submarine that's being designed. Until the design develops well enough to define inputs for the pump jet, until we finish that work, we're not going to be in a position to start designing the pump jet per se other than ensuring that we continue, as I mentioned, to build up our modelling capacity and the expertise within DST to act as our advisers on that.

Senator PATRICK: Thank you very much. I'll switch to the combat system for the Future Submarine—and perhaps you and I will be able to talk about this relatively quickly, noting both of our backgrounds. I just want to clarify in my mind: you've issued a contract to Lockheed Martin for the combat system. My understanding was that the command-and-control system component of the combat system was to be the BYG core. Is that still to be the case?

Rear Adm. Sammut: Based on the BYG core, yes.

Senator PATRICK: That means it will continue to move on with APV programs—

Rear Adm. Sammut: That will evolve over time, as you would expect. Indeed, we're in the spiral development program with the US for the ongoing development of AN/BYG-1. But that's one component. There are many elements of the combat system.
Senator PATRICK: I was just narrowing in on that one. I understand Lockheed are going to look at sonars and ESM systems and all of those other things. I was just trying to clarify that it is the BYG. It will be in some evolved form. In fact, it would make sense that it evolves, from an operator's perspective. So one of the Collins class combat system operators would ultimately be able to walk onto a Future Submarine and be quite familiar with the command-and-control system?

Rear Adm. Sammut: With that segment of the combat system that is command and control. You'll understand that we see other segments of the combat suite as a whole.

Senator PATRICK: Yes, of course. Thank you. Moving on to life-of-type extensions. You'll remember, Admiral, Andrew Davies's paper, Mind the gap, which brought into the public domain the idea that there could be a capability gap. I accept what the minister said before—we're making sure we don't have one. But, at one stage, there was talk of the life-of-type extension of one submarine. Then we saw, in an answer, talk about three submarines. It's gone to five. I'm hearing around the traps that politically, we don't want to go above that number, everyone's talking about 'five plus one' now. You're not allowed to say 'six'. I heard you say, and I wrote it down as you said it, 'at least five'. What is the view of Defence? Is it going to be five or is it going to be six? What's your current view?

Rear Adm. Sammut: I'll allow Chief of Navy to answer that.

Vice Adm. Noonan: Senator, you'll recall at the last committee hearing I stated that my expectation at this point in time was that it would be at least five. That was based on the introduction of the Attack class submarine but also ensuring that I maintain enough state-of-the-art technology in the current fleet to allow me to continue to train our submariners to be ready for that transition. Any decision that government might make in terms of advancing the capability that we have within Navy in terms of our submarine fleet could be accommodated, we believe, within the industry capacity to accelerate any of that life-of-type extension or, in fact, the build of the Attack class submarine.

Senator PATRICK: So right now it's five, but it could be six at some later stage?

Vice Adm. Noonan: Government could decide to make it six, yes.

Senator PATRICK: Sure. I want to go very quickly back to Admiral Sammut. There was an article in the Advertiser by Tory Shepherd that talked about Lockheed Martin working with Flinders University on some research. In your contract with Lockheed Martin, if they then subcontract to a university for research, where does the IP ownership lie?

Rear Adm. Sammut: Any IP developed under our contracts with our funding becomes foreground IP, and ownership of that resides with the Commonwealth.

Senator PATRICK: So, even though you might not have a contract with Flinders University directly, you have a flow-through requirement in your contracts that that research—I don't know whether, for that particular bit of research, Lockheed Martin, if they want to reinvest in IP themselves—

Rear Adm. Sammut: If the funding is coming through the Commonwealth as part of the contract—and we do allow, under the contract, the ability to fund research and development in Australia, and elsewhere if it's going to be particularly important to capability—there is a requirement, provisions are there, that, if it's Commonwealth funded, that ownership comes back.
Senator PATRICK: In this case, it was a range of autonomous sea drones. Are you familiar with that?

Rear Adm. Sammut: I'll have to check if that's one of the kick-start programs that Lockheed Martin recently announced with a range of Australian SMEs and universities.

Senator PATRICK: Could you take that on notice and provide an answer. Thank you. Going back to LOTE, how many full-time-equivalent employees are working on LOTE at this point in time?

Mr Johnson: We have 30 ASC employees and four Commonwealth employees on the study team at this moment.

Senator PATRICK: That's by way of contract. Can you provide me with the contract value for ASC?

Mr Johnson: Yes.

Senator PATRICK: Also, I think you mentioned some dates before, but just what the contract says in terms of the completion date for that scope of work that you've obvious attached to a contract.

Mr Johnson: Yes.

Senator PATRICK: Thank you very much. Mr Fraser, I will title this section: 'Lies, damn lies and statistics'. I noticed on your website—and I'm happy to table this, Chair, as I've got a few copies. This is really just a copy of something that's come off your website that talks about our CASG projects.

It says: 'On average, our projects are delivered six per cent under budget, and 99 per cent of the material capability performance measures are being met in our largest, most complex projects, as reported in the 2015-16 Major Projects Review.'

I wouldn't mind understanding the basis of your claim for 94 per cent—is that across every contract, including one for paper and one for pens and one for submarines? I'm wondering how it's limited.

Mr Fraser: They're for the projects that are put through the previous DNO, and now they're CASG capability acquisitions.

Senator PATRICK: For all contracts?

Mr Fraser: For all contracts through our organisation.

Senator PATRICK: In some sense—look, I find it a little bit misleading. You don't have to spin to the public; you can just state where things are. I'm looking at the latest major projects review that talks about, obviously, the largest projects that we have, and it says, 'Total schedule slippage this year has gone to 801 months; average schedule slippage per project is 32 months.' They're pretty big numbers and, indeed, I understand that this includes currency variations, which I accept. But since second pass—and it notes there are a couple of second passes—this year we're up to $23 billion above second-pass budgets. And there's another line item that says from other second passes—and I think that, noting there are multiples of them—they are $9.2 billion.

They're pretty big numbers. I understand that they're made up of certain things, and I also understand that you have an approved budget and that the approved budget keeps moving.
But to be honest, we need to report against what you originally went to government with and said, 'This is what it's gonna cost,' not against the approved budget—and, of course, you're always within approved budget. So I think what you've got on your website is misleading.

Mr Fraser: Can I go and have a look at it?

Senator PATRICK: Sure.

Mr Fraser: I'll look at it from that other regard, but can I provide you with some context. The exchange rate variation would only cover the issues associated with source currency—that is, we contract and source currency, so that would be no-win, no-loss in that regard. Any increase in a real-cost increase in any project is a matter that we would always take back to government, and that has not been the case for most projects.

I don’t think that's the concern that we have. The issue that gets raised is, if a contract or project runs later than normal, how we carry those costs for our own staff and make sure we realise that that's a real cost as opposed to a cost increase in the project, because it's extended on time.

Senator PATRICK: There's always other costs, like the cost of not having the capability, the cost of ongoing sustainment.

Mr Fraser: Certainly.

Senator PATRICK: It's the old story of buying a boat, where you buy a boat and then you go back and say, 'Oh, I need a Land Cruiser 'cause I want to tow it.' And often I see an increase in scope in your projects. We pay an enormous amount of money to get to second pass where, by the time we get there, we should have this thing nailed. That is why it should be referenced against second pass.

Mr Fraser: Most of those scope changes were a different phase of project. When the project was taken to government in the first place—if I can give you the example of the MRH helicopter, for the original phase of 12 aircraft—and then back to government, it was technically termed 'a scope change', but the additional phases of Phase 4 and Phase 6 add in significant cost and, of course, capability. That's not a schedule issue that's associated with those.

CHAIR: Okay. I'll leave that alone. But maybe you can go and have a look at those numbers. Admiral Sammut, noting that the ANAO won't introduce a project into the major projects review until such time as it has hit second pass—this is a very large project and I know he's doing some work on that—when are you intending to get to second pass?

Rear Adm. Sammut: We don't have a defined second pass for this program. We have been to government three times for approvals to go to subsequent phases of the program, given its size. We expect to go to government next once we've completed preliminary design review and we're in a position to move into the next program contract, which will require further authorisation of funding for government to approve.

Senator PATRICK: On that basis, you'd be happy for this to go into the ANAO's list? You're saying you're not going to hit his trigger?

Rear Adm. Sammut: I haven't said that. What I can say is that ANAO is currently doing its next review of the submarine program now. So it's already done one review of the CEP process. We were covered in an ANAO report that looked into to naval shipbuilding. ANAO
are currently doing another review, and I expect to be reviewed quite often by ANAO between now and PDR.

Senator PATRICK: Chair, thank you.

Senator KITCHING: Just before I move onto Operation Sovereign Borders, could I ask a question? We've just seen that we've been handed this, which is historic spend for major capital facilities works. One of the projects listed under there is air traffic control infrastructure at Tindal. I note in the CMATS project that the design, preliminary design review, is expected in the third quarter of 2019. I'm just wondering if all of those works are going to all tailor nicely and/or work together beautifully. Mr Grzeskowiak?

Mr Grzeskowiak: Steve Grzeskowiak. I didn't quite catch the tail end of your question.

Senator KITCHING: I'm quite interested in the CMATS project. This must have been handed to us in relation to a question, or perhaps a QON, but there's infrastructure upgrading at Tindal—air traffic control infrastructure at Tindal R8085. The infrastructure that's going on there, that that will then all tailor with CMATS as well?

Mr Grzeskowiak: Yes That's exactly right. This facilities project is in support of the CMATS project. We're building 12 or 13, I can't remember the exact number, new air traffic control facilities at our airfields around the country. They're mostly complete now. They'll be finalised in the next year or so and they'll be ready for receiving the necessary equipment that is associated with that CMATS project as and when that matures.

Senator KITCHING: At table 55 in the PBS, it says, 'the preliminary design review is expected quarter 3, 2019'. So all of that is being taken into account—

Mr Grzeskowiak: Yes.

Senator KITCHING: because I note there's already been previous spending and then it's sort of 4.8, 3.7 and 400,000.

Mr Grzeskowiak: Yes. The facilities component of that project, which is the part I am responsible for, is well advanced. Many of those towers are built and waiting for the hardware that comes out of the CMATS project to be installed for operations. So it's one of those rare occasions where the facilities will be available in advance of the capability.

Senator KITCHING: Lovely. Thank you.

Senator GALLACHER: Chair, can I just tidy up one other fiscal question? Thanks, Secretary; I think you've matched all our dot points with the exception of details of emerging capabilities to be supported by the $150 million in capital expenditure from 2021-22—refer budget papers to page 183. I think that's the only outstanding matter that we asked for in the letter that we haven't got. Is someone able to do that before three o'clock?

Mr Moriarty: We'll table it now.

Senator GALLACHER: Okay. If you're going to table it, that's fine. Yes, I'm happy.

Mr Groves: I can talk to it if you want.

Senator GALLACHER: Well, you can talk to it quickly and table it at the same time.

Mr Groves: The government's going to provide an extra $150 million—that was outlined as a measure—from 2021-22. There has been ongoing discussions with government and central agencies on some of the pressures impacting the defence budget, particularly as some
of our larger programs ramp up. The funding is provided initially to support the ongoing reprioritisation process around our Integrated Investment Program. We normally overallocate our capital budget to a degree each year. These additional funds are sort of helping with those pressures, to reduce their levels. How we actually then use that funding will be addressed through future reprioritisations of our Integrated Investment Program and the upcoming force structure plan process, which will look at a whole range of gaps and opportunities across the whole program.

Senator GALLACHER: So you've got $150 million, which is a more nimble way of addressing the emerging capabilities than budgeting, locking it in, leaving it and then adjusting it? Is that what I heard?

Mr Groves: In large. Like I said, it does go to reducing the level of overallocation that we have in those two years, which will then, as we come to future reprioritisation and planning processes, give us a bit more flexibility than we would otherwise have to look at some of those gaps and opportunities that are coming, around new emerging capability, that weren't perhaps envisaged as part of the white paper.

Senator GALLACHER: Okay. Thanks very much. If you have any information that you can table, that would be much appreciated.

Senator KITCHING: I want to ask some questions in relation to the nature of the ADF support that's provided as part of Operation Sovereign Borders under Operation Resolute. Secretary, would you be able to outline the nature of that support?

Gen. Campbell: The Australian Defence Force provides personnel and assets—aircraft and ships—to Maritime Border Command, a component of the Australian Border Force, and does so under the direction of planning that's developed, in combination, by the commander of the joint agency task force, which is currently Major General Craig Furini, and the commander of the Maritime Border Command, Rear Admiral Lee Goddard.

On any day of the week, and variably across the months of the year, we see patrol boats and other naval vessels, maritime patrol aircraft, large-hulled vessels such as Ocean Protector, transit security personnel, persons seconded to headquarter effects in Maritime Border Command or the joint agency task force, undertaking a range of staff roles and planning, logistics and so forth, as well as either the active or the on-standby potential for air transport tasks—a whole range of issues that the ADF’s contribution to an effect that the commander of the joint agency task force creates and that Maritime Border Command is largely orchestrating and controlling for him on a daily basis.

Senator KITCHING: Thank you. So the operations element is Maritime Border Command?

Gen. Campbell: Overwhelmingly—that's correct, yes.

Senator KITCHING: So it is, as you described, a whole-of-government operation. How do you delineate the assets of the Border Force and the ADF?

Gen. Campbell: There's an agreement between the two organisations with regard to the level of support that could routinely be expected by the ADF in support of the Australian Border Force. But that's not an arrangement that is seen as exclusive or interpreted narrowly as the only support. Because of the priority of the effect to the government of the day, we will be advised by the commander of the joint agency task force about assessments of risk and
concern with regard to the settings and the potential for movement of people smuggler boats, and that will see us adjust our contribution. It's done, I can assure you, in a very collegiate, dynamic and consultative fashion. We're only interested in providing what the commander of the joint agency task force requires to deliver his effect, and we provide, overwhelmingly, those assets to the Maritime Border Command of the Australian Border Force.

Senator KITCHING: So there might be periods of the year where you might have to provide more resourcing?

Gen. Campbell: Or less, indeed. So it is quite dynamic.

Vice Adm. Noonan: If I might give some indication as to what that looks like based on the response from CDF—within the arrangement that CDF has described, known as the codicil, Navy has a requirement to provide five to six patrol boats per day in support of Operation Resolute. What that would equate to for financial year 2018-19 is 1,825 patrol-boat days, which we've planned for. To provide context to where we are at to date, we have provided 1,421 days as of 25 March, which is approximately 77 per cent of the planned requirement. So it does smooth itself out over the period of the planned year.

Senator KITCHING: So in 2018-19, there were 825 patrol boat—

Vice Adm. Noonan: There were 1,825 days planned of patrol-boat support.

Senator KITCHING: From 1 July 2018, for the financial year?

Vice Adm. Noonan: That's correct.

Senator KITCHING: And currently you've done 1,425—

Vice Adm. Noonan: It's 1,421 days, which represents 77 per cent of the planned usage of patrol-boat days against that operation. Similarly, the CDF mentioned Ocean Protector, the large-hulled vessel that routinely operates in the northern Australian waters in support of Operation Resolute. We had planned for that ship to be available for 300 days during financial year 2018-19, and to date we've used 99 days, some 33 per cent of the capability that we'd planned to use. So we've got significant additional capacity available, should it be required by the commander of the joint task force, to surge in support of that operation.

Senator KITCHING: Certainly there's been some discussion in other committees, particularly in the Legal and Constitutional Affairs Committee, on the number of patrol days and the fact that last November-December it was decided that a risk based approach would be taken, rather than active patrolling.

Gen. Campbell: Can I just say that a risk based approach has always been taken.

Senator KITCHING: I don't have Commissioner Outrim's letter in front of me, but it was certainly defined that there would be surveillance—there were a number of factors to it—and that there was a reduction in the active patrolling. In the estimates spillover a couple of weeks ago, we did have quite a long discussion around the term 'active patrolling'. But what I'm really asking is: you've got some substantial spare capacity. Does the joint agency task force—obviously they would be aware of that capacity.

Gen. Campbell: They're aware of the capacity of both the Border Force—contracted elements that the Border Force can call on from the civil base—and the ADF's capacity.

Senator KITCHING: I'll come back to that in a moment. I just want to get the actual paperwork straight in my head. So there is a codicil agreement. When was that entered into?
Vice Adm. Noonan: The date of the current codicil that is in effect has been in effect since November 2015.

Senator KITCHING: There is one currently in place? So it's been continuous.

Vice Adm. Noonan: The current codicil has been in effect since November 2015.

Senator KITCHING: And are they typically of an annual term? Is that how it works?

Vice Adm. Noonan: It's up to changes in the circumstance in the strategic context, and a review of the codicil is situation dependent. It's looked at on an annual basis by the maritime border commander, and if there is a need to change that he would then instigate a process by reviewing and changing the current agreement. But, as I said, the current agreement requires five to six patrol boats provided by Navy, and we have continually met the codicil, as a minimum, as per the description by General Campbell. If there is a need to provide additional assets, that would come at CDF's direction.

Senator KITCHING: So, at a minimum, it's five to six boats. Have you provided more than that on occasion?

Vice Adm. Noonan: On occasion we have provided more than the five to six patrol boats, based on changes in the operational requirement.

Senator KITCHING: How many have you provided?

Vice Adm. Noonan: The additional requirement would not have exceeded six patrol boats routinely. Typically, if there had been an operational requirement for a different form of vessel—I have over the last 12 months provided different vessels, such as the Choules or a frigate from time to time.

Senator KITCHING: I think you said before that it's not the only support. What other support is there that you might be providing?

Gen. Campbell: I mentioned that we also provide maritime patrol aircraft; staff to assist in both the joint agency task force headquarters and Maritime Border Command headquarters; on occasion, transport security element personnel; and air transport when it might be required. We essentially provide those elements that may not be available to the Australian Border Force or that cannot readily be contracted or relied upon, because of time criticality and circumstance. So, as I say, it is a pretty flexible and consulted arrangement working very well right across government to enable a generation of the effect.

Senator KITCHING: There have been no delays in the signing of the codicil? I'm just wondering if there was negotiation and then a delay by either party.

Gen. Campbell: We've got an active codicil, so I'm not actually aware of that.

Senator KITCHING: The reason I ask is that there has been some reporting that the ABF hasn't been able to sign the codicil in the last two financial years because it has been unable to meet its requirements pursuant to the codicil. Is that correct?

Gen. Campbell: You'd have to refer that to the Australian Border Force. I do understand now what you are describing. The codicils are nominally written as annual documents. We're running of the codicil that was dated November 2015. It remains a very viable document. Certainly Defence offering, roughly speaking, a similar effect each year is quite comfortable either to sustain the codicil we have or to refresh it when and if it might be required. But I
couldn't comment on a reasoning that you have offered with regard to the Border Force approach.

Senator KITCHING: If we're here for estimates next week, I'll be able to ask them.


Vice Adm. Noonan: Senator, if the question you are seeking to understand is 'What is the level of Navy commitment currently?' it is inside the codicil. Out of our patrol boat force, I've currently got six patrol boats force assigned to Operation Resolute, which is in accordance with the codicil as it would stand. So I'm not above it and I'm not below it; I'm in line with the codicil.

Senator KITCHING: If the RAN's had to provide additional assets or resourcing that might be beyond what is contained within the codicil, how is that dealt with?

Gen. Campbell: The Commander Joint Agency Task Force would advise both the head of the Australian Border Force and me that, based on his intelligence assessment of the potential for people-smuggler movements, he judged that he would require more assets or that he was seeking to generate an effect not currently achieved by the assets in play and would seek from us an enhanced contribution.

Senator KITCHING: There is air transport as well—

Gen. Campbell: The two principal elements that help to generate this effect are vessels on the water and air surveillance capability—some of which can be contracted, some of which is within the Australian Border Force and some of which can be deployed from the Australian Defence Force.

Senator KITCHING: Does the RAAF also have to be a part of that?

Gen. Campbell: Yes. The maritime patrol aircraft would come from the Royal Australian Air Force. It would previously have been a P-3 and it is now P-8 aircraft.

Senator KITCHING: In early March there were some articles in Fairfax that referenced a leaked ADF Maritime Border Command document. It highlighted ADF concerns that Border Force was not able to meet its targeted border patrol requirements—both surface and aerial—and that the ADF was being required to fill the gap. Is that correct?

Gen. Campbell: I would not comment, nor would I expect anyone from the Defence Force to comment, on a document purported to be classified and published in a newspaper.

Senator KITCHING: Have you then, in the budget process, factored in that sometimes you do have to do supplement the ABF beyond the codicil?

Gen. Campbell: As I previously noted, there are occasions when we might contribute more and there are occasions when we might contribute less, driven by the needs of the commander.

Senator KITCHING: Where it's more, do you factor that into the budget? I take your point about swings and roundabouts but, where it's more, you then factor that in?

Gen. Campbell: Given that we have a fleet which is a very specific number of ships of various type and capability, we may be redeploying or planning the rescheduling of fleet assets to ensure that more is provided.

Senator KITCHING: Has that affected other ADF operations?
**Gen. Campbell:** Our work in all aspects of ADF operational activity—training activity, maintenance, schedules and so forth—is quite dynamic, and in particular for the Air Force and the Navy, because the assets are limited and need to be specifically managed. That means that, not just for Operation Sovereign Borders but for everything we do, we are carefully scheduling and adjusting the sequence and priority as required to meet the series of operational objectives, the maintenance and safety requirements, the training of crew, and the capability requirements. It's quite dynamic and quite routine. It's not isolated, nor am I suggesting it's common in the Operation Sovereign Borders space. It is a norm of our business.

**Senator KITCHING:** I can see that from the outline of the response to Senator Gallacher's question about deployed personnel, so I take your point that it is dynamic. Have you planned, over the forward estimates, the assessed impact on the ADF being able to carry out its priority activities due to times of the year when you might have to deploy more assets for Operation Sovereign Borders?

**Gen. Campbell:** Starting from an assessment of our operational commitments, we produce things like the Chief of the Defence Force's Preparedness Directive, which directs and advises the services and the other elements of the Defence Force with regard to the scale and the nature of asset and the rate of activity that might be required of them into the future. Those are then resourced, trained and developed by the services, and so we do do the forward planning to be able to sustain and maintain the operational effects that we generate. So the simple answer is: yes, Senator.

**Mr Moriarty:** The government does provide Defence with some additional funding on a no-win, no-loss basis for our operational commitments in the financial year 2019-20—that's $59.3 million for this operation.

**Senator KITCHING:** And you might look to that funding, if you need to, for additional operations? What's that fund called? Is it in the PBS?

**Mr Moriarty:** It's additional costs for the operational activity beyond the cost of if we were just operating the vessels or the assets at a normal pattern of activity.

**Gen. Campbell:** Senator, if you were running the Defence Force to be trained and competent to conduct operations but you weren't conducting any operations, that's a very predictable cost of force. If you then direct the Defence Force to conduct operations, you'd have to do all of that preparing and building the Defence Force cost, plus the addition for the cost of each of the operations you assign. On a no-win, no-loss basis, government typically—for operations typically over a benchmark figure—provides into the Defence budget an augmentation of funds for the activity cost of the operation. Regardless of where it is, or what scale it is above a modest minimum, it will say, 'If it's a modest minimum, you absorb that, but if it's a large operation, or if it's an operation that varies in scale through years, then we will augment you for that.' That's been a routine of governments for many years.

**Senator Fawcett:** To answer your question: yes, it is separately highlighted in the PBS.

**Senator KITCHING:** Has any of it been used for Operation Sovereign Borders?

**Mr Moriarty:** Yes.

**Senator KITCHING:** How much.
Mr Moriarty: Already year to date?

Mr Groves: Pages 18 and 19 of the PBS—page 18 will outline the additional funding that we received in 2019-20 for Operation Resolute. The table over the page looks at the total funding received for Operation Resolute over 2017-18 and 2018-19 and at that budget number for 2019-20.

CHAIR: Senator Moore, I understand you have a question.

Senator MOORE: I have one question and I think it could go to Mr Grzeskowiak. I'm pretty sure it's yours.

Mr Fraser: Chair, while he's coming forward, Senator Patrick asked me about the scope and cost issues in the major projects report. I'm satisfied that our website reflects the great work our teams do on projects and sustainment for our troops. The cost and scope issue reflects changes in project phases. For example, the Joint Strike Fighter going from 14 aircraft to 72 aircraft was termed a cost and scope change under the major projects report but reflects a new capability.

Senator MOORE: I apologise if I called you wrongly, but I've got a question about the Milne Bay museum in Toowoomba. The Milne Bay museum in Toowoomba is a longstanding issue. They have been removed from Defence property in that space. That finally happened at the beginning of the year. It took a while. But there continues to be an ongoing dispute about one shed on that space after this community organisation has spent a lot of money to move everything else. They've raised it with me. I've tried to raise it with the minister's office on two occasions and no-one has got back to me. So I really want to know: what is the current situation; who is talking to whom about this ongoing process? I know that's going to be difficult. I thought it could well have been you, but I want to get it on record this afternoon because I'm disappointed in the way this process has operated. I was very pleased with the support I got when Minister Payne was involved and there were a number of discussions about it; the end decision didn't change. But now, after a process that's gone on for well over a year, there continues to be correspondence about one shed, and I don't understand.

Mr Birrer: Defence has had a long history of working with the Milne Bay museum.

Senator MOORE: And vice versa, Mr Birrer.

Mr Birrer: They have. It goes beyond the issue of one shed. There was a licence for them to operate on the Defence estate.

Senator MOORE: They've already left. That whole argument is over. Now, the only correspondence is about the shed.

Mr Birrer: And which shed is that?

Senator MOORE: The one remaining shed on the plot. You're not going to know the detail.

Mr Birrer: No. We'll take that on notice.

Senator MOORE: I wish you did have it. I really wish you had the file with you, but you don't. I was just very keen to put it on the record.

Mr Birrer: It's a large file.
Senator MOORE: I'd very much appreciate actually having the opportunity to talk with someone in the minister's office about this. I was unable to find someone to talk with me when I contacted them verbally. I then put it in writing and have not had a response.

Senator Fawcett: Which minister's office did you contact?

Senator MOORE: The last approach has been with Minister Reynolds. I was told that was the minister to go to.

Senator Fawcett: On Defence estate issues, that would be my office, so I'm very happy—

Senator MOORE: I was directed, when I went to the Defence minister's office, to contact Minister Reynolds.

Senator Fawcett: That's fine. All I'm saying is I'm very happy if one of my staff speaks with you, or I'm happy to speak with you.

Senator MOORE: Thank you for that.

CHAIR: Senator Fawcett might be Mr Fixit. I want to quickly revisit the matter that I've been asking questions about before and ask Mr Fairweather to come to the table and get confirmation on a few issues. Can we confirm that One Atmosphere's proposal has never been under the rapid deployment program? You were talking to me a fair bit about the RPD and this particular project, and I am now advised that it was never in fact under that program.

Mr Fairweather: I may have been in error, so I'll confirm that for you.

CHAIR: If you could confirm that, please.

Mr Fairweather: I'm happy to.

CHAIR: I'm advised and—so could you confirm—that the project was in fact under the Defence Innovation Realisation Fund and that has since been made defunct or whatever or rolled over into the Defence Innovation Hub? Is that correct?

Mr Fairweather: I think that is, but I will come back to confirm that.

CHAIR: If you can confirm that, and then the proposal was submitted and accepted by the Defence Innovation Hub?

Mr Fairweather: It was submitted and is being reviewed and assessed. I wouldn't say the word 'accepted.' It was sent into the innovation hub and was accepted in the sense it was received.

CHAIR: Yes. And then, if you could confirm the Army requested a request for proposal to be issued?

Mr Fairweather: I will just have to get the linearity on it very clearly for you.

Mr Hamilton: This might help answer the question: yes, a proposal was submitted in May 2017. The Defence Innovation Hub sought detailed information in relation to that proposal. That was then subsequently provided to Defence on 20 June 2018. And then there was, as has previously been discussed, a visit to have a look at the capability proposal in November last year, and we're still in the final stages of looking at that assessment.

CHAIR: But was that which was provided in June 2018 as a result of the Army suggesting there should be a request for proposal?
Mr Hamilton: As I said, between the May 2017 proposal and the more detailed proposal provided in June, we initially did not seek a detailed proposal because of the concerns around pathway into an acquisition outcome. That was then subsequently reviewed so that we could give the company the opportunity in late 2018 to talk to us more about what they had proposed.

CHAIR: Can you confirm that the innovation hub was, and in fact remains, ready to proceed?

Mr Hamilton: The innovation hub really relies on the capability manager assessing that there is a capability outcome for the proposal for the hub funds, and that's a key issue for us.

CHAIR: Are they ready to proceed?

Mr Hamilton: As I said—

CHAIR: I think the answer's yes.

Mr Hamilton: we are still assessing the proposal following on from the visit last year.

CHAIR: No, that is different. Is the innovation hub ready to proceed with this proposal if it is given approval?

Mr Hamilton: Should it be approved, we would proceed with it.

CHAIR: Right, a very simple question, which should've been given a very simple answer that the innovation hub is ready to proceed; it's simply waiting on approval. Can I ask approval from whom?

Mr Hamilton: I think that is a hypothetical. We will proceed—

CHAIR: Sorry, what is hypothetical?

Mr Hamilton: That we are ready to proceed. We will proceed—

CHAIR: No, the innovation hub is ready to proceed if the approval is granted. I thought we'd already agreed that.

Mr Hamilton: Senator, I'm saying: the innovation hub will proceed, should the assessment recommend that we do so.

CHAIR: And that would suggest, would it not, that they are ready and capable to proceed because, if the approval was given and they couldn't proceed, we wouldn't be getting anywhere, would we, Mr Hamilton? Let's take this little bite by little bite so that we fully understand each other. The innovation hub is ready to proceed if approval is granted.

Mr Hamilton: No, Senator. I would say: should there be a successful assessment, then we would consider proceeding.

CHAIR: Be very careful. This is a proceeding of the parliament. We need very accurate answers here. Are you suggesting to me that the innovation hub is not ready to proceed with this in the event that approval is granted?

Mr Hamilton: I'm saying, Senator, that I had not seen the results of that assessment and the innovation hub has not—

CHAIR: We're not talking about the assessment. Is the innovation hub ready to proceed in the event of approval being granted? The question of approval is another issue, and I'll come to that.
Mr Hamilton: I meant to check on the specifics of how ready it would be. Obviously the hub has hundreds of projects that it is running at any one time.

CHAIR: Can we have a direct answer. Is it ready to proceed if approval is granted?

Mr Hamilton: We would proceed if approval was granted.

CHAIR: That suggests that you could only proceed if you were capable of doing so, that you are ready to proceed if approval is granted. Thanks. Now, on whom do we rely for that approval?

Senator Fawcett: Chair, to be fair to the official, he has indicated that he would need to check on the status of the level of readiness of the project. So I think we will take that part on notice.

CHAIR: Of course, that's fine. So on whom are we now waiting for this approval?

Mr Hamilton: The assessment is being conducted by the Capability Acquisition and Sustainment Group, Army and innovation hub officials following on from the visit at the end of last year.

CHAIR: Earlier today I was being told that a whole lot of certification requirements were still required to be undertaken. Is it correct that a full certification plan has already been undertaken, and is in fact ready to go, to deal with the issues of electromagnetic interference and whatever other problems might arise. A full certification plan has been developed?

Mr Hamilton: I am not aware of that.

CHAIR: What about you, Mr Fairweather?

Mr Fairweather: Developed by whom, Chair?

CHAIR: I assume in combination between the innovation hub and the innovator.

Mr Fairweather: As part of their last proposal, there was a suggestion that they could take on the certification. Our assessment was that that certification would need considerably more work—that plan to get it effective fell well short of what we required. So I wouldn't say—

CHAIR: Has a $5 million price tag been put onto this certification plan?

Mr Fairweather: That's the technology development, and part of that was the certification plan.

CHAIR: So how do we know it is going to cost $5 million if there isn't a fully fledged certification plan, ready to go, with a price tag of $5 million on it?

Mr Fairweather: I'm not sure if we are talking about the same thing here. There was a proposal for a certification pathway but, to my knowledge, it wasn't a fully certified certification plan, which is very detailed documentation that would take a considerable amount of time.

CHAIR: And I suppose that if there is a full-stop missing we'll argue that it wasn't a fully developed plan because it wasn't quite ready. But it had a price tag on it, did it not? It was at the innovation hub, ready to roll, and we are still awaiting approval. All I can do is express my concern at the delays. Having spent $8 million of taxpayers' money on such a worthy project designed to protect our personnel, to now be squibbing about $5 million, out of the huge Defence budget, to take it right to the very level which would then allow it to be
certified astounds me. I would invite everybody in Defence to have a very, very close look at this and allow this to come to fruition.

Senator KITCHING: I want to go back to table 3 on the operations summary and Operation Resolute. I notice that there is no Defence funding for Operation Resolute in 2020-21. Why is that?

Mr Groves: Unless we have specifics, we tend to get no-loss funding on an annual basis. That gets updated at budget and also through the additional estimates processes. So we will have opportunities, both at the next update and also leading into the 2020-21 budget, to seek additional funding.

Senator KITCHING: For both MYEFO and the budget?

Mr Groves: Yes.

Senator KITCHING: Note 3 says that the value of Operation Resolute includes funding for expanded activities under Operation Sovereign Borders. I’m wondering what the expanded activities are valued at.

Mr Groves: I’m not sure. I’d have to take that on notice.

Senator KITCHING: Thank you.

Mr Groves: The additional funding that we do receive is more for the additional operational tempo associated with Resolute using additional vessels in certain ways which would mean that we need to get additional maintenance activities.

Senator KITCHING: If you could take that on notice—

Mr Groves: Yes.

CHAIR: Senator Kitching, without being rude, can I suggest that this is hardly going to be a headline stopper—

Senator KITCHING: I’m finished. I said I had two questions.

CHAIR: Thank you very much, Senator Kitching. And can I welcome Senator Gavin Marshall. Thank you for your contribution!

Proceedings suspended from 15:11 to 15:25

CHAIR: It being 3.25, I welcome Senator the Hon. David Fawcett, Assistant Minister for Defence, representing the Minister for Veterans' Affairs, and Ms Liz Cosson, Secretary of the Department of Veterans' Affairs, and officers of that department. Minister, do you wish to make an opening statement.

Senator Fawcett: No, thank you.

CHAIR: Secretary, I understand that you have an opening statement, which we have had the opportunity of perusing. By agreement of the committee, that has been tabled and will be incorporated into the Hansard.

The document read as follows—

Chair and Members, I would like to begin by tabling my formal response to a request for information from Senator Gallacher and offer the opportunity to provide further details during this hearing.

In summary, my response offers the following key elements:

2019-20 Budget – Veteran Centric Reform
The 2019-20 Veteran Centric Reform has been allocated $219.3m which is continue the transformation of DVA. This funding will be provided to DVA and DHS to continue to leverage ICT programmes and the broader transformation program. Our PBS reflects $171.6m in offsets that will be delivered through DVA's efficiencies measures, better procurement and better outcomes for veterans and their families.

As a result of our recent VCR investment over the past two years, the department has become more efficient in the direct delivery of services, and in purchasing services from providers in the health sector to ensure better health outcomes.

We have identified areas where we can adopt better practice by making changes to how DVA operates and delivers services.

More detail on funding arrangements is in Attachment A.

**Veteran Card and Covenant**

Since our last hearing for Additional Estimates, many more businesses have clarified the specifics of their involvement in the Veteran Card, what discounts they propose offering, how this differs from other membership arrangements and when these discounts will be available to veterans.

I was pleased to see that the Australian Veterans' Recognition (Putting Veterans and their Families First) Bill was debated in the House over the last week.

While it seems that this Bill may not pass this Parliament, it was pleasing to see the debate, and the consensus around recognising our veterans and their families.

I know there is some interest in the Veteran Card and that there are businesses that will support veterans who have that card.

As at 4 April 2019, more than 70 businesses have registered with DVA, with 47 making a specific offer to veterans.

More detailed information is in Attachment B.

**Veteran Payment**

I am also pleased to report with the introduction of the Veteran Payment in response to the Joint Inquiry into Jesse Bird's suicide, over 540 veterans and partners have been provided this assistance. A breakdown of how long individuals have been receiving this payment and if any have exceeded the 42-day period after their liability claim for a mental health condition has been determined.

The Veteran Payment commenced on 1 May 2018, and provides vulnerable veterans and eligible partners with interim income support until their liability claim for a mental health condition is determined.

These numbers are in Attachment C.

**Advertising and information campaigns**

I also inform the Committee how much the department spent on advertising and information campaigns in this financial year to date and provide details about this spending, including activities planned for the remainder of 2018-19.

This has been provided in Attachment D.

**Attachment A – Veteran Centric Reform**

When DVA embarked on this transformation journey, we made a commitment to the entire veteran community and their families that we would improve the quality of our services and be more efficient and effective in the way we deliver these services to veterans and their families.

To ensure that we are efficient in the future, we are looking internally at how we can improve the way we do business.
We have now identified areas where we can improve efficiencies by making changes to how DVA operates and delivers services.

These efficiencies are not about reducing services to veterans and their families. These efficiencies are about DVA identifying ways to work smarter and better manage and oversee the quality of the services that are being delivered on our behalf.

We are thinking differently about how we deliver services and where we can partner with external health service providers to improve the quality of services that our veterans and their families receive.

Improving treatment pathways is an area where we have identified the potential for significant savings. By partnering with an external provider we are going to better analyse, review and assure the quality of the services our clients are receiving.

We want to be diligent and well informed about the treatment and care our veterans and their families receive and ensure that we are getting value for money for Australian tax payers when these services are delivered.

We are also starting to see the real benefits that our investment in transformation is delivering. Bringing claims online and tackling our complicated telephone system is delivering savings through improved performance – we are reducing waiting times and the time taken to process claims.

**Attachment B – Veteran Card and Covenant**

I was pleased to see that the Australian Veterans’ Recognition (Putting Veterans and their Families First) Bill was debated in the House over the last week.

While it seems that this Bill may not pass this Parliament, it was pleasing to see the debate, and the consensus around recognising our veterans and their families.

Recognition, of course, is the key element of the program. Providing all Australians the opportunity to recognise our veterans is the most important part of our program.

I know there is some interest in the Veteran Card and the Businesses that will support veterans who have that card.

The primary purpose of the Veteran Card continues to be providing health services to veterans. The use of the Veteran Card to access concessions and business offers will be an extra benefit that card holders can access.

As at 4 April 2019, more than 70 businesses have registered with DVA, with 47 making a specific offer to veterans.

Business interest ranges from large nationally recognised companies to family run businesses in regional areas across Australia.

In the majority of cases, businesses have indicated they will provide a percentage discount off the retail price of their good or services. The benefit to be offered will be at the discretion of the participating business or organisation.

We are very proud that we have received interest in this program from many businesses across the country, from large national businesses in the grocery and financial industries to small family or veteran run businesses. Learning the stories of some of these participating businesses has been one of the highlights of this program.

I want to take this opportunity to thank those Australian businesses who are coming forward and expressing interest in this program and showing their support to our veterans and their families.

Some of these businesses require further negotiation to address issues such as identifying Veteran Card holders through their respective ICT systems.

The DVA website will publish the names of the participating businesses and community organisations as part of the Minister's official launch and will be updated as interest continues to grow.
Attachment C – Veteran Payment

As an outcome of the Joint Inquiry into Jesse Bird’s suicide, the implementation of the Veteran Payment has now been offered to over 500 eligible veterans and partners to provide financial support as the department progresses a claim. I offer the breakdown of how long individuals have been receiving this payment and if any have exceeded the 42-day period after their liability claim for a mental health condition has been determined.

The Veteran Payment commenced on 1 May 2018, and provides vulnerable veterans and eligible partners with interim income support until their liability claim for a mental health condition is determined.

As at 15 March 2019, 310 veterans and 89 partners were receiving the payment.

Of those 310 veterans, 34 were receiving it for 50 days or less, 42 for 51–100 days, 70 for 101–150 days, 44 for 151–200 days, 35 for 201–250 days and 85 for more than 250 days.

As at 15 March, the number of veterans who were still receiving the payment after having their claim determined was 155. Of those, 92 continue to receive Veteran Payment after the 42-day period allowing for an uninterrupted transition to another form of income support.

Attachment D - Advertising and information campaigns

I also inform the Committee how much the department spent on advertising and information campaigns in this financial year to date.

The Department's total expenditure on advertising and information campaigns undertaken in the 2018–19 financial year to 28 February 2019 is $116,248.35 paid to Universal McCann with a further $174,716.54 paid this financial year to DentsuX Australia Pty Limited for work completed in the previous financial year.

The list of the campaigns to date, how much each of them cost and an itemised list of their AusTender Contract Notice numbers.

Advertising and information campaigns from 1 July 2018 to 28 February 2019 (all figures GST excl.)

<table>
<thead>
<tr>
<th>AusTender Contract Notice number</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CND004766</td>
<td>Veterans' Employment Program advertising</td>
<td>$52,577.97</td>
</tr>
<tr>
<td>CND004562</td>
<td>Advocacy Scoping Study consultations</td>
<td>$12,497.79</td>
</tr>
<tr>
<td>CND004586</td>
<td>Veterans Review Board notices</td>
<td>$12,518.64</td>
</tr>
<tr>
<td>CND004593</td>
<td>Scoping Study consultations notices</td>
<td>$12,110.97</td>
</tr>
<tr>
<td>CND004903</td>
<td>Graduate Program advertising</td>
<td>$11,660.00</td>
</tr>
</tbody>
</table>

Note, contracts of under $10,000 are not required to be reported on AusTender.

Details of any advertising and information campaigns planned for the remainder of 2018-19.

Planning is under way to develop two small campaigns on the Coordinated Coordinated Veterans' Care Mental Health Pilot and GP Health Assessment. While the Mental Health Pilot is almost finalised and is due to go live in the next two weeks, the timings and content of the GP Health Assessment campaign are still being finalised.

Coordinated Veterans' Care mental health pilot

This campaign has a budget of $2,000 and is going through final approvals within the department before being launched. It is expected the campaign will run for about four weeks, and start in the next fortnight. The campaign promotes a new mobile digital coaching application and targets veterans and GPs with the aim of getting veterans to sign up for the trial.

The GP Health Assessment
The campaign has a budget of $10,000, and is also going through internal approvals at the department. This campaign is currently planned to go live at the end of April, and run for about four weeks, and encourages veterans transitioning out of the Australian Defence Force to book in with their GP for a health assessment.

Senator GALLACHER: At the outset, I'd like to thank the department for responding so succinctly to our questions in a fairly short time. Just to get it on the record, we do have the amounts of savings on page 174 that are promulgated from 2020-21, 2021-22, and 2022-23. They come to $171.6 million?

Ms Cosson: That's correct.

Senator GALLACHER: The budget papers and the response you've provided reflect the $171.6 million in offsets that will be delivered through the efficiency measures. That's sort of short-circuited our normal, longwinded performance to get to that. I've looked carefully at both the budget papers, where you've identified $16.8 million over four years from the six measures there, but I'm still struggling to see where the other savings are coming from. If you have more online claims does that mean you have fewer people?

Ms Cosson: The offsets that we've identified for this budget range from—because we've been doing a lot of digitisation of our records, yes, we need fewer staff doing paper chasing. Also, as you know, we used to have to move files around the country. So there has been a lot of investment in improving our record keeping.

Senator GALLACHER: So digitisation would stop the physical sending of a file from state to state for adjudication?

Ms Cosson: Absolutely. We used to have to put them on trucks and move them to our different state offices. Now that they're online it is easier for staff to access that information.

Senator GALLACHER: You could hardly expect me to stop things moving on trucks with my background. The other thing that stood out was the telephone system. Is that a centralised system?

Ms Cosson: It's still quite decentralised. We have a number of offices across our state offices that do pick up our calls. We're reducing the hundreds of phone lines that we had into a single phone line, the 1800VETERAN line, to make it easier. We're also trialling new technology—open speech. Our veterans, when they phone now through 1800, can do voice recognition, but they still have the opportunity to go to a human if they need to. It's diverting the calls to the right operator through open speech. A lot of those efficiencies will improve the back-of-house services that we've been providing.

Senator GALLACHER: I haven't looked at your financial reports, but I suppose you have a telecommunications budget. Are you saying that centralising it to a 1800 number will mean you no longer have to pay multiple line rentals and multiple contracts over multiple offices?

Ms Cosson: That's correct.

Senator GALLACHER: Perhaps on notice, could we see a sample of that sort of efficiency and how much it does save?

Ms Cosson: Certainly.
Senator GALLACHER: I think it's a critical area of infrastructure improvement. Are there any other standout areas where these efficiencies are going to be achieved?

Ms Cosson: We've looked at how we contract services that are provided to our veterans and their families. If I can just use one example, veterans who go into a private hospital for a joint replacement—my father is an example; he had a hip replacement. The hospital was inclined to want to keep him in private care and have rehabilitation in the private hospital. He wanted to leave, so what we would do is invest in better service for those veterans to say, 'Is there a community based rehabilitation where you can go home and still do the rehab?' We've done some modelling around that and we believe we can find better outcomes for the veterans through investing in a front-end provider arrangement.

Senator GALLACHER: I suppose a veteran may be listening to this and thinking, 'Are there services that are going to be reduced?'

Ms Cosson: The whole aim of better treatment pathways for our veterans is to have a better outcome, certainly not to reduce any services. We've been asked to have a look at what is being returned through a different program of work and how to do it better with some providers. We will continue to monitor that. Certainly the aim is not to reduce any services for veterans.

Senator GALLACHER: Are there any programs that have been identified for reduction or removal?

Ms Cosson: We've identified, for a different approach, rehabilitation for our veterans in private hospitals. But we've also had a look at the charging patterns of our public hospitals and our private hospitals. We believe we can potentially identify a three per cent return, which we can then reinvest in our veterans programs, by monitoring how the hospitals are billing. Similarly, with some of our clinicians, where they may recommend a procedure in a private hospital which can actually be done in their rooms—under the health system they're required to raise a type-C certificate; that's my understanding. And if they don't raise a type-C certificate for that procedure to be in an acute facility then they should be talked to about that. So we will do some checking to make sure they are providing those type-C certificates for procedures in acute care.

Senator GALLACHER: Do you model these prospective areas?

Ms Cosson: Yes, we have been modelling. We've been working very closely with colleagues in the Department of Health on how they model it for all Australians to make sure they're getting the better health outcomes by keeping an eye on what is happening and also by having a better partnership arrangement with other providers—just to keep monitoring what we're paying for, essentially.

Senator GALLACHER: Who does the modelling? Is that an outsourced function or an insourced function?

Ms Cosson: We partnered with PwC, who did some modelling for us for our allied health providers, which we took on notice from last hearing. We're also working with Department of Finance; they had a look at what figures we were using and what the Department of Health has used in its modelling.

Senator GALLACHER: What's the status of those consultancies that model and produce a report? Is that a publicly available report or is it an internal report?
Ms Cosson: The allied health report was public in its modelling, but the ones that we've just undertaken for these offsets are not public at the moment; we're going through a process with that.

Senator GALLACHER: You've mentioned the allied health—$41.7 million until 2021-22. That's correct, isn't it?

Ms Cosson: That's still correct. That's right. It's implemented from 1 July this year.

Senator GALLACHER: That modelling is public. I'm still getting some feedback that it's an impost on people to go to the 10 weeks and get a new—

Ms Cosson: Every 12 visits, to go back to your GP.

Senator GALLACHER: Have you picked that up? Are you dealing with that? Is it being looked at through your department?

Ms Cosson: Absolutely. As you'd appreciate, it doesn't actually come in until 1 July this year, and we have given an undertaking to monitor that to see how it is going to work with our veteran community. Certainly the TPI Federation have raised their concern with us, particularly for exercise physiology and physiotherapy. So I've given an undertaking to the TPI Federation that I'll continue to work with them once it's implemented. It's a pilot, so we have the opportunity to review how that is being implemented and, if it is having an impact, particularly a health impact, on our veterans, then we would need to revisit it. If we are to reverse it then, as you would appreciate, we'd have to find a different way to offset what was identified as an offset for previous years in investing in transformation.

Senator GALLACHER: So, outside of the TPI Federation, are you getting concern from occupational therapist organisations?

Ms Cosson: A couple have raised their concerns with the department, and we have met with them. So we're very prepared to sit down with the providers, but they were actually involved in part of the original modelling. The report that was released into allied health was informed by that consultation with the community.

Senator GALLACHER: I think one of the unintended outcomes in these areas can be that people just choose to go to work somewhere where their requirements are less onerous or the paperwork's less onerous. In the national disability sector, people have actually given evidence and said, 'If these are the requirements, we just won't take these clients.' You're not at risk of that here, are you?

Ms Cosson: I'd certainly hope not. Our new chief health officer and I have a plan to sit down with all of our providers, particularly the peak bodies, to have that engagement. We have heard reports that our paperwork is onerous and we're making a concerted effort to reduce that burden on providers because we actually want them to see our veterans and their families, but we also want to help with that veteran literacy so that they know how important it is to understand the nature of military service. Jenny Firman, the new chief health officer, and I are looking to have better engagement with them over the coming year and to open the door so that if they are finding that that measure is not delivering the outcomes we would like it to deliver then we can come back to government with the potential to change it.

Senator GALLACHER: Was the department instructed by government to find reductions in expenditure across the board?
Ms Cosson: Are you referring to 171? We weren't instructed to find savings. But, as you would appreciate, the budget process operating rules do require us to come forward with offsets if we're seeking new policy. That is across all Commonwealth departments. We do not want to take away any benefits from our veteran community, so our preference is always to look at how efficient we are in supporting them but how effective our programs are. So we will always look at those types of opportunities so we can offset.

Senator GALLACHER: In noting the funding under the veteran-centric reform process, have you enough funding to complete that reform process, in particular the ICT improvements?

Ms Cosson: For this budget process, we received two-year funding—unlike previous budgets, where we had one-year funding—so we were very pleased with that. The two-year funding is a rough split between ourselves and the Department of Human Services to deliver the ICT. I think the ICT program isn't a quick fix. We're still reliant on the Department of Human Services' WPIT Program and leveraging through that program, but also some of our legacy systems are incredibly difficult to modernise. Mr McCarthy, who's leading our group now on the transformation and who joined us from the Department of Human Services, is very aware of the ICT limitations.

Senator GALLACHER: What I'm trying to get to is: do you have enough money to complete the ICT improvements or are you going to require further funding?

Ms Cosson: I believe we will come back in another budget in another couple of years because we're also waiting for the outcomes from the Productivity Commission report. That's due to be delivered midyear. The Productivity Commissioners have a different perspective in relation to what we would look like, and that might actually require a different pathway for some of our ICT.

Senator GALLACHER: So what is the amount that you've received for the ICT in the next two years?

Ms Cosson: Roughly $50 million went to the Department of Human Services, which includes ICT but also some of their business support. It's roughly that again in the following year. When you look at the funding split, it's about 50-50 for DVA and the Department of Human Services for both years.

Senator GALLACHER: It appears that your funding into the future over the forward estimates is reducing. Is there a total of $213.3 million, which is the total reduction over—

Ms Cosson: No, that's the investment in our Veteran Centric Reform of $213.9 million over the forward estimates at this stage, noting we would have to come back in budget in 2021-22.

Senator GALLACHER: The $141.6 million and the $213.3 million—how do you explain that gap? Is there a budget cut in 2021-22 of $99.9 million?

Ms Cosson: Not that I know, Senator. There are offsets that we've identified to pay for the program, but they're not funding cuts. If we just look at the budget for this year in comparison to last year, the funding for our appropriation has actually gone up. Our funding model is demand driven, so, if there's demand for different services or compensation, it's not capped in any way. For example, in last year's budget, we had $11.2 billion. This year, we've got $11.5 billion in the appropriation. Once again, that will continue to grow, depending on what the
demand of the veterans community is with the growth in the number of veterans or a decline in the number of veterans. It changes every year. But this year it is actually an increase to our appropriation.

Senator GALLACHER: Your connection with Human Services through the ICT platform—does that extend to the payment platform?

Ms Cosson: It does. Our shared service model with the Department of Human Services is all of the ICT. Our ICT branch moved over to the department a couple of years ago on a secondment. They were dedicated to the Department of Veterans' Affairs systems, but they were able to then work closely with the Department of Human Services with the modern technology. They have, in the second year of the program, rolled out student payments. What we're looking at in the future is potentially leveraging off that for all income support payments.

Senator GALLACHER: I ask because of the statement of the Deputy CEO of the NDIA, who said that their appropriation used to sit with the department; it now sits with Human Services, and that's obviously been leveraged too. Is that happening in Veterans' Affairs?

Ms Cosson: Through the budget process, some of the appropriation was provided to the Department of Human Services. We worked very closely with them to identify what that figure was in putting forward the budget proposals. The appropriation then goes into the Department of Human Services for the IT.

Senator GALLACHER: The money's allocated for the task—

Ms Cosson: That's right.

Senator GALLACHER: but it sits with Human Services?

Ms Cosson: That's correct. They report back to us regularly on how they're travelling with the spend. If there's potential for underspend, they certainly let us know, and we reallocate that funding for other priorities in Veterans' systems.

Senator GALLACHER: Thanks very much for that. If I can move on to another topic—

Senator MOORE: Can I just ask a question about gender analysis. Ms Cosson, I just want to ask one question about the preparation of your budget statement. I was talking with the Office for Women last night, and they were talking about the gender analysis process and how they provided training across the service to all departments so that doing a gender analysis of proposals was now widespread. Is that an element in the development of the budget response and the budget process in DVA?

Ms Cosson: Not that I'm aware of, Senator, but I'll check for you. But it certainly hasn't come to my attention.

Senator MOORE: I'm just following up. That'd be good. Thank you.

Senator GALLACHER: If I can go to Villers-Bretonneux—

Senator MOORE: I wish you could!

Senator GALLACHER: what time is dawn in Villers-Bretonneux now?

Ms Cosson: Our Anzac Day services will be at dawn.

Senator MOORE: Whatever time that is there.

Ms Cosson: Whatever time it is.
Senator GALLACHER: Can we just go to the process. We had a response from an FOI request, No. 27264. In the FOI, the minister originally didn't approve the proposal to change Anzac Day services to 10 am?

Ms Cosson: He didn't approve; he wished to have a conversation with us. What he was seeking from us was what level of consultation we'd had and whether the French authorities and tour operators were happy with it. But he was also keen to explore, if we weren't going to have a dawn service, whether one of the local towns would have a dawn service, if that's what they wanted to do. So he did not approve in the first instance; he wanted to have a conversation with the department.

Senator GALLACHER: So his gut instinct was no, but he was persuaded by the information provided to him?

Ms Cosson: Certainly, from our consultation, the French authorities and the majority of tour operators were very comfortable with the move. We had tested that at the Remembrance Day services, where we had a midmorning service. A number of the tour operators and local towns said that they preferred the midmorning, so we thought it was a better idea.

Senator GALLACHER: Clearly, that decision then resulted in some adverse media on the topic. Presumably the advisory councils to the Prime Minister that veterans associations are part of made representations? Is that how it works?

Ms Cosson: A lot of the consultation—we hadn't consulted with our local ex-service organisations here in Australia, and they were a little bit surprised, so they certainly made representation that their view would be that it was best held at dawn.

Senator GALLACHER: When was the Prime Minister consulted on the proposal? Did you brief—

Ms Cosson: I didn't brief the Prime Minister, no. We briefed our minister, and I don't know if our minister's office briefed the Prime Minister.

Senator GALLACHER: So this matter wouldn't have gone to cabinet?

Ms Cosson: Not the change in the service, no. It was meant to be just a pilot to test it.

Senator GALLACHER: Was the Prime Minister's department or office consulted or advised about the proposal?

Ms Cosson: Not by the department, no.

Senator GALLACHER: So how would the Prime Minister have become aware of it—similarly to most of us, by media?

Ms Cosson: Media, Senator, that's right. I think it was one or two of the tour operators who were very unhappy with the proposed changes and had done media.

Senator GALLACHER: I think your evidence is that you were listening to the community at Villers-Bretonneux, the people who attend, schools and associations, and that was a normal, respectful process. You briefed the minister. The minister made a decision. Did you learn anything out of this exercise?

Ms Cosson: Absolutely. I now try to have a fortnightly phone hook-up with the ex-service organisations just to make sure that, if we are considering any changes, I do consult with our community here at home.
Senator GALLACHER: Were there any cost implications of the government changing its mind?

Ms Cosson: We're certainly able to cover the cost through our commemorative appropriation. There is a slight difference from a dawn service to a midmorning, just for security and accessibility. For a dawn service, you have to be on site a lot earlier and close it down and do sweeps earlier. For cost, about half a million is the difference between a dawn and a midmorning service.

Senator GALLACHER: Was that raised at any point during your briefing with the minister?

Ms Cosson: It certainly wasn't one of the drivers, but we probably did mention that it would not cost as much to do a midmorning. But it wasn't one of the drivers, no.

Senator GALLACHER: As a result of the change back to dawn, you're now in a fortnightly briefing?

Ms Cosson: No. With the ex-service organisations, the lesson I learnt was about better consultation with our ESORT, but, in the delivery of the services in Villers-Bretonneux, we're continuing with our close collaboration with—

Senator GALLACHER: So you can assure the committee that, if there are any other proposals being considered by the government that would affect or alter longstanding practices around significant wartime events, there would be consultation and wide discussion on it?

Ms Cosson: Absolutely, Senator.

Senator GALLACHER: Thank you very much. Can I have a quick go at the DFRDB, the independent inquiry?

Ms Cosson: Yes, Senator.

Senator GALLACHER: What date was the decision made to announce an independent inquiry into the administration of the Defence Force Retirement and Death Benefits Scheme?

Ms Cosson: That's actually not in the department, but it's through Defence and the Commonwealth Superannuation Corporation, which are leading the inquiry. Our minister made the announcement, but I'm not too sure of the date. What I did was consult with the Ex-Service Organisation Round Table at our regular meeting on Tuesday, where we invited Defence and Comm Super Corporation to outline their proposal to undertake the independent review into the administration of the commutation element of DFRDB. Now, I believe, it's with Defence and Comm Super Corporation to initiate that review and raise the terms of reference.

Senator GALLACHER: So you're not really able to answer these questions about specifics of decision-making and timing?

Ms Cosson: No, I can't, Senator.

Senator GALLACHER: Okay. Can you just take us through the veterans card? I'm just trying to go between your written answer and anything that might not be covered. It's 160-odd days since the veterans card was announced?

Ms Cosson: That's correct.
Senator GALLACHER: Have we confirmed the number of businesses involved in the program?

Ms Cosson: At this stage, we've had over 70 express interest, and I think 47 have now confirmed that they would like to participate in the program. We can give you a sort of broad breakdown of the types of businesses, if you like. We're just finalising final announcements of the particular businesses that have signed up. We have, for example, food outlets, accommodation, travel, automotive, fuel—do you want to go through a few of those?

Mr McHardie: Yes. We have confirmed there are 47 businesses that are ready to go as of today. If the scheme were announced and launched today, we would have 47 businesses that are ready in all respects to start honouring the veterans card. As the secretary said, there is a wide and varied list of companies that have signed up to this, some in specific geographic areas throughout Australia, mainly where we have a large concentration of Defence members or veterans, all the way up to very large multinational corporations as well.

Senator GALLACHER: There are obviously some discounts out there as we speak. Is the department aware that some cinemas interstate offer free or reduced tickets to gold card holders? Are you aware of that sort of stuff?

Ms Cosson: Absolutely.

Senator GALLACHER: How will these discounts differ from the kinds of arrangements you're putting in place? Will they be consolidated?

Mr McHardie: Yes, we do aim to try to consolidate as much as possible. Some of these discounts are offered in geographic areas. It might be the local butcher or the local drycleaners. Some of those arrangements have been in place for some time. Some of them have been put forward via Defence, so Defence members have enjoyed these locally or nationally for some time as well. It's a matter of trying to bring all of those together. What we aim to do as we move forward on the DVA website, in the veterans card section, is to have the complete listing. As you can imagine, it's also made more complex by concessions as well—state based concessions—with things like transport, licences et cetera, and we're working closely with the state based veterans organisations as well to bring that all together in one place.

Senator GALLACHER: Is it correct that there is an $11 million cost for the refresh of all DVA cards?

Mr McHardie: The total program cost is $11.1 million for the complete program. We have a regular refresh program, what we call the global refresh of our healthcare cards, which are obviously being replaced by this scheme. Everyone will hold a veterans card rather than a health card. The next global refresh is happening next year. That $11.1 million is basically staffing and project management, business engagement, posting and printing, lapel pins and ICT development, so it encompasses more than just the cards.

Senator GALLACHER: Are you at the stage of a timetable for the rollout of those items under the $11 million refresh?

Mr McHardie: Yes, we are, Senator.

Senator GALLACHER: Can we get a copy of that perhaps?

Mr McHardie: Yes, we could.
**Senator GALLACHER:** On notice would be fine. I want to go to the allied health cuts and the Jesse Bird matter. These are just straightforward information-seeking questions. Allied health budget and the efficiencies, or the cut that has perhaps been made there. You told us that there was 8,100 DVA clients who saw a physiotherapist more than once a week, 6,800 DVA clients who saw an exercise physiologist more than once a week and 2,380 DVA clients who saw a podiatrist more than once a week. That seems to be quite a reasonable-sized cohort of people requiring quite frequent treatment. Can the department confirm there is no flexibility or exception granted to the allied health treatment cycle for those on these long-term treatment plans come 1 July?

**Ms Cosson:** My preference would be, Senator, if there are some exceptional cases, to look at them on a case-by-case basis to give this an opportunity to implement. What we could do is then, if necessary, look to reverse the measure or part of the measure if we find that it isn't actually delivering a better health outcome. But at this stage, without it being implemented, I have no evidence to show why we can't implement it.

**Senator GALLACHER:** Okay. There's no built-in flexibility or exception? You're going to put it in place and you're going to get the feedback and see how it goes?

**Ms Cosson:** Absolutely. And happy to work with the veterans if there are cases that somebody would like to raise for us to have a review—we can do that.

**Senator MOORE:** Case by case?

**Ms Cosson:** Absolutely.

**Senator GALLACHER:** Can the department confirm there is also no flexibility or exception granted to allied health treatment cycle changes for total and permanently incapacitated veterans?

**Ms Cosson:** At this stage we did have a look whether there was potential. I would have to find a different way to offset that to reverse it for the TPIs. We did some preliminary costing for that, and of that measure it would be $22 million to reverse out of that, which I'd have to then find from somewhere else.

**Senator GALLACHER:** Okay. Also, in respect of those on a special rate disability pension, you haven't made any specific provision prior?

**Ms Cosson:** No. That was factored in that $22 million that we looked at.

**Senator GALLACHER:** Okay. So there are around 17,280 DVA clients who see either a physiotherapist, exercise physiologist or podiatrist more than once a week, and those are your figures to us in answer to a question on notice. Even though you have 17,280 who very quickly will exceed the benchmark, there is no built-in ability to do anything other than enact on 1 July and see how it works?

**Ms Cosson:** That's right, Senator.

**Senator GALLACHER:** Would you be forecasting a review?

**Ms Cosson:** Absolutely. It is a pilot. With all our programs where we're looking at better ways to commission or pay for the providers and clinicians, we will always review it with all the programs.

**Senator GALLACHER:** So it will come in on 1 July. The first review would be when?
Mr Cormack: We'll be having a close look at it over the course of the first year. We'll be monitoring it and evaluating its impact over that course of time.

Senator GALLACHER: There are a number of organisations which were advised of raised concerns, being the Australian Podiatry Council, the Australian Dental Association, the Australian Psychological Society, the Australian Physiotherapy Association, Occupational Therapy Australia and the Royal College of General Practitioners. Are you able to give us a rundown of what the concerns are that they've raised with the department?

Mr Cormack: I think it's fair to say that this is a change in the way that they manage their business. I think most of them have been very constructive. They're seeking to find out more about how the measure will work. They'll be looking to how it impacts on the way that they operate their business. Whenever we introduce any new measure, we consult. We'll be listening very closely to the input from those groups.

Senator GALLACHER: What would the Australian Dental Association have said to you?

Mr Cormack: I don't have that specific information available. I can only comment on the themes that I've just mentioned.

Senator GALLACHER: Perhaps if I could ask on notice if there have been specific concerns raised by podiatry, dental, psychological, physiotherapy, occupational therapy and the Royal College of General Practitioners, to see if we can get a sense of whether there's a general or generic concern or whether they are individual association concerns.

Mr Cormack: We can certainly do that, Senator.

Senator GALLACHER: Does DVA fund allied health professionals to write reports?

Mr Cormack: Under our treatment programs they're paid against a schedule of fees for the delivery of a service. Just like the rest of the MBS, there's a fee for delivery of a service. In the other parts of our operations, in our claims and rehabilitation areas, there would be some contracted allied health professionals that are paid to provide reports, but that's a different type of service delivery.

Senator GALLACHER: Okay. I just want to touch on the issue of the card that people get when they—it arose out of the tragic circumstances with Mr Bird. There's a situation where a card is issued, which is sort of valid for 42 days?

Ms Cosson: That's the veteran payment that we implemented as a result of Jesse's passing. That veteran payment is for a veteran or a partner who has lodged a claim with us if they have a mental health condition and they need some financial support.

Senator GALLACHER: So it's like an interim payment?

Ms Cosson: It's an interim payment that we will continue. Legislation says 42 days, but we will actually continue to pay it without them needing to reapply while we process the claim.

Senator GALLACHER: I think that was the question: the legislation's saying that it goes for 42 days, but your claims process is quite often more than 42 days.

Ms Cosson: Absolutely, Senator.

Senator GALLACHER: How do you explain that to someone?
Ms Cosson: What we wanted to do when we looked at the 42 days was to encourage us to do it quicker, because a lot of our veterans, if they're in that situation, will want some certainty. We make every effort to process the claim as quickly as we can. But we do acknowledge that sometimes it's going to take us longer. We have provision, and we have provided that advice to all staff, where they're progressing a veteran's payment, that the veteran or partner does not have to reapply. They can stay on for as long as it takes to actually resolve their claim.

Senator GALLACHER: So you haven't had any concern about people becoming aware of the 42 days and thinking, 'Oh, I'm going to be in trouble here'?

Ms Cosson: No, because we do have some figures where the veterans, in some instances, have stayed for more than 42 days. We've got a couple that have been on for over 250 days.

Mr Cormack: That's right. Those that have had their claims determined—63 veterans were receiving the veteran payment for 42 days or fewer, and 92 for more than 42 days. This is a very targeted measure, and we keep a very close eye on these veterans. There are provisions available for us to extend that. As you can see, out of the 155 that I just outlined for you, we did so in 92 cases. We'll continue to monitor this very closely.

Senator GALLACHER: So it's an anomaly, really; it's not causing any problems?

Ms Cosson: No, it's not, Senator. And we've had over 500 veterans or partners go into this particular payment. If they need the help, we can provide them that support.

Senator GALLACHER: What is MyService?

Ms Cosson: MyService is part of our veteran-centric reform transformation, where we established the online claiming capability. We call it our digital front door, where veterans can go online, lodge a claim and, in some instances, get an immediate response and acceptance of their claim. To reduce the time it takes to process but also to reduce the burdensome paperwork that did exist, where they used to have to answer 40 questions—now they can go onto the digital MyService, answer three to seven questions and, as I said, in some instances get an immediate response to say their claim has been accepted.

Senator GALLACHER: How long have you had it?

Ms Cosson: We started to roll that out in year 1 of our transformation program. We've continued to evolve, in working with the veterans, families and ex-service community, to make sure it's the best it can be. We continually—

Senator GALLACHER: How long has it been in place?

Ms Cosson: Since 3 April 2017.

Senator GALLACHER: And, on cue, Senator Moore.

Senator MOORE: Sorry. Ms Cosson, I want to clarify an issue with MyService that has come up. In terms of a veteran who is part of a same-sex partnership and identifies as being same-sex married, are they able to access MyService?

Ms Cosson: Absolutely. MyService doesn't discriminate at all on gender or marital situation.

Senator MOORE: Is there anything when they apply where they have to identify? An issue has been raised about different IT systems, that the DHS system actually does accept the
code or statement of being in a marriage but the DVA one doesn't accept 'marriage'; it accepts 'partner'. That's the statement. I'm just wanting to put it up there—

  Ms Cosson: I'll have to have a look, Senator.

Senator MOORE: Could that be checked out? It has actually been raised as an issue. It sounds to me like it's about confusion, but it was a particular concern.

Ms Cosson: I'll certainly take that on notice, Senator, and have a look.

Senator MOORE: Thank you very much.

Senator GALLACHER: Chair, that concludes our examination of Veterans' Affairs.

CHAIR: That finishes the examination of Veterans' Affairs. I thank the minister, the secretary and departmental officials for their attendance.

Senator GALLACHER: Thanks very much for tabling these—

Senator MOORE: Very useful.

Proceedings suspended from 16:07 to 16:18
FOREIGN AFFAIRS AND TRADE PORTFOLIO

In attendance

Senator Payne, Minister for Foreign Affairs
Senator Birmingham, Minister for Trade, Tourism and Investment

Department of Foreign Affairs and Trade

Ms Frances Adamson, Secretary
Mr Daniel Sloper, Chief People Officer
Mr Paul Wood, Chief Finance Officer
Ms Suzanne McCourt, Assistant Secretary, Executive Branch
Ms Angela Robinson, Assistant Secretary, Executive Branch

Outcome 1: The advancement of Australia's international strategic, security and economic interests including through bilateral, regional and multilateral engagement on Australian government foreign, trade and international development policy priorities

Program 1.1: Foreign affairs and trade operations
Program 1.2: Official development assistance
Program 1.3: Official development assistance—multilateral replenishments
Program 1.4: Payments to international organisations
Program 1.5: New Colombo Plan—transforming regional relationships
Program 1.6: Public information services and public diplomacy
Program 1.7: Programs to promote Australia's international tourism interests

Ms Frances Adamson, Secretary
Mr Stephen Gee, Acting Executive Director, Australian Passport Office
Dr John Kalish, Assistant Secretary, Australian Safeguards and Non-Proliferation Office
Mr Andrew Todd, First Assistant Secretary, Consular and Crisis Management Division
Mrs Danielle Heinecke, Acting First Assistant Secretary, Contracting and Aid Management Division
Mr Daniel Sloper, Chief People Officer
Mr Paul Wood, Chief Finance Officer
Mr Luke Williams, Chief Security Officer
Ms Cate Rogers, Acting First Assistant Secretary, Development Policy Division
Ms Paula Ganly, Executive Director, Diplomatic Academy
Ms Cathy Raper, First Assistant Secretary, Europe and Latin America Division
Ms Suzanne McCourt, Assistant Secretary, Executive Branch
Ms Angela Robinson, Assistant Secretary, Executive Branch
Mr Jamie Isbister, First Assistant Secretary, Humanitarian, NGOs and Partnerships Division
Mr Tim Spackman, Chief Information Officer

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
Ms Lisa Wright, Assistant Secretary, innovationXchange
Ms Amanda Gorely, First Assistant Secretary, International Security Division
Mr Paul Foley, Ambassador for Counter-Terrorism, International Security Division
Mr Patrick Lawless, Assistant Secretary, People Smuggling and Human Trafficking Taskforce
Mr Cameron Archer, Assistant Secretary, Cyber Affairs
Mr Simon Newnham, First Assistant Secretary, Investment and Economic Division
Mr James Wiblin, Assistant Secretary, Investment Branch, Investment and Economic Division
Mr Tony Coles, Assistant Secretary, Office of Economic Analysis, Investment and Economic Division
Mr Guy O'Brien, Acting First Assistant Secretary, Legal Division
Mr Ben Milton, Assistant Secretary, Legal Division
Ms HK Yu, First Assistant Secretary, Middle East and Africa Division
Mr Chris Tinning, First Assistant Secretary and Chief Economist—Development, Multilateral Development and Finance Division
Mr Justin Lee, First Assistant Secretary, Multilateral Policy Division
Ms Amy Haddad, Assistant Secretary, Principal Gender Specialist, Gender Equality Branch, Multilateral Policy Division
Mr Patrick Suckling, Ambassador for the Environment
Mr Graham Fletcher, First Assistant Secretary, North Asia Division
Mr Robert Christie, Assistant Secretary, Office of Development Effectiveness
Mr George Mina, First Assistant Secretary, Office of Trade Negotiations
Ms Alison Burrows, Chief Negotiator, EU-FTA, Office of Trade Negotiations
Mr Kevin Nixon, Executive Director, Overseas Property Office
Mr James Gilling, First Assistant Secretary, Pacific Bilateral Division, Office of the Pacific
Ms Kathy Klugman, First Assistant Secretary, Pacific Strategy Division, Office of the Pacific
Mr Pablo Kang, Assistant Secretary, Pacific Infrastructure Branch, Pacific Strategy Division, Office of the Pacific
Ms Lyndall Sachs, Chief of Protocol, Protocol Branch
Mr James Baxter, First Assistant Secretary, Regional Trade Agreements Division
Ms Elizabeth Ward, Chief Negotiator, Regional Trade Agreements Division
Mr Todd Mercer, Assistant Secretary, FTA Policy and Implementation Branch, Regional Trade Agreements Division
Mr Lachlan Crews, Assistant Secretary, Trade and Investment Advocacy Branch, Regional Trade Agreements Division
Mr Jeremy Green, Assistant Secretary, FTA Services Branch, Regional Trade Agreements Division
Mr Andrew Byrne, First Assistant Secretary, Soft Power, Communications and Scholarships Division
Mr Adrian Lochrin, Assistant Secretary, Communications and Parliamentary Branch, Communications and Scholarships Division
Dr Lachlan Strahan, First Assistant Secretary, South and West Asia Division
Ms Julie Heckscher, First Assistant Secretary, Southeast Asia Division
Mr Philip Green, First Assistant Secretary, US and Indo-Pacific Strategy Division

Outcome 2: The protection and welfare of Australians abroad and access to secure international travel documentation through timely and responsive travel advice and consular and passport services in Australia and overseas

Program 2.1: Consular services

Program 2.2: Passport services

Outcome 3: A secure Australian government presence overseas through the provision of security services and information and communications technology infrastructure, and the management of the Commonwealth's overseas property estate

Program 3.1: Foreign affairs and trade security and IT

Program 3.2: Overseas property

Department of Foreign Affairs and Trade (trade programs)

Mr George Mina, First Assistant Secretary, Office of Trade Negotiations
Ms Alison Burrows, Chief Negotiator, EU-FTA, Office of Trade Negotiations
Mr James Baxter, First Assistant Secretary, Regional Trade Agreements Division
Ms Elizabeth Ward, Chief Negotiator, Regional Trade Agreements Division
Mr Todd Mercer, Assistant Secretary, FTA Policy and Implementation Branch, Regional Trade Agreements Division
Mr Lachlan Crews, Assistant Secretary, Trade and Investment Advocacy Branch, Regional Trade Agreements Division
Mr Jeremy Green, Assistant Secretary, FTA Services Branch, Regional Trade Agreements Division
Mr Simon Newnham, First Assistant Secretary, Investment and Economic Division
Mr James Wiblin, Assistant Secretary, Investment Branch, Investment and Economic Division
Mr Tony Coles, Assistant Secretary, Office of Economic Analysis, Investment and Economic Division

Austrade

Outcome 1: Contribute to Australia’s economic prosperity by promoting Australia’s export and other international economic interests through the provision of information, advice and services to business, associations, institutions and government.

Program 1.1: Promotion of Australia’s export and other international economic interests

Program 1.2: Programs to promote Australia’s export and other international economic interests

Dr Stephanie Fahey, Chief Executive Officer
Mr David Hazlehurst, Deputy Chief Executive Officer
Mr Tim Beresford, Deputy Chief Executive Officer
Mrs Kelly Ralston, Chief Client Officer
Mr Rob Donelly, Chief Operating Officer
Mr Jay Meek, Acting General Manager, Strategy and Business Transformation
Ms Jenny West, General Manager, Trade and Investment
Ms Sally Deane, Acting General Manager, Government and Partnerships
Mr Michael Koh, Acting Chief Finance Officer

Outcome 2: The protection and welfare of Australians abroad through timely and responsive consular and passport services in specific locations overseas.

Program 2.1: Consular and passport services

Dr Stephanie Fahey, Chief Executive Officer
Mr Rob Donelly, Chief Operating Officer

Department of Foreign Affairs and Trade

[16:18]

CHAIR (Senator Abetz): I welcome the Minister for Foreign Affairs, Senator the Hon. Marise Payne, and Ms Frances Adamson, Secretary, together with officers of the Department of Foreign Affairs and Trade. Minister, I understand there is no opening statement from you?

Senator Payne: No, thank you, Chair.

CHAIR: Secretary, I understand similarly from you. But there have been a number of answers tabled to the written questions from Senator Gallacher and, there being agreement, we’ll table those and incorporate them in Hansard. We will move to questions. Senator Wong is kicking off.

Senator WONG: I do have aid questions, but I'm actually going to start with Mr Sloper, if he's here, and Secretary Adamson in relation to Mr Hockey’s declaration of interest and the revision to the evidence and the inclusion of his answers. Mr Wood, before you go, are you able to table anything so we can have a look at it and I can ask questions of you, or not?
Mr Wood: Yes, that has been included in the return and response to Senator Gallacher's letter.

Senator WONG: No. The letter says it will be tabled. It says: 'It will be tabled in the normal way,' or something like that. So I'm asking if you could do that, then I'll look at it in the break—hopefully, after I've finished with Mr Sloper and the secretary. Okay?

Mr Wood: Short answer: yes, Senator.

Senator WONG: Thank you. Mr Sloper and Secretary Adamson, I asked a lot of questions on the last occasion about Mr Hockey and his involvement in facilitating a discussion between Helloworld, a company in which he had shares, and the relevant officers from post—and also were they Canberra based?—who were in Washington—no, just at the post—who dealt with travel. Subsequently, it is the case that the government went to an external procurement process in respect of that travel; correct?

Mr Sloper: Yes.

Senator WONG: You corrected your evidence, Mr Sloper. Do you want to perhaps explain that correction first?

Mr Sloper: Yes. I wrote to the committee to advise that, on reading through the transcript, I felt I had not been clear about the 14-day requirement when an individual's declaration of interest was perceived by them to have changed in regard to potential conflicts of interest. I think, in one response to a question, I'd said no and in another I'd said we expect people to make clear when a change occurs. And so I chose to write to the committee to clarify the policy.

Senator WONG: I don't mind people making mistakes and if you didn't remember it. But it isn't that you weren't clear; you actually contradicted what is the policy position.

Mr Sloper: I felt that I'd answered two different ways in the Hansard read-through.

Senator WONG: You said no.

Mr Sloper: I said no and then later I said we expect people to make it clear. And I realised that was not clear, and I wanted to clarify that to the committee.

Senator WONG: Were you aware at the time you gave the answers?

Mr Sloper: I wasn't aware at the time I gave the answer. I was aware of our policy; I wasn't aware of my misleading the committee.

Senator WONG: No. Stop. Let me finish the question. At the time you gave the answers, were you aware that there was a 14-day requirement for amendments?

Mr Sloper: I was aware.

Senator WONG: Why didn't you tell me that?

Mr Sloper: Because I was not aware that I'd answered—I incorrectly answered the question and, on reading through the transcript afterwards, had appreciated that I'd misled you.

Senator WONG: And I appreciate you being up-front with the committee. It was such a focus of the questioning, I just find it hard to understand how that couldn't have been disclosed.

Mr Sloper: Yes, Senator. I apologise.
Senator WONG: No, I'm not trying to—

Mr Sloper: No, I understand.

Senator WONG: You're not the person who's done the wrong thing here. You've also attached to that—thank you very much. If anybody from my office wants to come up and get Mr Wood's tables, they're here. Hopefully, they're hearing me! I've also received, and I wasn't clear about how it has come to us—I think it's because you've tabled it—a disclosure of Mr Hockey's interests.

Mr Sloper: That was disclosed in regard to a question I received on notice.

Senator WONG: Yes. So which answer is it?

Mr Sloper: Just bear with me.

Senator WONG: 2(a) or 2 or something like that? The reason is that I do want people to be able to find it. I've got a copy here, and I do have some questions about it.

Mr Sloper: Yes, it's attached in response to question on notice 2.

Senator WONG: Okay. Thank you—which is on the website.

Mr Sloper: I understand that's the case.

Senator WONG: First, it appears that Mr Hockey has amended this, and I think, in fact, that's your evidence in your letter. Were you aware at the time I asked you questions about this at the first hearing that Mr Hockey had amended his register of interests? Sorry, I apologise. It's called the disclosure of private, financial and other interests.

Mr Sloper: I was not aware at the time I presented evidence at the last hearings that there were three dates on the form. I referred to the first date, which is actually on the cover sheet of the form. Then, on return and reading through the Hansard and, again, looking at the form more closely, I realised there were three dates.

Senator WONG: Did you ask him about this?

Mr Sloper: I did ask Mr Hockey about that.

Senator WONG: He didn't volunteer this in your first discussion.

Mr Sloper: I didn't ask him at that point. I asked him subsequently.

Senator WONG: He didn't volunteer this in your first discussion.

Mr Sloper: No, Senator.

Senator WONG: So, just in terms of chronology, this form and the subsequent amendments were signed after the April meeting in question. That was the subject of previous questioning; correct?

Mr Sloper: Yes. The form was signed as part of our annual requirement to go to all heads of mission and SES asking that they complete a disclosure.

Senator WONG: So the chronology is that in April 2017—I'm not quite sure where the chronology is. I have it, but it's my head. I also have seen a document with the chronology in it. It's probably mine, not yours, Mr Sloper. In April 2017, there was a meeting that was facilitated, on the evidence, by Mr Hockey between, I think it was, two DFAT officers who had responsibility for procurement and—what was the position of the Helloworld representative?
Mr Sloper: I think he had two responsibilities. One was QBT and one was Helloworld, and he was a general manager.

Senator WONG: Was it only the one Helloworld representative?

Mr Sloper: My understanding is that that's the case.

Senator WONG: So that occurs in April, and then in May Mr Hockey signs a Disclosure of Private, Financial and Other Interests Form. I'll come back to the content of that, because I think there are some questions to be raised about that. But, as importantly, he also amends it on two occasions within a few weeks—is that correct?

Mr Sloper: That's correct.

Senator WONG: But he doesn't volunteer that to you when he's asked about it prior to the previous estimates?

Mr Sloper: My understanding, from talking to Ambassador Hockey, is that he gave careful consideration to the issues within that disclosure, and we received it after the final date.

Senator WONG: Sorry?

Mr Sloper: As you mentioned, there were three dates on the form. I've asked Ambassador Hockey about the three dates, and he's advised that he gave careful consideration to the form and therefore filled it out on three different occasions and dated it accordingly, and on conclusion of the last date is when we received it.

Senator WONG: Can you get the form in front of you, because I'm going to ask you questions from the document. Your letter to Ms Beverley says he signed different sections.

You said, 'On review following the hearing, I found Mr Hockey signed different sections of his 2017 Disclosure of Private, Financial and Other Interests Form on 9 May, 25 May and 30 May 2017.' Is that right?

Mr Sloper: That's right.

Senator WONG: The 9 May disclosure is on the front page—is that correct?

Mr Sloper: That's right.

Senator WONG: He signed it. There's also a handwritten amendment to the form itself which is initialled but not dated?

Mr Sloper: Do you mean on the right-hand side of the first page?

Senator WONG: That's correct.

Mr Sloper: Yes.

Senator WONG: Do you know when that occurred?

Mr Sloper: No, I don't, because there's no date other than '2017'.

Senator WONG: Did you ask him that?

Mr Sloper: I did not.
Senator WONG: And then there's a 30 May date on the next page.

Mr Sloper: On the bottom of page 2?

Senator WONG: That's correct. Where's the 25th?

Mr Sloper: On the top of page 4.

Senator WONG: So he's got 9 May, 30 May and 25 May?

Mr Sloper: That's right.

Senator WONG: Did he tell you why he kept changing the form?

Mr Sloper: As I mentioned just earlier, I asked him why there were three dates, and he said that was due to the careful consideration he gave to the contents of the form.

Senator WONG: Okay. I want to go to step 3. Step 1 is details; step 2 is category of staff; and step 3 is, in many ways, the operative part in relation to personal interests. There are three options—it's headed 'Private, Financial or Other Interests'. The first is:

I have no personal, financial or other interests that could or could be seen to influence the decisions or actions I am taking or the advice I am giving in connection with my official duties.

The second is:

I have personal, financial or other interests that could or could be seen to influence the decision or actions I am taking or advice I am giving in connection with my official duties.

The third is:

I have no personal, financial or other interests that could or could be seen to influence the decisions or actions I am taking or the advice I am giving in connection with my official duties. However, I have decided to provide my current personal, financial or other interests.

Now, it's a reasonably stringent set of options, which is consistent, Secretary, with your comment, I think, on the last occasion. I can't remember how you put it, but I think you said 'the expectation was the highest standards of behaviour'. I'm sorry, I haven't got the quote here, but you'll recall that. The options available to DFAT officers here are either that you have no interests that could or could be seen, you do have interests that could or could be seen, or you have none but you will still disclose anyway. They demonstrate a stringent standard. I think your quote was, 'We want our staff to ensure they're meeting the highest community expectations when it comes to their conduct.' The other interesting thing about this disclosure is it doesn't separate out a disclosure as to an interest that could or could be seen to influence. In other words, the test that you're applying is not causal—that is, 'could influence'—but it's 'could be seen to influence'; that is, it's a perception point. Is that correct?

Ms Adamson: In each of those step 3 cases, the 'could' or 'could be seen to' is listed.

Senator WONG: Yes, and my point about that, what I'm suggesting to you, is that the test that is implicit or, some would argue, explicit in that is not a causal test; that is, that could influence decisions or actions—not whether it in fact does but that it could be seen to, could be perceived to.

Ms Adamson: Yes, perception of conflict of interest. Anyone who works in the area of conflict of interest knows that it is an actual conflict or something that could be perceived as such, and that is the way we've chosen to express it.
Senator WONG: Which is an appropriate way. Mr Hockey has made a decision to sign the form and tick the box that says that he has no such interests but to strike out 'or could be seen to'.

Ms Adamson: Yes, he has.

Senator WONG: It's an interesting decision, isn't it?

CHAIR: That's an opinion, a rhetorical flourish by the senator which does not require an answer from departmental officials.

Senator WONG: Have you asked him why he did that?

Mr Sloper: Yes, I have.

Senator WONG: What did he say?

Mr Sloper: He advised that he crossed out 'could be seen to influence' on the basis that it could be seen as a judgement he could not be reasonably expected to have confidence in preventing others having.

Senator WONG: You've got to be kidding.

Mr Sloper: That's the advice he has provided.

Senator WONG: When did you have that conversation with him, Mr Sloper?

Mr Sloper: It would have been probably in the week after our last hearing, as I discovered the three dates in the form and returned it to him.

Senator WONG: Secretary, when did you become aware that he'd chosen to take that out?

Ms Adamson: When Mr Sloper told me, which was around the same time.

Senator WONG: The effect of that is that he is removing a certification that there is nothing about his interests which could give rise to a perception of a conflict of interest.

Ms Adamson: There are obviously a number of different ways of looking at this. You could also say that he chose very carefully his words and felt that he could absolutely certify that and no more. I don't know his mind on this, but Mr Sloper has had a number of conversations, and I think what he has just said clearly accurately reflects the way Ambassador Hockey characterises this and, when read with the fact that he thought about this and annotated it over a number of days, and alongside the conversations that he had with colleagues in Washington, he was clearly wanting to communicate, or to be open about, his interests in relation to this particular issue.

Senator WONG: The other way of looking at it is that he is saying, 'I can't actually tell you, Secretary Adamson, that I haven't got any interests that give rise to a perception of a conflict of interest, so I can't certify that.'

Ms Adamson: As I say, there are a range of ways of looking at it.

Senator WONG: Is it open to DFAT HOMs to do this, to just decide that they're going to alter the form in an operative sense? The issue here is not that he has added to it; he is actually removing his certification, his assertion, his guarantee or his declaration that he doesn't have anything which might give rise to a perception of a conflict of interest. That is not the standard that you expect.
Ms Adamson: I'm not aware of other heads of mission having chosen this course of action, but I'll ask Mr Sloper to confirm from his point of view also.

Mr Sloper: I'm not aware of other ambassadors or high commissioners making a similar annotation. I would add that the intent of our policy as expressed there is to ask individual officers, individual staff, to disclose the interest to the best of their knowledge based on their personal interests.

Senator WONG: Hang on, Mr Sloper. Please don't defend him. On the last occasion, you said this:

Annually each staff member has to declare a conflict of interest or perceived conflicts of interest, which is a disclosure of their private interests.

And what he's done is remove any declaration as to perceived conflict of interest. It is not consistent with the expectations that are demonstrated in the form and that you both articulated at the last estimates.

Ms Adamson: No, it's not.

Senator WONG: Thank you. Have you raised any concerns, Secretary, with Mr Hockey about this?

Ms Adamson: Mr Sloper has been in discussion with Ambassador Hockey. I had a conversation with him immediately after last estimates and I made clear, as I did to the committee, my expectations of our heads of mission—and it's not just my expectations; it's community expectations.

Senator WONG: Sure, of Australia's ambassador to Washington. There's a lot I could ask about this, but we've got a bit to do and we may be back here next Thursday, so we can have a long discussion about it then. Has Mr Hockey been advised by Mr Sloper or by you that this means of altering the declaration of interests is not appropriate or is not open to him?

Mr Sloper: I haven't advised him in those terms.

Senator WONG: What have you advised him?

Mr Sloper: I've advised him it's unusual to have annotated, I asked him why and, as I said, I'll relay that advice to you. We have looked again at our forms and our policy. The point I was trying to make before is that they are contingent at the moment on the interpretation of the individual about their personal circumstances, and so as a consequence of that we're looking to refresh our policy now.

Senator WONG: Sure, and that's good practice. But I think the secretary answered the point: the difference here is that he's actually changing the standard of disclosure by the annotation.

CHAIR: Well, that's an opinion.

Senator WONG: I think it's self-evident. Anyway, Mr Sloper, there were two points you corrected your evidence on. The first was the dates of Mr Hockey's disclosure, and we agreed they were the 9th, the 25th, and the 30th.

Mr Sloper: That's right.

Senator WONG: You also advised of the conduct and ethics manual at 5.2, which requires the disclosure within 14 days. I am a little confused as to the date. If we go to page 2,
you've redacted a fair bit, which I'm just going to have to trust you on. He's handwritten 'Shares in' and he's got a long list and you've redacted everything except 'HLO'. He says:

Helloworld owns QBT that does Australian government travel.

I'm confused as to when the date of that disclosure is.

**Mr Sloper**: That disclosure I've interpreted as being submitted as a whole, and I took it on the three dates you mentioned and the team that works to me received it after 30 May 2017.

**Senator WONG**: By the way, is the manual available online?

**Mr Sloper**: Yes.

**Senator WONG**: Is it your assessment that the 14-day window was complied with by Mr Hockey?

**Mr Sloper**: This returns to some of the questions and answers last time, if you could permit me, and I can clarify my evidence if it is not sufficient. Ambassador Hockey orally advised the department of his interests prior to the meeting with QBT on 27 April. He subsequently advised his staff again of that, and they relayed that to Canberra. At that time there was no commercial process underway. So, we consider that he notified his interests to us. The annual disclosure occurred later, as we've just talked about, and that was in response to a request by the department to all senior staff, heads of mission included, to put in their annual disclosures.

**Senator WONG**: So, is the answer that DFAT believes that the 14-day period was complied with, or not?

**Mr Sloper**: The answer is that there was no conflict of interest at that time, because there was not a commercial discussion or process underway.

**Senator WONG**: But it's also perceived conflict.

**Mr Sloper**: We judged that it was not necessary at that time for him to declare the disclosure of private financial or other interests within 14 days of the meeting.

**Senator WONG**: Okay. What do you understand by this annotation? He's gone to step 5, disclosure of private interests, and this demonstrates in fact why his annotation doesn't make sense. He should have ticked a different part of the form and not tried to dodge this 'could be seen to influence', because in fact at step 3, if he'd ticked the first box, he would not even be supposed to fill out step 5, and he's had to fill out step 5, because he does have interests that he needs to declare. Anyway, Sloppy, but—what do you think this bit means? He asked, 'Please list your or your family members' personal financial interests that could influence or could be seen to influence the decision or actions you take' et cetera and then it goes to the types of interest—real estate investments, shareholdings, trusts, nominees, companies et cetera.' He lists shares, a bunch of them redacted, and then HLO—is that Hello World?

**Mr Sloper**: Yes.

**Senator WONG**: And then he's got a little note that says, 'Perhaps all have some investments in USA businesses; I believe most do.' What does that mean? Who's 'all'? Is that family?

**Mr Sloper**: I assume the 'all' to refer to the list of equities and investments on the left that have been redacted. It's a comment on more than the Hello World shareholdings.
Senator WONG: Okay. That makes more sense. Has the minister been briefed on the disclosure?

Mr Sloper: I have not spoken to the minister about this issue.

Senator WONG: Has the minister been briefed on Mr Hockey's disclosure?

Senator Payne: Not specifically. I saw the disclosure in the preparation of the answer to the question.

Senator WONG: I want to go to the use of official residences. Secretary Adamson, clause 8.4 of the code of conduct for overseas service makes clear that you can't use the mission's address as that of your place of business, and in cases where the mission address is the sole address, household members should use a private PO box for carrying on private business. Is that correct?

Ms Adamson: Correct.

Senator WONG: Does that go to the residence as well, or only to the actual embassy? Can people use the residence for their private businesses?

Mr Sloper: I'm just cautious about what you mean by 'private business', but certainly ambassadors and heads of mission can use it for their family and other activities private to their own circumstances.

Senator WONG: What does that mean?

Mr Sloper: For example, certainly an ambassador could host an official dinner, but equally, if they have friends visiting, they're welcome to stay at their residence, and they can host dinners for them and other friends they may have in a private capacity. That reflects that it's their primary residence during the posting.

Senator WONG: Sure. But we're talking about business. I'll read 8.4: 'An employee must take all reasonable steps to ensure that any activities by a member of his or her household who is carrying on a private gainful occupation do not give rise to a conflict or a perception of conflict between the official duty of the employee in the private interest of either the person or the member of his or her household.' Would it be appropriate, therefore, for example, for a family business to have as its registered address the Australian ambassador's residence in Washington?

Mr Sloper: We're talking hypotheticals, I think, but it may not be the case. I'm cautious, but I'm not aware of a family business being registered there—

Senator WONG: Why don't you just answer the question?

Mr Sloper: but I don't think it would be appropriate.

Senator WONG: I have an ASIC extract for SAI Global, which has Mr Hockey as a director, and the registered business is 3120 Cleveland Avenue NW Washington DC United States. Are you aware of this, Secretary?

Ms Adamson: No, Senator.

Senator WONG: Would you like a copy?

Ms Adamson: Yes, please, Senator.

Senator WONG: Sorry, I've only got the one copy—I apologise.
Ms Adamson: I'm sure the committee can copy it, Senator.

Senator Wong: I'm just trying to see if there are any other entities which have the same—there's also Rahbah Pty Ltd, which has 3120 Cleveland Ave. I want to go back to this, Chair, so do you want to go to someone else while they're copying it? I can flick to another topic, or we can all sit here in breathless silence.

Chair: I'm more than happy to take over some questioning.

Senator Wong: I figure I'd get some of the Eric Abetz ones out of the way!

Chair: Well, thank you very much. Can I request an update of the implementation of our strategy on the abolition of the death penalty, please? I understand that was released in October last year and, if I recall, I was up there with the minister, and it's something I have had an interest in. And how are our posts putting this strategy into practice?

Mr Lee: Yes, it's correct that you said that the strategy was launched by the minister on 15 October last year. We've been very active in taking that forward. You mentioned our posts. We, as part of the strategy, have asked our posts to develop bilateral strategies in countries which still have the death penalty. At this point, 30 of our posts have completed those bilateral strategies.

Chair: And what does that bilateral strategy involve? Telling the host country that we disagree and then stop or—

Mr Lee: We've asked the posts to do a number of things under the strategy, and the strategy is available. We've asked the posts to increase their reporting on the death penalty—that's been a particularly important element to be monitoring closely our developments.

Chair: Sorry, to interrupt, but that's in those societies where it's actually known to occur—for example, like in the United States? Whereas in China, we wouldn't be so much aware of how often the death penalty is applied.

Mr Lee: That's right, and it's getting a sense of the status of the death penalty in those countries. In some countries, while it's still on the books in the country, there have been moratoria in place but, on occasions, those moratoria have been lifted or may be being close to being lifted. Having an understanding of where the countries are up to in the implementation and the use of the death penalty is important but also looking at what's possible to be achieved in relation to the representations that we make on the death penalty, so in some cases it may not be outright abolition that's the most achievable in the short term. In some cases, it may be that we are looking to encourage foreign governments to reduce the application of the death penalty.

Chair: So it's certain offences where it should no longer apply.

Mr Lee: That's right, so where the—

Chair: Would that apply to our strategy, for example, in Brunei where there has some media attention in relation to a practice of the death penalty via stoning for certain practices. Have we made strong representations there?

Mr Lee: I won't comment specifically on the representations that we have made. Certainly we have made representations on the death penalty in Brunei, and I will ask our colleagues from Southeast Asia Division, who are leading on the implementation of the representations. But, prior to the most recent announcements from the Brunei government, there has been a
strategy prepared on how we can approach the death penalty in Brunei. Clearly now, in addition to representations that have been made most recently, we'll need to continue to look at the opportunities to make strong representations, both bilaterally and in multilateral fora, on Brunei.

CHAIR: Talking about multilateral, are we doing anything in the United Nations Human Rights Council?

Mr Lee: We are there as well. It's been a strong commitment of our policy pillars in the Human Rights Council to continue to advocate for the abolition of the death penalty. We've supported a number of the multilateral initiatives that are occurring. We've become a member of the international anti-death-penalty alliance, which is promoting ratification of the Second Optional Protocol to the International Covenant on Civil and Political Rights.

CHAIR: How many countries are members of that, out of interest?

Mr Lee: I don't have that in front of me.

CHAIR: Could you take that on notice, with no urgency.

Mr Lee: I can get back to you in this session on that. We've also become a full member of the support group of the International Commission against the Death Penalty. That supports particular commissioners who advocate for the abolition of the death penalty. So we've supported that initiative as well. Also, we've set up a death penalty consultative group here in Australia, in Canberra, and we have a number of members on that group. We had our first meeting back in February. We have Amnesty International, the Castan Centre for Human Rights Law, the Law Council of Australia and Reprieve on that so that we can coordinate our efforts with civil society as well.

Going back to multilateral, there are a number of general resolutions on the death penalty that we have supported historically and will continue to support. The General Assembly considers a biannual resolution calling for a moratorium on the use of the death penalty, and Australia negotiates the text on that and also does outreach to attract co-sponsors and votes for it. That was last passed in 2018 with an increased number of votes in favour, so it's something that Australia has been very active on. Similarly, in September 2017, we co-sponsored the Human Rights Council's biannual resolution focused on the human rights impacts of the death penalty. That will be coming up again later this year. Again, it was adopted with 27 votes in favour and 13 against back in 2017. So we're utilising both the—

CHAIR: Can you tell us who those 13 votes against were, on notice?

Mr Lee: I can provide that.

CHAIR: Is there an example that you those 13 votes against were, on notice?

Mr Lee: I can provide that.

CHAIR: Is there an example that you can point to where a country, as a result of representations by us and possibly by others as well, has agreed to either remove or put a moratorium on the use of the death penalty or decided not to apply the death penalty for certain offences? Is there anything material that we can point to at this stage?

Mr Lee: To be frank, I think it's always going to be difficult to get that attribution in terms of what we do and what outcomes are achieved in particular countries, but there has been some good—or reasonable—news internationally. It's always a very difficult—

CHAIR: Can you give us some of those examples of the good news.

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
Mr Lee: Malaysia is an example. Although the final position that Malaysia had taken has been wound back somewhat from what it had originally indicated it was going to do on the death penalty—I think it has now gone back to a reduced application of the death penalty rather than moving to an entire abolition—there's been some good news there. Even in Iran—and I know we mentioned this at previous hearings. Iran remains very bad on the death penalty, in the sense that it has a large number of executions, but there was some small effort to reduce the application in relation to drug offences in terms of the quantity of drugs being carried that attract the death penalty. But that's coming off a very poor base and has a long way to go. Again, I wouldn't say that's necessarily a result of our representations.

CHAIR: Did you said we had 30 posts?

Mr Lee: So far we have completed 30 strategies.

CHAIR: Do those 30 strategies relate to 30 separate countries?

Mr Lee: That's correct.

CHAIR: Are there any countries in those 30 who have refused to engage with us at all about the issue?

Mr Lee: Not that I'm aware of.

CHAIR: So how are we going with China? I understand our human rights dialogue has been suspended for four or five years now? Is that correct? What's my memory like on that—good, bad or indifferent?

Mr Lee: I can check that. I will just check my notes.

CHAIR: It's four years, I've just been told. So I hit the jackpot. I do listen sometimes when officials give evidence at hearings! So are we engaging at all with China on the death penalty, apart from the fact they are not engaging with us in the human rights dialogue?

Mr Lee: That's correct. We continue to have bilateral representations to China on human rights.

CHAIR: Wait a minute: I thought they had suspended the discussions for four years now.

Mr Lee: That's the formal bilateral human rights dialogue.

CHAIR: So that’s the formal dialogue, but we have an informal—

Mr Lee: There is a standalone dialogue—

CHAIR: The dark arts of foreign affairs! All right. So we are engaged in at least some dialogue with our Chinese counterparts?

Mr Lee: On human rights?

CHAIR: Yes.

Mr Lee: Yes.

CHAIR: Is the death penalty included in that?

Mr Lee: Certainly in the multilateral fora we have in the UPR with China the death penalty was mentioned.

CHAIR: The UPR?

Mr Lee: The Universal Periodic Review, which is the Human Rights Council's review of countries' human rights performances. There are a range of issues that Australia raised. The
minister in her visit to the Human Rights Council as well raised the human rights situation in China. In the Universal Periodic Review, Australia had an opportunity to comment and we raised the death penalty in that context.

CHAIR: Thank you.

Senator WONG: I am just quickly following up to enable the secretary to respond to the document. Do you have any response, Secretary?

Ms Adamson: I've had a quick look at this document. I have to say the details in it and the significance of them are not something that I am personally familiar with or have professionally encountered. In order to express a considered view, I would have to get advice about what it actually means. I would also, as always, want to give Ambassador Hockey an opportunity to explain to us what this means. I do point out—and it is simply a fact I know from my own experience—that the DFAT code of conduct for overseas services, as you rightly point out, in paragraph 8.4 says that staff:

… must not use the mission’s address as that of their place of business. In cases where the mission address is the sole address, household members should use a private PO Box for carrying on a private business.

Obviously there are some addresses here, but there are no postbox addresses. My assumption is that for this document postbox addresses do not suffice, as I think those serving overseas often encounter. But, beyond that, I would need to have it looked at. I would need to ask Ambassador Hockey what it means.

Senator WONG: We can talk about it on Thursday, I suppose. I will make a couple of points. One is that I assume it is open to people to use accountants or lawyers as registered addresses for business. The second is that, whilst I accept that you may not have looked at an ASIC extract for some time—I certainly haven't; they've changed in the years since I was a lawyer—there are two companies which have as their registered address the residence. The companies are Xai Family Pty Ltd and also Rahbah Pty Ltd. Mr Hockey is identified as a director for the latter and has been previously been the secretary. I appreciate that you wish to have the opportunity, which is a reasonable one, to understand the import of the content of the document and to have Mr Hockey's version of events. I would put it to you that it is not a good look to have Australia's ambassador in Washington having, as a registered address for a business, the mission for the residence. Do you think it's a good look?

CHAIR: Can I just get some clarification on this documentation? There are four pages that I've been given. The first page talks about 'personal/current' and it's about 'Joseph Hockey'. It says 'current role in the organisation' and his address, so where he is. I'm not sure whether that necessarily—and I don't have all of the documentation—translates to that being the registered office of this particular company. Whereas, if that is where Mr Hockey is living for the time being, then he has to state, as a director of this company, that that is where he's living.

Senator WONG: That may be the case.

CHAIR: I am not asserting, Senator Wong, that—

Senator WONG: I might have read it a certain way, given that it's under the company and it has two companies.

CHAIR: But it is under personal—
Senator WONG: But if you look at the next page. Look, I'm going to be—

CHAIR: Let's just be careful.

Senator Payne: The secretary has said that she wishes to check on these matters. I think that's entirely appropriate.

Senator WONG: I'm not going to press this. I have raised the concern. I accept the secretary's request or indication about how she wants to handle it. I would make the point that we've had a number of issues, in these hearings, about Mr Hockey's conduct and today the declaration of interests, where I think he has effectively applied a lower standard to himself by way of annotation, which I have expressed concerns about. I think the secretary has made an appropriate comment about that. We then have, in relation to this, an address, which is the residence's address. But I accept that the secretary wants to go and have a look at that. I'm happy to leave that now and hand over to Senator Rice. Thank you, Chair.

CHAIR: We will go to Senator Rice. There is about 20 minutes, so about 25 past five.

Senator RICE: I just wanted to start with the situation in Brunei, the very disturbing situation with their new sharia law, and particularly the way those laws are targeting LGBTQ people. Yesterday, I wrote to Minister Payne asking you, Minister, to urgently consider how the government can pressure Brunei to revoke these laws, including the possibility of working with other nations on an UN resolution condemning the Brunei government's actions. To start, what actions has the government taken so far?

Ms Heckscher: First of all, of course, we are extremely concerned about the situation in Brunei and the rollout of the final phase of sharia law there, as from Wednesday. We have expressed that concern directly in Brunei, as well as through statements on this end, including by the Foreign Minister.

Senator RICE: In terms of 'expressing your concern in Brunei', how has that been undertaken?

Ms Heckscher: Apologies, I'm just bringing up the exact dates. We had conveyed, in fact, to the Brunei government our strong opposition to the new measures when they were first announced. When Brunei announced and then implemented the first phase of its sharia law back in 2014, we expressed our concerns way back then and our hope that the Brunei government would actually consider how it implemented the rollout of its sharia law to ensure that it complied with international human rights conventions and standards. We requested at that time that it reconsider the use of the corporal and capital punishments.

After that, Brunei went before the United Nations Human Rights Council for its universal periodic review. That was in mid-2014. Again, we—alongside other countries—raised very strongly our concerns with things that had been foreshadowed that would be ruled out in later phases. Right from the beginning, we expressed these concerns. In this next stage of the sharia penal code, which began on 3 April, ahead of those being implemented, we expressed our concerns through the high commissioner in Brunei, raising those concerns on a number of occasions, including in February 2019.

Senator RICE: They were meetings with the high commissioner?

Ms Heckscher: Yes.

Senator RICE: Who did the high commissioner meet with?
Ms Heckscher: The high commissioner met the permanent secretary of Brunei's Ministry of Foreign Affairs. The Foreign Minister has written and has made clear, through media statements as well, our opposition. I have also sent a message to the high commissioner here in Canberra. This is something on which we will continue to be engaged. The UPR—which I'm quite happy to hand across to my colleague from the multilateral policy division—for Brunei is coming up in May. That will clearly be an opportunity for a direct discussion about elements of the sharia penal code which we oppose and which we have said quite clearly and firmly are inappropriate and not acceptable.

Senator RICE: Have we met with the high commissioner here?

Ms Heckscher: With the high commissioner since then?

Senator RICE: Yes.

Ms Heckscher: No, although I have communicated with the high commissioner.

Senator RICE: Is there a plan to be a meet? Have you requested a meeting with the high commissioner here?

Ms Heckscher: On engaging with the high commissioner here, I will actually be seeing the high commissioner next week. But we have ongoing contact with the high commission here.

Senator RICE: Minister, have you made any personal deputations to Brunei?

Senator Payne: I wrote to the Brunei foreign minister specifically on this issue last week. I've clearly stated my views and the views of the government on the public record both via an interview at a media conference and in social media.

Senator RICE: Have you had any comfort from the representations that you have made to Brunei up until now?

Senator Payne: No.

Senator RICE: What further action is planned to be taken, then? Particularly, is there a plan for joining with other countries in international action, which would seem to be the next way forward?

Ms Heckscher: As you would expect, we are in contact with other countries in Brunei, in particular. Our high commissioner has been talking to all of the countries that you would expect our high commissioner to be talking to, including to work out what is possible and to talk about what options there might be, including through the UPR process, which is coming up quite soon.

Senator RICE: The UPR process is the—


Senator RICE: Do you expect that there will be potential for action before that UPR?

Ms Heckscher: We will continue engaging on it. It was rolled out on 3 April. As I mentioned before, we raised significant serious concerns since 2014, when this was first flagged, and we will continue to engage with Brunei and with all of our partners to consider what action we can possibly take.

Senator RICE: I know that within Europe, Asia and the Americas there are regional human rights bodies, but there isn't such a body in the Asia-Pacific. Will this be a prompt for
Australia to potentially encourage the formation of such a body in the Asia-Pacific to promote and protect human rights?

**Ms Heckscher:** Well, there is a body called the ASEAN Intergovernmental Commission on Human Rights. AICHR is its acronym. It does engage on human rights issues within the ASEAN region, but I don't think that's the kind of body you are referring to.

**Senator RICE:** No. What action is that body taking on this—

**Ms Heckscher:** I'm not aware of any action it's taking on this.

**Senator RICE:** It's not the same body monitoring compliance with international human rights standards?

**Ms Heckscher:** No.

**Senator RICE:** Is that something Australia has considered advocating for with other countries in the region?

**Ms Heckscher:** We have a number of bilateral human rights dialogues. It's fair to say, as you are aware, that there are very different human rights situations and concerns in each country across the region. The approach we take is the one that we think, after carefully consideration with our ambassadors and high commissioners in the region, is most likely to be effective, including where there are risks to individuals. We take those into account. There's no one-size-fits-all approach we can roll out exactly across the region. We have, for example, very robust human rights dialogues with Vietnam and Laos. In my thinking there might be other specific countries in the region with which we could consider that kind of approach. Sometimes you make best progress on these things behind closed doors. You're more likely to have a frank conversation. In some countries it's not that way.

**Senator RICE:** From your response to my question previously, it doesn't seem that those deputations behind closed doors have achieved very much in the case of Brunei so far. It seems other approaches need to be taken.

**Mr Lee:** Ms Heckscher mentioned the Universal Periodic Review. We see that as the next major multilateral opportunity to raise this issue. We just concluded a session of the Human Rights Council prior to this confirmation of announcement. In the lead-up to considering what we would put in our comments about a human rights situation in a country such as Brunei, we do quite extensive consultation with other like-minded countries to see what they are doing, so there'll be quite a lot of discussion. You mentioned what cooperation we'd have with other countries. We would be speaking to other countries about that. We will then have to look at what other opportunities are available to us. The announcement was not that long ago. There would be other potential opportunities to work with other countries on this in some of the fora. There'll be another session of the full Human Rights Council but not for some period of time, not until June, so we will look for multilateral opportunities to discuss the issue, but the UPR is the first one.

**Senator RICE:** I look forward to hearing what opportunities you may have availed yourself of at next estimates. Will LGBTQ+ people from Brunei now be afforded asylum in Australia as a result of the serious risk to their lives resulting from these laws?

**Ms Heckscher:** I couldn't answer that question. I think it would be answered by a different portfolio.
Senator RICE: Minister, should LGBTIQ+ people be afforded asylum in Australia?
Senator Payne: That is not a matter for the Department of Foreign Affairs and Trade, as you know.

Senator RICE: The travel advice, which I note has been upgraded, is currently advising Australians to exercise normal safety precautions in Brunei. To me this seems not to go far enough to protect the safety of LGBTIQ+ Australians, given they are subject to laws that will punish homosexual activity with death if they visit Brunei or even potentially board a Brunei registered aircraft.

Mr Todd: Our travel advice is designed to reflect the overall level of risk to Australian travellers anywhere in the world. We updated our language in our travel advice to advise all Australian travellers of the introduction of sharia law and what it might mean to them as a traveller. We don't believe it necessarily requires a change to the total level of the travel advice to Brunei.

Senator RICE: Is there anything specific for LGBTQ+ people in your travel advice?
Mr Todd: There are two aspects on our Smartraveller website. One is a standalone travel advice page for LGBTI travellers that draws their attention to a range of issues we think they should be alert to. In country-specific information across our 157 travel advisories we also have specific information we believe is important for the LGBTI community. We updated our travel advice for Brunei on 27 March to advise that, from 3 April 2019, the full implementation of sharia law would take effect. We advised Australian travellers whom that law would apply to and when it would apply, including when transiting and when on Brunei registered aircraft and vessels. We also advised Australian travellers that, under the code, certain offences can attract a range of punishments, while others attract more severe punishments, including the death penalty.

Senator WONG: Can I just check something and follow up on that?
Senator RICE: I just wanted to follow up, particularly given the fact that—

Senator WONG: It's called courtesy, Janet. We often do that in this committee. I have just one question.
CHAIR: I like it when there's a spat between the Labor Party and the Greens.
Senator RICE: I'm happy for you to, Penny.
Senator WONG: I have an extract here which indicates 27 March. It has the sharia penal code. Then there is the LGBTI travellers extract. Is that also referenced in the Brunei Smartraveller website or do you have to link to the LGBTI? You have a particular paragraph which references the introduction of the sharia code, 'Offences that attract the death penalty include'—then it says 'LGBTI travellers' and has a general proposition.

Mr Todd: In the section in Brunei's travel advice under 'Laws' we advise Australian travellers that certain activities are illegal. We reference homosexual activity and refer travellers to more information. There's a direct hyperlink to that specific page.

Senator WONG: Shouldn't you should warn LGBTI Australians of the higher level of risk as a consequence?
Mr Todd: Our travel advice reflects the overall level of risk to all Australian travellers. We do have a capacity within our travel advice to make reference to specific risks to
particular groups or issues or a health issue. We believe the references and the update we made, the prominence we have given it on the travel advice page, and how that information would be pushed out to interested travellers on our social media, for example—

Senator WONG: That's fine, I'll come back to you after the senator has finished. Thank you.

Senator RICE: The other particular risk people may not be aware of is the fact that sharia law applies on Royal Brunei aircraft as well, even in Australia, on. Do you feel your travel advice goes far enough in that regard? Minister, would the government consider banning Royal Brunei Airlines from landing in Australia, given this is basically the importation of sharia law into Australian airspace?

Mr Todd: I can't answer questions about airline registration, but I can advise that our travel advice makes it very explicit where sharia law applies. We do note that it applies even when transiting or on Brunei registered aircraft and vessels. That's made clear in our travel advice.

Senator RICE: Brunei is the only country to have landing rights in Australia with laws that allow for the execution of LGBT people. Is the government considering banning those Royal Brunei flights from Australia?

Ms Heckscher: At this stage we are considering the options for what further action we might take. I can't give you any answer to that question.

Senator Payne: I think that around the world there are aspects of laws in multiple countries with which we strongly, emphatically disagree. We've already discussed the death penalty here today. I have explicitly spelt out my view on this matter and the government's view on this matter. Of course, the passage of airlines into and out of Australia is dealt with through Mr McCormack's portfolio, but it is, I think, a proposition which government would consider in the full suite of options, as Ms Heckscher has referred to. But it is not under current consideration.

I would like to offer to provide you with further information, in terms of our broader activities as well in the Equal Rights Coalition and in a number of other Human Rights Council activities, on the particular specifics of LGBTIQ discrimination—and worse—in terms of our advocacy. On this matter, we will continue to consider the options that are available to us, to express our views to Brunei and to make it very clear that these are not laws which Australia can support in any way, shape or form.

Senator RICE: I know that there are laws, that's right, of countries that we don't agree with whose airlines fly into Australia. But the fact that Brunei is the only country that has landing rights in Australia that explicitly says it will execute LGBT people—does that make a difference?

Senator Payne: The laws of a range of countries around the world, as I have said, are very explicit in the way in which they approach the implementation of their own criminal laws. This is one of the more extreme examples, and the government will take into account all of those factors in making any decisions.

Senator RICE: In the short time I've got left, I want to move from Brunei to the Uygurs in China and following up on my questioning, and Senator Di Natale's questioning, at last estimates about where we're currently at with representations to China on the imprisonment of
over one million Uyghurs in Xinjiang. At last estimates Senator Di Natale asked what we were doing. You said you were considering the 'next steps'. I'm interested to know what those next steps are.

I also want to table an article that was on SBS, online, just a couple of days ago. It talked about the Chinese mission in Geneva sending a letter to a number of missions, urging them to stay away from a UN sponsored event that was on the sidelines of the Chinese Universal Periodic Review, and ask whether Australia received that letter and what our actions were, if we did indeed receive that letter.

Mr Fletcher: We did attend the event. A counsellor from the mission in Geneva attended the event that was arranged by the US.

Senator RICE: But did we receive the letter from China?

Mr Fletcher: I'll have to take that on notice. I don't know if we did. We certainly knew that China was not in favour of the event occurring, but we felt it was important, given our interest in the issue and our serious concerns about what's happening in Xinjiang.

Senator RICE: So you knew China was putting pressure on countries not to attend the event?

Mr Fletcher: China makes representations about activity—events in that setting, yes.

Ms Adamson: We'll try and get an answer for you before the end of the day.

Senator RICE: Thank you, that would be good. So what are the steps that Australia is currently taking, and what are the current numbers, in terms of Australian permanent residents and any Australian citizens that are currently detained, as far as you know, in Xinjiang?

Mr Fletcher: There are steps we're taking. We've made direct representation to the Chinese government at a senior level and on a number of occasions. Publicly, we have made clear our serious concerns about the situation. The foreign minister was in Geneva at the Human Rights Council. And separately, in September last year, November and in March we have also made public statements at the Human Rights Council in Geneva on our concerns about that situation. In relation to Australian citizens, we don't have any information about Australian citizens who are detained.

Senator RICE: There is a media report, I know, of an 18-month-old baby that is an Australian citizen and that was certainly detained with their mother.

Mr Fletcher: I'll leave my colleague from Consular to answer that question.

Mr Todd: The department is providing consular assistance to the family of an Australian child currently living in China with his Chinese mother. We are in regular contact with his father in Australia, and we have spoken to the mother in China to check on their welfare. This case is receiving very, very close attention both here in Canberra and at our post in Beijing. It's a very sensitive and complex matter, which has been acknowledged by the next of kin, their lawyer and a number of academics in the media. DFAT will continue to work very closely with the family to provide the necessary assistance.

By way of information, the baby was granted Australian citizenship by descent on 4 February this year. He does not yet have an Australian travel document and his family will need to apply for an Australian passport. His mother remains a Chinese citizen, and the matter of her future status is a matter for another department.
Senator RICE: Are there other Australian permanent residents or citizens that you're providing consular assistance to?

Mr Todd: Not in that particular set of circumstances, no. That's the only person we're aware of.

Senator RICE: Do you know the number of Australian permanent residents that are currently still being detained, and whether there are international efforts? Given our representations, what global pressure can be applied to China?

Mr Todd: In terms of global pressure and the broader issue, Mr Fletcher might be able to respond to that.

Mr Fletcher: I have said previously that we don't have confirmation of any Australian permanent residents being detained in Xinjiang. In relation to the event in Geneva, I can confirm that we did receive a third-person note from the Chinese mission about that side event hosted by the United States.

CHAIR: Whilst we're on matters Chinese, can I quickly ask DFAT about exit bans in China and how many Australians are affected and for what time periods? Is that readily available?

Mr Todd: Sorry, Senator?

CHAIR: Exit bans, as in not allowing people to leave the country.

Mr Todd: We certainly are aware of those provisions and make very clear, in DFAT's travel advice—

CHAIR: The question is: how many, if any, Australians are currently so detained, and for what period of time?

Mr Todd: I don't have those figures with me.

CHAIR: You can take it on notice.

Mr Todd: We would certainly be prepared to take it on notice. We probably won't be able to get that to you this evening, but we are happy to take it on notice.

CHAIR: That's fine. I want to quickly return to the matter that Senator Wong was canvassing before we switched. Can somebody confirm to me that the address of our Australian Embassy in the United States is 1601 Massachusetts Avenue, Washington?

Ms Adamson: Yes; that's correct.

CHAIR: Is the address that has been referred to, 3120 Cleveland Avenue NW—I don't know if that is North-West—Washington DC, the ambassador's residence?

Ms Adamson: That's correct.

CHAIR: The next thing is—and I would invite comment, so I don't give evidence: in the event that Foreign Affairs or anybody else were to do an ASIC search, they might find that the two companies about which we're talking have registered offices in Sydney and in Northbridge in New South Wales. So the companies have their registered offices not at the ambassador's residence but in Sydney.

Senator WONG: Does he want to explain, given you're talking to him, why he decided to strike out that provision form so a lower standard of disclosure applied to him, Senator?
CHAIR: You see, Senator Wong, all this information is publicly available. I have not spoken to Ambassador Hockey for some time, unfortunately. I miss his company.

Senator WONG: Can I have the call?
CHAIR: Yes.

Senator WONG: Thank you; I appreciate that. Can I go back to Brunei, please. Ms Heckscher, this may or may not have been canvassed. These laws were first flagged in 2013 and there was an international outcry, an international reaction, and they were not proceeded with at that stage. When did the department first become aware that that decision to not proceed with these laws was being reversed and that there was a flagging that they intended to implement these laws?

Ms Heckscher: I will take that on notice and get back to you. I think there was some hope, frankly, that they would not be proceeded with. My recollection, but I will need to check, is that sometime late last year, or perhaps early this year, there was an indication that they were going to proceed but it was not made very public. I will need to check.

Senator WONG: That is what I'm flagging. I can accept that there may be a judgement to a point that the best way to try to press the case that they not be given—that what was averted in 2013 continue to be in abeyance. But, given that that previous public outcry appeared to have an effect, surely at some point there was an assessment as to whether or not the best tactical response was to steer from private exhortations and representations to a public response?

Ms Heckscher: After it became clear that they were going to be rolled out, because of course there was a public response back at the UPR in 2014. It's not as if that was behind closed doors.

Senator WONG: Sure, but these laws were implemented in April. When did you become aware they were going to be implemented in April?

Ms Heckscher: That's what I need to take on notice and check.

Senator WONG: I don't want to go into private discussions but it was quite clear from public reporting that this was occurring. That then led to various public statements, including from the opposition. Why was the judgement made within government, after the period where there was public reporting—I will withdraw that. Was there a judgement made and, if so, why, notwithstanding public reporting of the intention to bring these laws into effect that public statements were not the most effective way to proceed?

Ms Heckscher: I will need to take on notice exactly when we became aware that these laws were to be rolled out. I will need to check that. We have made strong statements directly to the Bruneian government since that time and before the measures were rolled out. We have to make very strong statements consistently to express our views, which we have done. I will just need to check the exact date.

Senator WONG: Okay; we can talk about it later next week. There are two broad categories of representation: there's the particular view about human rights, including as to sexual orientation, but there's also the death penalty, which is a separate issue.

Ms Heckscher: The death penalty has been in place in Brunei for some time.
**Senator WONG:** Sure, but my point is that it's now being extended to a further series of activities. Brunei remains a member of the Commonwealth, yes?

**Ms Heckscher:** Yes.

**Senator WONG:** Have we considered utilising the Commonwealth? Is that one of the forums in which advocacy can be engaged in?

**Mr Lee:** I'm aware of some reports that the Commonwealth Secretary-General has made a comment about this.

**Senator WONG:** Have we said, 'This is a forum we're going to try and utilise to press this issue'?

**Mr Lee:** As I said earlier, we need to look at the options. We need to look at the response of the Bruneian government to the representations we've been making bilaterally, and we need to look at what other options are available to us. The Commonwealth Secretary-General has already made a comment on it, condemning the decision. She's also offered technical assistance, as I understand it, around amendments to the penal code. There are processes the Commonwealth would have for what would be perceived as breaches of Commonwealth values, so there would be a process that would be initiated by the Commonwealth Secretariat and the Commonwealth Secretary-General to take that forward; that would be one of the options. As was talked about, I think we need to look at all the options that would be available to us.

**Senator Payne:** Can I also add: I expect this to be raised at the next Commonwealth Ministerial Action Group, which is being held later this month.

**Senator WONG:** Fair enough. I was going to ask the general question, but I think the answer will be a process answer. The general question is: what do you assess to be an effective way to engage the Brunei government on issues of human rights and the death penalty going forward?

**Ms Heckscher:** That is a good question. I mentioned earlier—and you will probably categorise it as a process answer—

**Senator WONG:** Sorry; that sounded dismissive, didn't it?

**Senator Payne:** Slightly pejorative, perhaps.

**Senator WONG:** I was being nicer to myself but, okay, we'll go with 'pejorative' if it makes you feel better!

**Senator Payne:** It doesn't, actually!

**Ms Heckscher:** We do look closely at each country to see what is going to work. What we have is not only a country-by-country approach but also a graduated approach; you may start with things in a particular way, and you may actually increase—

**Senator WONG:** Sure, which was my point: did we hold on to the proposition that private advocacy was better for longer than, perhaps in hindsight, was appropriate?

**Ms Heckscher:** That begs the question as to whether public advocacy of this kind is going to be effective as well.

**Senator WONG:** True. But sometimes you've just got to assert what you believe.

**Senator Payne:** As we have.
Ms Heckscher: We will keep on reviewing and no doubt choosing the UPR to raise this issue. The minister mentioned the Commonwealth. There may well be other avenues that present themselves.

Senator Wong: If we have to come back on Thursday, do you think we can go to that issue about your assessment—after some consideration—of what is an effective way to engage on this issue going forward? Is that possible?

Ms Heckscher: I will come prepared for a further discussion on Brunei.

Senator Wong: Excellent; thank you. I want to ask about a report that was brought to my attention—unless you have been asked this, Mr Todd, whilst I’ve been somewhat distracted. It is a report about telephone advice given by Smartraveller to a gay couple flying on Royal Brunei Airlines. Have you been asked about that this evening?

Mr Todd: No.

Senator Wong: I will read to you bits of the report—I assume you've come prepared—and then you can tell me what you say happened. The report states that a gay couple sought advice from Smartraveller about flying on Royal Brunei Airlines—from memory, they were transiting through Brunei:

While on the phone, a Smart Traveller representative told them, "I think you’ll be fine".

The couple, unhappy with the response, called Smart Traveller again, requesting an "official policy" from a different adviser.

"He said, 'If you act heterosexual you should be fine', " ...

That is what's reported. Were you aware of this report before I asked you about it?

Mr Todd: Yes, we were. We had been approached by the media outlet.

Senator Wong: Is this what happened?

Mr Todd: We take the views of anybody who rings—first of all, just to clarify, there's no such thing as a Smartraveller hotline. The calls were put through to our 24-hour Consular Emergency Centre. Upon receiving notification from the media outlet, we provided a statement. Senior officers in my division spoke to the two officers concerned. Both officers, as a result of those interviews, denied saying or suggesting that the traveller should 'act like a heterosexual'. The officer who took the second call confirmed that the traveller had called a second time wanting more information, but it was unclear what more information the caller wanted. The other point that was made clear was that policy positions could not be provided but travel advice could be provided—so what was in the travel advice was restated. As we address these sorts of issues, we make it very clear in our Consular Services Charter that we welcome comments on our services via our feedback—

Senator Wong: Is the call recorded?

Mr Todd: No, it's not.

Senator Wong: Are there any notes from the call?

Mr Todd: There were no notes taken immediately from the call but the two officers concerned were interviewed. These are two highly experienced consular officers who are very
familiar with providing advice. The other point that I think is important to note is that the allegations made were allegations. They're unsubstantiated and anonymous.

Senator WONG: Can we not—I don't want to get into a combative point about this, okay, and I didn't ask it in that way. The point is: regardless of whose story is correct, you would agree, would you not, that telling people to act heterosexual is not appropriate advice to give?

Mr Todd: Absolutely.

Senator WONG: Can we just make sure that everybody understands that rather than delving into 'did it happen, didn't it happen, unsubstantiated et cetera'. Somebody thinks that that's what was said. People don't usually walk around making that up. It may be that they misunderstood the advice or it may be that they are right; we're not in a position to pursue that here. But it would be good to have a clear statement in these hearings that that is not appropriate advice to give people.

Senator Payne: You are absolutely correct, and that is the approach that has been taken.

Senator WONG: I don't have anything more on Brunei. I might turn to the aid budget, if I may. By the way, Secretary, in the opposition lock-up I couldn't find a copy of the orange book. Do you call it 'the orange book' now?

Ms Adamson: You're waving something that is black.

Senator WONG: Sorry; I don't get a printed copy. We're lowly opposition senators, so I had to just print it off! We didn't get one, that I could find, in the lock-up—but anyway.

Ms Adamson: We did bring some hard copies today. I asked for a box to be made available so that all members of the committee could have a copy, but I don't see anyone rushing forward with it. We will make sure there is a box; I hope my staff listen to me the way that yours clearly listen to you! I hope we will soon have a box of orange books here to give to members of the committee who would like a copy.

Senator WONG: All right.

Mr Wood: I think we brought 10 copies up. We did a small print run. We'll find out where they are.

Senator Payne: It's a small box, apparently; it's only got 10 copies in it!

Senator WONG: I looked for it in the lock-up, and I thought, 'Clearly, Frances doesn't care about me and it's not here!' But that's okay.

CHAIR: Stop being so paranoid.

Senator WONG: It's all right.

Senator Payne: A touch needy, perhaps!

Senator WONG: Thank you very much! I even asked the finance minister—I said 'the orange book'—and he didn't know what I was talking about.

Senator Payne: The monitoring of the Finance estimates did not tell me that you had asked the finance minister that question.

Senator WONG: No, I asked him across the table at question time. I said, 'No-one brought one of these to the opposition's budget lock-up.' I asked people about them and no-one knew about them.
Senator Payne: I sit right opposite you. Why didn't you ask me in question time?

Senator WONG: You never give me anything.

Senator Payne: Not true!

Senator WONG: Mr Wood, first, thank you for your document. I understand what has been transacted through the secretariat but can we be clear why. In the reporting of the equivalent document in 2019, you gave me three columns for each financial year of the forward estimates—the budget estimate, total activity approval amount and committed—and you've dropped one of the columns off in the March one. Why?

Mr Wood: It's just a timing issue, in terms of the budget, to prepare this information. It takes a little bit of time, following the announcement of the budget. I mentioned to the secretariat that, for the Thursday hearing, we'll have a bit more information for you. We had a similar conversation in the last budget estimates and also I think in the 2016 one.

Senator WONG: You remember that. I've had so many conversations that they're all blurring into one right now.

Mr Wood: We're obviously happy to talk about the 2019-20 allocations, because they're in the orange book, and also about the general trajectory, because they're in the portfolio budget statements.

Senator WONG: Can you confirm what the orange book does show us. There's a distinction between this and the PBS figures. I assume that the orange book is all ODA and that the PBS is only your portfolio, correct?

Mr Wood: Absolutely correct.

Senator WONG: The total ODA component is at the bottom of page 25 of the PBS—$3,460,916,000 and then $3,411,120,000. Is that correct?

Mr Wood: That's correct. In the last budget estimates, we had a discussion around the reconciliation from the PBS to the orange book figure. Essentially it is the information that you're looking at, at the bottom of page 25, plus other government departments and an adjustment for our multilateral replenishments.

Senator WONG: Okay. And what this shows is that there is a reduction in Australian ODA between 2018-19 and 2019-20?

Mr Wood: Correct.

Senator WONG: Can you tell me why that doesn't appear in BP2? If there's a cut—and there is; there's a reduction; we're going down in real terms, in nominal terms and, presumably, as a GNI proportion as well, between 2018-19 and 2019-20—why does it not appear in Budget Paper No. 2?

Mr Wood: I can't answer that question. It would be to best put it to the Department of Finance, which does the measures for Budget Paper No. 2.

Senator WONG: It lacks transparency. You're supposed to be able to read one budget update to the next. You're supposed to be able to look at: here is the budget bottom line and here are the changes to that, as a result of government decisions. That is in BP2, Budget Paper No. 2, which has measures. There is no measure in there that actually discloses a cut in aid.

Mr Wood: That's correct.
Senator WONG: But there is a cut in aid.
Mr Wood: There's a reduction, which we do disclose.
Senator WONG: But only in the orange book and the PBS, not in Budget Paper No. 2.
Mr Wood: Correct, yes.
Senator WONG: It's about transparency. Who made that decision?
Mr Wood: The central agencies manage the production of Budget Paper No. 2.
Senator WONG: Were you aware that there would be no measure description?
Mr Wood: Generally, as you may recall and appreciate, we don't know the final measures until just before the budget is handed down. As a line agency, we don't see Budget Paper No. 2 until we're in the lock-up.
Senator WONG: So there's a reduction in ODA in the PBS—this is the portfolio component.
Mr Wood: Yes.
Senator WONG: There's a cut between 2018-19 and 2019-20. In fact, even the 2020-21 figure is lower than the 2018-19 figure.
Mr Wood: Yes. If it may help, I could give you the forward allocations for the ODA budget over the forward estimates.
Senator WONG: Is that not in here?
Mr Wood: No, not across the whole forward estimates.
Senator WONG: But isn't that what I'm looking at on page 25 in the PBS?
Mr Wood: You're looking at the DFAT appropriations.
Senator WONG: You're doing a whole-of-government figure?
Mr Wood: Yes.
Senator WONG: Why not? Why don't you give me that?
Mr Wood: In 2019-20, the ODA budget will be $4.044 billion, in 2020-21 it will be $4.000 billion, in 2021-22, $4.000 billion, and in 2022-23, $4.1 billion. You may recall our conversations—
Senator WONG: What you're telling me is that the government has cut aid again, that it will go lower again in 2020-21, and that, in 2022-23, it won't even get to the level it was in 2018-19?
Mr Wood: That's correct.
Senator WONG: What is the total cut over the forwards, then?
Mr Wood: A decision was taken in previous budgets around maintaining the level of ODA at $4 billion. That was a measure in last year's budget papers.
Senator WONG: MYEFO, wasn't it?
Mr Wood: I think it was in the 2018-19 budget. In Budget Paper No. 2 from 2018-19, page 103, there was a statement that spending will be maintained at $4 billion per year, with indexation to recommence in 2022-23.
Senator WONG: Is that still the government's position?
Mr Wood: That's the position, and those are the figures that I gave you.

Senator WONG: What's the indexation rate?

Mr Wood: The rate that was used was 2.5 per cent, hence the increase from $4 billion to $4.1 billion.

Senator WONG: What is the actual reduction over the forwards, between the last budget and this one?

Mr Wood: Based on the information that we have in the budget papers, the original budget estimate for 2018-19 was $4.161 billion, and the budget estimate for 2019-20 is $4.044 billion. That is a reduction of $117 million. Then as I said earlier, the ODA budget goes from $4.044 billion to $4.000 billion, which is $44 million.

Senator WONG: So it's $117 million plus $44 million.

Mr Wood: That is essentially from $4.161 billion down to $4.000 billion over the two years.

Senator WONG: So it's $161 million less?

Mr Wood: If you compare the 2018-19 budget to the 2020-21 budget, correct.

Senator WONG: Right. What you're telling me, given the 2018-19 budget, is that that budget assumed—what did that budget assume? It assumed 4, 4, 4, 4 out to 2022, did it?

Mr Wood: No. In our evidence at the June—

Senator WONG: Sorry, I've forgotten what the actual forward estimates total figure is, over the forwards.

Mr Wood: In our evidence at the last budget—I think it was May 2018—we were looking, at that point, at a budget for the 2019-20 year of $4.17 billion.

Senator WONG: For the 2019-20 year?

Mr Wood: Yes.

Senator WONG: As at the 2018-19 budget, the 2019-20 year was assumed to be $4.17 billion?

Mr Wood: Yes. That was the evidence I gave in the Hansard.

Senator WONG: What were the out years assumed?

Mr Wood: That it was the 4.00. We had a bit of a conversation around the Asian Infrastructure Investment Bank and the recognition of that contribution.

Senator WONG: So the actual cut then is $117 million to $440,000? I'm above the $4 billion here.

Mr Wood: I was just letting you struggle with that one.

Senator WONG: You should look at all this spidery writing! If you'd actually put this all in, I'd have been all right. So the total cut is?

Mr Wood: I have to make it difficult.

Senator WONG: Can you not? I'm really tired. I've been doing this all week. I had to do sustainment and submarines and everything this morning. It's $116-and-a-bit million.

CHAIR: Has somebody got a violin?
Mr Wood: Can I say that we haven't even got onto numerators and denominators yet!

Senator WONG: I'm going to get to that! I like them better. You gave me a $117 million figure.

Mr Wood: The 2019-20 budget estimate at the 2018-19 budget was $4.17 billion.

Senator WONG: Which is now reduced to $4.044 billion.

Mr Wood: $4.044 billion, correct.

Senator WONG: So the total cut in that financial year is—just give me the figure, please.

Mr Wood: I've just worked it out at $126 million.

Senator WONG: $126 million. Then you gave me a 4.0—oh, right. But the remaining out years were all budgeted at $4 billion?

Mr Wood: Correct, consistent with the budget measure from the 2018-19 budget.

Senator WONG: So what was the $116 million figure you gave me? You don't know.

Mr Wood: I gave a figure of $117 million, which is the 2018-19 budget estimate and the new 2019-20 budget estimate.

Senator WONG: I thought that was the $126 million figure you just gave me.

Mr Wood: No.

Senator WONG: Explain—all right. We'd better—

Mr Wood: It is late on a Friday!

Senator WONG: Yes. Can I do it this way: the current 2019-20 figure in the budget is $4.044 billion?

Mr Wood: Correct.

Senator WONG: The 2018-19 equivalent figure is $4.17 billion?

Mr Wood: Correct, that's the $126 million.

Senator WONG: Therefore, the government has cut it by $126 million in that year?

Mr Wood: The budget for the 2019-20 year is $126 million less that it was this time last year.

Senator WONG: Yes. That, I get. So where do you get the $117 million?

Mr Wood: The $117 million is the difference between the 2018-19 budget estimate of $4.161 billion and the new 2019-20 budget estimate of $4.004 billion.

Senator WONG: Okay. So we're comparing the last financial year with the current one?

Mr Wood: Yes.

Senator WONG: Right. Now I understand. You could have explained that very easily, but you chose to make me work that out! What is the GNI figure?

Mr Wood: The GNI figure for the 2019-20 financial year is 0.21 per cent.

Senator WONG: And for the rest of the forward estimates?

Mr Wood: The figure for the following year, 2020-21, is 0.20 per cent; for 2021-22, it is 0.19 per cent; and, for 2022-23, it is 0.18 per cent. And that is because, over that period, gross national income is increasing at a higher rate.
Senator WONG: Are you going to give me the GNI figure?

Mr Wood: I did have that, yes. You will recall these are very big numbers. I might do this in millions.

Senator WONG: Yes, do.

Mr Wood: For 2019-20, the number we have is $19,382.31 million; in 2020-21, $20,332.96 million; in 2021-22, $21,221.00 million; 2022-23, $22,178.00 million.

Senator WONG: 22,178.00?

Mr Wood: Yes. Obviously, in that year, the $4.1 billion divided by the $22,178.00 million gives you the 0.18 per cent.

Senator WONG: Okay. I want to get to some of the detail of these cuts. So there's a reduction in South-East Asia and East Asia total?

Mr Wood: Correct.

Senator WONG: There's a reduction in South and West Asia total.

Mr Wood: Correct.

Senator WONG: There's a reduction in Middle East and Africa, and also Latin America and the Caribbean and multilats, correct?

Mr Wood: Yes.

Senator WONG: I'm doing this off the orange book.

Mr Wood: Are we looking at table 1?

Senator WONG: I was looking at table 2.

Mr Wood: Well, they both tell a similar story. I was looking at table 1. But, yes, you are correct.

Senator WONG: Which is the table I should be looking at?

Mr Wood: Both are very good! Table 1.

Senator WONG: Says the man himself! Self-praise, no recommendation! Sounds like my mother. That's what I say to my kids, actually! We had this discussion on Monday in PM&C estimates. Was that yesterday? Sorry, Thursday.

Mr Wood: We can run down table 2, if you wish.

Senator WONG: What's the difference? This is total ODA?

Mr Wood: That's correct. So the bilateral programs are in table 1.

Senator WONG: And table 2 is total by country?

Mr Wood: Total flows, so it includes how the government departments will spend their money and humanitarian flows. Table 1 has a bit more granular detail.

Senator WONG: I don't care, but basically we've reduced funding to South-East Asia—is that correct?

Mr Wood: That's correct.

Senator WONG: Can someone in the department advise me on what the rationale was to fund a step up in the Pacific with a step down in Asia? That's probably not a question for you, Mr Wood.
Mr Wood: As we discussed at the February estimates, the Prime Minister said that the step up would be funded from within the budget and that that would require a reprioritisation. Clearly, in putting more money into the Pacific, we have had to reduce funding in other areas. As you know, funding to the Pacific has increased by roughly $100 million, which is that figure in table 2.

Senator WONG: That's a mathematical answer; I'm asking a policy question. I'm asking: can you explain to me the rationale of funding a step up in the Pacific with a step down in Asia?

Ms Adamson: The answer is that, within the $4 billion envelope that the government gives us to work with in this area, and given the priority attached to the Pacific step up, we obviously needed to look across the whole program in a very detailed way at from where further funding could be reprioritised, and that is clear from both table 1 and table 2. Now, if you would like to talk about the detail at a country-specific level, and I imagine you will, I can invite colleagues responsible for the geographic divisions to come to the table and talk through it with you, but that was very carefully considered over a period of time. Balancing the needs of the Pacific is very hard to do, of course, given the various needs in various parts of the world that we have long supported. But within the $4 billion envelope, that's what we had to do.

Senator WONG: Sure, but there's no foreign policy rationale to actually having to cut these. There's a financial rationale, isn't there, which is essentially, as Mr Wood just said, that we had to cut these programs to fund the Pacific step up because the Prime Minister made clear we had to fund it from within the existing allocation?

Ms Adamson: We've always tried, within the $4 billion envelope, to make the best possible use of the funding that we have, and that necessitates, in any given year, some decisions about priorities.

Senator WONG: We've had very interesting, lengthy discussions at these estimates—and, with all due respect, I hope we don't have to have too many more, but that's in the hands of the Australian people in this context—about the region and about the importance of engagement not only with the Pacific but also with the ASEAN region bilaterally and as entities as part of how we deal with the increase in strategic competition in our region and the range of other issues that we've discussed. We're cutting ODA to Indonesia, we're cutting ODA to the Philippines and we're cutting ODA to Cambodia. Do you have any concerns about those decisions?

Ms Adamson: As you know, and you've referred to a broader interest across the region, it is difficult to compare individual countries within regions, but I think everyone would agree that there are particular needs in the South Pacific that we have a particular obligation to address.

Senator WONG: No, please don't suggest that I don't know that or that we don't think that. Of course we do. But what I am questioning is: why is this government funding a step up in the Pacific with a step down in South-East Asia?

Ms Adamson: And what I was going to say is that the sum total of our relationships with individual countries within a region derive from more than simply what we do through our aid program. That is important, and of course I would always, as you would expect me to—
Senator WONG: I understand why you are having to do these, but you are in a situation where even the finance minister says you're looking at $80 billion of cuts in total. That's what the finance minister has said. Don't take that rationale too far because then others might say, 'That rationale says we don't have to have an ODA element to our relationship.' Of course we do. And even ostensibly middle-income countries, such as Indonesia, which is critical to Australia—it is critical and I would have thought that is unarguable—still have enormous development needs.

Ms Adamson: Absolutely, and I was about to say that, of course, if the aid program were larger—if it grew in future—we could make tremendously good use of that. The report released yesterday, as a result of the inquiry, I think shows a strong degree of bipartisanship around the desirability of doing that in future, and you would find a very willing department should there be in future more funding found for aid, whether it supports governance and economic reform in South-East Asia, where that is the principal need, or poverty alleviation in countries across South-East Asia or the South Pacific. The needs are great. We have also, though, been working with multilateral development bank partners to try to bring more funding through their programs into the region. We've had some success in doing that, and we will continue to do it.

Senator WONG: Were there any discussions with representatives from any of these countries prior to the announcement of decisions to reduce the ODA component, presumably which had consequences for particular programs?

Ms Adamson: You'll appreciate that the final budget outcomes are settled very close to the date of the budget. Our heads of mission in affected posts were advised in advance that we thought there would be a need for them to communicate these decisions to their host governments. They were put on notice to do that at the end of last week, and those meetings have happened in the course of this week. I would need to check with colleagues whether all of them have, but, when I checked yesterday, they had all either been held or had been arranged and those conversations were in the process of happening.

Senator WONG: Were any concerns raised?

Ms Adamson: I think my overall characterisation, on the basis of the information I have, is that there was a natural degree of disappointment, a strong commitment to continue to partner with Australia and obviously, in some cases, there will need to be discussions at more detailed levels about what this might mean in practice in relation to particular projects. But part of our advice to government about doing this was designed to minimise the negative impact.

Senator WONG: I want to know what the impacts are. It might be that you have to take this on notice, because we're not talking about a budget change to an out year; we're talking about a cut—I'll have to go back and look at Mr Wood's—of $126 million for the financial year which commences in a few months. So there must have been programs approved and potentially contracts, or certainly things were already happening which can no longer happen, and I would like to know what they are. That might be something we can discuss on Thursday, if that information can be obtained, but I would like to know what's going to happen particularly in what is described, I think, as the South-East Asia and East Asia total.

Ms Adamson: We will come prepared for further discussion.
Senator WONG: Thank you very much.

Mr Wood: Senator, I would probably just note that we have had similar questions on notice in the past. So the supplementary—

Senator WONG: Do you just remember everything we ask you? Wow!

Mr Wood: In some of those responses we spoke about our intention not to cancel any current activities and not to stop any contracts as sometimes—

Senator WONG: That's the intention, but isn't your problem the time frame?

Mr Wood: That's correct. What our hope would be is that we can do this through repriorising or rephasing some projects rather than ceasing them. But what our posts and our programs are currently doing is having those consultations with our partner governments.

Senator WONG: Can you come prepared to give me what you can give me about where you're at? If the answer is— and that's not particularly good, frankly—'We're not quite sure yet,' as at April, and the financial year where this cut commences starts in a few months, that's a bit of a problem.

Ms Adamson: We are keenly aware of the sorts of impacts that you are concerned about and are doing our very best to minimise those impacts. We will, as I said, come prepared for more detailed discussion next time.

Mr Wood: Obviously, given budget confidentiality, our posts and programs don't know about this until 7.30 pm on Tuesday.

Senator WONG: When did you know about these cuts, Minister?

Senator Payne: As the secretary has said, these have been the subject of significant consideration, so for some time.

Senator WONG: Did you raise concerns?

Senator Payne: I'm not going to go into the details of my discussions with officials.

Senator WONG: I thought I'd try! No, not with officials. Did you tell ScoMo, Mr Morrison, or Senator Cormann that this was a problem?

Senator Payne: Or those discussions, Senator.

Senator WONG: Okay. You know, but I can try.

Senator Payne: Indeed.

Senator WONG: With the AIFFP, I'm having a little trouble understanding where some of these cuts are going. There was a discussion I think with Ms Klugman on the last occasion. Is she here?

Ms Adamson: Yes, she is here.

Senator WONG: It would not be estimates without her. I asked:

With the $500 million in grants, was there any additional funding provided to DFAT for that or has DFAT had to reprioritise from existing funding?

Ms Klugman said:

There was no additional funding to DFAT for the $500 million.

So this is the on-budget component of $500 million, so you have the $1.5 billion loan component and then the $500 million grant component; is that correct?
Mr Wood: Yes, Senator.

Senator WONG: Your evidence was that that $500 million on-budget grant component would be reprioritised from the ODA budget. Can you tell me how these cuts relate to the $500 million? Ms Klugman, you just handballed it.

Mr Wood: These cuts over the forward estimates provide the funding for the $500 million.

Senator WONG: They don't. Even on our discussion it's $160 million.

Mr Wood: For one year. The $500 million is over the forward estimates.

Senator WONG: I know that, but the outyears were already $4 billion.

Mr Wood: Correct.

Senator WONG: So the only change is to the 2019-20 figure. How do you find the remaining $360 million or $370 million?

Mr Wood: Also the 2022-23 year where we get the additional $100 million—

Senator WONG: Can you write this all down. Blimey! I'm not having too much of a go because you're answering questions, but the attempt to make it difficult to find just how much more you're cutting is irritating. So there is $126 million in 2019-20; correct?

Mr Wood: That's the budget reduction, yes.

Senator WONG: Rather than look at budget reductions, you tell me how much in each financial year ODA is contributing to the $500 million under this budget?

Mr Wood: In simple terms, the $500 million for the grant component of the AIFFP is all being found from within the aid budget. It is made up of a combination of reprioritisations and in 2022-23 that growth in the overall aid budget, so it's—

Senator WONG: That comes to $326 million; correct?

Mr Wood: Yes.

Senator WONG: So you're telling me that $126 million cut to ODA in 2019-20 will all be reprioritised to the facility or whatever it's called?

Mr Wood: No. What is happening over the forward estimates will be the continuation of some of those reductions, so if a program is reduced by $10 million next year there will then be the flow-on of that saving over the forward estimates.

Senator WONG: Which is not currently reflected in the ODA document. What you're essentially telling me is that there are more cuts to come.

Mr Wood: There will be more reductions over the forward estimate. If you're looking at page 25 you can see that the country program line shows a reduction over the forward estimates. You will see that the regional program line shows an increase. A large part of that increase in the regional program line is the funding for the AIFFP, because at this stage that is a broad regional program.

Senator WONG: We can calculate, in that regional program budget line, what the funding for the AIFPP is. Can you give that to me?

Mr Wood: We can come back with that.

Senator WONG: Tonight?
**Mr Wood:** We can try, and, if not, the following session on Thursday.

**Senator WONG:** Okay. Mr Wood, given this country program line item in 1.2.1 is reducing, it's the case isn't it that if you did an orange book over the forward estimate what you would see is further country cuts?

**Mr Wood:** There would be a continuation of some of those reductions, yes.

**Senator WONG:** What is the total reduction over the forwards?

**Mr Wood:** I would have to take that on notice. That is essentially how we are funding this and the other measures.

**Senator WONG:** Is the 500 million provision over the forwards?

**Mr Wood:** Yes.

**Senator WONG:** All funded out of ODA?

**Mr Wood:** Yes.

**Senator WONG:** Including cuts not yet disclosed to South-East Asia—not yet disclosed by country?

**Mr Wood:** It's spread across the whole of the aid program.

**Senator WONG:** I might come back to that. Can I ask about innovationXchange?

**Ms Adamson:** Yes.

**Senator WONG:** We used to love it when—not we, I never loved it, you used to love it—Ms Bishop was the minister, now you are cutting it, is that right?

**Ms Adamson:** I, as Secretary, am a very strong supporter on innovation in the department in all its various forms.

**Senator WONG:** You have cut it by two-thirds?

**Ms Adamson:** Yes. But I'm saying innovation across the department. One of the points is that we do innovation in a variety of ways, including mainstreaming it across the department. It is correct though that actual funding for the innovationXchange, which was originally designed to be an aid program specific thing, has resulted in a number of innovations which are now being scaled up, and, what we are doing is mainstreaming innovation across the department.

**Senator WONG:** So is it gone?

**Ms Adamson:** No.

**Senator WONG:** The exchange itself?

**Ms Adamson:** No.

**Senator WONG:** I'm not saying innovation itself.

**Ms Adamson:** No, I know. The innovationXchange is, in fact, there. I launched an innovation strategy in July last year. I appointed our Chief Innovation Officer, Sarah Pearson, to the role of DFAT Chief Scientist as well, because I wanted to complement our innovation work, particularly when it comes to our preparedness to challenges and opportunities posed by emerging science and technological developments in our region. We are quite open about that. The innovationXchange has had a number of specific successes, some of which have been award winning.
Senator WONG: Are you at the table because up to say something, Ms Wright?

Ms Wright: We still have a very active program of activity. As the secretary said, a commitment to innovation remains high in the department and is testimony to the work of the last four years. The innovationXchange still has a current portfolio of ongoing innovative programs—30 programs—and almost 100 projects, and we're continuing to manage those into next year.

Senator WONG: Then what will happen?

Ms Wright: I would have to look to my colleague to see if I'd ask about the forward estimates.

Senator WONG: No—I'm just trying to work this out. You say 'mainstreaming'. Does that mean that, over time, your intention is, subject to government decision, presumably, to integrate the innovationXchange into—how did you describe it?—the mainstream?

Ms Adamson: To mainstream it across the department. If I can say so, that was the previous foreign minister's, foreign minister Bishop's, very clear intention; indeed, it was her instruction to me on the day I became secretary that we needed to be able to mainstream innovation across the department, and we continue to do that. We need to do it.

Senator WONG: Sorry—we're conflating a lot of words about mainstreaming when I'm actually asking a function question, which is this. You have an entity or a unit at the moment called innovationXchange. Is it the intention— or do you not want to talk about this yet?—that, over time, those personnel and those functions will not exist in a separate unit?

Ms Adamson: We will certainly need to have the people. There is a question I have not yet settled. The innovationXchange actually has a very good reputation, a very strong reputation, that links into all sorts of areas globally, actually, so the brand is a strong brand, but it is a brand now that works across DFAT.

Mr Wood: And what was reduced was the Innovation Fund. That was a standalone fund that was managed by the innovationXchange. The innovationXchange now works very closely across a whole range of programs across the department. It's just the fund that is being reduced.

Senator WONG: Unless you wanted to say something, I haven't anything further.

Ms Wright: I was going to point to the secretary's innovation strategy that she launched last year. It does in fact clearly point to what you might call a transition from a programmatic approach to doing innovation, and we're now in the process of this transition—selecting the most promising of the projects that we looked at over the last three or four years and scaling those. But that means that they're taken up across the department, in some shape or form, or sometimes externally, or sometimes they're sustainable enough to attract other private sector funding and they take on a life of their own externally.

Senator WONG: Thanks for that. I'll move on to the UN International Women's Day statement. Minister, you've previously stated, when we've talked about the priority that the government, and you personally, give to gender equality, that it was a guiding principle for our time on the UN Human Rights Council. I assume you acknowledge the positive contribution towards gender equality of Australia's sexual and reproductive health development assistance programs?
Senator Payne: I'm not disagreeing with that.

Senator WONG: There was an International Women's Day statement proposed by Mexico and Finland to the UN Human Rights Council, supported by 57 countries. Did the Australian delegation join the statement?

Senator Payne: No. I'm sorry—I'm happy for the officials to answer.

Senator WONG: Why not?

Ms Haddad: Australia was unable to join the statement as it called for access to safe abortion without referencing that this should be consistent with the law. As such, the statement did not reflect the language of the International Conference on Population and Development program of action, or the ICPD, to which Australia is committed. The ICPD states at paragraph 8.25 that any measure or changes related to abortion within the health system can only be determined at the national or local level, according to national legislative processes, in circumstances—

Senator WONG: Okay—just stop.

Ms Haddad: in which abortion is not against—

Senator WONG: Please stop. How is our support for statements—or nonsupport—or our position on statements at the Human Rights Council determined? Who determines it? Is it a decision for the minister? Is it a decision for the delegation? Is it a decision for cabinet? At which level are these matters determined?

Ms Haddad: These are decisions taken by the minister's office.

Senator WONG: These are decisions taken by the minister's office?

Ms Adamson: Well, it depends on the issue—

Senator WONG: I'm responding to Ms Haddad. So is that generally the case? You wanted to qualify the evidence, I think.

Ms Adamson: That's what I wanted to say. I thought you'd asked a general question—

Senator WONG: I did.

Ms Adamson: about the Human Rights Council and how those positions are determined. Mr Lee has come to the table and will be able to give you more detail on this, but the answer is: it depends on the issue, it depends on the resolution and it depends on what role Australia is playing. But let me hand to Mr Lee, who's the expert in this area.

Senator WONG: Please don't give me a whole heap of—I'm going to get to this eventually, who made this decision. You can give me a long DFAT answer about process, with lots of adjectives, but I actually just want to understand whether there was a differentiation from the existing process for this or not.

Mr Lee: In relation to this particular statement, and in relation to the Human Rights Council, we look at it on an issue-by-issue basis, depending on the substance of it, whether we have an existing mandate in order to decide on whether we join the statement or whether we need to get further consultation with other agencies. Part of what we do is the consultation with other Australian government agencies—and there are a lot that have input into that—and also with ministers' offices. This was one where there was consultation both internally, with a
number of different people who are at the table now, and also with other Australian government agencies and with the minister's office.

**Senator WONG:** So there's not an existing mandate that says that we support accountability for human rights violations, respect the right to bodily autonomy, guarantee universal access to education and protect sexual and reproductive health and rights, including access to safe abortion and comprehensive sexuality education? We don't have an existing position which enabled us to sign up to this?

**Mr Lee:** There's a lot in every resolution and in every statement, and we can agree to large parts of it, but on some occasions we can't agree with everything that's in there if it crosses our red lines.

**Senator WONG:** What is a red line in this statement?

**Mr Lee:** As was previously expressed by Ms Haddad, it was the nonreflection of the language that had been used in the ICPD previously.

**Senator WONG:** When was that supposed red line—and this is a new red line to me, in terms of Australia's position—identified?

**Ms Rogers:** It wasn't identified until quite late in the piece, because we received reports from Geneva that several other countries had tried to insert that qualifying language, if you will, around 'abortion where legal'.

**Senator WONG:** It says 'access to safe abortion'. When was the decision as to support or nonsupport of the statement first considered by government?

**Ms Rogers:** The first contact between DFAT and the foreign minister's office on this was the Friday before the statement.

**Senator WONG:** There was no brief prior to that?

**Ms Rogers:** The initial advice from Geneva was on 25 February.

**Senator WONG:** So it's 25 February, with 'advice from Geneva' meaning they said, 'Here's the statement coming'?

**Ms Rogers:** That Australia had been approached to join the statement.

**Senator WONG:** Was there advice from Geneva that recommended joining?

**Ms Rogers:** There was no advice provided on that. The advice was simply that we'd been asked to join the statement and the statement itself.

**Senator WONG:** What happened as a consequence of that?

**Ms Rogers:** Typically—and Mr Lee can jump in if I'm incorrect in this—we would go out for whole-of-government consultation on the statement as it was worded when we received that.

**Senator WONG:** Why would we go for whole-of-government consultation on this?

**Ms Rogers:** This is something that is part of our normal human rights process.

**Mr Lee:** Just because of the number of issues that are covered. Many of them are beyond the policy responsibility of DFAT.

**Senator WONG:** And you did so?

**Ms Rogers:** Yes.
Senator WONG: That's at bureaucratic level, at APS level?
Ms Rogers: That is correct, yes.
Senator WONG: When did you finalise that whole-of-government consultation?
Ms Rogers: That consultation took place over 26 and 27 February.
Senator WONG: And that resulted in a brief to the minister's office?
Ms Rogers: A brief did not go up to the minister's office at that point. This is where I'll need to defer to my colleague Mr Lee, because there is a standard process for alerting the foreign minister's office in relation to Human Rights Council resolutions that have been agreed, because there are so many of them and they come through so quickly. As I understand it, on this occasion there was initial conversation with an adviser in the minister's office on 28 February.

Senator WONG: Okay, so we've got a DFAT FMO policy adviser discussion, alerting them or communicating this, and then we have the departmental-level whole-of-government consultation over the 26th and 27th. What was the end point of the whole-of-government consultation at departmental level?
Ms Rogers: The whole-of-government consultation finished prior to 28 February, and then the first conversation with the FMO happened on 28 February.

Senator WONG: Was there advice to the minister prepared as a result of the whole-of-government consultation?
Ms Rogers: There was advice prepared, but that advice wasn't provided until we received word that the statement was in a more final state. There were ongoing negotiations in Geneva on the wording of the statement.

Senator WONG: As part of the whole-of-government consultation, was there any department that raised concerns as to Australia joining?
Ms Rogers: Not that I'm aware of.
CHAIR: It is 6.30, Senator Wong. Do you have many more questions in this area?
Senator WONG: I do, but it's okay. I'm happy to come back after dinner.

Proceedings suspended from 18:31 to 19:30

CHAIR: The committee is resumed. Senator Wong.

Senator WONG: What was my last question? You said there was nothing in the whole-of-government consultation process which raised a concern with the statement—correct?
Ms Rogers: Yes.

CHAIR: It is 6.30, Senator Wong. Do you have many more questions in this area?
Senator WONG: I do, but it's okay. I'm happy to come back after dinner.

Proceedings suspended from 18:31 to 19:30
Ms Rogers: I wasn't privy to that conversation. As I understand it, that conversation was simply directing us to a different adviser in the foreign minister's office.

Senator Wong: I just want to know: at any point was DFAT advised by the FMO that the government might have a concern about joining the statement, and, if so, how, by whom et cetera?

Ms Rogers: On the following Tuesday, as I said before, the statement was still subject to negotiation, and there were representations made to try to insert that caveated language around 'abortion where legal to do so' over that interim period. On the following Tuesday the alert was sent to the foreign minister's office, to the relevant adviser.

Senator Wong: Sorry; 'the Tuesday' is which day?

Ms Rogers: The fifth.

Mr Lee: The fifth of March.

Ms Rogers: The fifth of March, yes.

Senator Wong: And what was advised? The finalised statement was sent at that date?

Ms Rogers: That's correct. We were fairly confident that the statement would not change very much after that, so we were able to provide advice on that basis.

Senator Wong: And? What happened?

Ms Rogers: Then we had a series of interactions with the foreign minister's office over the statement and we went back to Geneva on several occasions.

Senator Wong: Okay. So the foreign minister's office raised concerns with the statement with DFAT, which resulted in you going back to Geneva?

Ms Rogers: DFAT was aware that the language around abortion was not fully in line with the exact text of the ICPD, which is very clear that it's safe abortion where legal to do so. The interactions with Geneva were around trying to negotiate that language in, and there were discussions with the foreign minister's office around that language.

Senator Wong: And? Sorry, the ICPD: that's what you're referencing?

Ms Rogers: The International Conference on Population and Development Program of Action, paragraph 8.25.

Senator Wong: Of the code, or the?

Ms Rogers: Of that.

Senator Moore: The Cairo declaration.

Senator Wong: The Cairo declaration; that's what I know it as—okay.

Ms Rogers: Yes, that's correct.

Senator Wong: Has Australia not signed up to, or joined, statements before that don't precisely follow the Cairo declaration?

Ms Rogers: We've had a look through previous statements that we've signed on to. We were able to find examples where we'd made comments in relation to other countries on UPRs, universal periodic reviews. In terms of resolutions, though, the language has in the past been caveated by that reference to 'legal'.
Senator WONG: As a result of this interaction between the foreign minister's office and DFAT, the eventual position of Australia was not to join the statement. Is that correct?

Ms Rogers: That's correct.

Senator WONG: Senator Payne, was there any discussion between your office and the Prime Minister's office about Australia's position in relation to this statement?

Senator Payne: I'm not specifically aware of that, but I'll take that on notice and ask my office. What I can say, further to what Ms Rogers just said, is that, since March 2013 and a statement at the CSW, this is the language that Australia, according to advice I received, has adopted. In the March 2013 session of the CSW, the phrase was 'safe abortion where such services are permitted by national law'. That was replicated with similar language in the CSW of 2014, again in 2016 at the CSW and twice in July 2018 at the Human Rights Council. In September 2018, again the phrase was 'safe abortion in accordance with international human rights law and where not against national law'. Then, in the third committee of the UNGA in November 2018, the phrase was 'safe abortion where such services are permitted by national law', consistent with the ICPD, which the—

Senator WONG: We refused to join a statement. It was a pretty clear signal. I want to know: is it because the Prime Minister or other members of the coalition have an issue with abortion?

Senator Payne: No, I think the effort was made to have the language reflect and be consistent with language which had been adopted by Australia since 2013, particularly given the federated state of our laws.

Senator WONG: Did you go in and fight for the right position, which was for Australia to join so many other countries in issuing this statement?

Senator Payne: Senator Wong—

Senator WONG: Did you? Did you go in and fight for the right position here?

Senator Payne: I had long and detailed discussions around these issues and I actually think that the consistency of language has been useful in all of this. I'm not sure all of dates that have been provided are completely accurate, but they're neither here nor there in terms of the detail. The point was that the language which the resolution had chosen to use was not consistent with six or seven or so of our previous resolutions, and in the end we did not sign up to it.

Senator WONG: No, we didn't—you didn't as foreign minister. We in Australia didn't sign up to a human rights Women's Day statement supported by 57 countries. What sort of message does that send to the world about our commitment to gender equality?

Senator Payne: Australia actually has a very—

Senator WONG: There's not much point in talking—

Senator Payne: You can do that as much as you wish, Senator Wong. I'm very used to that.

Senator WONG: Do what?

Senator Payne: But Australia is absolutely consistent in advocating—
Senator WONG: Do what? Stand up for a woman's right to choose? Yes, I will continue to do that.

Senator Payne: Absolutely, and Australia is absolutely consistent in advocating in relation to the ICPD, including the program of action.

Senator WONG: Did you try and get the Prime Minister to agree to join the statement or not?

Senator Payne: I have told you before, and I will repeat it again, that I am not going to go into the details of conversations with my colleagues, but I will also say to you that there were significant discussions held along the development of these words. The words that I have indicated to you in the resolutions that I've referred to are the ones which have been consistent for over six years now. We were not in a position to ensure the words in this resolution were consistent with that.

Senator WONG: But that is, frankly, a legalistic argument. How does it look—

Senator Payne: Well, pot, kettle, black—but nevertheless.

Senator WONG: Can I finish? How does it look when a country that says, 'We're for gender equality,' refuses to sign a statement in these terms, where 57 other countries have joined for International Women's Day.

Senator Payne: Countries make their own decisions for a range of reasons, but that does not diminish in any way, shape or form the work that we do through the CPD, through the UN and through a range of other activities, including our investment in reproductive health and family planning, including in the statement we delivered at the 52nd session of the CPD three days ago about our continuing strong commitment to advancing universal access to quality sexual and reproductive health and rights, and including a number of other things on which I'm more than happy to provide you with further detail.

Senator WONG: I think we all know we're not going to agree on this. It's a fundamental difference. Can I move now quickly to the issue of Jerusalem. I don't propose, given the time, to ask many questions about this. Secretary, because you were very assiduous, you or your staff would have noticed the questions I asked in PM&C and in particular the penultimate page of the Sydney Institute speech by the Prime Minister where he said:

'We've started the work to identify a suitable site for a suitable embassy West Jerusalem …'

That was said in December. Have you done anything to implement the Prime Minister's declaration?

Ms Adamson: The focus since the Prime Minister's speech in which he obviously announced the government's response to policy reviews that we've previously discussed here has really been on the immediate task at hand, which has been to identify suitable premises in West Jerusalem for a trade and defence office. That has been done. There are, I am advised, a considerable number of potential sites in Jerusalem which could be used as an Australian embassy, should we get to that stage in a peace process and final settlement issues and be able to do what the Prime Minister said he hoped we would be able to do.

Senator WONG: That seems quite logical, but that's not what he said. He said:

'We've started the work to identify a suitable site for a suitable embassy West Jerusalem …'
Ms Adamson: Yes, he did, and I said we are absolutely seized of what the Prime Minister said in that speech. I've discussed it with my colleagues, but the focus for the moment—and that does not exclude the task the PM has given us—and over recent months has been to identify a suitable site for this office and that has been done.

Senator WONG: On point 4 in 2018-19, which was budgeted, what has been done associated with the trade and defence office? What has been done on that? Have you expended that?

Ms Adamson: This responsibility falls to Austrade, and detailed questions would need to be—

Senator WONG: Yes, but I'm sure you would be able to tell me. Has anything been expended on that line item?

Ms Adamson: The office is now open, so I assume something has been expended, but precisely how much would be a question for Austrade to answer because this is being managed at arm's length from the embassy, given its function.

Senator WONG: I didn't have anything further on that, Ms Yu. On Yemen—oh, Ms Yu, you have to stay. Sorry, I forgot. I think you're probably aware that my, and I think Mr Marles's, public statement is that we're calling on the government to ensure itself that any Australian military cooperation in the region, including on defence equipment sales, does not inadvertently contribute to the suffering of the Yemeni civilian population. Can that assurance be provided?

Ms Yu: I may have to invite up my colleague who actually looks after defence exports from DFAT's perspective, but defence exports is the responsibility of the Department of Defence and the assurance that you're seeking is probably best answered by Department of Defence.

Ms Gorely: Senator, I'm sure you're aware that DFAT's role in the defence exports—

Senator WONG: Arms Trade Treaty assessment—is that your role?

Ms Gorely: That's part of the role. We do an assessment in accordance with our obligations under the Arms Trade Treaty and we also take into account regional security, foreign policy and other considerations along those lines. So it's a broad assessment of a number of different considerations before reverting to Defence, with DFAT's perspective, and then the final decision rests with Defence.

Senator WONG: Have you provided any such assessments in relation to Saudi Arabia?

Ms Gorely: Yes.

Senator WONG: Most recently? I assume whatever the dates are, which you can give me on notice, that the assessment was that there was no breach?

Ms Gorely: In relation to—

Senator WONG: I asked if you had undertaken any assessment in relation to arms sales to Saudi Arabia. You said yes. I asked you for the date. You couldn't find it. I said I was happy for you to take it on notice. I then said to you that I assume the result of that assessment was there was no breach of our obligations.
Ms Gorely: We're not talking about one particular arms sale. There are a number of applications that would have been referred—and were, indeed, referred—to DFAT.

Senator WONG: I can go through this bit by bit. I assume there's not been any assessment to date that you have undertaken in relation to arms sales to Saudi Arabia which suggests we are in breach of that treaty—correct?

Ms Gorely: No.

Senator WONG: Thank you. Have you revisited any advice to Defence in light of the UK parliamentary committee report that described arms export sales as unlawful?

Ms Gorely: No.

Senator WONG: One of the conclusions of that report was that:
Relying on assurance by Saudi-Arabia and Saudi-led review processes is not an adequate way of implementing the obligations for a risk based assessment set out in the Arms Trade Treaty.

Ms Gorely: Sorry, can you repeat that?

Senator WONG: Are you familiar with this report?

Ms Gorely: I am aware that there has been consideration in other countries about the situation.

Senator WONG: Okay. Perhaps I will come back to that. The UK select committee comes to a conclusion, and I'm inviting your response to it. It unanimously describes these arms export sales to Saudi Arabia as unlawful, and it states that:
Relying on assurance by Saudi-Arabia and Saudi-led review processes is not an adequate way of implementing the obligations for a risk based assessment set out in the Arms Trade Treaty.

I'm inviting your response.

Ms Gorely: We conduct our particular process on the basis of the information that is available to us at the time. We take into account a range of factors, including the likely end use. Of course, circumstances can change over time as well and further information can come to light.

Senator WONG: Do you consider that the assessment you undertake is a risk based assessment?

Ms Gorely: I would describe it as such, yes. There is an element of assessing the risk of the particular export being used in ways that would be in breach of Australia's obligations under international law.

Senator WONG: And this was at Defence estimates, but I just want to be clear about who does what. There are five criteria that are utilised to assess weapon sales, both the legality and the appropriateness: whether we judge it will be used to commit human rights abuses, international obligations, national security, regional security and foreign policy. That's consistent. I'll come back to that on Thursday if we're here. Senator Payne, I realise that this was in Defence estimates, but you were asked whether or not Australia was reconsidering or considering its position on weapon sales to Saudi Arabia, and you said, 'We keep those matters under review.' Can you explain what that review process is?

Senator Payne: It just means that it's a matter that we consider as part of our approach to these issues.
Senator WONG: Are you able to assure us that defence equipment sales from Australia are not inadvertently contributing to the suffering of the Yemeni civilian population?

Senator Payne: I think Ms Gorely and Ms Yu have set out the background and the details to the process. You yourself alluded to the five criteria: international obligations, human rights, regional security, national security and foreign policy, broadly speaking. They are part of a considered and detailed process of the Department of Foreign Affairs and Trade providing advice to the Department of Defence that establishes the strong system that we have in place to address human rights considerations in our defence exports process. And that of course is done against the background of being acutely aware that the Middle East is a very complex security and political environment. So, any of those defence export activities to the Middle East will be considered under that rigorous system to ensure that they're not prejudicing those matters.

Senator WONG: Okay. Do you feel in a position to provide an assurance that these sales are not inadvertently contributing to the suffering of the Yemeni civilian population?

Senator Payne: Based on the system that we adopt, and the engagement between the departments, that is the outcome that we look for, yes.

Senator WONG: We had a lengthy discussion last time I think about the $17 million contract for free TV in relation to commercial broadcasting content to the Pacific. Are you aware as to the current status of any of this contract?

Ms Adamson: I think the answer is that this, as I recall last time—

Senator WONG: I know it's Communications, and I'm happy to ask it there, but I assume that you've got an office for the Pacific. Surely they know a little bit about what we're doing in terms of soft power and broadcasting to the Pacific and the $17 million. So, do we know what's happened with that?

Ms Klugman: I'm just going to the most recent developments that have happened since you asked your questions at the last estimates.

Senator WONG: It wasn't that long ago, was it?

Ms Klugman: No. Therefore, I have not a great deal to tell you.

Senator WONG: Do you know whether the contract has been signed?

Ms Klugman: No, I don't. I am aware that there were discussions with Pacific media between 11 and 13 February 2019 at the Pacific Islands News Association's CEO summit in Auckland. We, Australia, were there—both the Department of Foreign Affairs and Trade and the Department of Communications and the Arts. On the status of contract discussions being undertaken by the department of communications with Free TV, I don't have anything further to tell you.

Ms Adamson: The latest information we have, including in preparation for this, is that the Department of Communications and the Arts is negotiating with Free TV to finalise arrangements—

Senator WONG: Can I make something very clear. You can't answer this. We are very close to an election. The opposition has made clear its view about the $17 million. I would really encourage the Public Service not to engage in a contract where, clearly, if there is a change of government, there is a different view about the merits of this contract.
Have you finished the soft power review? Sorry, you've finished it but you haven't done anything with it. Sorry, I'm not trying to be pejorative. The review's been finished, you were considering it and the government was going to be briefed. Where is that all that?

Ms Adamson: Where we're up to, while Mr Byrne comes to the table: we had a discussion at this morning's strategic policy committee meeting—part of our new governance arrangements—about the latest draft of the soft power review, which is taking shape. It is coming along reasonably well but still requires more work. We won't be in a position to send it to the minister before the election.

Senator WONG: Fair enough. Do you think broadcasting is an element of soft power?

Ms Adamson: Yes.

Senator WONG: So why didn't they wait for the review before they gave someone 17 million bucks?

Ms Adamson: The review is DFAT-led, and the Pacific step-up was a whole-of-government exercise in which everyone contributed.

Senator WONG: You've got to run more stuff, I reckon. Thank you; I'm done.

Senator WATT: You may have seen some recent media reporting involving claims that the member for Dawson has spent an extended period of time overseas. Has the department, including the post in Manila, ever provided any assistance of any kind to the member for Dawson during his visits to the Philippines, whether or not the visits were work or personal?

Ms Adamson: The answer to that question is yes, but Ms Heckscher will be able to give you more details.

Ms Heckscher: The answer is, yes, DFAT did provide assistance and advice about several official meetings during trips to the Philippines.

Senator WATT: You said assistance and advice was given by DFAT. Is that the post in Manila?

Ms Heckscher: Yes, it is the post in Manila.

Senator WATT: And other parts of DFAT or just the post in Manila?

Ms Heckscher: I think it was just the post in Manila.

Senator WATT: I think what you said was that DFAT had given assistance and advice in relation to meetings was it?

Ms Heckscher: Official meetings, yes. I can give a little bit more detail than that.

Senator WATT: Yes, sure.

Ms Heckscher: Of course you would be aware that DFAT does provide assistance to travelling parliamentarians regularly when there are official meetings in place. That is indeed what happened on several occasions. The embassy in Manila provided routine support to the member for Dawson on three occasions. In September 2014, during a private visit to the Philippines, DFAT officers facilitated and accompanied the member for Dawson to meet the Speaker of the Philippines House of Representatives. In December 2016, DFAT officers facilitated and accompanied the member for Dawson to meetings with congress men and women and the Speaker of the Philippines House of Representatives. In September 2017, the
member for Dawson visited Manila to participate in the 38th general assembly of the ASEAN Inter-Parliamentary Assembly.

Senator WATT: Was that one with other Australian members of parliament?

Ms Heckscher: Yes.

Senator WATT: I've seen some reporting that one of the member's trips to—

Senator GALLACHER: It was me! I was there!

Senator WATT: There you go. So that one, the 38th general assembly, was an official delegation, if you like, of members of parliament?

Ms Heckscher: Yes.

Senator GALLACHER: Absolutely.

Senator WATT: And support was provided to the member for Dawson and presumably others in relation to that trip?

Ms Heckscher: Yes. I hope we provided it to others!

Senator WATT: But the two other occasions, September 2014 and December 2016, were both during private visits?

Ms Heckscher: Yes.

Senator WATT: And meetings were arranged by DFAT officers, first of all with the Speaker of the Philippines parliament?

Ms Heckscher: Yes.

Senator WATT: And DFAT officers accompanied the member for Dawson to that meeting?

Ms Heckscher: Yes.

Senator WATT: And in December 2016 it was—

Ms Heckscher: With congress men and women and the Speaker of the Philippines House of Representatives.

Senator WATT: Did multiple meetings occur, or was there one meeting with—

Ms Heckscher: I think it was one meeting. If that is important I could check that, but I think it was just one meeting.

Senator WATT: Okay. Was there any other assistance provided by the department, including post in Manila, to the member for Dawson during any of his travel to the Philippines?

Ms Heckscher: Those are the only three particular visits or meetings that the department assisted with.

Senator WATT: What was the cost of providing that assistance?

Ms Adamson: We don't cost providing that sort of assistance, Senator. It's a routine thing for our missions overseas to assist parliamentarians with their meetings and, in some cases, some other arrangements. There are guidelines for all of this, but we don't cost it.

Senator WATT: Would it be fair to say that multiple DFAT officers in post would have been involved in providing that assistance?
Ms Adamson: No, I wouldn't say it was fair to characterise it in that way.

Senator WATT: Because it might have only been one officer each time?

Ms Adamson: It could have been one or two. These things are typically not onerous. They constitute routine business for embassies and high commissions overseas.

Senator WATT: Do you have any information about how many DFAT officers accompanied the member for Dawson in any of these meetings that he had?

Ms Heckscher: I do not have that information.

Senator WATT: Could you take that on notice, please?

Ms Adamson: We may not be able to answer that. We can check for you, but typically it would be one or two, and no more than that, particularly when there are a number of members of the delegation. As I say, this is absolutely routine business.

Senator WATT: That's it for me. Thank you.

Senator MOORE: I have some questions around family planning and sexual reproduction funding. I've gone to the must-do handbook on statistical summary of Australia's aid program. I'm wanting to go through some of the figures in that around family planning.

Ms Adamson: Certainly, Senator.

Senator MOORE: I looked at 16-17 and then 17-18. We don't have 18-19 yet, do we?

Ms Rogers: I don't have 18-19 yet, no.

Senator MOORE: I was hoping you might. It looks to me, by studying the figures and colouring them in, that there has been a reduction in family planning expenditure between those two years. In 16-17 the total amount was 13055 and in 17-18 it was 10732. I want to see whether that is absolutely accurate and whether there are other things that aren't added in.

Ms Rogers: Could you repeat those figures? I have two sets of tables here.

Senator MOORE: In the official document, 17-18 is a total of 10732, with, in the Pacific, 4810; in South-East and East Asia, 1257; and then lower figures. They're the two that are the largest expenditure. In the previous year, 16-17, it was a total of 13055, with 5556 in the Pacific and 2592 in East Asia.

Ms Rogers: Apologies. I don't have it broken down by geographical distribution. I've only got total—

Senator MOORE: We'll go through the total first. Are those totals accurate?

Ms Rogers: According to my figures here, for 16-17 it was $82.4 million. This is from the statistical summary book produced by our ODA area. For 17-18, $95.4 million in total.

Senator MOORE: What am I missing? This is what I'm trying to find out. These are the figures that I've been looking at. I knew there was more—this is why I put it on the record. Over the last couple of years we've had a number of discussions around exactly how much money is being spent where in sexual and reproductive health. We have also gone through the process of looking at the special one-off payment that was made, I think, last financial year. I'm just trying to find the accurate figures. What am I missing?

Ms Rogers: Are you referring to the increase—you'd like to know over the last financial year?
Senator MOORE: I'm looking at the figures. I went through to look at statistical expenditure. They're not the same figures that you've just given me.

Ms Rogers: No. That could be because I've just given you figures from the ODA statistical handbook, which pulls together the data from a number of different OECD DAC categories. You may be referring to some subset of that.

Senator MOORE: I must be. Can you tell us the total Australian ODA investment in family planning over the past term of parliament year-by-year—can you go through those figures?

Senator Payne: What if we decided, between you and the officials, what the preferred truth source was from which you want to work. Then Mr Wood, I'm sure, would be able to help. In fact, he appears to have the orange book.

Ms Rogers: I have the green book.

Mr Wood: I have an orange book, a green book, a yellow book and a white book.

Senator Payne: He's showing off now! He has a traffic light set here!

Senator MOORE: We're good at aqua. We're very good at aqua.

Mr Wood: There are a couple of measures, as you are well aware, in family planning.

Senator MOORE: Yes.

Mr Wood: What you may be looking at is a table for family planning assistance based on the 2012 London Family Planning Summit methodology.

Senator MOORE: That is exactly what I'm looking at.

Mr Wood: I think what my colleague Ms Rogers had was a summary from a previous table, which is table 17 of the document, which had a total for total family planning and reproductive health of that $95 million.

Senator MOORE: Which actually includes reproductive health care and family planning?

Mr Wood: Correct. We're both looking at the same table.

Senator MOORE: When we're talking about it, it's reproductive health and family planning?

Mr Wood: Yes.

Senator MOORE: Under that basis, 17-18 and 16-17—there still does seem to be a reduction. If you add those figures together of 16-17, of the titles 'reproductive health care' and 'family planning', it still seems to me to be a lower figure in 17-18 than in 16-17.

Mr Wood: That may well be the case, Senator. I've got the 17-18 table here. That may well be the case, but we could come back and confirm that.

Senator MOORE: I'm trying to see whether everything is actually gathered under those figures into this space. That would be the department's position: if you add reproductive health care and family planning, those two come to the process? What about population policy and administrative management? Which is the other subset?

Ms Rogers: I'm not sure whether that's included.
Senator MOORE: I don't know whether that's included, because population policy and administrative management could well be in that same figure. I'm not going to go through the process of going figure by figure. From the document you've got there, which is the cumulative statement of everything that the department considers within this space, can you go through the figures for me for the last few years?

Ms Rogers: Certainly. I've got two sets of tables here. They draw on some of the data that my colleague has mentioned.

Senator MOORE: Which book are they from?

Ms Rogers: The overall data—the broader category, if you like; the broadest category—is, I believe, from the aqua book.

Senator MOORE: It's really the one based on—which has become a bit of a bible—the London Family Planning Summit, which is the language we talk in. That is the table, the aqua one?

Ms Rogers: I don't have the benefit of having the book in front of me. So let me just make sure that what I read out to you is correct. Okay; I can see where you are looking. This only came out this week of course so I haven't had an opportunity to digest it. I've got figures from 2013-14 here all the way through to 2017-18.

Senator MOORE: Are they using the same—that this would be like to like?

Ms Rogers: If I read those out to you, that will give you a sense. It actually varies quite a bit from year to year. For 2013-14, I've got $210.6 million; for 2014-15, $169.8 million; for 2015-16, $125 million; for 2016-17, $82.4 million; and for 2017-18, $95.4 million.

Senator MOORE: Is 2017-18 the year that the extra one-off funding increase was made or was that 2018-19?

Ms Rogers: I've actually got four different commitments listed for 2018.

Senator MOORE: What were those commitments?

Ms Rogers: I've got $7.5 million as the first payment to UNFPA in the Pacific; $3 million as the first payment under a $10 million three-year multilateral funding agreement with UNFPA suppliers—that's the global essential medicine, procurement and distribution program; $4 million as the first payment to UNFPA under two new programs, with a total value of $13.4 million to provide sexual and reproductive health services in the border regions of Afghanistan and Pakistan; and then $2.82 million as a first payment under a new $10.4 million program with Marie Stopes International to expand access to family planning in South-East Asia.

Senator MOORE: And those last three were all first payments to an ongoing program over a number of years?

Ms Rogers: That's correct.

Senator MOORE: Under those, can you give me what the commitment is over what time?

Ms Rogers: Yes, I can. Do you want me to do that now?

Senator MOORE: If whatever page you are reading off can give all of those figures at once it would be very useful.
Ms Rogers: Would you like me to provide those to you?
Senator MOORE: It would be great to get that tabled or whatever, but can you give those commitments on record now as well?
Ms Rogers: Yes.
Senator MOORE: The last series of commitments have been to the UNFPA.
Ms Rogers: There's also one to the IPPF that was signed in October.
Senator MOORE: And Marie Stopes.
Ms Rogers: That's right. The last I mentioned before was Marie Stopes International and then there was one with IPPF for $18.4 million over 2018-2022.
Senator MOORE: Was that a new commitment?
Ms Rogers: That was the signing of a new agreement, yes.
Senator MOORE: So that's IPPF. UNFPA?
Ms Rogers: Going backwards, UNFPA's was a first payment under a $30 million four-year program. The second UNFPA payment was a new $10 million three-year multilateral funding agreement—so three years.
Senator MOORE: Three years of $10 million or a total of $10 million over three?
Ms Rogers: A total of $10 million.
Senator MOORE: A total of $10 million over three years?
Ms Rogers: Yes. The UNFPA $4 million was first payment to UNFPA under two new programs, with a total value of $13.4 million. It does not have the time frame for that.
Senator MOORE: It may actually be something that we can work out for the future. Does the total commitment over the period bring in 2018-19? What does that bring it up to? Is it possible to know that?
Ms Rogers: I'm not a mathematician.
Senator MOORE: I'm not either. Can you take that on notice to get a comparative? I'm not going to go to you, Mr Wood; you've done too much tonight.
Mr Wood: That's okay; I was just—
Senator Payne: We're only just starting, Senator Moore—please! We're not even out of the blocks yet.
Mr Wood: I'm just following the NRL game at the moment, so it's okay.
Senator MOORE: I really hope you weren't listening to the one last night. I turned off.
Senator Payne: How did the Broncos go last night, Senator Moore?
Senator MOORE: I think that should be a health committee one! Mr Wood, in the data that you have there, do you have a cumulative figure to cover everything Ms Rogers has just told me for 2018-19?
Mr Wood: No, I don't.
Senator MOORE: But we could get that somewhere?
Mr Wood: Yes.
Senator MOORE: Could I put that on notice, because in the past you have given me what comes under that—so I can get that focused?

Mr Wood: Yes, definitely.

Senator MOORE: We have had discussions here before about what the department's understanding of the impact has been of the US changes in this area. Up until the last Senate estimates, I had asked that each time and it was too early to have an assessment about what people had been feeding back from post and what people have been feeding back in various discussions. Has that changed? Has there been any more feedback to the department about what the impact, in our region in particular but also generally, has been of that major reduction of US funding?

Ms Rogers: I've got some information here. You will be aware that there was a further expansion of the policy just recently.

Senator MOORE: I am.

Ms Rogers: According to my notes here, we have information that—2017, the IPPF and Marie Stopes International anticipated a combined funding loss of around $270 million over 2017 to 2021. But there is no further information on the specifics. I know that some of those organisations didn't provide services in the Pacific, so—

Senator MOORE: Some did.

Ms Rogers: Yes, that's correct. So, we would need to get back to you on—

Senator MOORE: That would be really useful, because I think there is still a lot of discussion going on, and it certainly is within the international groups. But I haven't seen a clear analysis about what will happen to the areas that we most closely work, and that's the Pacific and East Timor.

Ms Adamson: I was in New York very recently talking to various people at the UN, including, meeting with a very committed group of people in UNFPA who had done quite a lot of work with other potential contributors, a number of whom had stepped into the breach, as it were, to try to help fill this gap. We spoke quite a lot about the needs of the Pacific. They were very seized of those. We can certainly come back with the figures, but I just wanted to give you a sense of that, because they were very focused on it. They recognised that a number of countries had stepped up even as the US had stepped back. They were very pleased, as a number of others were, with the engagement that they had with Australia.

Senator MOORE: Are we still the largest provider in the Pacific in this space?

Ms Adamson: I am almost 100 per cent sure that must be right.

Senator MOORE: I would think so, because some other countries haven't put their money into those programs as yet.

Ms Adamson: That is correct.

Senator MOORE: There is ongoing discussion, and also with Family Planning 2020, which is continuing to focus into that area. Minister, have there been any particular discussions with the department about this issue, in terms of the family planning process in our program and also particularly what we can do to further be involved in the step-up across the world in terms of what's happened with the cuts from the US?
Senator Payne: Across a range of areas. From last year we started a number of partnerships in this context: a four-year partnership with the UNFPA in the Pacific to grow access; a three-year partnership with UNFPA Supplies to provide commodities globally and in the Pacific; and new programming in the border regions, particularly of Afghanistan and Pakistan—so quite difficult and contested areas. I made some statements around gender equality, particularly, at the Human Rights Council in Geneva when I spoke there in February. So, there is a range of issues, yes.

Senator MOORE: Those commitments you have just spoken about are the same ones that Ms Rogers has given me the figures for?

Senator Payne: And since we have been on the Human Rights Council, in our first year alone we made 33 statements that had a primary focus on some of the key gender issues, which includes sexual reproductive health and rights, as well.

Senator MOORE: We have had an ongoing position where we have been giving money to UNFPA. I know it is in one of the books. Has that continued, or has it been increased?

Mr Wood: That's been maintained at $9.2 million.

Senator MOORE: Do we have any comparator about how that $9.2 million compares with other comparable nations? At one stage, we were one of the major contributors to the UNFPA because of other countries not focusing in that area. Can you take that on notice. Ms Adamson has just been to the UNFPA. There has been quite a dynamic dialogue between that organisation and Australia over many years in terms of our engagement. So I would like to get a snapshot about that compares.

Ms Adamson: And I think they have a very good website that sets out absolutely who does what, and what that means, and how that translates. So we will have a look and if we can get back to you this evening we will.

Senator MOORE: That same document, the one that is linked to the London family planning summit, looks at programs such as health policy, administrative management and medical services. It seems there has been a large increase in health policy and administrative management, particularly in our Pacific areas. Am I reading that right? Has that been part of a particular program? There were issues raised, particularly in the Pacific, about the level of administrative skills within health departments and the impact that that has across the whole way the system operates. I want to see whether that has been a particular program and where that focus has been. Has that been through work at the post with the health groups there or through some of the other agencies?

Ms Rogers: I think what you are describing is a change in our approach. We have moved away from funding specific illnesses or diseases and into more of a health assistance strengthening approach. So that would be consistent with that increase. Certainly it has become much clearer that the whole system needs to be strengthened in order to provide the full range of services to individual diseases and also primary health care and those other things that we seek to improve.

Senator MOORE: And that seems to be a move away from the heading of 'Basic health care' and to another area. So that is a change in approach.
Ms Rogers: I believe that would be the case—more into health system strengthening.

Senator MOORE: In that same document there seems to have been a significant reduction in South-East Asia and East Asia around family planning and reproductive health care. Have any programs been cut in South-East Asia?

Ms Rogers: I wouldn't be able to answer that question. We have already had the discussion about some of the decreases in the other places.

Senator MOORE: This is 2016-17 and 2017-18. We still don't have the impact of anything from 2018-19 into the future. In the historical aspect of 2016-17 and 2017-18, were family planning programs cut in that area? Can I put that on notice? I haven't got that before me.

Mr Wood: We will take that on notice.

Senator MOORE: Can I also get on notice how you define the difference between family planning and sexual and reproductive health. There must be a document somewhere that gives me what that means in terms of what comes where.

Ms Rogers: Are you referring to the DAC codes around this?

Senator MOORE: I've got the DAC codes. Is there something the department users in addition to the DAC codes? From the past, I think it is not just the DAC code on which you operate. I just want to make sure I have got that right. Also, you've given me information about the newest programs, which are the ones that have, particularly, come through UNFPA. Is it possible to tell me the allocations that have gone to UNFPAs, NGOs and managing contractors?

Ms Rogers: We should be able to provide you with that information.

CHAIR: I'll just put on record my disappointment at a media report headed 'Labor queries use of diplomatic residence.' There is a picture of Mr Hockey with the line:
Labor queries the listing of two firms at the official address of ambassador Joe Hockey in the US.
The first paragraph is:

Australia's ambassador to the United States, Joe Hockey, is the director of two businesses which have their registered address as the official residence in Washington DC, a parliamentary committee has heard.

You have to go five paragraphs down before they finally acknowledge what I had said about the two companies having registered offices in Sydney, but they did not correct the fact that the registered office was not in the United States. That sort of journalism is just appalling, and I would invite the journalist who wrote it and the company or the masthead that printed it and put it online to withdraw it. It's just disgraceful. It's untrue and they know it to be untrue. To find the facts you have to go about six paragraphs down. They besmirch Australia's reputation and Mr Hockey's reputation and do themselves no justice whatsoever.

Senator PATRICK: I have two lines of questioning, one on Mr Julian Assange and one on Mr Yang Hengjun. You might be aware that WikiLeaks tweeted today that Mr Assange has probably hours not days left in the Ecuadorian Embassy in London. Has that been passed to you at all?

Mr Todd: The department has been aware of the claims in the media and in the twittersphere. Officials from the Department of Foreign Affairs and Trade in various capitals...
around the world have been attempting throughout the course of today to ascertain the facts. At this stage, we have not been able to confirm that there are any efforts by the government of Ecuador to remove Mr Assange from the embassy.

**Senator PATRICK:** Would that contact have included the government of Ecuador?

**Mr Todd:** It has. We are awaiting a formal response from the government of Ecuador, but they have been approached in London and in Quito. We have spoken to other officials in London in a number of agencies to seek the best information that they have. The most recent information that I have is that there's no substantiation to that claim.

**Senator PATRICK:** Okay. In line with the philosopher Seneca—hoping for the best and planning for the worst—have you recently discussed with the UK government how Mr Assange would be handled if he were to leave the embassy?

**Mr Todd:** We have not had any recent detailed discussions with the UK government other than an assurance that they have given us that Mr Assange will be treated in accordance with UK law and due process.

**Senator PATRICK:** As I guess would be expected. In those conversations with the UK, have you talked about a potential extradition to the US?

**Mr Todd:** No, we haven't. The matter of an extradition to the US is a matter for the UK government and the US government. We don't have a role in that.

**Senator PATRICK:** I appreciate that they are sovereign matters, but, of course, Mr Assange is an Australian citizen. So, just in terms of consular assistance and our care for any Australian citizen not subject to criminal proceedings but perhaps in trouble, we might make representations and explore what potential circumstances may arise.

**Mr Todd:** We make it very clear, through our Consular Services Charter and in writing to consular clients, that the Australian government is not able to intervene in legal matters in other countries. So we actually don't have a role to exercise. We have no standing in those matters other than to seek an assurance that Mr Assange would be treated appropriately under UK law.

**Senator PATRICK:** Thank you very much for that. I'll move across to Mr Yang. In response to question on notice No. 118, concerning Mr Yang, who is detained in China, DFAT advised that DFAT consular officials had last visited Mr Yang on 26 February. Has there have been any further contact with Mr Yang since that time?

**Mr Todd:** Yes, there has. A further consular visit was conducted on 26 March.

**Senator PATRICK:** I hope he's well.

**Mr Todd:** He reported that he was well.

**Senator PATRICK:** Your answer also stated: Australia has raised Mr Yang's case with China on multiple occasions both in Beijing and Canberra. At what level has it been raised? Has it got to ministerial level, or is it still at departmental level?

**Mr Fletcher:** I think that in terms of seniority the most senior person has been our ambassador in Beijing.

**Senator PATRICK:** So, just to be clear—
Mr Fletcher: And the defence minister, Mr Pyne.

Senator PATRICK: Oh, okay—the defence minister. Can you perhaps give me the date on which he may have been in contact?

Mr Fletcher: He was visiting China in January and raised it with his counterpart.

Senator PATRICK: At what level did the ambassador raise the issue in China?

Mr Fletcher: The director-general of the division in the Chinese foreign ministry that deals with Australia and the United States.

Senator PATRICK: What's that like? A deputy secretary level?

Mr Fletcher: It's a first assistant secretary equivalent. The ambassador has sought meetings with other senior officials in China to discuss the case and has not so far had those meetings.

Senator PATRICK: Are they pending? You don't know that?

Mr Fletcher: They haven't been arranged, possibly because they know what we want to talk about.

Senator PATRICK: Fair enough. What access does Mr Yang have to legal representation?

Mr Fletcher: He has not yet met his lawyer. He has a lawyer, but they have not yet had a meeting.

Senator PATRICK: I don't profess to be expert in Chinese processes. Is that unusual?

Mr Fletcher: He's being investigated under the part of the criminal code dealing with endangering national security. For investigations which come under that category, the investigating authority has discretion about the timing of access to legal representation.

Senator PATRICK: Is there a limit under those arrangements or rules?

Mr Fletcher: No.

Senator PATRICK: So it could be indefinitely?

Mr Fletcher: As long as the investigation period is underway, yes.

Senator PATRICK: Is there any further clarity on the exact nature of the national security matter?

Mr Fletcher: No.

Senator PATRICK: Has there been any indication as to when the investigation might be concluded?

Mr Fletcher: No.

Senator PATRICK: But obviously you'll be continuing to make representation.

Mr Fletcher: When we make representations to China we are asking that the investigation be carried out expeditiously, transparently and with due process and that he gain access to legal representation. From our perspective, he ought to be seeing his lawyer, and we're asking for that.

Senator PATRICK: That sounds very appropriate. Thank you very much.
Senator MOORE: I just want to put something on the record. I want to acknowledge the minister and the department regarding the Human Rights Council on Sri Lanka. We had a significant discussion at the last estimates, and I saw the statement that we made, and there has been a significant response from the community. I just wanted to put it on record, seeing as we talked about it at the last estimates.

CHAIR: That concludes the committee's examination of the department's non-trade programs for today, and I thank the minister, the secretary and officers for their attendance. We will take a short break until the arrival of Minister Birmingham.

Proceedings suspended from 20:36 to 20:40

CHAIR: I welcome Senator the Hon. Simon Birmingham, Minister for Trade, Tourism and Investment, and officers from the department with responsibility for trade programs. Minister, tell us you don't have an opening statement, please!

Senator Birmingham: Good evening, Senator Abetz. I'm very happy to confirm that.

CHAIR: Thank you. And, Secretary, I am assuming similarly for you.

Ms Adamson: Similarly.

CHAIR: So it is over to questions. Senator Gallacher.

Senator GALLACHER: I want to go to the issue of coal trade with China. Mr Fletcher, I just want to put a couple of reported facts to you to see if they concur with your knowledge. It's reported that China imported 271 million tonnes of coal from January to November last year, with supplies running some 9.3 per cent above the same period in 2017, outstripping the total of 270 million tonnes imported for the whole of 2017. Is that your understanding?

Mr Fletcher: Yes, Senator.

Senator GALLACHER: And just before we had this impasse, so to speak, we were running at an accelerated rate of imports.

Mr Fletcher: China was importing coal during most of 2018 at an accelerated pace, yes.

Senator GALLACHER: Was there any underpinning knowledge or evidence about why that was? Or is that just the way the cycles work? There seems to have been a peak in coal prices at the same time that they were increasing.

Mr Fletcher: Yes. Perhaps I could give you a bit of context. China produces about 93 per cent of its coal. Chinese coal demand is met almost totally—

Senator GALLACHER: So our 270 million tonnes is part of the seven per cent they don't do themselves.

Mr Fletcher: Yes. The 271 million tonnes of imported coal represents about seven per cent of Chinese consumption.

Senator GALLACHER: Are we the only importer?

Mr Fletcher: We supply about a third by volume.

Senator GALLACHER: So, then, we would be less than seven per cent.
Mr Fletcher: What I'm saying is that China produces 93 per cent of the coal that it uses. So, at the margins, another per cent up or down looks like a big number to us. In an economy the size of China, from year to year they might import slightly more or slightly less; that's just the way it is. Ten years ago, we sold 500 million tonnes worth of coal to China, and we're now selling vastly much more than that because their demand has skyrocketed. But they will seek to meet as much as they can from domestic sources where possible. That's why they only import about seven per cent.

Senator GALLACHER: Obviously you've been across this issue for a long while. The import and export of coal is one of your areas of knowledge and expertise. When did the department first identify that there was a problem here?

Mr Fletcher: It was in November last year. The industry told us that they had evidence of a slowing of imports of coal into China. The monthly imports into China last year were about 22 million tonnes, on average, per month. In November that started to slow appreciably and in December it halved; there was only about 10 million tonnes imported, and we believe the Chinese were—

Senator GALLACHER: But in July of that year it was 29 million.

Mr Fletcher: Yes, it fluctuates. And there are different kinds of coal. You've got metallurgical coal and what we call thermal coal, and then you've got lignite, which is brown coal, mainly from Indonesia, which is not high quality and is just used for electricity generation.

Senator GALLACHER: So it was the industry that identified the issue to your department?

Mr Fletcher: Yes, they came to us—

Senator GALLACHER: Was that in China or here?

Mr Fletcher: It was here. The Minerals Council of Australia wrote to us and said there was an appreciable slowing through longer Customs clearance times at the dock. That was in November. In December the volume imported into China halved from the normal monthly figure. So it was clear that the authorities were managing their imports as they can. If domestic production is 93 per cent of what they use then it's very easy just to dial up or down imports to vary the total volumes.

Senator Birmingham: And then, of course, in January we saw a figure that eclipsed any monthly total from last year, so there are significant ups and downs.

Senator GALLACHER: Wouldn't it be more normal that the orders would dry up, rather than the physical ships not being unloaded?

Mr Fletcher: I think it's pretty easy for them just to slow things down as ships get unloaded and the coal gets cleared through the docks. As I think the minister said last time, the normal delays of around 20 to 25 days were being extended to 40 to 45 days. If you start doing that in November, it's not long before you get through the end of the year and then business is booming again.

Senator GALLACHER: You're the expert in this field. If you want to reduce your import of a product, you just have a bottleneck; 25 days goes to 50 and the problem's solved?
Mr Fletcher: That appears to be the approach that was taken, and over the last five years there have been a number of occasions where that has occurred. This winter was a bit warmer in the Northern Hemisphere for China, and so they perhaps didn't need as much as well.

Senator GALLACHER: Just a procedural point on that: once the department was aware, obviously the trade minister was informed and there was a time line for that. When did the minister first become aware?

Mr Fletcher: I believe it would've been in November. I think the letter from the Minerals Council of Australia was actually to the minister. I'll take that on notice; frankly, I'm not absolutely certain of that.

Senator GALLACHER: Was the department involved in going to the Minister for Foreign Affairs or the Prime Minister or anybody else, or was that left to the ministerial office?

Mr Fletcher: I'm sure there were discussions with the trade minister's office, and, because we've seen this sort of thing before, our message would've been: 'This is not something to be alarmed about. It is characteristic of the Chinese coal industry as a whole to have fluctuations in demand from time to time.'

Senator GALLACHER: So you wouldn't have proposed any solutions or taken any specific action to remedy it, other than to just explain?

Mr Fletcher: No.

Senator GALLACHER: Were you aware of anybody else's coal being in the same predicament?

Mr Fletcher: Yes. What was experienced last November was experienced by all suppliers of coal to China.

Senator GALLACHER: Were you aware at the same time of any other restrictions on Australian exports? Was it simply an issue with coal, which you see from cycle to cycle, or were other exports in the same way delayed at disembarkation?

Mr Fletcher: No. No other products were affected.

Senator GALLACHER: The European Union free trade agreement—we're going to get over this bloody feta and prosecco and parmesan!

Senator Birmingham: If we wrap up quickly, I'm sure I can find some prosecco and some feta to share with you, if you like!

Senator GALLACHER: That's very generous! We raised these questions at the last estimates. It's certainly true that EU trade negotiators have provided us with a list of geographical indicators which they would seek to protect—is that correct?

Ms Burrows: Yes.

Senator GALLACHER: And that includes feta?

Ms Burrows: It does include feta.

Senator GALLACHER: Does it include parmesan?

Ms Burrows: It includes Parmigiano-Reggiano. It doesn't specifically include parmesan, and we haven't yet negotiated what the treatment of terms in translation would be.
Senator GALLACHER: Is parmesan a product of—
Ms Burrows: It's a translation of 'Parmigiano-Reggiano'.
Senator GALLACHER: Oh, it's just a different translation. How do they deal with that?
Senator Birmingham: Officials will help Hansard later, or they can refer to Senator Fierravanti-Wells!
Senator FIERRAVANTI-WELLS: I've never heard that translation before!
Senator GALLACHER: Is prosecco on the list?
Ms Burrows: Yes.
Senator GALLACHER: And we ruled out pilsner, didn't we?
Ms Burrows: Pilsner is not on the list.
Senator GALLACHER: Did we get down to a list of GIs we would like to protect, or have we not done that?
Ms Burrows: We haven't done that. We're still in consultation with industry. You wouldn't need to do a free trade agreement to register GIs with the EU, if that's what we wish to do.
Senator GALLACHER: But it would be a legitimate negotiating tactic to, if you're faced with three GIs, come out with four?
Ms Burrows: Absolutely. We will be looking very closely at the possibility of Australian GIs, and we will consult closely with industry, because they would have to be involved for us to be able to do that.
Senator Birmingham: The final equation—whether or not to conclude successful negotiations on an agreement—is, of course, an assessment of the net benefit that we see from such an agreement. Market access issues and other matters, including GIs, all form part of the pros and cons in that analysis.
Senator FIERRAVANTI-WELLS: Is prosciutto still a problem?
Ms Burrows: Prosciutto on its own seems as if it will not be a problem.
Senator FIERRAVANTI-WELLS: That's good.
Ms Burrows: But it is on the list as part of Prosciutto di Parma or Prosciutto Toscano. So, again, we have negotiations to do to see whether they want to protect the whole names or parts of the names, and we're not at that stage yet.
Senator GALLACHER: Can we get a snapshot of any public consultation that would happen if there were to be some GIs in the negotiation process? Would you advertise for something that needs to be protected or do we know it?
Ms Burrows: The minister has not yet made a decision to go ahead with this, but anything that we do would involve very close consultation with affected industries and public information. The minister has said that, if industry raises strong and justified concerns, we would defend those very robustly.
Senator Birmingham: There's a type of process that is analogous to what New Zealand is doing at present, which is to go through a public objections process to present a list—it may or may not be the full list that the EU has provided—and to simply invite submissions in
relation to that for parties to make a case as to why they should not be part of any GI arrangements. If we or any other government were to go down that path, that would not and should not be interpreted as suggesting that government was prima facie going to include those terms; it is simply a consultation process, as you say. As I've said before, the net terms of the overall agreement are what matters, but, of course, where Australian producers have a strong interest in a particular term, then I would expect us to put up a mighty defence of that term.

**Senator GALLACHER:** Is this a new, emerging area of concern in trade agreements or have we dealt with it elsewhere?

**Ms Burrows:** This would be the first time that we would have dealt with it in a free trade agreement, should we go ahead, subject to a ministerial decision. But it is absolutely commonplace in all the EU's free trade agreements.

**Senator GALLACHER:** How do we get out of the champagne issue?

**Senator Birmingham:** And it does appear in the EU wine agreement, in a form.

**Senator GALLACHER:** We don't use 'champagne' anymore. How did that come about?

**Ms Burrows:** That was part of a wine agreement that was negotiated bilaterally—

**Senator GALLACHER:** A separate agreement?

**Ms Burrows:** completely separately. It was first negotiated in the early 1990s and then revised with the full involvement of our industry in the early 2000s.

**Senator GALLACHER:** That was just access into France, presumably.

**Ms Burrows:** Sorry, I didn't catch that.

**Senator GALLACHER:** It was Australian wine gaining access—

**Ms Burrows:** Yes, absolutely right.

**Senator GALLACHER:** But there was more to be gained by it than protecting champagne.

**Ms Burrows:** The wine industry were very closely engaged because they saw benefits coming from it in terms of access.

**Senator GALLACHER:** Is that a template going forward?

**Ms Burrows:** We would have to talk to industry about what they want to do—whether they see it as a template or not.

**Senator GALLACHER:** It's a successful outcome, isn't it, for both?

**Senator Birmingham:** It's a useful example in one sense, because what the EU has successfully done in a range of other markets is to protect a number of those terms, such as 'champagne', most notably, which means that Australian producers would not be able in those other countries to potentially sell their wine as a champagne. Even if the Australian industry at that time had said, 'No deal,' and not struck an agreement with the EU, they may have found that that constrained their ability to export under the types of terms they use in Australia into those other markets. Whether that carries through into other sectors is, of course, a matter to be assessed sector by sector, case by case.
Senator GALLACHER: What's the department's assessment? Is this a nine-out-of-10 issue or a one-out-of-10 issue, or is it just a peripheral issue?

Ms Burrows: This is a significant issue in the negotiations in the sense that the EU are very keen that for them it is an essential part of the FTA negotiations. We have said that we will only consider it if at the end of the negotiations the outcomes from the negotiations, including on market access overall, are great enough for us to consider it. This will be something that will take up the whole time of the negotiations, however long that may be.

Senator GALLACHER: Thank you very much for that. I will go to RCEP, the Regional Comprehensive Economic Partnership. Mr Baxter, when will the negotiations for the RCEP be concluded?

Mr Baxter: Good evening, Senator. Leaders of RCEP countries met in November last year and indicated that they wanted RCEP negotiations to be concluded this year.

Senator GALLACHER: Was there a provisional date for the signing of any such agreement set?

Mr Baxter: They called for the conclusion of negotiations this year.

Senator GALLACHER: Will the agreement include ISDS provisions?

Mr Baxter: I think it's fair to say that the inclusion of provisions on investor-state dispute settlement is a matter that's still under active discussion in the negotiations.

Senator GALLACHER: What have we done with respect to labour market testing for contractual service suppliers? The secondary question is: if that's contained in the Japanese economic partnership agreement or the Korean free trade agreement, how do they blend together? Which one takes primacy?

Mr Baxter: Senator, as you've indicated yourself, we already have commitments to waive labour market testing as a result of free trade agreements we've concluded with a number of RCEP parties. The question of whether we will offer to waive labour market testing in relation to the RCEP agreement is one that is still under consideration and therefore not one I am at liberty to discuss.

Senator GALLACHER: Excellent. Does the agreement include an enforceable labour chapter?

Mr Baxter: The agreement will not include a labour chapter of any description.

Senator GALLACHER: Does the agreement include an environment chapter?

Mr Baxter: No, it will not.

Senator GALLACHER: Has Australia agreed to give greater concessions on procurements than currently exist in existing agreements?

Mr Baxter: The agreement will include a chapter on government procurement, but it will not include market access commitments by any RCEP party.

Senator GALLACHER: Excellent. Thanks very much for that. If we could go to beef trade with China.

Ms Adamson: While my colleague is coming to answer questions about beef trade with China, Senator Gallacher, you asked a few minutes ago about when the Minerals Council of Australia wrote in November last year. As Mr Fletcher said—and he could say this himself,
but I'm halfway through it—the MCA wrote to DFAT and to the Department of Industry, Innovation and Science on 16 November. That was a letter to the department, not, in fact, to the minister.

 Senator GALLACHER: So on 16 November we had the ministers for trade and resources and the Prime Minister?

 Ms Adamson: DFAT and DIIS, so Industry, and Foreign Affairs and Trade.

 Senator GALLACHER: Thank you for that. Where are we at, Mr Fletcher, with the commitment to review the memorandum of understanding on the investment facilitation arrangements of ChAFTA? Is it further advanced?

 Mr Fletcher: That's handled by my colleague who is rapidly approaching the table.

 Mr Mercer: The review of the investment facilitation arrangements MOU which sits beside ChAFTA commenced with a meeting in Canberra in October 2017.

 Senator GALLACHER: How is it progressing?

 Mr Mercer: As I explained at the last estimates session—

 Senator GALLACHER: I've got 10 questions and they're pretty straightforward. So you had October 2017?

 Mr Mercer: That's the one and only meeting that has been held to date.

 Senator GALLACHER: There haven't been any subsequent meetings?

 Mr Mercer: That's right.

 Senator GALLACHER: There wasn't a more recent meeting? What progress has there been on the review since the meeting?

 Mr Mercer: The only exchange that we've had with China is in trying to schedule another meeting.

 Senator GALLACHER: So we're not likely to see the review concluded in the short term?

 Mr Mercer: That's correct.

 Senator GALLACHER: Was it March 2017 that the commitment was signed—the agreement to review to increase market access?

 Mr Mercer: The IFA MOU doesn't deal with market access. It's an arrangement which relates to the movement of people. What was signed in March 2017 in the context of the visit by Premier Li was an understanding between the former trade minister, Mr Ciobo, and his Chinese counterpart to launch the review process.

 Senator GALLACHER: So before that meeting and that agreement how many companies could export beef to China?

 Mr Mercer: I'll hand to Mr Fletcher.

 Mr Fletcher: We've answered this question before. The same number of establishments as previously. I have given you the number. There are 40-something establishments.

 Senator GALLACHER: And post the meeting there has not been any improvement?

 Mr Fletcher: That has not changed.
Senator GALLACHER: So basically no Australian businesses have exported beef that couldn't already do it?

Mr Fletcher: That's correct.

Senator GALLACHER: It's a stalemate. So, despite the minister's best efforts, we haven't been able to increase our beef exports?

Mr Fletcher: Our beef exports have increased quite well.

Senator GALLACHER: Under this process?

Mr Fletcher: The number of establishments has not changed, but the volume of trade has increased.

Senator GALLACHER: Is any of this a breach of parts of ChAFTA?

Mr Fletcher: No.

Senator GALLACHER: I can probably think of a few more questions.

CHAIR: Don't bother.

Senator GALLACHER: I'm finished.

CHAIR: All right, Minister, secretary and department officials, thank you all very much. I thank the secretariat for their assistance.

Committee adjourned at 21:04