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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Wednesday, 23 October 2019

DEFENCE PORTFOLIO

In Attendance

Senator Reynolds, Minister for Defence

Department of Defence

Mr Greg Moriarty, Secretary
General Angus Campbell, Chief of the Defence Force
Ms Rebecca Skinner, Associate Secretary
Dr Tom Clarke, First Assistant Secretary Audit and Fraud Control
Ms Megan Lees, First Assistant Secretary Governance and Reform
Ms Kylie Scholten, First Assistant Secretary Security and Vetting Service
Ms Rowena Bain, Acting First Assistant Secretary Ministerial Executive Coordination and Communication

Mrs Elizabeth Sisley, Acting Assistant Secretary Ministerial and Parliamentary
Vice Admiral David Johnston AO, Vice Chief of the Defence Force
Major General Roger Noble DCS AM CSC, Head Military Strategic Commitments
Lieutenant General Richard Burr AO DSC MVO, Chief of Army
Vice Admiral Michael Noonan AO, Chief of Navy
Air Marshal Mel Hupfeld AM DSM, Chief of Air Force
Air Vice Marshal, Cath Roberts AM CSC, Head of Air Force Capability
Mr Tony Fraser AO CSC, Deputy Secretary Capability Acquisition and Sustainment Group
Mr Tony Dalton, Deputy Secretary, National Naval Shipbuilding
Mr Shane Fairweather, Acting Group Business Manager
Rear Admiral Gregory Sammut, General Manager Submarines
Rear Admiral Wendy Malcolm CSM, Head Maritime Systems
Major General Andrew Bottrell CSC and Bar, DSM, Head Land Systems
Major General David Coglan AM, Head Armoured Vehicle
Air Vice Marshal Leigh Gordon AM CSM, Head Joint Strike Fighter
Air Commodore Graham Edwards, Acting Head Aerospace Systems Division
Ms Sheryl Lutz, First Assistant Secretary Ships
Mr Peter Chesworth, First Assistant Secretary National Naval Shipbuilding Office
Ms Traci-Ann Byrne, First Assistant Secretary Program Performance
Mr Ivan Zlabur, First Assistant Secretary Joint Systems
Mr Andrew Staines, First Assistant Secretary Procurement and Contracting
Brigadier Jeremy King, Acting Head Helicopter Systems
Mr Daniel Fankhauser, Assistant Secretary, Naval Shipbuilding
Mr Stephen Pearson, Chief Information Officer
Mr Jeff Goedecke, First Assistant Secretary Service Delivery and Reform
Mr Steven Groves, Chief Finance Officer
Ms Angela Diamond, First Assistant Secretary Financial Management and Performance
Ms Sally Druhan, First Assistant Secretary Budget and Financial Services
Mr Adrian D'Amico, Head Defence Legal
Ms Justine Greig, Deputy Secretary Defence People
Mr Patrick Hetherington, First Assistant Secretary People Policy and Culture
Mrs Lisa Phelps, First Assistant Secretary People Services Division
Air Commodore Kenneth Robinson, Acting Head People Capability
Mr Paul Way, Director General Defence Community Organisation
Dr David Kershaw, Chief Maritime Division
Mr Steven Grzeskowiak, Deputy Secretary Estate and Infrastructure
Mr Chris Birrer, First Assistant Secretary Infrastructure
Air Marshal Warren McDonald AM CSC, Chief of Joint Capabilities
Major General Marcus Thompson AM, Deputy Chief of Joint Capabilities; Head Information Warfare
Air Vice Marshal Tracy Smart AO, Commander Joint Health; Surgeon General Australian Defence Force
Rear Admiral Brett Wolski AM, Head Reserve and Youth Division; Commander Australian Defence Force Cadets
Rear Admiral Ian Murray, Commander Joint Logistics
Brigadier Phil Winter AM CSC, Director General Australian Defence Force Sport
Colonel Nicholas Surtees, Provost Marshal, Australian Defence Force
Mr Peter Tesch, Deputy Secretary Strategic Policy and Intelligence
Ms Celia Perkins, First Assistant Secretary Strategic Policy
Mr Hugh Jeffrey, First Assistant Secretary International Policy
Dr Sheridan Kearnan, First Assistant Secretary Defence Industry Policy

**Australian Signals Directorate**
Lieutenant General John Frewen DSC AM, Acting Director-General
Ms Hazel Bennett, Deputy Director-General Corporate and Capability Group
Ms Rachel Noble PSM, Head Australian Cyber Security Centre
Mr Scott MacLeod, First Assistant Director-General Protect, Assure and Enable
Mr Karl Hanmore, First Assistant Director-General Engagement, Operations and Intelligence

**Australian War Memorial**
Dr Brendan Nelson, Director
Ms Leanne Patterson, Assistant Director, Corporate Services  
Major General Brian Dawson (Retired), Assistant Director, National Collections  
Ms Anne Bennie, Assistant Director, Public Programs Memorial  
Mr Wayne Hitches, Executive Project Director  
Ms Georgina McKenzie, Chief Finance Officer  

**Department of Veterans' Affairs**  
Ms Liz Cosson AM, CSC, Secretary  
Mr Mark Cormack, Deputy Secretary, Policy and Programs  
Mr Charles McHardie AM, Deputy Secretary, Transformation and Enabling Services  
Mr Craig Orme DSC AM CSC, Deputy President  
Mr Don Spinks AM, Repatriation Commissioner  
Dr Jenny Firman, Chief Health Officer  
Mr John Fely, First Assistant Secretary, Transformation and Organisational Performance  
Ms Natasha Cole, First Assistant Secretary, Clients' Benefits Division  
Mr Mark Harrigan, First Assistant Secretary, Business Support Services Division  
Mr Mark Fraser AO CVO, Head of Executive and People Engagement Division  
Ms Kate Pope PSM, First Assistant Secretary, Veterans' Services Design Division  
Ms Leanne Cameron, First Assistant Secretary, Client Engagement and Support Services Division  
Mr Graeme Rochow, Chief Finance Officer, Assistant Secretary, Finance and Property Branch  
Brigadier Bronwyn Worswick, Assistant Secretary, Legal Services and Audit Branch  
Mr Paul Nothard AM CSC, National Manager, Commemorations and War Graves Branch  
Ms Alison Hale, Assistant Secretary, Community Policy Branch  
Ms Carly Partridge, Assistant Secretary, Royal Commission Taskforce  
Ms Karen Pickering, Assistant Secretary, Provider Engagement and Management Branch  
Ms Leonie Nowland, Assistant Secretary, Client Coordination and Support Branch  
Ms Edel Kairouz, Assistant Secretary, Policy Development Branch  
Ms Veronica Hancock, Assistant Secretary, Wellbeing Policy Branch  
Ms Moira Campbell, Assistant Secretary, Wellbeing Policy Branch  
Dr Stephanie Hodson CSC, National Manager, Open Arms—Veterans and Families Counselling  

**Defence Housing Australia**  
Mr Paul Groenewegen, Acting Managing Director  
Mr Brett Jorgensen, General Manager, Property Provisioning Group  
Ms Suzanne Pitson, General Manager, Portfolio Management Group  
Ms Christine Steele, Acting General Manager, Property and Tenancy Services
Mr Ross Jordan, General Manager, Governance
Mr Hamid Heydarian, General Manager, Business Intelligence
Ms Lisa Barlin, Chief General Counsel
Mr Andrew Oliver, National Manager, People and Capability
Ms Katische Vinning, National Manager, Business Solutions, Technology and Services

Committee met at 09:00

CHAIR (Senator Abetz): I declare open this supplementary budget estimates 2019-20 hearing of the Senate Foreign Affairs, Defence and Trade Legislation Committee. Today the committee will examine the Defence portfolio as set out on the circulated program. The committee has fixed 1 November 2019 as the date for senators to submit written questions on notice and 6 December 2019 is the due date for the return of responses. Information on procedural rules governing the estimates hearings and claims of public interest immunity has been provided to departments and agencies and is available from the secretariat.

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)

Before welcoming people at the table, can I extend a warm welcome to a group of ASEAN students studying at the ANU under the new ASEAN-Australia Defence Postgraduate Scholarship Program, which was announced in March 2018 by the then defence minister, Senator the Hon. Marise Payne. Their work focuses on issues of leadership in a defence and ASEAN context, and they are spending time looking at the issue of accountability and defence leadership. To those students from our neighbouring countries: you're very welcome and I hope that you find the proceedings informative, if not enjoyable.

Department of Defence

[09:02]

CHAIR: Now to the proceedings. I welcome Senator the Hon. Linda Reynolds, the Minister for Defence; the secretary of the department, Mr Greg Moriarty; the Chief of the Defence Force, General Angus Campbell; and officers from Defence. Minister, do you wish to make an opening statement?

Senator Reynolds: Good morning and thank you, Chair. I would like to make a couple of opening remarks. Firstly, it's an honour to be here as the Minister for Defence. Obviously, this is not my first estimates in this portfolio, but it is my first as the minister. I very much look forward to working with the committee today and into the future.

Over the past five and a half months I have had the enormous privilege to work with many of the 85,000 of our men and women in uniform. I have been so proud and so impressed with their efforts. As we have a look at Defence expenditure and Defence activities over the course of this estimates today, I just wanted to apprise this committee and also all Australians about what our men and women in uniform and those in the APS who support them are actually doing. Just to get an idea of the breadth and depth of how busy our ADF is—it is busier than it has been, I would suggest, since World War II. Navy this year has 227 port visits planned to
have completed this year alone. Over the past 12 months, Navy has had up to 27 ships at sea every single day, including 2,500 Navy personnel. That is a truly extraordinary tempo.

Army has conducted more than 200 international engagement activities this year, with 25-plus nations. They have also trained approximately 4,500 international personnel. And not to forget our wonderful Air Force. They will participate in and also support this year over 200 exercises and deploy aircraft and personnel to over 40 overseas activities. I would like to acknowledge and thank the 16,000 members of the APS who make this activity by the ADF possible. Of course, all of this is made possible by the family members and the friends of all who serve—the 85,000 men and women in uniform. I would like to acknowledge the families here today and thank them all for their service. They are all together doing important work for this nation and I'm very proud, as I know the CDF and the secretary are, of our defence forces. With that, Chair, I'll conclude my remarks.

CHAIR: Thank you, Minister. Secretary, do you wish to make an opening statement?

Mr Moriarty: No, thank you.

CHAIR: And Chief?

Gen. Campbell: No, thank you.

CHAIR: Just for clarification, if I may, the way that we deal with the program is basically people can skip through the program. We don't stick—

Senator Wong: You have always been very—

CHAIR: We don't stick religiously to 2.1 and then close it off. I would like to think that the flexibility can continue with the cooperation of all senators.

Senator Wong: Firstly, again, as always, can I express our thanks to all personnel of the ADF, all serving personnel and their families also. In that context, I would like to ask some questions about the most recent deployment to the Strait of Hormuz as part of the international maritime construct. Minister, thank you for providing us with a briefing. I do think it would be useful in open estimates for either the CDF or the defence secretary to perhaps give us an update on the status of ADF personnel deployed to the IMSC.

Gen. Campbell: The International Maritime Security Construct was a commitment that was announced on 21 August by the Prime Minister. It's a commitment of one P-8 aircraft for a month between approximately mid-October and mid-November, currently deployed into the Middle East, a contribution of a small number of staff officers into the IMSC headquarters, and the commitment of our Major Fleet Unit, which has routinely rotated into operations in the Gulf region over more than 20 years now, rotating in next from January to June 2020. That ship will be part of the IMSC. This contribution is within the broader remit of Op Manitou, which has been the operation that our ships over the year have contributed to in the Combined Maritime Force in the Middle East region.

The IMSC is currently in operation led by the US with contributions from the United Kingdom, Australia, Bahrain, the UAE and the Kingdom of Saudi Arabia. The purpose of our contribution in the broad is to preserve and uphold the rules-based international order. In particular, to support maritime security of the flow of commercial vessels in the Strait of Hormuz, de-escalate tensions in the region, and to emphasise the principle and law of freedom of navigation of vessels at sea. That's why we're going. A P-8 and an MFU, a major fleet unit,
are the contributions that Australia has committed to at this stage, but with the P-8 being in theatre presently.

Senator WONG: And the frigate from January next year?


Senator WONG: You might have mentioned this in your opening, but what is the number of Australian personnel at the headquarters?

Gen. Campbell: It would be somewhere between five and 10. The final number is yet to be concluded, but it starts at five—between five and 10.

Senator WONG: In what sorts of roles?

Gen. Campbell: They'll be the staff officers working on the standard command and control functions of gathering information, planning, communicating, coordinating actions and so forth between partner states.

Senator WONG: Obviously, in answering this, you will be cognisant of what might want to be discussed and what might not want to be discussed in this forum. Perhaps you or the secretary could give us an indication of how we integrate with the other parties in the IMSC, the command and control structures, the rules of engagement and so forth? I think that might be useful.

Gen. Campbell: As to the command and control arrangements, it is a US-led construct. That said, the nations each will have a specified national mandate, or remit, that they must adhere to. It is a matter of generating a coordinated effect, with the US leading in achieving that coordination, to concentrate on freedom of navigation and the de-escalation of regional tensions. The command-and-control elements, the headquarters, are the function that will generate that coordination. You asked about rules of engagement: Each nation will contribute, subject to their own domestic laws and their understanding of international law/rules of engagement for their contributing forces, as we indeed have done. Those rules of engagement are an amendment to the extant Manitou rules of engagement that focus specifically on the mission purpose of our contribution to this activity.

Our rules of engagement are, and have always been, classified. They are classified for the reason that if rules of engagement are known to those who might wish to manipulate, avoid or find ways to attack our people, knowledge of those rules of engagement can give opportunity and advantage to persons who would wish to do that. We've always kept our rules of engagement classified, but the point is that they are tailored to the mission and are an adaptation of our extant Manitou rules that have been employed for some many years now. We tailor all of our rules of engagement for the particulars of each mission we have. I am happy to take further questions.

Senator WONG: I'm trying to think about how to ask this question in a way that's appropriate. For Operation Manitou I assume that any actions taken by that vessel ultimately are decisions of Australian personnel?

Gen. Campbell: That's correct. The ship's captain has command.

Senator WONG: That's correct. Can we infer that the coordination function to which you've referred would not abrogate those arrangements?

Gen. Campbell: No, it wouldn't.
Senator WONG: In terms of other nations that have indicated participation, we have Saudi Arabia, the UAE, obviously the US, Australia, the UK and Bahrain. Have any further nations announced a contribution to the mission?

Gen. Campbell: Not at this stage, although I believe some nations are still considering a contribution.

Senator WONG: Are there any contributions to the de-escalation and freedom of navigation objectives of the mission by other nations outside of the US-led IMSC?

Gen. Campbell: Not at this stage, although there is consideration and there has been progressively over the last few months in that regard.

Mr Moriarty: A number of European countries are considering whether there might be scope for a separate mission, which might have some European countries participate that would still coordinate with this construct but would be under a separate and distinct construct. But I don't believe that that has yet got to the stage where countries are prepared to commit. It is still being discussed, I understand, amongst a number of European countries.

Senator WONG: Has any contribution from Japan been indicated?

Gen. Campbell: No, not at this stage.

Senator WONG: Minister, as yet we haven't had a ministerial statement to parliament in relation to this. I wonder if you're intending to do so?

Senator Reynolds: I hadn't at this point in time. Firstly, can I just reciprocate your opening comments and thank you and Mr Marles very much for the way in which you have engaged with the government on this matter. We are very appreciative of that given the importance of this mission. I am considering a broader ministerial statement at the moment. Given I've now been in this job for five and a half months, I am considering a ministerial statement, and not necessarily just on this particular issue but on some issues more widely.

Senator WONG: As you know, Mr Marles has requested that you do so. I don't want to make a partisan point about this. I think it is about respect for the parliament. I appreciate that there can be a technical argument about what sort of deployment this is. I think these matters are best dealt with where there is appropriate engagement across party lines. As I said, we appreciate the briefing, but there are members of parliament and senators who have interest as well as the public. We've covered some of those issues here. I think they've been covered to some extent in question time, but I think that would be of benefit. I will leave that for your consideration.

Senator Reynolds: I'll consider that further.

Senator WONG: I will come back to Defence Housing. I did want to go to Defence's handling of buildings on the Defence Estate which appear to have flammable cladding. Obviously, there has been some media about this and I wanted in the departmental section to give you an opportunity to tell us what you've been doing about this. The public reports are that the industry department has sought audit figures from Defence about possible flammable cladding on the Defence Estate. Have you done an audit? When did you do it? How many of your properties are noncompliant?

Mr Grzeskowiak: This issue arose a couple of years ago with the Grenfell fire. Around that time, the government put together a whole-of-government process to have a look at this.
Within Defence we started to have a look around the estate. We have had a look at all of the buildings on the Defence Estate. That is around 30,000 structures. We have five buildings that have flammable cladding on them that has been used in a way that is not consistent with the Building Code of Australia. For those five buildings, we have a process in place to remediate them, which is going on at the moment.

Senator WONG: When did you do the audit?

Mr Grzeskowiak: We started looking at this around 18 months ago, just at about the time it became an issue in the public domain through the Grenfell Tower. That audit completed last year and we have five buildings—

Senator WONG: Yes, I heard that. I'm asking for dates now. You said that after the Grenfell building fire in London Defence initiated an audit? Is that your evidence?

Mr Grzeskowiak: Defence did initiate an audit.

Senator WONG: Was the minister at the time involved in that decision?

Mr Grzeskowiak: I don't think so. It was something we did departmentally.

Senator WONG: Was the minister advised?

Mr Grzeskowiak: I am pretty sure that would have been the case, but I would have to take it on notice.

Senator WONG: I would love the date of both. Do you have the date of the commencement of the audit?

Mr Grzeskowiak: I don't have the exact date, but we can probably get that for you as we go.

Senator WONG: Who made the decision to do the audit? Was that the secretary?

Mr Grzeskowiak: It was an internal Defence decision. It would have been my decision to do the audit.

Senator WONG: I heard that; I am asking which of the internal Defence people made that decision.

Mr Grzeskowiak: I'd have made that decision to do the audit.

Senator WONG: I am sorry?

Mr Grzeskowiak: I would have made that decision to do the audit.

Senator WONG: When people use 'would' I always get very nervous, because it's a hypothetical.

Mr Grzeskowiak: I made the decision.

Senator WONG: You made the decision. Thank you.

Mr Grzeskowiak: The responsibility lies within my part of the—

Senator WONG: That is fine. And your title?

Mr Grzeskowiak: Deputy Secretary for Estate and Infrastructure.

Senator WONG: How long have you been in this role?

Mr Grzeskowiak: Six and a half years.

Senator WONG: And you made a decision. Was that at the request of anyone?
Mr Grzeskowiak: No. We saw the reporting of that. We became aware because there was a whole-of-government process to look at it. We leant in and started a process to have a look across the Defence Estate.

Senator WONG: Who conducted the audit?

Mr Grzeskowiak: The audit would have been conducted I think through an outsource process.

Senator WONG: Can we not do 'would'? Who did it? It's not a hypothetical. Whom was it conducted by?

Mr Birrer: It was conducted by our estate maintenance and operational support contractors.

Senator WONG: Who was that?

Mr Birrer: They are a range of three contractors across Australia, depending on the geography, who have responsibility for day-to-day management operations on the Defence Estate.

Senator WONG: I will come back to that. Of the five buildings, how many of them are housing and how many of them are your own estate? Sorry, how do I put it? Non-residential?

Mr Grzeskowiak: These buildings are all on the Defence Estate. None of them is a residential building.

Senator WONG: Was there a contract entered into in relation to this audit or was this part of the ordinary pre-existing contractual arrangements?

Mr Grzeskowiak: It would be part of our pre-existing contractual arrangements.

Senator WONG: Was it or was it not?

Mr Grzeskowiak: It was part of our pre-existing contractual arrangements. As Mr Birrer said, we have extant contracts with a range of companies across the breadth of the Defence Estate.

Senator WONG: What paperwork can you provide us with about this audit?

Mr Grzeskowiak: Today, nothing. But on notice I can provide more details.

Senator WONG: I would like documents associated with your arrangements with them and the audit reports. Were there audit reports? Is that the phrase I should use?

Mr Grzeskowiak: There were reports of the audit which would have reported on the status of all the buildings that were looked at with regard to their correct or otherwise use of flammable cladding.

Senator WONG: How many buildings were the subject of the audit or within the remit?

Mr Grzeskowiak: The whole Defence Estate.

Senator WONG: How many buildings were within the remit?

Mr Grzeskowiak: I can only give you an approximate number, but we have around 25,000 to 30,000 built structures on the Defence Estate. I can provide on notice further information.

Senator WONG: When were the audits finalised? How did you get the report? In what form was the report?
Mr Grzeskowiak: The audits were finalised last year, but the exact date I would need to come back to you on. Looking at my information here, June 2017 was when we commenced our process.

Senator WONG: Thank you.

Mr Birrer: As Mr Grzeskowiak just said, in June 2017 Defence instigated a program to assess compliance of external cladding material across the Defence Estate. Some 30,000 buildings have been assessed. Some 208 Defence owned buildings—there are leased buildings, of course—were identified as potentially noncompliant. Defence then engaged fire engineers to conduct deeper analysis of the 208 potentially noncompliant Defence owned buildings. At the completion of the noncompliant program in March 2019 there were then five Defence owned buildings assessed as noncompliant, and actions are progressing to bring about the compliance of the buildings by the end of the year.

Senator WONG: Thank you. So the sequence is an audit by the contractors identified 208 Defence buildings which are—

Mr Birrer: Potentially noncompliant.

Senator WONG: Can I finish, please? I was going to say that. I'm not going to misstate. I'll do it again. The sequence is in June 2017 you commissioned your existing contractors who are responsible for the estate to look at your buildings, and 208 are identified through that process as potentially noncompliant, correct?

Mr Birrer: Correct.

Senator WONG: And in respect of those 208, you then commission fire engineers, I think you described them as?

Mr Birrer: Correct.

Senator WONG: They looked at the 208, and five were found to be definitively noncompliant?

Mr Birrer: Yes.

Senator WONG: What happened to the other 203? Are they cleared or are they still potentially noncompliant? What is their status?

Mr Birrer: I'll take that on notice, but I believe they're cleared.

Senator WONG: We don't know?

Mr Birrer: There are five that are noncompliant.

Senator WONG: That wasn't my question. I'm asking about the 200-plus that were in the risk category. You said five were definite. Are the 203 safe? Are they compliant or aren't they?

Mr Birrer: They are, safe, yes.

Senator WONG: But you just told me you don't know whether they're compliant?

Mr Birrer: Of the 208 examined by the fire engineers, five were found noncompliant. The other 203 would be compliant.

Senator WONG: 'Would' be? Surely someone knows about this? It is a binary proposition, isn't it?
Mr Birrer: That is right, and there are five that are noncompliant.

Senator WONG: Do we have a clean bill of health on the 203 or not?

Mr Grzeskowiak: Yes, we do. The fire engineers' report would have declared which buildings were compliant—

Senator WONG: Do we have a copy of the fire engineers' report?

Mr Grzeskowiak: Not with us here.

Senator WONG: This ran on national news last night. Did no-one think that this might be asked? Can we have a copy of the fire engineers' report provided or at least someone at the table who can give evidence about it?

Mr Grzeskowiak: We can seek to take that on notice.

Senator WONG: Why don't we come back later in the day? This is an important issue. People are concerned about it. If you are able to deal with people's concerns today I think that would be better. I'm happy to—

Mr Grzeskowiak: We will seek to do that.

Senator WONG: I will come back to this, unless someone else has something. I'll come back to that point. Can someone explain to me the difference between what the standard for compliant or noncompliant is? Against what are we measuring?

Mr Grzeskowiak: The Building Code of Australia is the document that would describe what would be a compliant use of this type of cladding material and, by definition, what would be a noncompliant use.

Senator WONG: Is it your evidence that your fire engineers' report assesses compliance against the Building Code of Australia? Is that the evidence?

Mr Grzeskowiak: That's correct. The Building Code of Australia allows the use of these types of materials in buildings under certain circumstances, and that's what the fire engineers would have been looking at in detail for those 208 buildings—

Senator WONG: We're going to have a really different grammatical day, aren't we? My concern about 'would' is that technically the evidence is not you telling us what actually happened but what might have happened. I do like to actually know what happened if possible.

Mr Grzeskowiak: I'll try to correct my phraseology. The fire engineers did undertake an inspection of those 208 buildings. They did use the Building Code of Australia as the reference guide and, as we said, five of those buildings were declared noncompliant, and action is in progress on those five buildings.

Senator WONG: I'll come to which action is in progress and then you're coming back to me today on the status of the 203? I am assuming the five are in the 208, correct?

Mr Birrer: The five in the 208 and the 203.

Senator WONG: That you are coming back to me about?

Mr Birrer: Yes.

Senator WONG: Have ADF personnel or Defence personnel working in these buildings or others been informed of potential and known risks?
Mr Grzeskowiak: The personnel in those buildings are advised of the fact that the buildings they work in contain flammable cladding that has been installed in a noncompliant manner. For those buildings we have put in place processes where, for example, fire evacuations are practised more frequently, so that we can ensure that were that to be a fire then people are very familiar with the exit process and how to deal with that.

Mr Birrer: We have also adjusted how the fire alarms operate. Rather than have that sort of be alert/ready status, they go immediately to evacuation. Further, I can confirm that the 203 buildings were cleared as compliant.

Senator WONG: With the building code?

Mr Birrer: Yes.

Senator WONG: So, of the five you say people within them have been advised of the elevated risk of fire?

Mr Birrer: Correct.

Senator WONG: When were they advised in respect of each of the five?

Mr Birrer: There was an internal departmental message issued to staff on 27 February 2018.

Senator WONG: Sorry; I thought the time line you gave me earlier was you commenced in June 2017 the initial audit. I was told it finished last year. Do we infer from that that it actually finished in 2018 or were they advised earlier, prior to the audit being finalised, because the buildings had been assessed as noncompliant while the audit was still in place? Can you see the time line issue?

Mr Grzeskowiak: I do. We advised people in those billings once we had confirmation from that fire survey that those buildings had noncompliant use of that cladding.

Senator WONG: Say again?

Mr Grzeskowiak: People in those buildings were advised once we had confirmation that those buildings had noncompliant cladding. So if that advice was done—

Senator WONG: While the audit was still underway?

Mr Grzeskowiak: Yes. To clarify that in detail, I'll take that on notice.

Senator WONG: Sure. But the time line is that people in those buildings were advised before the audit was finalised?

Mr Grzeskowiak: As soon as we were aware that there was noncompliant cladding, we advised people. But I'll take it on notice to get the exact dates.

Senator WONG: I got the date from Mr Birrer. He said 27 February 2018 was the message.

Mr Grzeskowiak: That is correct—just to include exactly when the audit concluded and when the final report was published.

Senator WONG: I do want to understand a little more the status of the audit, because there's some public discussion on this. What is the current status of the audit?

Mr Grzeskowiak: The audit is complete.

Senator WONG: Do you know when it was completed?
Mr Grzeskowiak: I—
Senator WONG: That's what we're coming back on?
Mr Grzeskowiak: That's what I would like to come back and clarify.
Senator WONG: An audit is handed to someone in government; is that how it worked?
Mr Grzeskowiak: To someone in my organisation with responsibility for managing this issue.

Senator WONG: And a consequence of that was that you were advised that the audit was complete? Or was the executive board—is that what you call yourselves, Secretary? What do you call your—
Mr Moriarty: The Defence Committee.
Senator WONG: The Defence Committee—nice. When was the Defence Committee advised that the audit was complete? Or did it not go to that level?
Mr Grzeskowiak: I was advised that the audit was complete. It's something I mentioned in our senior committee but not in terms of a formal paper.

Senator WONG: 'Senior committee' is the Defence Committee? Or is this a committee underneath the Defence Committee?
Mr Moriarty: Normally we have a weekly meeting with all of the group heads and service chiefs, and quite often topical issues are raised in that meeting. Sometimes more formal papers are prepared for the Defence Committee or our other decision-making—

Senator WONG: Did this ever go to the Defence Committee?
Mr Moriarty: Not to my recollection.

Senator WONG: You say you have received the audit. You say the audit is complete. Can you explain why there might be a little bit of confusion about that in terms of public reporting of whether the audit is still going?
Mr Grzeskowiak: It is simply I can't recall the date of—

Senator WONG: No, sorry; I accept that. My recollection of the public reporting of this is that there seems to be some question about whether the audit has actually been finalised. I'm just trying to understand whether you can shed any light as to why there might be confusion about that.

Mr Grzeskowiak: I have no idea why there may be confusion. This is not something Defence has sought to telegraph publicly. We're dealing with it inside the department.

Senator WONG: When was the defence minister, whomsoever it might have been at the relevant time, informed of these issues?
Mr Grzeskowiak: I would need to take that on notice to find the exact date.

Senator WONG: When were you aware of these issues, Minister?
Senator Reynolds: I have not been formally briefed, but I'll check with Minister Price, who has ministerial responsibility for estate matters, and I'll come back to you.

Senator WONG: So you haven't been briefed, but Minister Price may or may not have been?
Senator Reynolds: Yes. I'll check with Minister Price just to see if she has been.
Senator WONG: What action has been taken to address these issues for the five buildings on the defence estate?

Mr Grzeskowiak: As I mentioned earlier, we have a program of work in place to replace a range of these flammable claddings that have been used in a noncompliant way with the Building Code. That's going on at five locations, and we're targeting completion of that work around the end of this year.

Senator WONG: When did that commence?

Mr Grzeskowiak: For the exact start date, I would need to take that on notice.

Senator WONG: You told me in February 2018 that these five were identified as noncompliant. That was the evidence, wasn't it?

Mr Birrer: No, sorry, it wasn't those five. The message to defence personnel was that there was a program underway.

Senator WONG: I thought you answered that question in response to my question about when the people in the five buildings had been advised. In February 2018 you tell people, 'We're doing this'; correct?

Mr Birrer: Yes.

Senator WONG: That's the February 2018 message. Have you advised defence personnel and other people working or living—but I think the evidence is it is not residential—in the buildings which have flammable cladding of that fact?

Mr Grzeskowiak: I believe we have, through the Defence message that we sent out.

Senator WONG: No, that's not right. Mr Birrer's evidence about the Defence message is that it was a message which indicated that the program was in place. My question is not that. My question is in respect of the five buildings for which fire risk has been identified. Have personnel working inside those buildings been advised of that fact?

Mr Grzeskowiak: My understanding is that they have. They're practising fire escape more regularly than normally would be the case.

Senator WONG: When were they advised?

Mr Grzeskowiak: I'd have to take that on notice.

Senator WONG: Mr Birrer, can you help me?

Mr Birrer: I'll take that on notice.

Senator WONG: Does anybody know if they were told, and when?

Mr Grzeskowiak: I said I'll take it on notice.

Senator WONG: Could you come back today?

Mr Grzeskowiak: I'll see what I can do.

Senator WONG: You have talked about risk mitigation, which is different alarms and people practising fire escape. But rectification involves—the secretary is handing you something, so maybe I'll just wait. It didn't help?

Mr Grzeskowiak: Not in terms of the specific dates on which people in the five buildings were advised.

Senator WONG: Can we at least agree on this: have they all been advised?
Mr Grzeskowiak: My understanding is that they have, but we'll come back later in the day with the dates.

Senator WONG: I appreciate that. Does rectification require replacement of the cladding?

Mr Grzeskowiak: In most cases, it will.

Senator WONG: When doesn't it? If the cladding is flammable, when do you just leave it there?

Mr Grzeskowiak: My understanding is that replacement is the preferred approach for the buildings. I have got some information about the five buildings and what we're doing at each building, if that would be helpful.

Senator WONG: Sure. Are there any buildings at which we're not intending to replace the cladding?

Mr Grzeskowiak: I don't believe so. There may be a possibility that, in some areas, some form of insulation process could be an option, but I think the first response would be replacement.

Senator WONG: You think the first response? In respect of the five buildings, do you have at least time lines for when it was identified and when rectification commenced? Are you able to give me that information, in your brief?

Mr Grzeskowiak: In detailed time lines about when work starts and will commence for each building, no. I'll take that on notice.

Senator WONG: What do you have?

Mr Grzeskowiak: I can go through the list of the buildings and the nature of the issue at each building for you.

Senator WONG: But you can't tell me whether it's commenced?

Mr Grzeskowiak: I don't have that information, but I can get that later in the day. Mr Birrer may have some information.

Mr Birrer: After the fire engineer conducted that examination that looked at the 208 potentially noncompliant buildings and identified 203 as being cleared as compliant and five as noncompliant, the fire engineer also provided an assessment of what was needed in terms of recommended corrective actions. Corrective action for three of the noncompliant Defence-owned buildings consists of installation of fireproof awnings over fire exits to ensure that occupants evacuating the buildings are protected from any falling or dripping material from above from the noncompliant material.

Senator WONG: Fireproof awnings?

Mr Birrer: Awnings, yes. Corrective action for the two remaining Defence-owned buildings includes removal of noncompliant material and replacement with compliant cladding. The corrective action process for the Defence-owned buildings has commenced, with all remediation expected to be completed by the end of 2019.

Senator WONG: How many for the Defence-owned?

Mr Birrer: The five buildings.

Senator WONG: Why did you use that phrase, though? Are there others?
Mr Birrer: We have leased buildings as well.

Senator WONG: How many leased are noncompliant?

Mr Grzeskowiak: At this stage I'm not aware of any leased buildings that are noncompliant with building codes. As part of this process we did go to all of the owners of the various buildings that we lease and asked them to conduct necessary inspections.

Senator WONG: How many of those have been returned?

Mr Grzeskowiak: I'd have to take that on notice.

Senator WONG: When did you ask them that?

Mr Grzeskowiak: It would have been in the same sort of timescale as we kicked off our own investigations.

Senator WONG: How many thousands of buildings do you lease?

Mr Grzeskowiak: We don't lease thousands of buildings. I'd have to take that number on notice.

Senator WONG: How many have a clean bill of health?

Mr Grzeskowiak: I'm not aware of any of them that has this cladding used in a noncompliant way.

Senator WONG: No. That doesn't exactly help unless you can tell us that that's been reported. The fact that you're not aware of it doesn't mean that they don't have flammable cladding; correct? I'm just wanting to understand, for leased buildings in which Australian defence personnel work, how many have a clean bill of health—that is, have been investigated, inspected and shown not to be at risk because of flammable cladding?

Mr Grzeskowiak: To be absolutely confident of my answer—we have had returns of the owners of every building that is leased—I'd just need to take that on notice.

Senator WONG: Where are the five noncompliant Defence-owned buildings? You have some notes?

Mr Birrer: We just got confirmation that, for the leased estate, all are compliant and none are at risk.

Senator WONG: We keep changing terminology, which may just be people—

Mr Birrer: They're compliant.

Mr Grzeskowiak: That's correct.

Senator WONG: Your evidence is that all of these buildings are compliant with the Building Code in respect of flammable cladding?

Mr Birrer: Yes.

Senator WONG: Whoever is watching and sending you messages will confirm if that's not correct, I'm sure.

Mr Birrer: They will.

Senator WONG: Geographic locations of the five buildings, please?

Mr Grzeskowiak: The first building is at HMAS Penguin in Sydney. The second building is at HMAS Cairns. The third building is at RAAF Townsville. The fourth building is at Fishermans Bend Laboratories. The fifth building is at RAAF Edinburgh.
Senator KITCHING: Fishermans Bend in Port Melbourne?
Mr Grzeskowiak: Melbourne, correct. It is the Defence Science and Technology Group building.

Senator WONG: How many personnel work in those buildings?
Mr Grzeskowiak: I don't have that sort of detail.

Senator WONG: Dad's an architect but I'm a lawyer, so I have got no idea! But, for three of them, the only rectification suggested is awnings to ensure that people don't have flammable material fall on them as they exit a burning building; is that basically what you're telling me?

Mr Grzeskowiak: They are the recommendations from the expert fire engineers that were contracted to do those inspections and make recommendations.

Senator WONG: I don't think anyone looking at the horrible and tragic images of the Grenfell building would have thought awnings would have helped.

Mr Grzeskowiak: One of the important factors here is that these buildings are essentially low-rise buildings, not high-rise buildings. They're not buildings that people live in. They're not buildings that people would be asleep in overnight. The fire engineer would take all of that into consideration in making their recommendations about the nature of the remediation. We are in the process of implementing the recommendations from the fire engineers.

Senator WONG: Is there a government-wide audit that is still underway?
Mr Grzeskowiak: There certainly was a government-wide audit. As to the details of where that has progressed to, I'm not aware.

Senator WONG: Who dealt with the media inquiry about this yesterday?
Mr Grzeskowiak: It was dealt with through my group within the Department of Defence.

Senator WONG: Did anyone from your group tell the media that the audit had finished in March 2019?
Mr Grzeskowiak: If that was the information that Defence put out yesterday, then that came from my group.

Senator WONG: Is that correct?
Mr Grzeskowiak: I would have to personally check that.

Senator WONG: Maybe I misunderstood your earlier evidence, but I thought your evidence was that the audit finished last year; is that not correct? March 2019 might be correct?

Mr Grzeskowiak: My recollection is that the audit finished in 2018. As we said earlier, staff were advised at large during February 2018.

Senator WONG: No, the evidence from Mr Birrer is that the February 2018 email to staff is advising the staff that the audit is underway, not that the audit is completed.

Mr Grzeskowiak: I have just seen a copy of what we sent yesterday, and you're correct; we did say the audit was completed in March 2019.

Senator WONG: Right. So, the actual date is March? At that point, remediation work commences? Or how long after you receive the audit does remediation work commence?
Mr Grzeskowiak: I would need to take that on notice to get the exact date.

Senator WONG: Is it your evidence that rectification work has started on all buildings?

Mr Grzeskowiak: I would need to take that on notice to be specific. We are aiming to complete works by the end of this year.

Senator WONG: But is it your evidence that rectification work has started on all of them?

Mr Grzeskowiak: I don't know whether rectification has commenced on every building at this stage.

Senator WONG: I have just been handed a note that Minister Andrews—is this Karen Andrews? I can't recall what her portfolio is. The minister asserted that rectification had started on all these buildings. Was that the advice that Defence provided to the office of Minister Andrews?

Mr Grzeskowiak: I don't know the answer to that question.

Senator WONG: Do you know if anyone in Defence provided that advice to her department?

Mr Grzeskowiak: We'll take that on notice. I know that we have provided advice to the government agencies looking across the whole-of-government about the progression of our process.

Senator WONG: It just seems odd that the deputy secretary who has responsibility for this doesn't know whether or not rectification has commenced, but a minister goes on national radio asserting and assuring the Australian people that it has.

Mr Grzeskowiak: I'll take that on notice and, hopefully, come back through the day.

Senator WONG: Thank you very much. I have finished on that point. If you can come back—and now I have forgotten momentarily what you were getting; the dates of the audit?

Mr Grzeskowiak: We'll seek to confirm the finalisation of the dates of the larger audit and the finalisation of the dates of the specific fire engineer's audit, and the dates that the work has commenced or is planned to commence at the five sites in question.

Senator WONG: I'm sorry?

Mr Grzeskowiak: We'll seek to give you dates of commencement of work, and commencement and completion for all of the defence estate audit and the specific fire audit on the 208 buildings.

Senator Reynolds: Just to clarify: Minister Andrews is responsible nationally for building codes and therefore the cladding. So we'll also check with her office.

Senator WONG: She's responsible for?

CHAIR: The Building Code.

Senator WONG: But not the—

Senator Reynolds: Yes, the industry minister covers the Building Code.

Senator WONG: But rectification is a Defence responsibility?

Senator Reynolds: Yes. Just in terms of the context of your question, we'll check.

Senator WONG: I have finished this topic. Thank you very much. I'll turn to naval shipbuilding.
Mr Chesworth: I am here to talking about naval shipbuilding. If we could get an idea of what part of naval shipbuilding, we'll make sure the right people are up here at the table.

Senator WONG: Are you the people I usually ask questions of or are you new?

Mr Chesworth: I'm not new, and my colleague here is not new either.

CHAIR: You look very new.

Mr Dalton: I'm new in this role.

Senator WONG: Are you the people I usually ask questions of or are you new?

Mr Dalton: Mr Stephen Johnson.

Senator WONG: I thought so. What happened to him?

Mr Dalton: He's gone back to the United States.

Senator PATRICK: And formerly you were in uniform as well, weren't you?

Mr Dalton: That's correct. I had a brief retirement. Before that I was the general manager for ships.

CHAIR: Anything else we want to find out about him?

Senator WONG: No; I was just being polite. I want to start with the Naval Shipbuilding Plan. The Naval Shipbuilding Plan includes a statement:

By 2026 over 5,200 workers will be needed, plus those in the supply chain.

Mr Dalton: That's correct.

Senator WONG: I assume that the difference between the reference of 5,200 and those in the supply chain is essentially 5,200 direct construction jobs?

Mr Dalton: That's correct.

Senator WONG: That's confirmed again subsequently, at page 18:

By 2026, the industry will require over 5,200 staff employed in construction activities, and more than double that number employed in sustainment activities and in supply chain and related institutions …

So 5,200 direct, plus additional indirect?

Mr Dalton: Correct.

Senator WONG: It's clear that the 5,200 that are repeatedly referenced in the plan are direct construction jobs.

Mr Dalton: Yes.

Senator WONG: Mr Johnson, in answer to a question from me or perhaps someone else on the last occasion, said that direct jobs were—let me just get attachment 6:

I just totalled that at between 2,400 and 2,500.
That was in supplementary budget estimates on 24 October 2018. Then on 20 February this year, at additional estimates, he told me:
We're at 2,000 direct and 1,000 indirect for a total of 3,000.
Then there was a question on notice in February 2018 where Defence advised that further analysis was underway to refine and update these initial estimates based on workforce projections tendered by the selected industry partners for each of the major shipbuilding programs.

I have very fairly given you a summary of what we have been given. My first question is: has the figure of 5,200 direct jobs in the Naval Shipbuilding Plan been refined or updated as a result of the analysis that you were undertaking in 2018?

Mr Chesworth: We have done some significant work to refine and update our analysis. The difference between when the Naval Shipbuilding Plan was published and now is that we have our four major shipbuilding projects contracted, and we also have the infrastructure being built. The 5,200 and the 15,000 has been checked against data that we have received from the nine major primes that are contributing to the Naval Shipbuilding Plan. We still estimate that, in 2025, the 5,200 is about right. But could I offer the following caveat—that is, that we're operating in a pretty fluid environment. These are best estimates, and we regard this as business-as-usual work-in-progress. We are constantly refining our figures. I guess the other issue is that, as the supply chains develop, those figures can be expected to change.

Senator WONG: Not in respect of the 5,200?

Mr Chesworth: That's correct. The 5,200 is looking pretty close.

Senator WONG: The 15,000 figure, which is the second figure you reference, is what you might call the indirect? What do you want to call it? This is supply chain—

Mr Chesworth: Let's call it supply chains. It also includes issues around the sustainment of those ships as well.

Senator WONG: You don't want to use the phrase 'indirect'?

Mr Chesworth: The reason that I don't want to use 'indirect' is that, in a previous life working with the auto industry, the—

Senator WONG: Was this before they were goaded to leave by Mr Hockey? I'm a South Australian. We remember this.

Mr Chesworth: There is not much precision around the terms 'indirect' or 'spillovers'.

Senator WONG: What do you want me to call the 15,000? Supply and sustainment? Supply chain and sustainment? What do you want to call it?

Mr Fankhauser: The 15,000 figure referenced in the Naval Shipbuilding Plan is the total workforce projection.

Senator WONG: Total workforce projection?

Mr Fankhauser: That covers construction.

Senator WONG: Basically you're talking 10,000 supply chain and indirect? Why are you shrugging your shoulders?

Mr Fankhauser: The 15,000 figure covers construction, sustainment and the supply chain.
Senator WONG: So, 15,000 minus 5,000 is around about 10,000, right?

Mr Fankhauser: I will also point out that the 5,200 figure that you quoted earlier related to South Australia. There's also construction being undertaken in—

Senator WONG: One of the things that has been very difficult and frustrating—and, frankly, I think has not been helpful in terms of the public discussion of this—has been the moving around of figures and the changing of definitions. Can we at least use this estimates to be clear about what you are saying is which figure for which category of jobs? If you're jumping and including things, let's be clear about it. The 5,200 in the Naval Shipbuilding Plan that you agreed earlier were direct jobs—South Australian jobs, correct?

Mr Fankhauser: Correct. They're on the Hunter and the Attack class programs in South Australia.

Senator WONG: Thank you. You then used a 15,000 figure. What are you including in that?

Mr Fankhauser: We're including the sustainment of naval vessels throughout Australia and the supply chain that will support both construction and sustainment.

Senator WONG: So on top of the 5,200?

Mr Fankhauser: Correct.

Senator WONG: I don't understand what the problem is with saying 10,000, therefore, is in supply chain—

Mr Fankhauser: I'm just clarifying that the 5,200 relates to construction activities in South Australia.

Senator WONG: Where does the Naval Shipbuilding Plan talk about jobs elsewhere?

Mr Fankhauser: It is right throughout. It talks about shipbuilding being conducted in two—

Senator WONG: What is the number elsewhere?

Mr Fankhauser: For instance, the Guardian class patrol boat program, which is underway at the moment in Western Australia by Austal, has 200 direct jobs and 200 indirect jobs.

Senator WONG: Do you have a cumulative figure, a total figure, for the non-South Australian shipbuilding direct construction jobs in the plan, or do you want my staff to go through and calculate it?

Mr Fankhauser: We have figures for each of the major shipbuilding programs.

Senator WONG: Did you hear my question?

Mr Fankhauser: Maybe you could repeat it.

Senator WONG: What is the cumulative figure for shipbuilding jobs outside of South Australia in the shipbuilding program?

Mr Fankhauser: When the Arafura class offshore patrol vessel commences construction in Western Australia next year, that will be another 400 direct jobs. So 600 in Henderson, when you combine both the Guardian and the Arafura class program, and a further 600 indirect on top of the 200—
Senator WONG: No. You are doing it again. I'll get to indirect. I asked you a very simple question. The 5,200 is South Australian jobs. You have now thrown out a range of figures about other shipbuilding jobs. We want to be able to assess your progress over this term against that. I want to understand what you say are direct construction, shipbuilding construction, jobs that are not in South Australia that are in the shipbuilding plan.

Mr Fankhauser: Based on what's in the shipbuilding plan, it will be 600.

Senator WONG: Which is Arafura?

Mr Fankhauser: And Guardian class.

Senator WONG: Have those been refined and updated?

Mr Fankhauser: Those estimates still remain current.

Senator WONG: So, direct jobs, 5,200 at Osborne and associated? 600 Arafura and Guardian Class?

Mr Fankhauser: Correct.

Senator WONG: Any other direct jobs?

Mr Fankhauser: We've already covered that; I was going to say the Hunter and Attack programs, but that's part of the 5,200.

Senator WONG: Indirect. So, what does the 15,000 include? Are you saying the 15,000 includes the 5,200 plus the 600 and supply chain and sustainment?

Mr Fankhauser: Correct.

Senator WONG: What is the current number of Australians employed at Osborne, first for direct construction? What is the current 5,200 tracking figure and the current 15,000 tracking figure?

Mr Fankhauser: So when you say Osborne you mean across all of the programs?

Senator WONG: Yes.

Mr Fankhauser: We can take on notice to get you an updated figure.

Senator WONG: No. Please, let's be really clear. Either Senator Patrick or I have asked these questions at every estimates or some other South Australian or Labor senator. Please come prepared with jobs figures. Okay? Can I ask that? Do you need to go away and get them and we'll come back to this later in the day?

Mr Fankhauser: I can give you an estimate. I was going to take on notice to give you the exact figure across each of the programs.

Senator WONG: What is the estimate?

Mr Fankhauser: We estimate around 2,100 people are currently employed on major shipbuilding projects in Osborne. When I say Osborne, I refer also to some of the system integration work that is happening in Mawson Lakes and surrounding areas.

Senator WONG: Is that 2,100 tracking against the 5,200?

Mr Fankhauser: Yes.

Senator WONG: And indirect?

Mr Fankhauser: Indirect? I'm not sure I understand your question.
Senator WONG: Sorry, what are we calling it? Supply and sustainment? So, 2,100 is where the 5,200 is tracking. What is the number for where the 15,000 is tracking? This is why I wanted a global name for that category.

Mr Fankhauser: The total workforce.

Senator WONG: We will call it the total workforce. Is that what you want me to use? I'll use whatever helps people answer the question. What's the total workforce? Where is that tracking?

Mr Fankhauser: We anticipate that over the next five to six years we're going to need to grow by about another 3,200 or 3,000—

Senator WONG: No, that's a direct construction figure from the 2,100. That was not my question. The two figures we are dealing with are the 5,200 and the 15,000. You have given me a figure of where we are tracking in respect of the 5,200, which is the 2,100, correct?

Mr Fankhauser: That is correct.

Senator WONG: What is the figure in terms of tracking against the 15,000? Or do you not have one?

Mr Fankhauser: We don't have one.

Senator WONG: Thank you. The Naval Shipbuilding Plan says the South Australian shipbuilding workforce will reach minimum levels in 2021. Is that still your expectation?

Mr Fankhauser: No.

Senator WONG: Tell us what your expectation is.

Mr Fankhauser: Since the Naval Shipbuilding Plan was published in May 2017 the government has taken decisions to stabilise and retain as much of the workforce in South Australia as possible, including the construction of two offshore patrol vessels. We've also undertaken modification work on the third and final Air Warfare Destroyer to incorporate the MH-60R helicopter. Even though the Naval Shipbuilding Plan identified minimum levels in 2021, decisions that we've taken in recent years have helped to stabilise and retain the current workforce of around 2,100 that I referenced earlier.

Senator WONG: So, 416 and page 67 of that plan—I think it has been quoted a number of times here previously. It states that South Australian shipbuilders will need to increase their workforce from anticipated minimum levels in 2021 with a strong concentration in the skills/trades. You've just given me a number of decisions you say the government has made which will alter that an anticipated minimum level, correct?

Mr Fankhauser: That's correct.

Senator WONG: What is the new anticipated minimum?

Mr Fankhauser: We believe we have passed the minimum now.

Senator WONG: You think the so-called valley of death that people have spoken about has passed?

Mr Fankhauser: In net terms.

Senator WONG: What does the phrase 'in net terms' mean?
Mr Fankhauser: There will still be some reductions as programs draw to a conclusion. The Air Warfare Destroyer is probably the best example of that, but there are new positions being created across the shipbuilding precinct in support of the emerging and the future programs that are offsetting a number of those reductions.

Senator WONG: Your evidence is that the next time we come back in February we will be higher than the 2,100?

Mr Fankhauser: We will be either at or slightly increasing. But our focus over the past 12 months has been to stabilise the workforce at around the 2,100 mark.

Senator WONG: In February of this year—and I think this was the subject of some discussion—another 400 skilled tradespeople had been released or had lost their jobs at ASC as between 2017 and December 2018, which is when ASC became a subsidiary of BAE. There's a question on notice you may wish to reference. It is question on notice 16 from additional estimates. I asked you: how many jobs have been lost at Osborne since 2017. The answer was, 'Since January 2017 ASC has advised the release of'—I always like the way we use words like 'release' when people have lost their jobs; I am saying that with irony—438 ASC trade employees up until the time that ASC Shipbuilding became a subsidiary of BAE Systems Australia in December 2018.' Do you see that? Are you aware of that?

Mr Fankhauser: Yes.

Senator WONG: I want to know what additional job loss there has been since that time?

Ms Lutz: The additional loss in 2019 from ASC redundancies is 138.

Senator WONG: And the additional loss?

Ms Lutz: It is 138.

Senator WONG: On top of the 439?

Ms Lutz: Yes.

Senator WONG: You used the phrase 'net'. Do you have the net figures? Do you have an indication of the ups and downs? We've got loss of 439 plus a loss of 138 as between January 2017 and today. When are those figures for? The date?

Ms Lutz: That was 2019.


Ms Lutz: That is at ASC Shipbuilding from when it became a subsidiary—

Senator WONG: No, but that became a subsidiary in 2018.

Ms Lutz: It was 14 December 2018.

Senator WONG: Hang on. This is not right. The question on notice gave me a 439 job loss figure as at December 2018. My question is, how many additional? You have just told me 138—

Ms Lutz: Correct.

Senator WONG:—on top of the 439?

Ms Lutz: Yes.

Senator WONG: I'm asking the date at which the 138 is correct? It cannot be December 2018.
Ms Lutz: To current.

Senator WONG: To date?

Ms Lutz: Yes.

Senator WONG: Do you want to give me net figures and tell me where else people have been employed, given we've lost, what are we at, 560-plus?

Mr Fankhauser: Lockheed Martin Australia has brought on 200 employees for the combat system integration work on the Attack Class submarine. Those positions are based at Mawson Lakes. Saab Australia has also increased their naval combat system development and sustainment workforce, also based at Mawson Lakes, by around 200 positions.

Senator WONG: Was the first figure 200 as well?

Mr Fankhauser: Yes. Naval Group Australia, which is responsible for the Attack Class submarine program, is based in Keswick in Australia. Its workforce has grown by in excess of 100. We have also had the establishment of Australian Naval Infrastructure, which has 28 permanent employees. We also have had the establishment of the Naval Shipbuilding College, which is headquartered at the Osborne Naval Shipyard. The joint venture selected to establish and operate the college has 25 permanent employees. Then we also have the construction work that is currently underway in the Osborne south shipyard, which has employed up to 400 on site.

Senator WONG: Are you including that in the 2,100?

Mr Fankhauser: In the 2,100? No. Not the ANI workforce doing the construction. That's not included in the 2,100.

Senator WONG: We can agree and keep that separate for the purposes of the discussions.

Mr Fankhauser: Understood.

Senator WONG: I'm glad you raised the shipbuilding college. So there are 25 employees. How many people are engaged in the college?

Mr Fankhauser: The joint venture that is running the college has 25 permanent employees.

Senator WONG: People are being trained? No?

Mr Fankhauser: The college is the facilitator of training using existing education providers around the nation.

Senator WONG: So, they're auspicing it? I'll find another word. They are facilitating training?

Mr Fankhauser: Yes.

Senator WONG: Is it functioning currently?

Mr Fankhauser: Yes, it is.

Senator WONG: How many people have been trained and are being trained?

Mr Fankhauser: With the current network of endorsed education and training providers, we have more than 3,000 students currently undertaking an endorsed program of study nationwide.

Senator WONG: How many apprentices?
Mr Fankhauser: I can give you each of the programs of study. Of that, there's a number of students undertaking certificate III-level courses. I'd have to check, though, how many are actual apprentices versus students undertaking those courses.

Senator WONG: You do not know how many apprentices there are?

Mr Fankhauser: I will take it on notice and give you that breakdown.

Senator WONG: Do they have a target for the number of apprentices?

Mr Fankhauser: A title?

Senator WONG: Sorry. Do I have an accent or something? A target?

Mr Fankhauser: A target, sorry. No.

Senator WONG: That seems odd.

Mr Chesworth: Much depends on the demands of the shipbuilders. When Mr Fankhauser was going through these figures just previously, particularly employees for Lockheed Martin and those sorts of companies, they are I guess what you might refer to more as in white-collar stream rather than the apprentice and blue-collar stream. We are a very fluid and dynamic industry here. The shipbuilders, depending on the point at which they are in their design process, will be planning for when they need their design people, when they need their professionals, when they need their apprentices and when they need their experienced tradespeople. It very much depends on what their own individual demand is. But as Mr Fankhauser has said, we'll go back and see what we can get from the data that we have to break this down to see if we can get an apprentices cohort.

Senator WONG: But the evidence is there is no target? There's not an industry-agreed or a policy target?

Mr Fankhauser: No. No, there's not.

Senator WONG: We've had a substantial loss in apprenticeships over the last six years, 150,000-160,000. I have been down there a fair bit. One of the arguments or one of the things workers do say to us is there is a loss of apprentices, a loss of trade skills. I'm giving you the opportunity to tell us how you're dealing with that?

Mr Chesworth: There are a couple of things. Firstly, Mr Wiley, in his evidence yesterday, indicated how ASC is, I think, shifting its focus more on to its workforce for the future. Whilst he didn't give any details of apprentices, my recollection is on the ASC website they are giving greater prominence to the apprentices they intend to take on. The figure of 60 actually comes to my mind, but I wouldn't want to be held to that. Also, there's work being done on the planning of how we bring the skills forward for the future. The education and training portfolio convenes a shipbuilding industry skills reference committee and that includes the industry, some public servants, including Mr Fankhauser. It also includes representatives from the Electrical Trades Union, Mr Murphy, and the Australian Manufacturing Workers Union, Ian Curry. They are focusing not only on the content of the courses, but there are discussions as to the role that apprentices will be playing in the shipbuilding enterprise as a whole. Furthermore—and I'll finish this really quickly—at Pacific 2019, just the week before last, the shipbuilding primes signed an agreement to work together and collaboratively with the Naval Shipbuilding College on workforce planning and development.
Senator WONG: Was there any reference in the workforce planning and development objectives to tradespeople and, therefore, in terms of the supply chain, the supply of those apprentices?

Senator Reynolds: I might be able to provide a bit more insight into that. The document that Mr Chesworth mentioned was signed earlier this month. It was called the Naval Shipbuilding Industry Strategic Workforce Plan. That is very significant, because that marks the next step in terms of workforce planning. As the officials have said, it has been the initial working through with primes and companies as they go through and develop their design plans for the design and also ultimately to work through the build and also into sustainment plans. The college is getting more fidelity, and it is significant they've got the major primes to agree to work together on workforce planning.

In relation to that at the government level, what we're doing, as those numbers in the new year become clearer in terms of not only what trades and professions are required and at what stage over the next decade or more, I'm working very closely, as is Minister Price, who has prime responsibility for this, with Senator Cash's department on the trades questions you're asking, and also with Dan Tehan and his department to work through with the universities in terms of what professions we're going to need to ramp up over the next few years. The numbers will change over time as industry requirements change. But the college has made, I think, very good progress on that workforce policy, which has culminated in this new document and agreement. I am confident that more fidelity will now come over the next few months as we work through those issues with industry. Ultimately, most of these jobs are required by commercial companies and it is not just with the primes who are now in this agreement but also working through with their supply chains and the many other hundreds of companies that will be competing for similar skills and working through what will be required. We will never have an exact number, but we can have a number that is substantial enough and credible enough such that we can work with the tertiary and training sectors to make sure that we've got the right workforces when we need them.

Senator WONG: Nothing in that answer, I think, responded. Thank you for providing that. But just to confirm, the document you described doesn't actually target the proportion of apprentices or numbers of apprentices, correct?

Mr Chesworth: No. And I have just had a message from the department saying they are working on getting that information for you. We'll get it to you as quickly as possible.

Senator Reynolds: Senator Wong, my point is that with the best planning—and some excellent planning is going on across government and with industry—there will always be variations in numbers, because it is an imprecise number. But it is good enough to plan for training.

Senator FAWCETT: Can I just ask a follow-up question on that?

Senator WONG: I'm very glad that government are helping me, but I have some questions I wanted to get through before the break. But if you wish.

Senator FAWCETT: Having been down to the Naval Shipbuilding College on a number of occasions, I've seen charts on their wall where they are identifying the anticipated workforce requirements that industry are indicating to them. My recollection is that it is broken down into various trade and professional groups. The charts they have there, whilst
you may not be able to say to Senator Wong that we have a requirement for 351 apprentices, what we do know from industry is we have a requirement for in the order of 100-200 sheet metal workers, electricians, et cetera, which is the basis for the capacity building that we're doing. The answer is, yes, we know the trades we need and the numbers in net terms that we need. You haven't actually got a list or a table that says this number of apprentices? Is that a correct assessment?

Mr Fankhauser: The demand data that the Naval Shipbuilding College is compiling is to date based on input from the nine companies Mr Chesworth talked about earlier. It is broken down across common taxonomy of occupation profiles. My point is that we have a good understanding of what the projections are for some of the trade work, but whether they will be met by new apprentices or existing qualified employees already in the sector is not something that we have been definitive about.

Senator AYRES: Just following that up briefly, is it right there are 228 trades jobs going by next year?

Mr Fankhauser: Could you be a bit more specific?

Senator AYRES: So, 220 trades jobs in the core direct at Osborne?

Ms Lutz: There are 220 jobs at risk by the end of March next year. However, we are establishing a training course, a diploma in digital technology, with cooperation between Flinders University, TAFE South Australia and BAE Systems to accommodate as many of those personnel so that we do not need to lose them. We can train them in the 12-month course and they will be ready for the digital shipyard when we start the prototyping.

Senator AYRES: Would it be possible to tell me how many of the directs at Osborne are trades and not trades, this year and last year?

Ms Lutz: In terms of people that have left?

Senator AYRES: No, what is the total workforce at Osborne, direct, who are trades, as a proportion of the rest of the cohort?

Senator WONG: I think that's of the 2,100?

Senator AYRES: Yes.

Mr Fankhauser: We'll take that on notice to get you the answer. I will just clarify, though, that the distinction between trades and what other people might call white collar is becoming increasingly blurred. There's a cohort that often get referred to as grey collar as well. We'll get you as accurate a breakdown as we can, but I'll just draw the point that past distinctions—

Senator WONG: But we have a skills framework. There is a qualifications framework that is and can be utilised to identify where workers are, correct?

Mr Fankhauser: That's correct.

Senator WONG: And what they're paid at?

Mr Fankhauser: Yes.

Senator WONG: Can I just go back to evidence you just gave? You gave us a figure of 220 further job losses?

Ms Lutz: At risk.
Senator WONG: What does that mean?

Ms Lutz: It means we look to be able to redeploy them in either BAE Systems, other shipbuilding companies, on Hunter, on OPV, and we are also, as I specified, developing this training course to start in the next year.

Senator WONG: This is on top of the 577. I think that is right, is it not? So, 439 jobs lost until I think at the last estimates. Then you gave me a figure of 138 additional to date, which is 577, and then there will be an additional?

Ms Lutz: So, 220 that are at risk.

Senator WONG: Potentially a further 220 more jobs by when?

Ms Lutz: By the end of March. We should point out that several of the jobs that have been at risk have actually been able to be redeployed. For ASC Shipbuilding this year more than 60 have been redeployed for those that were originally put at risk.

Senator WONG: Is that out of the 220 or the 577?

Ms Lutz: That's just for ASC Shipbuilding.

Senator WONG: Potentially you are looking at by March 800 jobs lost since 2017?

Ms Lutz: We are planning for more than half of those jobs that are at risk to go on to this diploma of digital technology.

Senator WONG: How many to date? You haven't started the diploma?

Ms Lutz: No, we are planning to start—

Senator WONG: So, it is not more than half of the 800, it is more than half of the 220?

Ms Lutz: Of the 220.

Senator Reynolds: Also, looking at this in context, it is not binary that these jobs are in transition. It is an ageing workforce. A number of people are retiring out. We have had a workforce register that was launched by the college in July 2018, and that has had a lot of success in actually finding other jobs either in South Australia with other companies or, again, with retraining. It is not a binary win or loss. We have some great programs in place to actually work with those who want to stay in South Australia and stay in the industry. It would be incorrect to portray it as that many people have lost their jobs and haven't got something else to go to.

Senator WONG: I would make a few points: one, you can't give me a figure of what the 800 actually is. You're discounting it by qualifying it.

Senator Reynolds: We are not quite sure what your 800 is. That is not a number we have.

Senator WONG: Is that not the 577 plus the 220? So it is 439 plus 138 plus the 220 at risk. My calculation might be wrong, but 577 is the jobs lost at Osborne to date from 2017, if you add up what you said in the question on notice and the evidence you gave today. Then I'm adding the 220, right?

Mr Dalton: These are jobs associated with the Air Warfare Destroyer program. At its peak that program employed over 2,100 people. It will deliver the third ship early next year. And the jobs associated with the Air Warfare Destroyer will continue to wind down.
Senator WONG: Minister, I don't want to get into a lengthy discussion, but can I just say to you I think that the argument that somehow someone is forced to take early retirement because they have lost their job is somehow a lesser job loss is not something the community and South Australians would accept.

Senator Reynolds: You are completely misrepresenting what I said. I was saying it is not binary, as jobs move around. Just to give you an example, currently BAE has 4,000 staff working on Sea 5000 in Osborne. That will build up to 2,500 over the next five to six years. There are 700 people directly employed still on Air Warfare Destroyer. Some 200 ASC Shipbuilding employers are involved in the offshore patrol vessel. While trades and also professional staff move, they are moving between projects. Of those who are coming off projects, many are getting jobs immediately on other projects. But the key point is just for the Hunter Class alone, I'll come back to that figure: So, 400 are currently working on Sea 5000 at Osborne. That will go up to 2,500 over the next five years. So, total jobs in South Australia will increase significantly. We're still working out exactly what that composition is, and that is not unusual for this stage of large projects. But ultimately the number will keep increasing. The key issue for us in Defence is to make sure that South Australia, for the Hunter Class and the Attack Class, has the total workforce available. Because at the moment to deliver both of those projects at Osborne they need many thousands more workers, blue-collar and white-collar workers, that don't currently exist. The issue is not of people losing jobs in total, it is how we work with South Australia, the universities, the TAFEs and the companies to deliver a much larger workforce in Osborne.

Senator WONG: Of the 577 job losses to date, how many of those people have got jobs elsewhere in the shipbuilding industry?

Senator Reynolds: All got jobs.

Senator WONG: No. I'm talking about capability not just jobs here.

Senator Reynolds: That's a little disingenuous.

Senator WONG: Give me both. Fine.

Senator Reynolds: The shipbuilding industry, as we all know, does not exist in isolation from every other industry.

Senator WONG: Sure. Give me both.

Senator Reynolds: It goes around construction, it goes around building, it goes around the mining sector. We are looking for a talent pool to grow in South Australia that is in high demand elsewhere in the country.

Senator WONG: I have met a lot of shipbuilders. They are not seeking a job on a construction site. They want to work in the shipbuilding sector. But if you want to give me both categories, that is fine. Let us not have the argument.

Senator Reynolds: The national context for the workforce is incredibly important.

Senator WONG: Can I just ask for this? You have given me figures today of 577. That is a cumulative figure. Do we agree? I want to know how many of them got jobs in the shipbuilding sector.

Mr Chesworth: We'll do our best to get those figures, but I'm not sure if they're available.
Senator WONG: How many of them have been redeployed into the projects the minister just outlined?

Mr Chesworth: We'll see what information we can get for you.

Senator WONG: And of the 220?

Senator Reynolds: We can probably identify how many have voluntarily registered and got assistance through the workforce register. That might be possible. But for those who have retired or moved, we don't have visibility of that.

Ms Lutz: I can also confirm that, this year, ASC Shipbuilding has redeployed 60. So those personnel have bent redeployed to other programs.

Senator WONG: You have told me 60 out of the 577—

Senator Reynolds: In one company.

Ms Lutz: From one company—since ASC Shipbuilding took over at the end of 2018.

Senator WONG: Who else has bent redeployed? If you are saying that that's not the right figure, tell us what the figure actually figure is. Are these people getting jobs or are we seeing a lot of capability exiting the workforce? To confirm the 220—even your own figures assume how many of those people exit the shipbuilding industry.

Ms Lutz: I'm assuming that half of those will go into the diploma, and possibly half will be at risk but maybe still deploy—

Senator WONG: At best, those assumptions are that only those who are going through the diploma and redeployment process will stay in the industry?

Ms Lutz: At worst, I would say—because of the remaining others that are still at risk. They could still be redeployed into BAE systems.

Senator Reynolds: The department is very skilled, Senator Wong, but they do not have a crystal ball about the intentions of individual workers and their own life and work circumstances.

Senator WONG: I will respond to that. I understand that, but your government makes a whole range of assertions about redeployment, which is therefore based on precisely the crystal ball that you are talking about.

Senator Reynolds: The numbers that you have quoted out of context—again, the context you may or may not take out of this forum—matter as well. You cannot ignore the context in which we are developing this workforce. Ultimately, it has to grow. It is not being cut; it has to grow—significantly.

Proceedings suspended from 10:32 to 10:48

ACTING CHAIR (Senator Fawcett): We will now resume. Senator Steele-John.

Senator STEELE-JOHN: I will start my first round directly with General Campbell, I think. If that's the wrong person, I trust the minister will point me in the right direction.

Senator Reynolds: If you start, Senator Steele-John, we'll work it out from there.

Senator STEELE-JOHN: Thanks very much. The US Department of Defense and the UK Department of Defence have been factoring into their strategic thinking and, indeed, developing quite detailed plans on, I'd say, the impact of climate change on force structure
and potential multiplier effects for over a decade. The literature is replete with examples of defence departments doing this work. Indeed, I believe that Mr Taylor, in a speech prepared for June, made the very apt observations that 'climate change, on current projections, will have strenuous ramifications'—this is a direct quote—'for global security and serious ramifications for the ADF'. He went on to observe:

The ADF contributions of 1,600 and 3,000 ADF personnel respectively to the Cyclone Debbie in North Queensland flood recovery efforts exceeded the 1,500 ADF personnel deployed at the height of our involvement in Afghanistan.

Given that our closest allies are taking steps to factor in the impacts of climate change in a quite detailed way and that senior members of Defence have made these observations, my first question is this: is Defence planning on developing, or indeed is in the process of developing, a standalone climate security white paper?

**Senator Reynolds:** Thank you, Senator Steele-John. We've got not only the CDF but also Mr Tesch here, who can discuss this. The 2016 Defence white paper identified climate change as one of the causes of state fragility. It is also a key driver for our own security environment through to 2035. As Minister for Defence, I am acutely aware that climate change is complex and it is increasing challenges which poses a range of risks nationally, regionally and globally. So in terms of the detail, CDF, would you like to comment, or shall we pass to Mr Tesch?

**Gen. Campbell:** Your first question, I believe, was whether we are preparing a Defence climate change white paper.

**Senator STEELE-JOHN:** A standalone Defence climate security white paper.

**Gen. Campbell:** I will turn to Mr Tesch, who owns that space, for a pretty quick answer, I think.

**Mr Tesch:** No. We have no such plans.

**Senator STEELE-JOHN:** There's nothing in development? You have no such plans to develop a standalone climate security policy?

**Mr Tesch:** Not a standalone policy.

**Senator Reynolds:** Senator Steele-John, I think we need to be careful. Maybe we'll just clarify the terminology. A separate standalone white paper? No. The government has no plans to do that for Defence. But, as I said, our current white paper—the 2016 white paper—as I've just outline, does acknowledge—

**Senator STEELE-JOHN:** I know it does.

**Senator Reynolds:** the impact of climate change. I might ask Mr Tesch to go through with you the many aspects of climate change that are already considered in our policies.

**Senator STEELE-JOHN:** I'm actually aware, having read the relevant sections of the white paper, of those particular sections. I'm also aware that it is common practice in many of our closest allied nations to have a standalone Defence white paper or similar document in relation to this area. Why has the decision been made not to pursue a similar piece of documentation?

**Senator Reynolds:** While we've acknowledged it very comprehensively in our current white paper, I'd ask Mr Tesch to go through with you the many things that the department is
doing across Defence, because we're already doing a lot of things. Mr Tesch, could you go through with Senator Steele-John and let him know.

Senator STEELE-JOHN: It's okay, Mr Tesch. I don't need to waste your time. I've read it. I'm fully aware of it.

Senator Reynolds: Senator Steele-John, I think you misunderstand. It's not actually the white paper itself. In answer to your question, we don't think a standalone white paper is required because we are already implementing many things within Defence that are not actually in the white paper. They are actions that have resulted from these observations you've read in the white paper. If you could just indulge Mr Tesch, he can go through some of those things we are already doing.

Senator STEELE-JOHN: I have a significant line of questioning around this and other areas. If Mr Tesch could provide that to me on notice, I am more than happy to take it on notice and read it. It will save everybody a bit of time. From my understanding, the current Defence infrastructure and strategic planning that went into the white paper treats climate change as a no-no. In other words, it is designed and implemented on the assumption of a stable climate with predictable variability. However, it was made clear by the report that a significant number of ADF assets—that is, naval facilities et cetera—are highly exposed to rising sea levels. Can you provide me with information on the activities that Defence is undertaking to mitigate climate risks in relation to the Defence estate? To clarify, this is in relation to the 2018 Senate report.

Mr Grzeskowiak: Over years we've had a look at a range of issues that might be something we need to deal with as part of things driven by climate change. For example, we've done studies into what sea level rise might do for us. When we've done those studies, we use published information from CSIRO about what the predictions are for sea level rise into the future. We use that information and factor that into our thinking and planning for basing decisions on long-term infrastructure decisions that we might make.

Senator STEELE-JOHN: Could you provide me on notice some additional information around those steps?

Mr Grzeskowiak: We can have a look on notice. Under an FOI, there were some reports released that we'd done. We can certainly—

Senator STEELE-JOHN: I'm particularly interested in HMAS Sterling in WA and any work that has been done around the potential climate impacts on that facility.

Mr Grzeskowiak: We can take that on notice for specifics. I say in the broad that we do look at the predictions from the government science organisations. We factor that into any infrastructure work that we are doing, looking forward into the long term.

Senator STEELE-JOHN: Fantastic. In mid-2016, Defence appointed a reserve colonel as climate and security adviser to raise awareness of climate change across Defence's organisation. Is that correct?

Mr Grzeskowiak: That is correct. It is not my area of expertise.

Senator STEELE-JOHN: Who is currently in that role?

Mr Grzeskowiak: I don't know.
Gen. Campbell: I am aware of the position you are speaking of. In 2016, it was a colonel. I understand the work on issues of climate related issues and impacts and considerations is done in our strategic policy area and no longer by a colonel.

Senator STEELE-JOHN: So there is no longer anybody doing that job?

Gen. Campbell: No. There is no longer a colonel assigned in that role as a standalone function.

Senator STEELE-JOHN: So who, then, has the job of raising awareness of climate change across the Defence organisations?

Ms Perkins: We deal with policy thinking on climate and climate effects for security within my division. I have an executive level officer who primarily does that work within our strategic policy branch. The general approach we take to awareness of climate and climate security issues in the Defence portfolio I would best describe occurs in two ways. One is through our published security strategic policy documents at a classified and unclassified level. The 2016 white paper is a good example of that. The other is through the work of Mr Grzeskowiak's group, which includes our environmental management of the estate.

Senator STEELE-JOHN: I want to clarify. So a senior executive officer is now doing that role?

Ms Perkins: An executive level officer.

Senator STEELE-JOHN: Executive level. Can you provide me with their name?

Ms Perkins: I could. I am ashamed to say, and he will be very ashamed listening to me, that I can't give it to you straight off the top of my head. It is an executive level 1 officer in my division.

Senator STEELE-JOHN: Can you provide that to me on notice?

Ms Perkins: Yes.

Senator STEELE-JOHN: Just to be clear, a colonel was appointed to the role in mid-2016. When did that position shift to being an executive level officer, as Ms Perkins just described?

Gen. Campbell: I believe it was either late 2018 or early 2019—the end of a posting cycle.

Senator STEELE-JOHN: Can you provide on notice who that individual was?

Gen. Campbell: Yes, I can.

Vice Adm. Johnston: You're right; the colonel previously worked within the VCDF executive, the group that I lead, and was providing advice specifically around the force design implications of climate. The outcome was that the necessity for considering climate was more than just the force design elements. We had to elevate it to a strategic view, which is why the function moved to the strategic policy area. I will get you the name of the colonel who was performing that role.

Senator STEELE-JOHN: Thank you. Could you also provide me with the resources at the disposal of the officer now in charge of that work—how they are supported and the structure underneath them to help them do their job? Is it just one person?
Ms Perkins: I can confirm—and it goes to the points that the CDF and Mr Tesch made earlier—we don't separate it out as an issue. The Department of Defence draws on the work of the Department of the Environment and Energy and other national and international work on climate. We consider that role as one of the suite of issues that we need to consider when we make judgements around our strategic environment and our response to it. There is one Executive Level 1 officer who focuses on climate change issues and then a broader team that integrates that suite of drivers of the strategic environment that we factor into our strategic plan.

Senator STEELE-JOHN: I'm well aware of that, Ms Perkins. My concern and my desire to know a bit more about this area comes from a general experience that when it's everybody's job, it's sometimes nobody's job. So that's why I want to get a bit more clarity in that area. It's my understanding that Defence has not established a dedicated senior leadership position to assist in planning and mitigating domestic and international HADR incidents. Is that correct?

Ms Perkins: That's correct.

Gen. Campbell: Senator, humanitarian assistance and disaster relief operations that might be undertaken by the Australian Defence Force with support from colleagues within the Department of Defence and other government agencies and departments are under the remit of the Chief of Joint Operations, Lieutenant-General Greg Bilton. He has responsibility for the execution of all the wide range of operations that the ADF is assigned to undertake.

Senator STEELE-JOHN: Fantastic. Finally, on this line of questioning: does Defence have any plans to reduce its greenhouse gas emissions from any of its vehicles, warships and aircraft et cetera? Is there a position or policy with a renewable energy element in your future planning?

Mr Grzeskowiak: We do. We particularly focus on the infrastructure and the energy we use in the built environment. For some years now, we've had the Smart Infrastructure Manual. Essentially, it looks at how, we should seek to build in features into infrastructure that are energy efficient and will see us over an average 50-year life of the infrastructure. That saves energy compared to perhaps not—

Senator STEELE-JOHN: But no emissions reduction target per se?

Mr Grzeskowiak: No, not per se. As well as ensuring that our modern infrastructure is as energy efficient as possible, we are in the process of installing a significant amount of photovoltaic power generation capacity, particularly in the Northern Territory. We're currently in the process of installing 14 megawatts of photovoltaic generation capacity, which adds to the 2½ megawatts that already exists on the Defence estate. As we look forward, we will be doing more of that. In part, it's about energy resilience for us but it's also about reducing our emissions.

Mr Birrer: In Defence, we monitor our use of energy and report energy consumption consistent with the government's energy efficiency and government operations policy of 2006. As an example of that, in 2018-19, Defence's total energy consumption decreased by 11 per cent compared to financial year 2017-18. In that instance, it was due to a reduction in Defence operational fuel. We also monitor energy efficiency in the built environment on the estate; it is what we call stationary energy that Mr Grzeskowiak just referred to as well. We follow that
whole-of-government approach in terms of monitoring and reporting against energy use using
the energy efficiency in government operations policy.

Senator STEELE-JOHN: Thank you very much.

CHAIR: Senator Steele-John, this ought to be your last or second last question.

Senator STEELE-JOHN: I might just leave it there and then I'll come around for another
go later.

CHAIR: All right.

Vice Adm. Johnston: Chair, with your approval, I will answer one question. The name of
the colonel I was referring to is Ian Cumming.

Senator STEELE-JOHN: So that I'm not in any way misquoting you, Mr Tesch, it's your
belief that there are no plans within Defence to develop a dedicated standalone climate and
security white paper?

Mr Tesch: That's correct.

Senator STEELE-JOHN: Thank you.

Senator Reynolds: However, Senator Steele-John, just so that you don't misunderstand
that clarity—

Senator STEELE-JOHN: I don't misunderstand.

Senator Reynolds: I know you don't, Senator Steele-John, which is why I'm just making
this point. We have a Defence white paper. Within that, as you heard, are very comprehensive
actions on climate change right across the organisation. So just so there is no
misunderstanding, there is plenty of action happening right across Defence under our white
paper.

Senator STEELE-JOHN: The comprehensive nature of that paper is questionable. But
we shall debate that in the chamber.

Senator Reynolds: We shall.

Senator PATRICK: I have some questions initially for Navy in relation to full-cycle
dockings of future submarines. I foreshadow that if I get time, I will switch to questions to the
Chief of Navy on manpower numbers. I have asked to table two documents, one being a
diagram and the other being a letter, both obtained under FOI. I want to circulate what I asked
to have tabled.

CHAIR: If you start asking questions, we'll have a look at it. I doubt there will be any
issue.

Senator PATRICK: They were released under FOI. Admiral, you would be aware that I
did FOI documents in relation to the layout of the future submarine construction yard.

CHAIR: Do the officials have any objection to these documents being tabled?

Rear Adm. Sammut: I have no objection.

CHAIR: In that case, so tabled.

Senator PATRICK: Admiral, I understand that this might be your last time here as an
admiral and you will be coming along as a 'Mr' at some future stage. Is that correct?

Rear Adm. Sammut: That's correct.
Senator PATRICK: The terms of my FOI were for top-level layout diagrams as to the future submarine construction yard at Osborne, whether in final or draft. I did get two documents from Defence that met that criteria. Both are very similar in layout. There are some different details. I have tabled one of them. The second one is substantially the same. I note that the government has a public position that there has been no decision made in respect of shifting full-cycle docking to the west. Why is there no second diagram or third diagram that illustrates a shipyard that does include ASC North, where full-cycle dockings currently exist, remaining in their current position?

Senator Reynolds: Senator Patrick, thank you very much for that question on this most important of issues for our naval shipbuilding plan. I want to confirm one of the things you've just said. As I've said publicly many times now—I know my ministerial colleagues and the Prime Minister have said the same thing—Defence is going through an exhaustive review process at the moment with regard to the options for full-cycle docking. Again, as I've said, no decision has been made. I am expecting that report from Defence soon so that a decision can be made by the end of this year. As you would expect, many options have been considered, including, I understand, this document that you've provided from 2017. It was only right and proper that all options are considered in this process.

The primary responsibility and concern that I and Minister Price have is the ongoing availability of our nation's submarine capability through the transition from the Collins class to 12 Attack class submarines. So any decision that I take to NSC and to government on this will solely be based on the national interest. We have a truly national shipbuilding program that is large and complex. We are doing $90 billion worth, which is something that we have not done in this nation since World War II. So it's not an issue—it is anything but—about a binary, facile argument occurring in the public about a battle between Western Australia and South Australia. We have, and are sustaining and growing, two naval shipbuilding hubs in this nation at Osborne and Henderson. I ask all in this debate to remember that these are not the only two locations where shipbuilding activities happen for our Navy. We have Sydney, Cairns and the Northern Territory. I can very clearly say on behalf of this government that there is only one state when it comes to naval shipbuilding and that is Australia.

Senator PATRICK: Thank you for your opening statement, Minister. I will go back to the question I asked. Consistent with the minister's position that there has been no decision made, you've clearly advanced one particular solution. I'm giving you an opportunity to say, 'That's not correct, Senator. We actually have diagrams for an alternative solution that is consistent with the minister's position.'

Rear Adm. Sammut: What the layout plans reflect that you have obtained under FOI are the results of some initial planning assumptions that were made and given to Naval Group. They were only for the purposes of planning, noting that no decision had been made on the future location of Collins sustainment work to enable Naval Group to commence the design of the submarine construction yard. They show that the majority of work that is happening in the very first instance to the west of Mersey Road, including the combat system physical integration facility, the propulsion land based test site and the hull construction hall. I have been on the record in the past saying that they are our priority facilities to have built first.

This layout does not preclude the option of continuing with full-cycle docking activities in Adelaide. As was explained by David Knox yesterday in his testimony, there are other sites...
available to locate activities, particularly within the existing hall of ASC. You'll note that the layout suggests that they could be used for raft construction or as a covered work area or covered storage area. There are many other locations within the precinct in which those sorts of facilities could be laid out.

Senator PATRICK: I will stick to my question. Is this the only diagram? Surely if you have multiple options, as you've just described, you would have multiple diagrams that spell out those options and that lay them out. This is a very specific question: do you have similar diagrams for the alternative proposition, where the full-cycle docking facilities stay exactly where they are?

Rear Adm. Sammut: I have seen diagrams that have alternative layouts for where the covered work area and the raft construction hall could be positioned. Again, David Knox referred to them yesterday. They are areas to the west.

Senator PATRICK: I heard his testimony. I'm okay. I am mindful of time.

Rear Adm. Sammut: Sure. But that's where those facilities for this shipyard would be located. We don't need to have Naval Group redesign the shipyard around that. What we have in this layout diagram here are the fundamentals of the shipyard, particularly the activity that is taking place on the brownfields site to the west of Mersey Road.

Senator PATRICK: The letter that you sent to Naval Group in 2017—there is a copy of that letter—basically states:
The land currently occupied by ASC would be made available to Naval Group following this FCD to allow for further development of the submarine construction yard, inclusive of access to the Port Adelaide River.

I acknowledge that the letter says that that is an assumption. Senator Cormann yesterday said, 'Whatever communication may have happened between Defence and Naval Group, it is not based on an assumption put forward by the government and it is not put forward based on a decision by government.' So can you take me through the process by which you came to sign that letter? Did you consult with any senior people? Was there any consultation with any minister before this letter was sent?

Rear Adm. Sammut: No, there was no consultation. I signed that letter out to provide a basis upon which Naval Group could commence design of the submarine construction yard. Before we had a decision from government, before this decision would be made, it was necessary to start the design of the submarine construction yard on some planning assumptions only. That's what they were. They didn't predicate that full-cycle dockings would be relocated from Adelaide, but it was necessary to start design work on the submarine construction yard. That has enabled us to be in a position today whereby we can commence construction of the combat system physical integration facility by the end of this year and construction of the propulsion land based test site, and whereby we also will have done the initial planning for the whole construction hall, because they are the first three facilities we will need.

Senator PATRICK: That's fine. So you've spent about $14 million on this particular activity. If indeed the shipyard does not end up being as per this diagram—a decision is made by government to retain full-cycle dockings in South Australia—will that decision now cause any cost impact or schedule delay to the Future Submarine program?
Rear Adm. Sammut: No. The $14 million has been dedicated to development of the combat system physical integration facility, the propulsion land based test site, early preparation for the whole construction hall—again, all to the west of Mersey Road—and some digital tools used for the design of those particular facilities. There will be no rework to that, regardless of the decision the government makes concerning the future location of full-cycle dockings.

Senator PATRICK: There was an article in the Fin Review, but based on numbers that were in the annual report, in respect of the costs for the Future Submarine program. In a question on notice I asked what the forward estimates for 2027 were. It is question No. 121. Your response was:
The total approved budget for 2018-19 to 2022-23 is $1,754.9 million.
The new annual report states that the new number is $5.9 billion. That surprises me in the context that you have, up until this point, spent hundreds of millions of dollars laying out a plan. You went to government for an approval of $1.7 billion, but now that seems to have changed. So I presume you've either brought some work forward, or, alternatively, there's been some cost that you haven't expected in your plan.

Rear Adm. Sammut: I'll need your assistance to understand when that question was asked.

Senator PATRICK: It was asked in budget estimates of last year. It's question No. 121. There were about five questions in there. One of them was: 'Please provide the forward estimates to 2027.' You didn't do that. You provided the forward estimates as per the budget, starting with $1.7 billion.

Rear Adm. Sammut: Sorry, it was question number?

Senator PATRICK: It was 121—portfolio question 129, whatever that means.

Rear Adm. Sammut: Would it help you if I took you through the approvals we've obtained from government? You might recall from previous—the portfolio budget statements that were released for this year did not include all the approvals that we had obtained at that particular point. What I can say is that the current budget that we have reflects all the approvals that we've obtained from government since September 2016. We had an original approval of $1.051 billion as we commenced work.

Senator PATRICK: Which is the number you gave.

Rear Adm. Sammut: Yes. Let me refer to my notes, if I may.

Sensor PATRICK: The latest number says $5.9 billion or thereabouts.

Rear Adm. Sammut: And that is currently the budget carried by CASG.

Senator PATRICK: Over the same period?

Rear Adm. Sammut: No. We went to government and obtained an original approval of $1.051 billion. That was back in September 2016. That funding approval was for four elements. It was for Naval Group's design and mobilisation contract, it was the initial services contract that we signed with Lockheed Martin Australia for the combat system, it included science and technology implementation and it was for work other than design to include our program running costs. In November 2017 we had an additional $1.556 billion approved—
Rear Adm. Sammut: That included funding approval for infrastructure design. It included approval for the longer-term contract with Lockheed Martin Australia—the design, build and integration contract—which included design work out to 2022 to complete detailed design of the combat system. It included updates for the science and technology program and other program running costs for an extended period. In February of this year, 2019, we obtained an additional approval of $3.723 billion. That allowed us to enter the submarine design contract. It stretched out further science and technology implementation and other program running costs for an extended period of time. If you were to add all of those figures up and so forth, you would end up with a total approval for the program, including what other service delivery groups are responsible for delivering, of $6.5 billion. CASG's element of that is $5.9 billion. That includes contingencies.

Senator PATRICK: But, in presenting to government a figure over the forward estimates so that government can plan, surely you include all of the information that you have. For example, you've said that there's a construction number in the new figures for the infrastructure activity. Surely, that was planned. Surely, when you first went to government for the $1.7 billion you would have included all of those elements. It just seems—

Rear Adm. Sammut: This is going to be a process of progressive approvals from government for work as it is defined in even greater detail. So the approval process that I've just mapped you through from September 2016 through to February of 2019 reflects the fact that we have progressively got more detail about the work that we'll be doing, we've negotiated contracts for the conduct of that work, we've negotiated the pricing for that work and so forth. So those approvals—those successive approvals—reflect the greater fidelity that comes of a program of this nature, whereby we plan the work in concert with our industry partners. What I can say is that the approvals we have now from February 2019—this year—will cover planned work out to 2022-23, by which stage we would have completed the preliminary design of the submarine and the detailed design of the submarine's combat system and we'll be preparing for detailed design and construction of the first boat.

Senator PATRICK: I will review that, and might come back to you. I have been told I've got three questions left for this session. So I'll go to schedule. Are you on schedule? Are you meeting all of your milestones?

Rear Adm. Sammut: We signed the submarine design contract with a schedule to reach system functional review by January 2021. We gave you in the past a set of milestones. What Naval Group has done since we provided you with those milestones is they have aligned their design process to an international standard. The thing that most closely equates with the system functional review that we'll now conduct in January of 2021 was what we might have formerly told you was CDR.

Senator PATRICK: I'll cut to the chase. The milestones you gave me, the most recent ones, were—since we last met or this year, system definition review for the combat system was February 2019. I think you said at last estimates that that was achieved.

Rear Adm. Sammut: That was for the concept phase of the design, yes.

Senator PATRICK: What about system requirements review for the platform system? It was due to be completed by March 2019. Has that been completed and signed off?
Rear Adm. Sammut: No. Systems requirements review under our submarine design contract moved to the last quarter of this year. That reflected a—

Senator PATRICK: So you've got a six-month schedule delay, basically?

Rear Adm. Sammut: No, that reflected the—

Senator PATRICK: You can't—

Rear Adm. Sammut: If I could just be very clear: we signed the submarine design contract with a view that—

Senator PATRICK: This a moving schedule, Admiral.

CHAIR: Allow the witness to answer.

Rear Adm. Sammut: If I may—

Senator PATRICK: This is a moving schedule. I know about project management—

Senator ABETZ: Allow the witness to answer, Senator Patrick.

Senator PATRICK: Sure.

Rear Adm. Sammut: We have not changed the delivery date of the future submarine—

Senator PATRICK: All is well in the Soviet Union. Everything is fine.

CHAIR: Allow the witness to answer, Senator Patrick. That is your last question.

Senator Reynolds: Chair, I ask Senator Patrick to withdraw that last comment. I think the imputation—

Senator PATRICK: This is a project that is running late, Minister. If you don't recognise that, then you probably shouldn't be in that chair.

CHAIR: Senator Patrick.

Senator Reynolds: Chair—

CHAIR: Senator Patrick, the minister has the call.

Senator Reynolds: the comments that Senator Patrick just made to Rear Admiral Sammut were highly inappropriate and offensive. I would ask him to withdraw those personal connotations.

Senator PATRICK: There is a milestone here—I want an answer—for system requirements—

CHAIR: Senator Patrick, you do not have the call when and as you please.


CHAIR: Senator Patrick, I am calling you to order for the last time.

Senator PATRICK: Sorry, Chair.

CHAIR: There has been a request, but I confess that I did not hear the exact words used. A request has been made for you to withdraw certain words.

Senator Reynolds: Senator Patrick knows well the comments he made. I ask that he withdraw them and not to—

Senator PATRICK: I said all is well in the Soviet state. That's what I said.
Senator Reynolds: And you were looking straight at Rear Admiral Sammut, and that is inappropriate, Senator Patrick.

Senator PATRICK: At the end of this session, I will make a determination as to whether I'm satisfied that this is on schedule. But it's pretty plain, Minister, that you end up with a milestone and you either achieve it or you don't. By the evidence I just heard from the admiral, you are six months late.

Senator Reynolds: Senator Patrick, allow the witness to complete his answer.

CHAIR: Senator Patrick, I will not countenance any more of this.

Senator Reynolds: You can go out and perform outside.

CHAIR: There was a request that you withdraw.

Senator PATRICK: Well, I'm not withdrawing. I will consider that as a result of the evidence.

CHAIR: All right. You're not withdrawing. You will consider that. We will move to Senator Wong for questions.

Senator WONG: I was going to start with something other than submarines, mainly because I need to get a few things done and it might take a little while. I want to go first, so don't go away. You can leave the table. I mean, 'Don't leave the building.'

Senator Reynolds: There's no chance of that, Senator Wong.

Senator WONG: Well, you never know. Being unavailable is an old trick. I have questions about—

CHAIR: Is that how you used to do it, Senator Wong?

Senator WONG: No. I never leave this building. Have you not noticed? I have questions about the contract. Mr Green from the ABC asserts that a Victorian based consultancy firm, Sinapse, was selected in January by limited tender. Can someone with knowledge of this please come to the table?

Ms Skinner: Can I get your question again?

Senator WONG: This has been in the media. Do you know about it?

Ms Skinner: Yes, I do.

Senator WONG: I'm going to put a series of things to you. Were you aware of this issue prior to it being reported by the ABC?

Ms Skinner: Yes, I was aware.

Senator WONG: When were you aware?

Ms Skinner: I was aware of the issue that Mr Greene has published in the press today.

Senator WONG: Were you aware of it prior to being contacted by journalists?

Ms Skinner: The journalist did contact—

Senator WONG: Were you aware of this issue prior to the journalist contacting you?

Ms Skinner: Yes, I was.

Senator WONG: How were you aware of it?

Ms Skinner: Mr Pearson advised me.
Senator WONG: That's you. How were you aware of it?

Mr Pearson: The ERP program is the largest ICT-based program Defence has ever undertaken. An independent assurance review was commissioned by the associate secretary. To undertake the review, we required highly skilled, extensively experienced folk, particularly with organisational change management expertise, particularly on large-scale programs that are SAP based. As part of that—

Senator WONG: Stop! I think you're giving me the explanation of why this went to limited tender. I hadn't actually asked that question. I will get to that question. Can we not have acronyms for the purposes at least of people watching. I asked how you became aware of this before the journalist contacted. That is the only question I have asked to date.

Mr Pearson: It was part of a procurement exercise I was involved with.

Senator WONG: You were involved in it?

Mr Pearson: Yes.

Senator WONG: Was there a decision to go to a limited tender?

Mr Pearson: There was.

Senator WONG: Who made that decision?

Mr Pearson: That was made not by me individually. That was made under a consultation with the Commonwealth procurement rules and Defence procurement policy folk.

Senator WONG: They're not people; they're documents. I am asking which person or people made the decision to go to a limited tender. Then I will give you the opportunity to tell me how the CPRs were complied with. Who made the decision to go to a limited tender?

Mr Pearson: The individual name I will have to come back to you with.

Ms Skinner: I can assist.

Senator WONG: Surely you have prepared this.

Ms Skinner: The decision was that the delegate for the decision, in this case for the contract, was Mr Pearson. I sought to be assured that the work done in considering the range of companies that could participate in this work was properly done. There were some challenges in the number of companies that had both the skills and the capacity in the sense that they weren't already involved in an area of our program that we had to review. So there were some—

Senator WONG: We are now answering a question I haven't asked yet but I will get to it, which is why. I haven't asked why. The only thing I asked, actually, was who made the decision. You say Mr Pearson made the decision?

Ms Skinner: On advice from our commercial branch, which can provide advice about the application of the Commonwealth procurement rules in relation to a limited tender.

Senator WONG: Sure. So you say this tender went to limited tender on the advice of people working in your group.

Ms Skinner: On the advice of the commercial branch that resides in the Capability Acquisition and Sustainment Group, who have the Defence department centre of expertise on commercial advice.
Senator WONG: Mr Pearson, you technically made the decision to go to limited tender. That's what the evidence just was?

Mr Pearson: Based on that advice.

Senator WONG: I just want to know who made the decision.

Ms Skinner: Yes.

Senator WONG: So you are the decision-maker?

Ms Skinner: Yes.

Senator WONG: Was this commercial branch approached with a request that a limited tender option be considered and that advice be provided around that?

Ms Skinner: I am not—

Senator WONG: I am trying to work out where—

Ms Skinner: I understand, Senator.

Senator WONG: the idea of a limited tender comes from. Whose idea is it?

Mr Pearson: As a result of that process, a market review was undertaken with respect to the panels we have. We found that the capability to do this particular review was not available on the existing Defence panel and that it should be put in place through an open tender procurement process.

Senator WONG: An open tender?

Mr Pearson: Sorry, a limited tender. Correct.

Senator WONG: Let's take one step back. What does the tender relate to? It is a contract to an IT company. Correct?

Mr Pearson: Correct.

Senator WONG: It's a contract between the Commonwealth and Sinapse?

Mr Pearson: Correct.

Senator WONG: What is the capability, product or services being procured?

Mr Pearson: It was a range of services, but predominantly with respect to an ability to undertake an independent assurance review around the ERP program, with particular respect to organisational change management plans.

Senator WONG: Wow. There is so much jargon in that answer.

Mr Pearson: That is what it was.

Senator WONG: Can you do it in plain English? You spent $380,000. What are you purchasing?

Mr Pearson: A review of the plans we have in the ERP project.

Senator WONG: Remind me what the ERP project is.

Ms Skinner: The enterprise resource planning project, which is a very large transformation of Defence's business practices into a SAP based IT system.

Senator WONG: What is the SAP?

Ms Skinner: That is a product.
Senator WONG: This is a platform?
Ms Skinner: Yes. That would be the best way to describe it.
Senator WONG: So you are essentially changing platforms and—
Ms Skinner: Business practices.
Senator WONG: Business practices from—what did you call it—SAP?
Ms Skinner: Existing to those, but business practices that are part of a SAP platform.
Senator WONG: Fine. In this contract, you are procuring an independent assurance review?
Ms Skinner: The previous vice chief and I sought to understand the state in which a very large program in Defence was running. We asked for what is called an independent assurance review.
Senator WONG: And that is the Sinapse contract?
Ms Skinner: No. The independent assurance review gave rise to the Sinapse contract; that is what I am trying to explain.
Senator WONG: So you've got a large review. You have a big IT and business practice and platform change from whatever you currently have now to the SAP. Correct?
Ms Skinner: Yes. It is a big, complex project of about $1 billion.
Senator WONG: You are trying to get an independence assurance, of which this contract is a subset?
Ms Skinner: We do an independent assurance review to see how the project is going. There was a recommendations out of that independent assurance review. One of those recommendations was to look at the organisational change management component of the project and see how it is going. Sinapse did that work.
Senator WONG: Who made the decision? Just to confirm, in relation to the organisational change component, the status of this is a limited tender—that is, it doesn't go out for general procurement. Was it made by you, Mr Pearson?
Mr Pearson: That's correct.
Senator WONG: Did anybody who was part of the independent assurance review also have a commercial interest in Sinapse?
Mr Pearson: No.
Senator WONG: The CPRs do require a report which goes to the value of the type of goods and services, statements that justify the use of a limited tender and a record demonstrating how the procurement via limited tender represents value for money. Was such a report prepared?
Mr Pearson: Yes.
Senator WONG: Who prepared it?
Mr Pearson: It was undertaken by the CASG group that the associate secretary referred to along with my staff.
Senator WONG: Can I have a copy of it, please?
Ms Skinner: We'll take that on notice to see what we can provide in relation to that document. I saw the document myself as part of—

Senator WONG: Was that document prepared prior to the decision that you made or after?

Mr Pearson: Yes.

Senator WONG: It was?

Mr Pearson: Yes.

Senator WONG: So what is asserted in the article—I'm giving you the opportunity to respond to it—is that the son, a family member, of a senior official with a financial delegation for the letting of this contract worked at the company in question. I would like a response to that allegation that has been made publicly.

Mr Pearson: Yes. In fact, that's correct. My son does undertake part-time casual work in a technology area for Sinapse now and again. That is the person being referred to in that article. He did not receive any benefit from this engagement, if that helps.

Senator WONG: Ms Skinner, when were you aware that the delegate who made this decision had a family member that potentially benefited from the contract?

Ms Skinner: I was aware post the letting of the contract, but I am confident there's no benefit for the family member involved.

Senator WONG: You became aware after the letting of the contract. Were you aware before the reporter contacted Defence?

Ms Skinner: I was aware before the reporter contacted Defence.

Senator WONG: How did you become aware?

Ms Skinner: Mr Pearson told me.

Senator WONG: After the contract was let?

Ms Skinner: Yes.

Senator WONG: Mr Moriarty, when were you aware?

Mr Moriarty: I became aware subsequent to Ms Skinner discussing the matter with Mr Pearson.

Senator WONG: That puts me in a difficult position. Was any action taken in respect of this prior to this matter becoming public?

Ms Skinner: Yes. I spoke to Mr Pearson and discussed conflict of interest management. I sought that his conflicts of interest be updated. I think it's worth some context that we employ our CIO on the basis of very strong capabilities to deliver very complex programs like the ERP. We would have expected that, through a long career in the private sector doing similar work, he would be able to bring to us a good understanding of the sorts of capabilities we might access from industry that we would not normally have available to us because they are not normally in our knowledge and they are not in our panels.

Senator WONG: Was any conflict of interest declaration made prior to the decision to award a limited tender?
Mr Pearson: No. On reflection, I did not do that prior to that being awarded. I did it after it was awarded and I made notification to the associate secretary on that basis.

Senator WONG: It didn't occur to you, Mr Pearson, that awarding a contract that didn't go to tender to a company your son worked at might have required some disclosure to someone?

Mr Pearson: On reflection, I acted in good faith. I acted in good faith.

Senator WONG: I am asking.

Mr Pearson: On reflection, yes. I think there was a chance of a perceived conflict of interest. I do acknowledge that.

Senator WONG: Were any complaints received about this?

Ms Skinner: No. There wasn't, to my knowledge—and I have checked again this morning. We have a public interest disclosure scheme. We have a Judicial Review Act scheme that can take complaints around procurements. Neither of those systems were accessed or advised of any concerns around the procurement. If they had been, we would have had a formal process underway prior to this becoming public. It has never been raised in either of those forums.

Senator WONG: But Mr Pearson raised it. Didn't it ring some alarm bells for you? I think he has admitted he has done the wrong thing.

Ms Skinner: Yes.

Senator WONG: He has admitted that, clearly, there should have been disclosure and there should have probably been the delegation to someone else to make a decision. Correct?

Ms Skinner: Yes. Absolutely, Senator. We discussed that. There were other delegates who could have made that decision and signed that contract, and they should have. We discussed that.

Senator WONG: When?

Ms Skinner: We discussed that when Mr Pearson advised me, which was around the April-May time frame. I don't have a particular diary note.

Senator WONG: Earlier this year?

Ms Skinner: Earlier this year.

Senator WONG: When was the decision made to grant the contract? January?

Ms Skinner: Yes, January.

Senator WONG: So between January and April you don't tell anybody. What led to you telling someone?

Mr Pearson: I think, as we discussed here, I reflected on it. Despite, obviously, the timing of it all—unfortunately, I had not done it previously—I immediately raised it with the associate secretary as I was going back through the work that had been done. The timing was—

Senator WONG: I am sorry. I don't quite understand how it works. You knew you were making a decision to award a contract to a company your son worked with.

Mr Pearson: But I took advice on the basis of what we're talking about now.
Senator Wong: When?
Mr Pearson: Prior to making that decision.
Senator Wong: From whom?
Ms Skinner: That is the advice I referred to in relation to having done a review of the capabilities available to us on the existing panels.
Senator Wong: Hang on. You didn't take advice as to the apparent conflict of interest?
Ms Skinner: No.
Senator Wong: Prior to making the decision?
Mr Pearson: No. I took advice regarding the Commonwealth procurement rules et cetera and our ability to use a limited tender.
Ms Skinner: He took advice around the limited tender.
Chair: In that conflict of interest?
Ms Skinner: No.
Senator Wong: No.
Mr Pearson: No.
Senator Wong: So basically no-one who is giving you advice knew that your son worked for the proposed contractor?
Mr Pearson: No. They would not have. I raised that subsequently on reflection.
Senator Wong: And it didn't occur to you to raise it previously?
Mr Pearson: If I had my time again, I would have.
Senator Wong: As I said, it's uncomfortable doing this in the public arena. Did it just not occur to you?
Mr Pearson: My intent and my commitment is to do the right thing with Defence. I did not take that into account as I should have. The event passed and then I subsequently did it. If I had my time again, yes, indeed, I would do that.
Senator McMahon: I have some questions regarding our submarine fleet. Based at Garden Island, it's approximately a 10-day journey to Darwin. Given that our main theatre of operation is the Asia-Pacific region and there currently is no suitable base in Darwin or anywhere in the Top End, mostly subs are moored to a buoy in the harbour. Would there be any consideration given or any benefit to having a forward command or resupply base in the Northern Territory?
Vice Adm. Noonan: In terms of the operating posture of our submarines, currently the 6 Collins class submarines are all based in Western Australia, as you've alluded to. They are able to operate from most of our bases around Australia and do so quite regularly, including the east coast and including from Darwin. Moreover, they operate forward in the region and are supported by a number of other bases in other countries as well. As we look to the future, as we transition from 6 Collins class submarines to 12 Attack class submarines, we are currently in the process of considering what the disposition of not just the submarine force but the entire naval force will look like into the future. Part of that work does consider work around future facilities in the north.
Senator McMAHON: Thank you. We know that this government has committed $20 billion over the next 10 years to Defence facilities in the Northern Territory. Can we get an update of when that spend is likely to occur, and particularly what amount is likely to be spent over the coming two years?

Senator Reynolds: While the official is getting ready to answer, I could confirm that we have 12 major Defence establishments in the Northern Territory, which are critically important, and 13,000 Defence members established there. As you are aware, we've announced in recent times around $8 billion to Defence infrastructure upgrades. That is a good time to hand over.

Mr Grzeskowiak: In the Northern Territory, I will talk about approved projects to start with—that is, projects that have been through the full government approval process, including the parliamentary public works committee and are essentially on contract. For the financial year 2019-20, it is $377 million. That is this current financial year. In financial year 2020-21, which is the next financial year, currently approved is around $215 million. A range of projects still working their way through the approval process will drop into the approved program as they go through the necessary government process. Obviously those figures, particularly for next financial year, increase.

Senator McMAHON: Was that $15 million?

Mr Grzeskowiak: It is $215 million for financial year 2020-21. It is $377 million for financial year 2019-20, the year we're currently in.

Senator McMAHON: So is the bulk of that $20 billion going to be spent towards the back end of the 10 years?

Mr Grzeskowiak: That figure of around $20 billion is a 20-year figure. The figure for the decade, which is starting this financial year forward for the decade, is around $8 billion. So there are some significant projects that are still working their way through government process that will see significant investments. That figure of around $8 billion in the first decade is in our forward plans at this point.

Senator McMAHON: Thank you. Is there a desire that a portion of that spend go to local Northern Territory based contractors?

Mr Grzeskowiak: Yes. We've had a strong focus on local industry for the past few years. Particularly in the Northern Territory, we've found that we tend to get higher levels of local involvement in projects that are running. So for every project now where we go to market looking for a prime contractor, we ask the primes to engage with local industry to see what the capacity is locally. They will format their bid to us. As part of that bidding process to us, they will articulate a target figure for local industry content. So we are seeing, since we introduced that policy a couple of years ago, an increase in the size of the local industry that is winning work. There are two reasons for that. Firstly, we are putting a focus on it and we are asking our primes to be serious about engaging locals. Secondly, we've asked them to restructure the way they tender for works. Historically, if we were doing a major piece of work on a Defence base, the works would have had, for example, one tender for all of the electrical work on the base and another tender for all of the steel work on the base. For a major upgrade, that tended to put the smaller local players out of contention because they weren't big enough to do that package. They are called trade packages. We've restructured...
that. We ask industry to structure the work now into what is called works packages. So if we're doing a major piece of work on a base—a building or two or three buildings—we'd put out a contract for the whole building. It's for the steel work and the formwork and the electrical work. That enables those players that aren't the big primes but are good building companies to bid for that work because it's within their capacity to do it. They wouldn't have been able to take on the electrical work, for example, for the whole redevelopment project. Since we've been doing that, we have seen much greater increases of local content. Eighty per cent is looking like a fair target. In some cases, it is much higher than 80 per cent. We've seen particularly in the Northern Territory a good response from the master builders in the industry there to engage with this program of work.

Mr Birrer: As Mr Grzeskowiak said, we're seeing good progress in terms of the building companies, the major primes that work for us, having those local commitment levels and high levels of engagement throughout. We're continuing to engage with Northern Territory industry to make sure that they're aware of the opportunities coming up and are primed for it. Even this week, we've got members of our group participating in the Northern Australia Defence Summit to help keep industry informed about the opportunities that are coming up that they can bid for.

At the higher end, in terms of companies we engage with as prime contractors—head or managing contractors—we've seen a Northern Territory company evolve over time from being one of those subcontractors to now being a head and managing contractor in its own right. It won quite a large contract to deliver works at numerous sites across the Northern Territory in recent weeks. That company has also delivered a very sophisticated facility that we've built for the space surveillance telescope in Western Australia. So we are seeing a maturing of NT industry through their engaging with us and taking up those opportunities that our projects provide to grow their business and maximise the potential for them to bid for our work.

Senator Reynolds: I want to pick up your first point. Northern Australia is, and will remain, a key strategic gateway to Australia. In Defence terms, it's not just the Northern Territory, which obviously is a critical part of that, but the entire northern Australia area. As I said, there are nearly 14,000 personnel in northern Australia, including 5½ thousand in the Northern Territory itself. So it will remain. Given the $10 billion in the next 10 years and $20 billion over 20 years, it will remain a key strategic site for the Australian Defence Force, including the large major exercises—Talisman Sabre, Pitch Black, Kakadu and Northern Shield. So rest assured, on behalf of your constituents, that it remains a focal point of our defence strategy and posture.

Vice Adm. Noonan: I will add to that in terms of the government's commitment to the infrastructure. You asked specifically about the submarine base options. Two projects were approved by the government in June 2018—Larrakeyah Barracks and the HMAS Coonawarra redevelopment. There was $223 million approved for that. In June 2018, facilities to support naval operations in north Australia involved $272.5 million. Specifically, that second project, which does look at those support facilities, will provide new berthing capabilities and wharf options that will be capable of supporting our major fleet units, including the helicopter vessels we have and our current and future submarine force.
Senator FIERRAVANTI-WELLS: In response to the question from Senator McMahon, you mentioned the future requirements for locating the submarines and future submarines. Does that include consideration of an east coast base, such as Port Kembla? I think you know my interest. Is that the sort of planning that you are looking at?

Vice Adm. Noonan: I will ask the minister to respond.

Senator Reynolds: Senator Fierravanti-Wells, that is absolutely a question for government. It's a policy issue in terms of basing decisions for the Attack class submarine. That decision has not yet been made. We've still got additional considerations. It is a decision for government that has not yet been made.

Senator FIERRAVANTI-WELLS: I accept that. I was simply asking whether the answer about locations can include a consideration of other places.

Senator Reynolds: I think it's safe to say, Senator Fierravanti-Wells, that without a decision being made, we are looking at options. Ultimately, it's what is in the best interests of the naval capability and our security arrangements.

CHAIR: There is plenty of opportunity for lobbying for everyone.

Senator Reynolds: Tasmania.

Senator WONG: I want to go back to shipbuilding losses. I am going to try to get through this as quickly as possible. If they answer questions, it will be even better. I think we had established how many shipbuilding job losses at Osborne were projected to occur from 2017 to date. The 220 figure, Ms Lutz, is over which time frame?

Ms Lutz: It is between now and the end of March.

Senator WONG: Have you got any more jobs projected to be lost before the end of 2019?

Ms Lutz: There are 17 positions at risk between now and the end of 2019.

Senator WONG: On top of the 220?

Ms Lutz: No.

Senator WONG: Let's do time frames.

Ms Lutz: There are 17 positions at risk until the end of 2019. They are included in the 220.

Senator WONG: So the 220 time frame ends when?

Ms Lutz: The end of March 2020.

Senator WONG: Next year. I might have asked this before the break. Can you give me a skills and trades profile of those workers in the 220?

Ms Lutz: Of the 220?

Senator WONG: Of lost jobs.

Ms Lutz: I don't have an exact split of the skills.

Senator WONG: What do you have?

Ms Lutz: The percentages roughly are—the majority would be trade skills.

Senator WONG: The majority of the 220 would be tradespeople. When you say majority, is that in excess of 150?
Ms Lutz: I'd have to get back to you on that number.

Senator WONG: Okay. Mr Pyne used a figure—which I think we've discussed previously—that the $50 billion Future Submarine program is expected to generate an annual average of around 2,800 Australian jobs. I think he used the word 'taxonomy'. There would be 1,100 direct and 1,700 in the supply chain. They were the phrases he used. I want to know whether or not those figures remain Defence's assessment of projected jobs from the FSP.

Rear Adm. Sammut: That remains our view of the annual average, which is over the life of the program. We would expect direct jobs to be a bit higher at the beginning of the program. But as we come down the learning curve and we become more efficient in the submarine construction yard, and taking into account the peak of work that would happen as you build 12 submarines and you settle down to a constant build rate, the annual average of 1,100 direct jobs and 1,700 indirect jobs remains our assessment.

Senator WONG: Okay. How many to date?

Rear Adm. Sammut: At this stage, Naval Group Australia has—

Senator WONG: I am happy for you to tell me about Naval Group. I am trying to get some accountability in respect of the assertion by the former minister of 2,800—1,110 and 1,700. I want to know how those two components are tracking to date.

Rear Adm. Sammut: At this stage—I am adding up some numbers here for you—

Senator WONG: I assume in order to establish an average, you have year by year figures over the life of the program. Correct? One doesn't get an average unless you have a total to divide. I am flagging to you that I'm going to ask for that. Do you want to give me to date?

Rear Adm. Sammut: In terms of the number of direct jobs supporting the future submarine program, we have 318 across Naval Group and Lockheed Martin Australia. That is Australian jobs.

Senator WONG: Sure. But the figure the minister used was for Australian jobs. Can we just keep to the same categories?

Rear Adm. Sammut: I am. I am clarifying that they are Australian jobs.

Senator WONG: I asked in respect of the minister's assertion and in respect of the 1,700. Do you have a figure to date?

Rear Adm. Sammut: No. I don't have a figure for that.

Senator WONG: Do you intend to get one? Somebody must have given the minister the figures of 1,700 indirect. Therefore, you must have some basis on which those are assessed or tracked.

Rear Adm. Sammut: It was parametrically assessed.

Senator WONG: Parametrically?

Rear Adm. Sammut: Yes. Based on what we understand would be the likely involvement of the supply chain in the program, looking at what we achieved for the Collins program, looking at the size of this program and looking at the length of this program.

Senator WONG: So parametrically assess means you times the 1,100 by a particular figure or a particular factor? Is that what you do?
Rear Adm. Sammut: No. You look at the program. You look at the size of the program. You look at the nature of the work that is going to be involved. You compare it with what we've achieved in the past with the Collins program. On the basis of that, you come up with an assessment of what the annual average looks like. You take the advice from your prime contractors in terms of the number of positions.

Senator WONG: What is the parametrically generated figure to date for the indirect jobs?

Rear Adm. Sammut: It is 1,700 as an average.

Senator WONG: No. Please don't.

Rear Adm. Sammut: But that's all it is. I don't have a year-by-year breakdown. That will depend on the way that we engage the supply chain, when the supply chain ramps up and when supplies are selected.

Senator WONG: So the equivalent figure for the 1,100 that the minister talked about to date is 318. Correct? Do we agree on that?

Rear Adm. Sammut: Yes.

Senator WONG: There is no equivalent figure for the 1,700 currently?

Rear Adm. Sammut: Not currently, no.

Senator WONG: Thank you. Are you intending to do one or not?

Rear Adm. Sammut: We will be measuring those job figures as the supply chain becomes established for the submarine program.

Senator WONG: When do you intend to revise the parametrically generated number of 1,700?

Mr Fankhauser: As I referred to earlier, the Naval Shipbuilding College is working with the nine prime contractors and system integrators at the moment. They are expanding that to include the sustainment and the supply chain, which will give us the year-on-year projections for those indirect jobs.

Senator WONG: Which is the 1,700?

Mr Fankhauser: Correct.

Senator WONG: Same taxonomy?

Mr Fankhauser: That's right.

Senator WONG: When do you anticipate having the next round of those figures?

Mr Fankhauser: That work is ongoing at the moment. It's updated every six months. As more suppliers are—

Senator WONG: So tell me what the last six-month figure was.

Mr Fankhauser: We've got figures that are based on the nine companies. We've got to get the supply chain involved in that process as well as subcontracts let for these programs.

Senator WONG: What is the last six-monthly figure for indirect jobs for the nine primes? I thought you told me you just had it, did you not?

Mr Fankhauser: No. We're compiling it. As subcontracts—

Senator WONG: You said you do it every six months. So you haven't done it yet? You will be doing it every—
Mr Fankhauser: We've got it for the direct jobs for the ship builders and the system integrators. We need to expand those nine companies further as more subcontracts are let.

Senator WONG: I understood that. You agree with the 318? That is the direct jobs.

Mr Fankhauser: Yes.

Senator WONG: You then have this parametrically driven indirect jobs figure. Your evidence to me, I understood, was that you would be updating that every six months, obviously with new data being integrated into that figure. I'm asking what you have to date for the indirect jobs as per the minister's press release.

Mr Fankhauser: I'll have to get that information for you. I don't have it at hand at the moment.

Senator WONG: For direct jobs, to get an average, presumably you have the life of project and you divide it by the number of years. CDF is smiling at me. He has probably got a much more complicated way of explaining the average. Therefore you must have what it is over the life of the project. What is it over the next 10 years by year?

Rear Adm. Sammut: I'll have to get those figures for you, Senator, and take that on notice.

Senator WONG: I will ask you to come back on it. This is the very simple arithmetic which must underpin Mr Pyne's assertion in 2018 which gives us the 1,100 figure. Is that not correct?

Rear Adm. Sammut: Yes. There would have to be underpinning data for it, but I don't have the year-by-year breakdown of that with me now. I'll take that on notice.

Senator WONG: Every estimates, even before I was turning up to these estimates, which was probably much more fun for me and for you, these questions get asked. This has been an ongoing issue for years. Why is it so difficult to come here with jobs data? Senator Patrick and before him, I think, Senator Xenophon—

Senator PATRICK: Senator Gallagher.

Rear Adm. Sammut: I haven't been asked this particular question—the year-by-year breakdown that led to the average of 1,100 jobs per year.

Senator WONG: What do you anticipate it to be for this year? What do you have? What information—

Rear Adm. Sammut: Well, I just answered that question when I said we had 318 direct jobs.

Senator WONG: Is that for 2019? Are you doing it by calendar year?

Rear Adm. Sammut: I am telling you what the current state is as at today.

Senator WONG: That is a different figure, isn't it? That is point-in-time data. That is information as at a point in time. I am actually talking about annual figures because that is the basis on which averages have to be calculated over the life of the project. Do you have what your projection is for 2019 or 2020?

Rear Adm. Sammut: We do have those projections. I will provide—

Senator WONG: What do you have with you today?
Rear Adm. Sammut: I will get back to you today on those, Senator. We have our projections for what the growth will be.

Senator WONG: I am sorry, you have?

Rear Adm. Sammut: We have our projections for growth over the next several years.

Senator WONG: In the direct jobs?

Rear Adm. Sammut: In the direct jobs.

Senator WONG: For future submarines?

Rear Adm. Sammut: For future submarines.

Senator WONG: We will come back on that. With future frigates, Mr Turnbull, I think, announced in June 2018 4,000 jobs—1,500 direct and 2,500 through the supply chain. Do they remain the government's figures in relation to this project?

Ms Lutz: We currently have 400 and we expect to ramp up to 2,500 around 2026.

Senator WONG: So 1,500 and 2,500 are the two components. Your evidence states 400, which is the first component of direct to date?

Ms Lutz: Four hundred is direct.

Senator WONG: You don't have a figure for the indirect?

Ms Lutz: The indirect remains the same.

Senator WONG: You don't have a point-in-time figure?

Ms Lutz: I don't have a point in time.

Senator WONG: The 400 is a point-in-time figure?

Ms Lutz: Yes.

Senator WONG: Thank you. And you anticipate that it will be how many direct jobs?

Ms Lutz: It will be 2,500 around 2026.

Senator WONG: You know that that is more than Mr Turnbull said?

Ms Lutz: Yes.

Senator WONG: Explain how that happened?

Ms Lutz: That is ASC's shipbuilding numbers at present.

Senator WONG: Of the 400, how many are jobs at Osborne? Are they all?

Ms Lutz: They are split between Osborne and Flinders Street in Adelaide. I can't give you exact numbers.

Senator WONG: They are a fair way apart.

Senator Reynolds: In South Australia.

Senator WONG: Yes. I know that. I studied there. Well, I did one subject there.

Ms Lutz: Most of the 400 are currently combat system engineers, project managers and—

Senator WONG: At Flinders or at Osborne?

Ms Lutz: At Flinders.

Senator WONG: So, of the 400, most of them are at Flinders Uni?
Ms Lutz: Flinders Street.
Senator WONG: Flinders Street. I thought you said Flinders University.
Ms Lutz: No.
Senator WONG: I thought that's what the minister said.
Ms Lutz: Flinders Street in the city.
Senator WONG: Of the 400, how many are in the CBD?
Ms Lutz: I'm not sure of the exact split. Some are at the Osborne centre and some are at Flinders Street. It's really a capacity issue for ASC shipbuilding at the moment at Flinders Street.
Senator WONG: I asked earlier, I think, Rear Admiral Sammut about the annual projected figures. Do you have those for the direct future frigate shipbuilding jobs over the next five years? The 1,500 is the average. Is that right? You've now given me a point in time for 400. What is your projection for each of the years going forward? Do you have those?
Ms Lutz: I don't have a projection for each year. I can tell you for next year that the projection is that we expect to be at around 800 and then ramping up to 2,500 by 2026.
Senator WONG: So 2020. Do you use calendar years for this?
Ms Lutz: Yes.
Senator WONG: So 2020 is 800. It's currently 400.
Ms Lutz: Yes.
Senator WONG: You don't have 2021, 2022 and 2023? No. You just have a point in time at 2026 of 2,500?
Ms Lutz: Yes.
Senator WONG: That's your evidence?
Ms Lutz: Yes.
Senator WONG: Are you able to look at what you can give me in between?
Ms Lutz: I can get that for you.
Senator WONG: Thank you. How many of these are at Osborne?
Ms Lutz: I would have to confirm that for you because ASC shipbuilding there will be design resources that will be located in Melbourne.
Senator WONG: I know.
Ms Lutz: They are all Australian jobs.
Senator WONG: So of the 800, how many at Osborne?
Ms Lutz: The majority are at Osborne. I would have to confirm that.
Senator WONG: Okay. So of the 400, the majority are in Flinders Street in the CBD. But of the 800, you say the majority will be at Osborne?
Ms Lutz: Yes.
Senator WONG: And you'll get me a figure, if you can? You will get me figures for the years between 2020 and 2026 in the ramp-up. Thank you. I appreciate that.
CHAIR: Senator Wong, how long do you think you'll be?

Senator WONG: I have one last question. Mr Pyne also said in December 2018 that over 6,300 jobs will be created nationwide. That is an increase on Mr Turnbull's announcement. Can someone explain to me how that figure was arrived at? This is in relation to frigates.

Ms Lutz: I don't know.

Senator WONG: You don't know. Is it based on Defence advice?

Senator Reynolds: I can't jump into the mind of my predecessor.

Senator WONG: It's not the mind. He is the Defence minister making a public statement.

Senator Reynolds: Just allow me to finish. This discussion about indirect jobs, I think, is as we've said before; it is still early in the planning process. So for the Hunter class alone, over 900 Australian companies have now been preregistered for work on the project. Trying to calculate with a great degree of specificity how many jobs out of those 900 companies who are potentially going to be in the supply chain for the build and sustainment is impossible, particularly in the early days of project definition. Exactly—

Senator WONG: Minister, I'm just asking the government to be accountable for the figure that the former Minister for Defence used.

Senator Reynolds: I understand that. But the context—

Senator WONG: No. He didn't put any context in.

Senator Reynolds: Senator Wong, as you well know, the context of this is critically important.

Senator WONG: I would like someone in government to be accountable for the figure that the Minister for Defence put out.

Senator Reynolds: Senator Wong, the officials at the table have taken those on notice and will come back with as much fidelity as they can, given the circumstance.

Senator WONG: I think the only evidence was she doesn't know, which is an honest answer. I don't press the official because she has given the answer to the best of her ability. I am asking you and the secretary whether someone can please explain to me how it is that the 6,800 figure is arrived at.

Senator Reynolds: Senator Wong, that has been taken on notice given that it relates to circumstances two years ago. We will come back to you with the best possible information.

Senator WONG: No. I don't think it is two years ago. It is December 2018. Less than a year.

Senator ROBERTS: My questions go to PFAS and the contamination. Did the government cause the PFAS contaminations to the ground water and water table—

Senator Reynolds: Just wait while we get the right officials at the table, Senator Roberts.

Senator ROBERTS: Thank you.

CHAIR: Let's get started.

Senator ROBERTS: Thank you, Chair. Thank you all for attending today. My questions are about PFAS. The first question is: did the government cause the PFAS contaminations to
the ground water and water table in areas located near military bases across Australia, especially Oakey, Williamtown, Katherine and Richmond?

Mr Grzeskowiak: Senators, as we've said consistently through this process, Defence used firefighting foams from the 1970s through to the 1980s and 1990s. It is the mechanism that has put these perfluoroalkyl compounds into the ground on some Defence bases. We've been open and transparent about that from the point where we realised that was a problem. We don't seek to walk away from the fact that it was Defence use of these foams that caused that particular contamination at those sites. I would make the point, though, that at the time those firefighting foams were used, the manufacturers of them said they were safe to use. The regulators didn't say they were unsafe. They've been used widely by industry—the same sort of chemicals—regional and rural firefighting organisations, the petrochemical industry and many other industries across Australia and the world.

Senator ROBERTS: Thank you for that detailed response. Thank you for your honesty in admitting that the Defence Force is responsible. One choice seems to me that you get compensation to these people who have been affected and, in response, get compensation from the providers of the chemicals. Another alternative is to let innocent people pay for it with their misery and their own financial futures. That seems to be the choice. It is a pretty stark choice. Some land owners within the Oakey PFAS zone were allowed to purchase their properties that were known to be contaminated. They were, in fact, given advice that the contamination was not a health risk but then told, 'Don't eat anything you produce just in case.' Others had profitable farms that have now been destroyed by the growing plume. What action are you taking to compensate these people?

Mr Grzeskowiak: The matter of compensation is being considered by the whole of government. You would be aware that there are a range of class actions afoot at the moment around classes of people from Williamtown in New South Wales, Oakey in Queensland and Katherine in the Northern Territory. I can't comment on how those class actions might proceed. Obviously, that's a matter for the courts. They are due to come before the courts in April next year.

Senator ROBERTS: This is a very serious issue. It's not just about people in the immediate affected zones. I have letters here from someone who lives at the barracks near Oakey. He has letters here from someone who lives at the barracks near Oakey. He has letters from vets and breeders associations, such as the Australian Registered Cattle Breeders Association. He got two from them. He has a letter from the Australian Brahman Breeders' Association and one from the Charolais Society of Australia. They are warning that this could go well beyond, and will likely go well beyond, the regions affected because it could contaminate our beef exports and give Australia a bad name. That's a serious issue. It goes well beyond the local community. It goes to protecting and defending our export industries. I ask again: what compensation to persons or business has already been paid out so far? What is the number of cases and the median settlement?

Mr Grzeskowiak: There have been a number of what are termed non-litigated compensation claims made against the Commonwealth directed at the Department of Defence. Some 44 of those claims have been made over the last few years. Of those 44, there was settlement reached on one claim earlier this year pertaining to an individual from Oakey. The details of those settlements are, of course, confidential by nature of their settlement. Two other claims have been resolved through policy actions that the department has taken, if I may
give an example. Those claims were for things like, 'Can you connect my property to town water?', and that has been done. We've connected over 350 properties to town water in a range of places. So, of those 44 claims, one was settled through a payment, two have been—'settled' is the wrong term—dealt with—

**Senator ROBERTS:** Mitigated.

**Mr Grzeskowiak:** through a policy matter. Therefore, there are 41 of those claims that remain outstanding. The department is dealing with those claims. The department follows the Commonwealth government's legal services directions. The Attorney-General's Department is involved, and that is an ongoing process.

**Senator ROBERTS:** Minister, my next question goes to you. I have some regard for you. I've dealt with you personally, so these questions are not meant personally. But the people in Oakey have been told by both Liberal and Labor in opposition that when they get into government, it will be taken care of. Both Liberal and Labor governments have not done so. These people are sick. These people are affected financially. Their lives in some cases are ruined. I hate to use that word, but their financial livelihood is ruined. They can't sell the land. They can't go into aged-care facilities. These people are at their wit's end. Surely someone needs to step up and do something about this.

**Senator Reynolds:** Senator Roberts, thank you very much. I will tackle your question in a number of ways. First of all, I make the point that PFAS contamination is complex. It requires a whole-of-government approach. It requires an evidence based approach, which I know is something that is particularly important to you—going on the scientific evidence. The government has already committed substantial resources to investigate, remediate and monitor those circumstances. In fact, I believe we've committed nearly $400 million to those areas.

The Department of Defence doesn't have the health specialisation, so we deal with the Department of Health. The Department of Environment has the lead on this issue. I will give you an idea of what Defence has done to date. There are 17 detailed environmental investigations completed, and with transition to management sites. Investigations on this issue continue at another 11 sites. Defence has evacuated already over 13,000 tonnes of contaminated soil to prevent further exposure. We're engaging, as I said, right across government with relevant agencies to work on the various aspects of this on Defence sites. Defence has conducted 137 community engagements to provide residents with updated information and management plans working in consultation with those local communities. The contracts that have been signed by Defence for the $400 million include a wide range of activities—everything from the conduct of these environmental investigations, site auditing, water treatment, soil treatment, site remediation and, of course, providing ultimate water supplies to some of these communities.

So at this stage, we don't have an idea of the full costs of this PFAS investigation and remediation, but I can assure you, Senator Roberts, that the government, at a whole-of-government level, and the Department of Defence are working very hard with these affected communities. As I said, we have to take an evidence based approach. There is still much work to be done about the effect of PFAS. That is a process that is continuing to the best of the government's ability, and Defence's, in this case.
Senator ROBERTS: We've had two inquiries, and we've just heard of a third. I don't accept your answer as suitable, Senator. The Senate report recently concluded early this year called for buybacks of affected properties so that victims can get on with their lives. That's not happening, is it?

Senator Reynolds: I might have to take some advice from Mr Grzeskowiak.

Mr Grzeskowiak: At this point, as you would be aware—I think it was mentioned in the Senate estimates on Monday with the Department of Environment—the government response is led by the PFAS taskforce, which resides in the Department of Environment. That is still being considered by the government in terms of those recommendations from the second Senate inquiry. Based on the evidence that is available from investigations of sites, from the available science and from the available knowledge about health effects, the government at this time has not committed to a property buyback program.

Senator ROBERTS: I'm tired of the phrase 'best available science' because the Defence department has advised people not to eat produce off their own farms and to just keep diluting it into the national environment.

Mr Grzeskowiak: We take our advice around health matters from the Department of Health or the various peak bodies.

Senator ROBERTS: But the people at Oakey, for example, are tired of this. They can't get on with their lives. They're not willing to affect national export production. They're just not willing to do that. They can't eat off their own property. What are they to do? How do they live? How do they get into an aged care facility?

Senator Reynolds: Senator Roberts, given that you're particularly interested in Oakey, would you like me to give you a bit of information about what the department has done to date at Oakey specifically?

Senator ROBERTS: Only if it tells me what these people will have so that they can have a future. I'm not interested in what has been done to fix their problem.

Senator Reynolds: I understand your passion and commitment to it. I commend you for that. I think a background to what we have done to date at Oakey—it's not to say more work is not to be done—might also help you with the inquiries that you're getting. So the information I can provide you about Oakey specifically is that a detailed environmental investigation commenced at the Army Aviation Centre at Oakey in December 2012 and was completed in October 2018. On 6 December 2017, the final environmental site assessment and human health risk assessment report were publicly released. The PFAS and management area plan was released on 10 July this year.

Defence has established a water treatment plant to treat contaminated ground water beneath the former fire station, a source area on base. The plant has been operational since September 2017. Defence has also completed at Oakey the commissioning phase of a second water treatment plant in June this year. The water treatment plant is treating PFAS impacted water from another key source area—the current fire training area. So over 65 million litres of water has been treated by these two water treatment plants at Oakey so far.

Defence has completed open drain maintenance works in early 2018. Almost two kilometres of open drains were excavated and 12,000 cubic metres of waste material disposed off base to an authorised waste disposal facility. Thirteen community engagements have
occurred at Oakey since December 2012. From my perspective, I think on this site and others, Defence is doing what they can with available information at the time both in terms of the environment and health. It's not to say more doesn't need to be done.

Senator ROBERTS: Certainly a lot more needs to be done because these people are still living in misery. They have no income. They have no future. Their property is worthless. How do they get into an aged care facility? How do they get medical treatment? Their lives have been ruined by these Defence actions. I see that the real problem is not the Defence department; it's the government holding it up. We've had two inquiries and we've got a third one going now. The member for Groom is the chair, I understand, of that inquiry. Consultation is fine, but only if it leads to action to fixing it, and that's not happening right now, Senator Reynolds.

Senator Reynolds: Well, Senator Roberts, all I can tell you is the actions that the department has taken across all sites for many years now and the specific work that has happened at Oakey. There has been significant work. As I said, there's still more work to be done. We would be the first to acknowledge that. I'm sure there will be further consultations with Oakey.

Senator ROBERTS: It doesn't cut it, Senator Reynolds. It doesn't cut it when the government says there's more work that needs to be done. These people have had their lives ruined and they need to be compensated or relocated somewhere. They bought in good faith when the defence department knew about the contamination. They were not stopped from buying. They've just wasted all that money and wasted years of effort and wasted their emotional investment in the area and the community. They've got nothing to show for it.

CHAIR: I will take that as advocacy rather than a question. The point is made. It is now 12.30 pm and we will suspend until 1.30 pm for lunch. Thank you all.

Proceedings suspended from 12:30 to 13:33

CHAIR: The hearing is resumed, and I give Senator Lambie the call.

Senator LAMBIE: Minister, I would like to go back over the PFAS, the firefighting stuff, in relation to those who have served as defence firefighters.

Senator Reynolds: Senator Lambie, there are two things. DVA is on at eight o'clock tonight. I'm having a look to see whether I've got anything on the DVA aspect here now. If not, we can certainly deal with that then.
Senator LAMBIE: Deal with it then.

Senator Reynolds: I will hand it over to see whether there is anything else that the department can shed light on before then.

Mr Grzeskowiak: Just for your information, any of the government programs that have been put in place around blood testing, consultations with general practitioners and the like by government for the affected communities have been duplicated within Defence for Defence people. So if you're a Defence person who is concerned or who has lived or worked in one of the areas where we have been conducting blood testing as part of that epidemiological study, the Defence person is fully entitled to, for example, have a blood test. That is done through the Defence health organisation. It's an exactly matched process compared to what has been done for the general public. The issue of whether claims can get up through DVA is rightly an issue for DVA. I can't talk about the statement of principles in any detail at all.

Mr Birrer: When we release reports in the community information sessions, the morning before we present to the community and to the media, we always present to interested base personnel, because we think it's very important to be open and transparent with our people and to keep our people informed. When we were recently at RAAF Base Amberley, which has the largest number of Defence firefighters—they provide firefighting on the base plus they have the school of fire services at the base—we met separately with all the interested Defence firefighters and talked to them about firefighter health. One of the extra bits of information we provide at the base briefings is information about Defence's exposure scheme and how they can also register with that should members of the ADF believe that they've been exposed to PFAS in the past.

Senator LAMBIE: That's fine that you're doing your bit. Once it gets to the Department of Veterans' Affairs, it's not happening. I'm just not sure what is going on. Is one department not talking to the next?

Ms Greig: The last two or three years, we've been working very hard with DVA—and I think you're aware of some of this work—so that our health records and all records are more seamless between the Department of Defence and DVA. That has been a very significant body of work. Currently, it's a more seamless effort between the two agencies so the records do transfer to DVA. So that has been quite a big area of reform.

Senator LAMBIE: You are obviously working together. You seem to be. How many of these claims have actually got through the Department of Veterans' Affairs? Do you have any idea? You're obviously doing something. Are you not following through to see whether these claims are being accepted or that's it—you've done your bit and you'll drop your bundle?

Senator Reynolds: If you give us your key questions now, I will make sure that DVA, when they are on at eight o'clock tonight, can come prepared to answer the questions as well as they can. We'll go back and have a look in the meantime to see whether there is anything else from the Defence side that we can answer specifically on this issue.

Senator LAMBIE: I can do that bit.

Air Vice Marshal Smart: I can tell you what we are doing within Defence, but what is happening in the DVA side in terms of how many claims is a question for that department.

Gen. Campbell: Do you wish to hear about the approach to Defence personnel currently serving or do you wish to hear about DVA veterans?
Senator LAMBIE: No. I wish to hear more about what has happened in the past. It seems like there is now a disconnect, with people saying, 'Well, you're doing your bit' and probably providing the evidence. But there seems to be a breakdown by the time it gets to DVA and DVA is not doing their bit. That's what I'm trying to get to—who is playing what role.

Air Vice Marshal Smart: DVA is not this department. What I can add is that we are documenting people's concerns. We're doing the blood tests and we're actually doing counselling within Defence to make sure that it's well documented so that when it goes into the veterans space, it is available to be assessed as part of a claim.

Senator LAMBIE: Ms Smart, when was the last time you spoke to the Department of Veterans' Affairs? Have you liaised with them over this? It seems to be a bit of an issue for those who have served previously that this is not going well for them and their claims.

Air Vice Marshal Smart: We haven't particularly liaised on this issue of PFAS. Again, it is a question for them to answer.

Gen. Campbell: You are speaking particularly about persons who might not have been serving in the period when things like blood testing and so forth was occurring—a firefighter from 10, 15 or 20 years exposed to PFAS. That is the issue that we will ensure that DVA are ready to discuss with you this evening.

Senator LAMBIE: Yes. That's right. Would I be able to leave that with you, Ms Smart, to take that up with them? It seems to be a real problem for those who did serve 10, 15 or 20 years ago and they're not getting their claims through. It's shocking.

Air Vice Marshal Smart: Absolutely. We'll talk about that.

Senator LAMBIE: Thank you very much. Did you have some questions on this one or environmental stuff? I don't want to change.

Senator STEELE-JOHN: Not on environmental—I have questions around lethal autonomous weapon systems. I'm not sure.

CHAIR: How long do you think you'll be?

Senator STEELE-JOHN: I think about 15 minutes in this block.

CHAIR: Can we make that 10 minutes?

Senator STEELE-JOHN: We can endeavour to make it 10 minutes. In March 2019, it was my understanding that the Australian government was invited to give a statement at the group of governmental experts meeting in Geneva on lethal autonomous weapon systems. Can you provide to me on notice the position that Australia gave at that meeting? Indeed, can you outline it extraordinarily succinctly?

Senator Reynolds: I think this is a question for Mr Tesch.

Mr Tesch: I want to clarify. Are you asking if we can provide you the text of the statement?

Senator STEELE-JOHN: The text of the statement would be excellent. But if you could summarise the position that we gave briefly, that would be really useful too.

Mr Tesch: This was at the 2018 GGE meeting?

Senator STEELE-JOHN: Yes. In March 2019, there was a GGE meeting in Geneva on the subject of lethal autonomous weapons systems.
Mr Tesch: I would like, if I may, to invite Celia Perkins to add to this. In terms of the text of the statement, obviously we'll take that on notice. I don't have that with me.

Senator STEELE-JOHN: Yes.

Mr Tesch: The thrust of the position of the Australian government, which would have been reflected in that statement, is that, of course, the acquisition and deployment of future autonomous weapon systems must be in accordance with our international and domestic legal obligations, including international humanitarian law. We are mindful of the great divergence of views and assessments. Certainly now and into the future, all ADF weapons are and will be compliant with our legal obligations. Automation, of course, brings great potential value for military and civilian technologies. Systems with advanced AI and enhanced autonomous functions are becoming increasingly more prevalent. But that is probably the limit to what I would be able to tell you at this point without reference to the specific text, which you've asked us to provide.

Senator STEELE-JOHN: Absolutely. Can I clarify: are you aware whether we gave a view as to the need for any kind of international legal framework specifically related to autonomous weaponry?

Ms Perkins: I echo Mr Tesch's remarks. We welcome the discussion around international legal frameworks on autonomous weapons and how technological advances in weapons systems can comply with international humanitarian law, particularly around precision and supporting commanders to fulfil obligations under international humanitarian law on the battlefield. Australia, of course, is a signatory to the additional protocol 1 of the Geneva Convention. We fully support and undertake a review of any proposed new weapons such that they would be pursuant to article 36.

Senator STEELE-JOHN: I understand. If you don't know, that's fine, but in the position we gave, did we present a view as to whether there was a need for an additional international legal framework around the use of autonomous weaponry?

Mr Tesch: We'll take that on notice.

Ms Perkins: Well, the position that we take is that we welcome the debate and discussion. We'll remain involved in that. But we wouldn't support a premature ban on autonomous systems in military use because of the great potential they have.

Senator STEELE-JOHN: Why would you describe them as premature? Why would you describe—

Ms Perkins: What I would describe, Senator, is that we would welcome the debate and stay engaged in a debate on how the international legal framework evolves to deal with autonomous weapons. Some of that debate goes to banning autonomous weapons in military use. We would consider that to be entirely premature given the enormous potential for autonomous systems for the use in many of the things that we seek to do.

Senator STEELE-JOHN: Whether they have potential doesn't really have any bearing on whether something would be premature. I am just wondering what informs your thought process that it would be premature?
**Ms Perkins:** The position is that the discussion and debate around what the international legal framework needs to evolve to deal with autonomous weapon systems is one that we need to have in the international community. We will continue to be part of that.

**Senator STEELE-JOHN:** Why did you describe a ban as premature? You haven't explained to me why you would consider a ban premature.

**Ms Perkins:** There is enormous potential, as yet unknown. As we've seen in the history of international law and arms control, we need to understand how the systems are developing and their potential uses and so forth. A ban at this point would constrain some of the perhaps important ways that we're developing military capabilities.

**Mr Tesch:** Your particular question we will take on board.

**Senator STEELE-JOHN:** Thank you. It doesn't make much sense to me, but we'll leave it there. On 2 August, there was convened in Canberra a meeting of legal experts, scientists and military personnel to consider the question of a policy framework for the ethical use of autonomous lethal weapons systems. Could you provide me on notice a full list of the attendees of that meeting?

**Ms Perkins:** We would need to take that on notice.

**Senator STEELE-JOHN:** Can you confirm that the work that came out of that meeting is not yet complete?

**Ms Perkins:** Absolutely. I can confirm that.

**Senator STEELE-JOHN:** When is it expected?

**Ms Perkins:** I wouldn't have any timeframes around that.

**Senator STEELE-JOHN:** It has been reported that it is the end of next year. Is that incorrect?

**Ms Perkins:** I would have to take that on notice.

**Senator STEELE-JOHN:** Thank you. At this time, there is no national ethical policy framework around the use of autonomous weapon systems in Australia?

**Ms Perkins:** No. As I said earlier, the test we would apply is to look at any introduction into service of a weapons system against additional protocol 1 of the Geneva Convention.

**Senator STEELE-JOHN:** But this group has come together to develop a national policy framework. By its very nature, there is not a national policy framework at the moment?

**Ms Perkins:** Indeed.

**Senator STEELE-JOHN:** So that's correct, isn't it?

**Ms Perkins:** Correct.

**Senator STEELE-JOHN:** I understand that the Australian government has established a defence cooperative research centre. Trusted autonomous systems is a program under that. According to the website, it is uniquely equipped to deliver world-leading autonomous and robotic technologies that can be trusted and effective to enable trust and cooperation between humans and machine. First of all, what is being developed under this program? Am I right in thinking it is not being guided by a national framework currently?
Dr Kershaw: Senator, as my compatriots here have stated, our work is guided by international regulations under which we are signatories.

Senator STEELE-JOHN: I know. But my point here is that you are not currently guided by a national framework. That's correct?

Dr Kershaw: We are not currently guided by a national framework in that sense.

Senator STEELE-JOHN: So you are only guided by what you can interpret from our international obligations?

Dr Kershaw: Correct.

Senator Reynolds: Of course they would be subject to domestic and international laws, including the laws of armed conflict. So it's quite comprehensive.

Senator STEELE-JOHN: Absolutely. That leads me to the next point that has been made by the International Committee of the Red Cross, which has stated that weapons beyond the control of human beings are unlawful by their very nature. What brakes are put in place to make sure that trusted autonomous systems aren't participating in the creation of such weapon systems?

Dr Kershaw: You've come to the very heart of why we have established a centre of expertise or a cooperative research centre in trusted autonomous systems. It's so that we can actually understand what you can and cannot do with these systems so that we ensure that we have the necessary safeguards in place for any use of such systems we might make into the future.

Senator STEELE-JOHN: But in the absence of a national policy framework, as we have so far confirmed, what prevents the work of the trusted autonomous weapons systems unit developing a system that may well contravene the law, as is highlighted by the Red Cross?

Dr Kershaw: At the end of the day, we are bound by the international laws of engagement we operate under, and any decisions we make on research fits within that legal and ethical framework.

Senator STEELE-JOHN: What is Defence's official position on the maintenance of human discretion within the decision-making loop in relation to the use of weapons?

Gen. Campbell: Human discretion at some point or at some interface with machine technology is always important, but that point of interface will vary. For example, we have close-in weapon systems on some of our naval vessels and have had so for many years standard across navies all over the world. In some circumstances, they are specifically designed to operate independently and autonomously because no human being can react in sufficient time to protect the ship.

Senator STEELE-JOHN: Yes. Indeed.

Gen. Campbell: There are other systems where we would have what would be described as a human on the loop able to cease autonomous action or a human actively engaged through the decision-making cycle. As the general discussion from my colleagues in strategic policy and defence science and technology have indicated, this is such an emergent and rapidly evolving space that while we do have the frameworks that have supported our Defence Force and others of like mind in terms of international law and domestic law, and technology is moving very quickly, there are active efforts to consider the question of the legal and ethical
arrangements. But there is no one answer now and there is not going to be one answer in the future with regard to your question: where is the human in this system?

Senator STEELE-JOHN: It seems to me that we're in a situation where we're developing technology before we have developed rules around how that technology can be ethically used. In the establishment of the CRC program, was the absence of a national policy framework flagged at any point?

Dr Kershaw: In the development of the trusted autonomous systems CRC, the focus on the work was very much on how we use the autonomous systems for our defensive purposes—how we ensure, as General Campbell has said, that we have the systems to support decision-makers. In setting up the CRC, there was no weaponisation of systems as part of the set-up of the CRC.

Senator Reynolds: Senator Steele-John, can I also add that given we both come from the great state of Western Australia, as you know, that has been using these autonomous systems with people at various stages of the process, and now with increasing use of AI into those systems, Defence is also looking very closely at what is now industry standards in some of these areas. So you are right; the technology is developing very fast, exponentially so, but that has always been the case in the development of any stage of technology.

Senator STEELE-JOHN: Of course.

Senator Reynolds: So we are making sure, though, as has been said, that what we are doing currently accords with all applicable laws. It is defensive in nature. It is to make sure that we really understand what is out there and is in use in Australia and overseas as we move forward and work out how and where we apply it within Defence, and then the rules that may extend around that more widely.

CHAIR: Thank you, Senator Steele-John. We'll throw to Senator Patrick for a short while, with the emphasis on 'short', and then we might have some government questions.

Senator PATRICK: Thank you very much, Chair. The chair just talked to me before about the comment I made, Minister. Neither of us think it is unparliamentary, but, in the interests of helping, I will withdraw. We'll proceed and come to perhaps another conclusion.

CHAIR: That is much appreciated, Senator Patrick.

Senator Reynolds: Thank you. Senator Patrick, thank you. I am sure the officials at the table at the time also are grateful.

Senator PATRICK: I would like to have Rear Admiral Sammut back to the table. I foreshadow that we will move to questions on workforce numbers for Navy and, if we get time to, the C-27J, which is an air force piece of equipment. Minister, in your statement before, you talked about consideration of the full-cycle dockings. I understand the Western Australian Premier may have made a submission to you. Is that correct?

Senator Reynolds: I had engaged equally with the Premier of South Australia, the Premier of Western Australia and the Minister from Western Australia. Equally, as you know, briefings have been provided by the department to members of parliament and to the media. So we are very keen to make sure that this process has been as transparent as possible with the media, parliamentarians and with both states involved in this discussion.
Senator PATRICK: Are they making submissions to you, or have they made submissions?

Senator Reynolds: I think it's safe to say that the Western Australian government has made a very public submission to me and the department. Equally, we are very well aware of the case and the capabilities of South Australia, which are considerable.

Senator PATRICK: Have they foreshadowed a submission, Minister, from South Australia?

Senator Reynolds: I will hand over to Mr Dalton.

Mr Dalton: Premier Marshall made a submission to us last Monday week.

Senator PATRICK: Thank you. Admiral, we were talking before about the system requirement review that was scheduled for March. I understand you are saying there is a name change. Is that correct? The terminology may have changed.

Rear Adm. Sammut: The terminology of a number of other reviews that we previously reported to you has had name changes.

Senator PATRICK: So the system requirement review is the correct name for the milestone I'm interested in?

Rear Adm. Sammut: If we're referring to systems requirements review for definition design, yes.

Senator PATRICK: Normally those sorts of reviews, as you would appreciate, have an entry point and an exit point. Have you conducted any entry points into the system requirements review?

Rear Adm. Sammut: We haven't reached the entry point because we're assessing the entry criteria at this stage to ensure that we're ready for entry with a view to ensuring also that we can exit that review.

Senator PATRICK: It was scheduled for March. I will be upfront. I am quite frustrated in respect of the project refusing to provide me, under FOI, the master schedule at contract because that provides a baseline against which we can track the project. That matter, as you know, is before the Information Commissioner. But I wonder—this is a separate process—whether or not, to be helpful, you could simply supply the initial integrated master schedule and redact anything you think is classified such that it's clear and in the public domain what your milestones were at contract signature. The Icebreaker project has done that for the environment and communications committee. It has been very helpful just walking through the project from the contract baseline.

Rear Adm. Sammut: I am happy to look into the ability for us to release to you the contracted milestones on entry to the submarine design contract.

Senator PATRICK: I'm just talking about things like these very features—system requirements reviews, PDRs and CDRs.

Rear Adm. Sammut: I'm quite sure that will be possible, given that we've endeavoured to provide you with that information in the past from your questions on notice.

Senator PATRICK: Thank you. When the training starts, when you're expecting build and so forth. That would be greatly appreciated. This system requirements review was
scheduled for March, but it appears you said it's now scheduled for Q4. So there is a delay there.

**Rear Adm. Sammut:** As I was endeavouring to explain a bit earlier, we entered the submarine design contract. We looked the requirements that we had of the reviews. So all of the reviews are governed by entry criteria that we have contracted with Naval Group and with Lockheed Martin Australia, of course, for their reviews. As we looked at them and the volume of work that would be required to meet our entry criteria for those reviews, we considered it prudent to ensure that there was sufficient time to get the work done to a sufficient standard so that we would be confident that, as we entered the review, we would meet our requirements and we could move through the design process expeditiously without having to do rework at this stage.

**Senator PATRICK:** All of that makes eminent sense. The point I'm making is against a baseline that is a slippage. I'm not questioning the—

**Rear Adm. Sammut:** Against our earlier estimates of when those events would be taking place, because they weren't contracted at the time that we gave them to you under a response to a question on notice. They were our estimates of when we would be doing them. The baseline, as you have correctly said, is reflected in our contractual arrangements with Naval Group. The point I would like to make is that we have not changed the delivery date for the future submarine.

**Senator PATRICK:** Respectfully, you're not in a position to know whether you'll meet that or not. That's a long, long way away.

**Rear Adm. Sammut:** I agree. But, at the same time, it is no basis for us to change the projected end date.

**Senator PATRICK:** That is why I am trying to focus on the near-term milestone, because that actually does give us a better indication.

**Rear Adm. Sammut:** Fair enough. I am answering your questions as to what we are doing to reach those milestones as they are now contracted with Naval Group and Lockheed Martin Australia.

**Senator PATRICK:** During the discussions publicly about what work will be done here and what work will be done in France, I've checked a statement made by Naval Group at one stage suggesting that the detailed design would be carried out in Australia. That's still the intention?

**Rear Adm. Sammut:** Elements of detailed design. Detailed design covers a range of activities. There is early arrangement works down to the detailed design that is necessary to develop compartments in detail and, therefore, the work instructions that must flow into the submarine construction yard.

**Senator PATRICK:** Sure.

**Rear Adm. Sammut:** So our aim is to, as we have said, transfer detailed design into Australia so that we have a smooth transition from design into production.

**Senator PATRICK:** Have you been engaging with Naval Group about the quantum—what will be done here?
Rear Adm. Sammut: We are. We continue to engage with them on that. That falls under what we term our transfer of technology arrangements. Those arrangements continue to be discussed with Naval Group to make sure that we pick the appropriate transition so that we have a smooth transition of design activities from France into Australia.

Senator PATRICK: I understand it is not precise, from your conversation. But at what point would you be in a position to say we have now transferred the bulk of the design work to Australia? Where could you confidently say, 'We've moved from the preliminary design work in France and now we've gone across to detailed design work that takes place in Australia, and the bulk of it is now taking place in Australia?'

Rear Adm. Sammut: And the bulk of it is taking place in Australia? I would say we would be talking about the 2025 timeframe.

Senator PATRICK: That is after we've commenced the build. Wasn't the build for 2024?

Rear Adm. Sammut: That's hull construction. So we can actually build the hull ahead of the rafts that will go into it. We have to start hull construction earlier than we start the construction of the rest of the submarine. It's normally the longest path in the construction schedule. Hull construction we do expect to continue. Firstly, there is a hull qualification test section in 2023 followed by the hull construction itself in 2024. There is the detailed design of the rafts and so forth. We're talking about the bulk of the detailed design here transferring to Australia. Detailed design would have commenced from the completion of preliminary design in France prior to that.

Senator PATRICK: Has that all been agreed with Naval Group?

Rear Adm. Sammut: As to the actual transition plan for the detailed design, we're still in discussion with them about that under our transfer of technology agreement.

Senator PATRICK: When do you think you'll conclude that discussion?

Rear Adm. Sammut: We intend to reach our agreement on that transition plan by early next year.

Senator PATRICK: Thank you.

CHAIR: This will be the last question.

Senator PATRICK: I was going to move to another topic. Maybe I'll break and come back.

CHAIR: If there's time. I now hand to Senator Fawcett. Just in case he cuts up rough in my absence, I will hand the chair to Senator Fierravanti-Wells. I shall return.

Senator FAWCETT: Secretary, I take you to the capability life-cycle detail design document. It talks through some of the principles underpinning the design of the capability life cycle. I am particularly interested in one of the principles, which says that it depends on a culture which understands the importance of taking appropriate risk, demands risks to be managed and discourages risk aversion. All of that depends on having people who are competent—that is, qualifications and experience—to identify and analyse risk. Could you step the committee through what actions are underway to identify those decision points in the capability life cycle that require that identification of risk? How are you putting in an assurance framework around the selection and posting of people to those positions so that all
the decisions that the Defence committee and then government are making is based on an informed analysis of risk?

**Mr Moriarty:** Thank you. It is certainly the case that work is underway so that capability managers can plan to ensure that these assurance frameworks are in place and that we've got the right people and documented practices in place. Further work is required on that. I will throw to the Vice Chief and deputy secretary of CASG to give you an update on the work that we've been doing.

**Vice Adm. Johnston:** You tasked us in your role as assistant minister. I will pick up a couple of those elements of the task which are relevant to answering your question. I will specifically answer the assurance element. My colleague the Chief of Joint Capabilities can describe to you some of the work we have done under the professional military education. I will talk to two parts. The assurance element, as we had previously briefed you is airworthiness, a well-established program, and seaworthiness, a program that had existed for a number of years and now under the Chief of Navy. CDF has recently appointed the Chief of Army as a landworthiness authority. The work around landworthiness as an assurance process, we expect, will be established by the end of this year. So the assurance element is leaning heavily on the model that airworthiness had previously provided to us. It is now rolling out across all three services at different levels of maturity within them.

Test and evaluation I know is of significant interest to you. We have put some significant work into that framework itself. You had last seen the 2017-18 test and evaluation report. We have been led through the Defence investment committee, given its relationship with the capability life cycle. We consolidated the approach around a number of the initiatives that were necessary to make T&E work. I will give you some insight into some of the key achievements. I now use the investment committee to review progress at a six-monthly interval regarding how well across the department we are embedding test and evaluation.

The achievements that we have enabled so far are a significant improvement in timeliness, quality and rigor of the test and evaluation reporting and plans. One of the milestone elements when a project comes to the investment committee is to make sure the test and evaluation plan is available prior to committee's consideration. That's matched to the particular gate review that that project is progressing through. We've updated the Defence test and evaluation policy and brought it and the capability life cycle into strong alignment so that the two are supportive of each other.

Capability managers are leading the improvements to the quality and currency of test and evaluation planning. We have improved governance and assurance across the test and evaluation organisations within the department. So, in a relatively short period of time, through some significant effort, particularly adopting that centralised approach around the assurance processes, we've been able to move those elements along well. We are not yet where we need to be. There is some acceleration that I and the capability managers have talked through that we'll need to do before we review the report again in six months. But it has been in an area that is important to us, and there is some quite pleasing progress.

**Senator FAWCETT:** That's great. I applaud the rollout of that framework. It doesn't go to the heart of my question, though, which is around the competence of the people you place, appoint or give delegation to within that framework. I take your example of test and evaluation. I am aware that some people in one of those frameworks have a two-day
introductory course. That might help them to spell it. It doesn't make them competent to exercise it. My question comes back to, particularly through the capability development and acquisition part of the life cycle, whether you have identified the key decision points where risk identification and assessment is required. Have you then actually defined it in a similar way to how the former Director-General of technical airworthiness would define his delegated authority for an engineering officer? Have you defined the qualifications and experience that each of those positions, which won't be many, require in order that the Defence committee, and hence government, can have a level of assurance that the information coming through is based on a qualified assessment of risk?

Vice Adm. Johnston: There are two tracks of work addressing that question. One is identifying the positions and the skillset required. That is ongoing work. I might invite the Chief of Joint Capabilities to talk through in part the second track of work, which is associated with ensuring we have the education mechanisms available. Having identified the skill sets and individual needs, it is that the education mechanism is there to provide them with the competencies required.

Senator FAWCETT: Sure. I am happy to go to Air Marshal McDonald, but we're very limited on time. You said work is underway. It has been underway for some time. Do you have a deadline that you are working towards to complete the identification of those positions such that the gap between the existing incumbents and the people with the skilled competencies we would like to see in there can be identified and rectified?

Vice Adm. Johnston: I would need to check whether it's in some of the body of work. I can't recall specifically.

Senator FAWCETT: Can you take that on notice?

Vice Adm. Johnston: Yes.

Senator FAWCETT: I think that's important. If you don't set a target, you wouldn't achieve it. Air Marshal McDonald, a brief overview would be great.

Air Marshal McDonald: We understand the complexity. We understand the need for it. As I've spoken to you previously, we are standing up a cell inside the group. We have expanded that, given our review of it required additional personnel. We placed an EL2, an EL1 and contracting support in underneath so that we can get at the very point you're discussing. We started from a low base, and you're fully aware of that. By doing so, we can understand the qualifications that people require. That's why we upskill from EL1 to EL2 because of the requirements and the requirement to attract those personnel. They are quite attractive in the outside world. So we haven't finished it. We don't have a timeline yet. We are actively recruiting. Therefore, we will hopefully address the situation in the short term but with a longer term view. As the vice chief has discussed, we are very active in the foundation elements of education. We have the four professional levels of skill sets. For test and evaluation, the Capability and Technology Management College is where we're actively pursuing that so we can upskill the high level of professionals that are you seeking to have inside Defence.

Senator FAWCETT: Thank you. I want to move to the implementation of the First Principles Review and the Defence industry policy statement, particularly around the sovereign industrial capability priorities. I note that CDIC has produced now a plan. They've
indicated that by mid this year they're going to be rolling out implementation plans for each sovereign industrial capability priority. I'm looking for an update on whether those have actually been rolled out yet.

Dr Kearnan: The defence industrial capability plan was released in April last year. It identified the top 10 sovereign priorities. The department has been in an intensive process of starting to develop the plans. We're working to release the first two plans by the end of the year. The two plans will be on combat clothing and signature reduction. The other one will be on the munitions and small arms piece. We're continuing to build the other priority plans to roll out by the end of next year.

Senator FAWCETT: Secretary, I want to go back to DIPS, which is the policy that the government has put forward. It says:

The recognition of industry as a fundamental input to capability will ensure that Defence fully considers the industrial capabilities and capacity of Australian business to deliver defence capability. The intent behind making industry a fundamental input to capability is to drive more formal consideration of industry impacts through the early stages of the capability development cycle. It talks about the fact that defence capability managers will be required to consider and manage industry inputs as they would other fundamental inputs to capability. This means considering the resilience and capacity of industry as capability plans are developed. Given that we are well into implementing the IIP, the majority of the significant capability development areas which are going to be impacting defence capability for decades to come are well underway. With the delays that we already have in terms of this work informing the service chiefs and, therefore, government through this whole procurement cycle, how are you, as secretary, making sure that we are actually fulfilling the intent of the 2016 policy? We seem to be galloping down the road of acquisition, which is great, but it's not being informed. The service chiefs are not being informed by the plans that should enable them to actually manage elements of industry as a fundamental input to capability? There seems to be a gap there in the actions versus the inputs that we need for them to do that management.

Mr Moriarty: It's certainly the case that some of those formal plans are still in train. But I am much more confident than I was, say, even 12 months ago that the capability managers are very conscious of what industry has to offer and gaps as well as the opportunities. In terms of the 10 areas that were developed as part of that plan, I would say even more broadly that when the CDF and I sit at the defence committee and these plans come up to us for review or come to us for approval and when we're briefing the minister on them, there is a lot of richness in the discussion about what the Australian defence industry can provide for each of these key capabilities. I agree that it is important to get to those written plans as quickly as possible. I believe that the department is much better placed than it was, say, 12 months ago to have a very rich understanding of what industry can bring and, again, of where we need to partner with them to see if we can close any gaps in the Australian context.

Senator FAWCETT: You are right; we are aware what industry can bring. But the whole concept behind the assessment framework and understanding sovereign industry capability is fundamental to our service chiefs' ability to raise, train and sustain their force. We need to be able to say to industry what it is we want, not just understand what they can deliver. Without these implementation plans, it strikes me that we haven't fully defined the sovereign capability we require industry to develop. I would be interested—I am happy to take this on notice—if
we have a timeframe and, if you like, a recovery plan to get us back on track so that the
decisions we are taking are informed by what we want as opposed to just what industry can
provide.

**Mr Moriarty:** Certainly I will take that on notice. I can also say that beyond those 10, we
do have capability managers now talking to industry about what they might seek to build in
the coming years. So we are clearly responsible for developing those 10 plans. When we are
talking about what industry can offer, it is what we want industry to grow. I am confident that
many of those conversations are taking place.

**Mr Fraser:** The intent is understood. The significant advantage of having been away for
seven and a half years and coming back to Defence and seeing the implementation of First
Principles is, in particular, the Smart Buyer program. It takes that industry and Defence
knowledge to a level that we have not had, I think, in a shared relationship as we develop the
capability requirements through the investment committee process and the investment
process. An example of that relationship is the Pacific. Most ministers and others were there.
The level of that relationship between Defence and industry and the shared understanding has
significantly improved. Yes, the policies are important. The intent is there and the policies, I
think, will refine rather than shift it. I don't see us making a large course correction. The
policy is important. I don't think we're completely out of step.

**Dr Kearnan:** Developing these plans has involved quite an extensive whole-of-Defence
consultation process, which the ADF capability managers are key to. In the initial part of the
process, a lot of it is about understanding what Defence's requirements are. They are seeking
to build in the Australian industrial base. From there, after that initial process, there has been
extensive outreach to industry to build them into the conversation as we continue to map
almost the industrial base and get an increased understanding of what is important to us. The
plans will be quite detailed. We are purposely trying to build as much detail in that as possible
to help with that communication. I think it's just going to put the department in an even better
place to continue to deliver on the industry policy statement.

**Senator FAWCETT:** I want to continue with the Defence industry policy statement. I'm
looking particularly at the Defence Innovation Hub. Three areas were funded to increase
innovation in Australian industry. I want to confirm that the intent still remains that those
three funded areas are designed to encourage the creation of intellectual property, innovation
and productive capacity in Australian companies.

**Dr Kearnan:** That's correct. There are three capability priorities as well. The Innovation
Hub is really about an avenue for small to medium businesses. It is not just small to medium
business but micros. The majority is with small businesses, so they can come forward to
Defence with ideas they think might be useful for Defence almost as an open portal. It will
provide a greater avenue to bring in those innovative ideas that it might not have been aware
was out in the industrial base.

**Senator FAWCETT:** So even if somebody from overseas offers a similar product or idea,
if there is an Australian company with a demonstrated capacity to do the work and develop
the idea, they would get the funding, not the overseas company? That is the intent of the
Innovation Hub?
Dr Kearnan: The focus is on building and working with Australian industry. So the contracts are with Australian industry partners. Yes, that's correct.

Senator FAWCETT: Thank you. I want to go to two other issues very quickly. The US government accountability office late last year released a report on weapon systems cybersecurity. They identified within their systems a number of unexpected vulnerabilities. We increasingly have a combat capability that relies on a combination of nodes and bearers that are both on the platform and in our land infrastructure. I'm interested to understand how we are going in terms of developing assurance frameworks and the competencies required to test and assure ourselves that the end-to-end system works and doesn't have critical cyber vulnerabilities.

Gen. Campbell: My colleagues from defence science and technology might wish to speak. We are aware that, if not dealt with in a defensive and protective manner, the more digitised, connected and electronically dependent the systems are, the more that opportunities for network vulnerability emerge. In part, that is an element of the trusted autonomy research. You need to be confident that what you are giving into a digitised network system you can be assured stays in your control. So it's part of the process of capability development definition and acquisition and constant research and collaboration with partners. We are in a process of assurance and development from those who wish to penetrate that reassurance. It is a very competitive environment.

Senator FAWCETT: I know that Defence is aware of a report; it's been discussed previously. I am looking for an assurance that we now have a plan in place, with timeframes and KPIs, to train people and put in place the assessment frameworks so that we have a level of assurance for legacy and for new systems.

Air Marshal McDonald: I can assure you that Defence is well on the way to developing a defensive cyber capability so that they can go through those processes. We've accelerated or brought forward 230 positions with government approval so that, by 2023, we will have established a position number of about 446 personnel. They go through a course which is currently delivered by the United States of America in Melbourne. We have approximately 50 people per course go through. So far, we've had excellent results and they're certified when they go back to the United States. Upon return, they are released back into the services so they can undertake vulnerability assessments of the capabilities we wish to protect.

Along with that, in the not-too-distant future, we'll have our own course, which will dovetail very closely with the United States so that, with a sovereign capability, we can develop it ourselves. Service chiefs have taken a risk to put people forward in those critical capabilities that they can least afford to, but they understand the nascent risk associated with the threat that exists. We've also had a project called Defensive Cyber that deployed defensive cyber 9131, which is to be considered by government shortly. It's well underway. I can assure you that we have taken very strong steps to get us to where we are at this point and there is no slacking off.

CHAIR: We will go to Senator Wong until three o'clock and then we'll switch to Senator Van.

Senator LAMBIE: I probably have half an hour as well. Mine is everything out of procurement.
CHAIR: Let's get started.

Senator WONG: Thank you. Senator Reynolds, there has been some discussion about the South China Sea. I want to make sure that we're clear about there being no change to the government's position. Obviously, there was the 26 from the Court of Arbitration ruling. Does the government agree with that tribunal ruling that a range of China's claims and actions are contrary to international law?

Senator Reynolds: Thank you very much, Senator Wong. I can confirm that Australia's longstanding position on the South China Sea is consistent and clear. We do not take sides on competing territorial claims. That has not changed. But we do call on our claimants to resolve disputes peacefully and in accordance with international law. As you're aware, we don't take sides.

Senator WONG: There's a difference between taking sides, which is correct if there is a consistent position the government has had about not taking sides in relation to territorial claims. However, previous ministers—Minister Payne in this role and Minister Bishop in the foreign affairs role—have backed the tribunal's decision. I'm happy for you to get a copy of the tribunal's decision. I presume the secretary has one and Mr Jeffrey. It does make certain findings about China having violated the Philippines sovereign rights in its EEZ. That's at page 2 of the decision. I assume, unless you are telling me something otherwise—that the Morrison government continues to support the tribunal's position. Is that correct?

Senator Reynolds: I will hand over to Mr Jeffrey.

Senator WONG: Well, I'm actually asking the minister. Is that the case or not?

Senator Reynolds: Yes.

Senator WONG: Yes, it is?

Senator Reynolds: Yes.

Senator WONG: There is also a reference—some might call it obiter rather than key to the decision—in the decision from 2016 in which the tribunal concluded there was no legal basis for China to claim historic rights to resources within the nine-dash line. Does the Morrison government agree with that conclusion?

Senator Reynolds: Can you repeat that? We're not quite clear on your question.

Senator WONG: I will read from page 2 of the tribunal decision. The tribunal concluded that there was no legal basis for China to claim historic rights to resources within the sea areas falling within the nine-dash line. I'm asking whether the Morrison government supports that conclusion or not.

Senator Reynolds: Senator Wong, give me a few minutes, because none of us have a copy of that document here. So I don't get the answer wrong, I want to clarify, because this is obviously a really important issue. Does the next round of questions all involve that document? I can come back to you in about five minutes and then we can move on.

Senator WONG: It is on the website. You could probably just go to the Permanent Court of Arbitration.

Senator Reynolds: I am not sure I have much more to add than what I already have. The government endorsed the document and its findings.
Senator WONG: You can't say that. Okay. The government endorsed the documents and its findings. That means—

Senator Reynolds: And that position hasn't changed.

Senator WONG: I am asking specifically about the conclusion that there was no legal basis for China to claim historic rights to resources within the sea areas falling within the nine-dash line.

Senator Reynolds: As I said, there is no change to our position on that.

Senator WONG: I asked specifically whether the Morrison government continued to support that conclusion of the tribunal or not.

Senator Reynolds: And I have given my answer.

Senator WONG: What is the answer?

Senator Reynolds: Unless Mr Jeffrey can go into a bit more of the detail. I think in terms of government policy, what I have said is very clear. Mr Jeffrey, do you have any more finesse?

Mr Jeffrey: As you recall, the Prime Minister at the time, Mr Turnbull, and the foreign minister at the time, Julie Bishop, when the tribunal announced its findings, acknowledged the tribunal's decision and underlined that the Australian government supported the decision given that the international tribunal was the proper body to determine the legal basis of particular claims. From that perspective, the Australian government supports the decision of the international tribunal.

Senator WONG: Which includes no legal basis to the nine-dash line and the finding of the tribunal that there was a violation of the Philippines rights in its EEZ?

Mr Jeffrey: That's correct.

Senator WONG: Senator Reynolds, I invite you to explain why the member for Chisholm, when asked the question about unlawfulness, declined multiple times to recognise that the actions referenced in the South China Sea were unlawful?

Senator Reynolds: I really cannot add more to the fact that the Australian government endorses it. We've continually called on all parties to abide by that ruling. That has not changed.

Senator WONG: Sure. I accept that. That's your evidence. I am asking why a member of the government didn't take that same position.

CHAIR: The member for Chisholm is a private member of the parliament, not part of the executive of the government.

Senator WONG: She is a member of the government party.

CHAIR: Therefore, it is not within the Minister's responsibilities to get into the mind of every backbencher in the government.

Senator WONG: But there was a public statement made a number of times. Fair enough. She's a backbencher. If the minister's answer is she misspoke or misunderstood, I understand that evidence. I'm giving the minister the option to explain why the position she has articulated today is not the position that the member for Chisholm articulated.
CHAIR: We can argue as to whether or not it does or doesn't. I understand the member for Chisholm has made a clarifying statement.

Senator Reynolds: Yes, she has. Again, as the minister at the table and member of the executive government, I'm providing you a response on behalf of the government. It would not be right of me to speak for any individual parliamentarian.

Senator WONG: It's not unreasonable, given the national interest here, for members of parties of government to be expected to reflect the position of their party or, in this case, the government of Australia. I was giving you the opportunity to explain why that didn't occur.

Senator Reynolds: I understand that, Senator Wong, but this issue has been canvassed widely in the parliament and in the media. The member concerned has put out a statement about that issue. I'm here to speak on behalf of the government, and I have.

Senator WONG: I assume members of parliament that form the government are part of the government, even if not part of the executive. They are valued members of your government, I'm sure.

CHAIR: That is an observation. Let's move on with questions.

Senator Reynolds: That is possibly a political point, Senator Wong. I'm speaking here on behalf of the executive today.

Senator WONG: Senator Fierravanti-Wells recently said in the Senate, and I quote:

Beijing has failed the test of being a good international citizen in the South China Sea and should be held to account. We should be calling out Beijing, utilising our navy and working with other countries to exercise right of innocent passage through international waters.

Is that reflective of the government's position or not?

Senator Reynolds: I think, Senator Wong, I will revert to my previous answer. I've provided the executive government's stance on this issue. In relation to the comments of any particular parliamentarian, I think it's more an issue for them.

Senator WONG: Right. So your answer essentially is what others outside of executive government say: even if not reflective of the government position, it is not something you feel you need to respond to?

Senator Reynolds: I'm saying that the government's position is very clear on the South China Sea and the treaty. I've just gone through that with you. The government's position on China is also very clear. The comments of individual parliamentarians is an issue for them. So I have nothing more to add.

Senator WONG: So you're not willing to indicate whether Senator Fierravanti-Wells was expressing the government's position or not when she spoke in the Senate?

Senator Reynolds: Senator Wong, that has been asked and answered. I really have nothing more to add on behalf of the government.

Senator WONG: Do you agree with her position?

Senator Reynolds: The government's position is very clear.

 Senator WONG: You're the Minister for Defence. Do you agree with her position?

Senator Reynolds: Senator Wong, my position is on the record. The government's position is on the record. My position in this case is identical to the government's. Absolutely.
Senator WONG: How about we do it this way? When she says that we should be utilising our navy, was she reflecting government policy or not?

Senator Reynolds: Again, you're opining about a single member of parliament.

Senator WONG: I'm not opining. There is no opining. I'm asking you to explain a comment.

Senator Reynolds: Senator Wong, you can ask me about many other individual parliamentarians and their various positions over various times, but I have answered in relation to the government position on the South China Sea.

CHAIR: If we do get into the game of what individual backbenchers think, we might be able to ask questions about certain other senators' views—

Senator WONG: And I've been asked to not answer them.

CHAIR: on the South China Sea, which I think would be neither helpful nor within the province of the estimates.

Senator WONG: People have been very happy—

Senator KITCHING: She said we've had the design.

CHAIR: I don't think she received payments for personal debts.

Senator LAMBIE: Okay, guys. Can we get on with it?

CHAIR: We can go down that track, should you wish. I'm more than happy to oblige.

Senator WONG: So, as I understand it, Senator Reynolds, as Minister for Defence, you don't wish to respond to Senator Fierravanti-Wells's comments in relation to the utilisation of the navy other than to say that your position is the government's position?

Senator Reynolds: Senator Wong, absolutely. As the Minister for Defence, I have articulated very clearly the government's position on the South China Sea and that has not changed. If you have questions for individual members or senators, that is really an issue for you with them.

Senator WONG: Secretary Moriarty, I think at the previous estimates, repeated a formulation for follow-ups that has previously been the subject of evidence here, which the government hadn't taken—a decision to conduct operations within 12 nautical miles. I just want to confirm that that remains the government's position, Minister.

Senator Reynolds: Are we asking the secretary? You started off asking the secretary.

Senator WONG: No. I didn't ask him. I referenced what he said. I am asking you. Would you like me to repeat it?

Senator Reynolds: If you could.

Senator WONG: That is fine. Previously, Secretary Moriarty—this is not new; I think it's been reprised at a number of estimates and hearings and in public play—said this:

The Government has acknowledged that it recognises the right of the US and other countries to conduct freedom of navigation operations. The Australian government has not taken a decision to conduct operations inside the 12 nautical miles.

I'm just confirming that that remains the position of the Australian government.
Senator Reynolds: Yes. I can confirm that, as it has done for many decades, the ADF will continue to exercise its right of freedom of navigation and overflight under international law, including in the South China Sea. That includes maritime surveillance patrols, which form part of Defence's longstanding contribution to the preservation of security and stability in the region.

Senator WONG: This is the FONOPs question.

Senator Reynolds: Yes. I know. That is what I am talking about. It is that exactly.

Senator WONG: No. It's not. You have used freedom of navigation and freedom of overflight. I am asking about FONOPs. I am not actually being critical. I am trying to confirm that the position the secretary articulated in February remains the government's position and there has not been a change of policy.

Senator Reynolds: And I said yes first up.

Senator WONG: Thank you. I wonder if you are able to provide the committee with any details in relation to the assertions made by Mr Euan Graham. I can't recall where he is now, but was writing for the Strategist. He published an article in which there were some assertions about lasers being pointed at helicopter pilots. I can't recall if this was discussed previously. I don't think so. I think these events occurred after the last estimates. Am I right? Anyway.

Mr Moriarty: Sure. I'm aware of the story.

Senator WONG: I don't want to go into anything that's not appropriate here. Is there anything you can tell the committee about those events?

Mr Moriarty: My understanding—and I will check with the Chief of Navy—is I don't think that we have any further clarity from the last time that we provided some information to identify precisely the origin of the laser.

Senator WONG: I have just seen the article. It's May 2019. Obviously I don't think we've had an estimates since.

Mr Jeffrey: I think it did come up at the last estimates, though I can't be sure when it was raised. Certainly—

Senator WONG: This is what it has asserted—that helicopter pilots had lasers pointed at them from passing fishing vessels. What can you tell us about what we know about those events?

Vice Adm. Noonan: My recollection is that this subject has been discussed before. There has been no further investigation or facts regarding this matter come forward. The issue was largely speculation. There has been no definitive proof that there were laser pointers pointed at navy pilots.

Senator WONG: Other than these events, have there been other similar incidents in the past 12 months?

Vice Adm. Noonan: Not that has been reported through Navy chain.

Senator WONG: Not that you know about?

Vice Adm. Noonan: Not that I've become aware of, or not that any Navy people have raised through the chain of command to me.
Senator WONG: Perhaps on notice someone could confirm that with me. We've previously had a discussion in this committee. There were also public reports from the ABC and others that HMAS Anzac, Toowoomba and Success had interaction with the PLA navy whilst transiting through the South China Sea to Vietnam for a goodwill visit. I use the word 'interaction' because I think there was an argument before about challenge. I don't want to get into the argument. I want to know whether or not there has been a similar interaction, to use the most neutral term I can, since that time. If so, how many?

Vice Adm. Noonan: I think you and I spoke about that particular—

Senator WONG: You've got a better memory than me. That was a while ago.

Vice Adm. Noonan: There has been a continuation of navy operations in the South China Sea over the last 12 months. There have been no reports of unprofessional or concerning interaction with the PLA navy since the comments of that last interaction.

Senator WONG: What I'm trying to understand is whether or not that answer means there has been nothing of a similar nature or whether you are saying there have been things of a similar nature but we don't regard them as problematic.

Vice Adm. Noonan: There would be routine interaction between units of any navies that occur on a routine basis in that region. Every time warships of full navies come together, they go through a process of identification to establish the identity of the other vessel, which is a routine interaction of navies of the world. There has been nothing come to my attention which is anything other than routine in the interaction between warships interacting with the Australian Navy in the South China Sea.

Senator WONG: Has there been any change to what you would regard as the pattern of frequency of these routine interactions with navies?

Vice Adm. Noonan: No.

Senator WONG: I am happy to cede to my colleague.

Senator AYRES: I have a few questions about Team Defence Australia. On Defence's website, it says that Team Defence Australia is the premier national platform for export capable Australian Defence and dual use companies to showcase their goods, services, technology and solutions at international trade events. Is that accurate? Its mission is to support the attendance of export capable Australian Defence and dual use companies at international trade events.

Dr Kearnan: Yes.

Senator AYRES: On notice, could I have an itemised list of all the international trade events that Team Defence Australia has participated in to date? There's a schedule of planned events on the website. Can I have the names of all Australian officials as well as the names of all the companies and their representatives that have received assistance, support and/or facilitation from Team Defence Australia to attend those international trade events.

Dr Kearnan: Are you after a particular timeframe?

Senator AYRES: Let's say the last two years.

Dr Kearnan: I'll have to take that on notice.
Senator AYRES: Yes. I would expect so. Did Team Defence Australia participate in a Defence Services Asia 2018 expo in Kuala Lumpur in 2018?

Dr Kearnan: Yes, it did.

Senator AYRES: What about the Eurosatory exhibition in Paris in 2018? Did Team Defence Australia participate in that?

Dr Kearnan: Yes, it did.

Senator AYRES: Of the companies and their representatives that Team Defence Australia assisted for these two events, were they all from export related Australian defence and dual use companies consistent with the mission statement?

Dr Kearnan: They're Australian based companies; that's correct.

Senator AYRES: Consistent with the mission statement, they are all export capable Australian Defence and dual use companies?

Dr Kearnan: Yes. That's correct.

Senator AYRES: What about Mr Michael Kauter? Did he participate in the Defence Services Asia 2018 expo in Kuala Lumpur or surrounding events as part of the delegation?

Dr Kearnan: I'll have to take that on notice.

Senator AYRES: Really? I will make sure I have the right material. Look at Mr Kauter's corporate posts. There is a Facebook post on 18 April 2018 featuring photos of Mr Kauter wearing a Team Defence Australia Lanyn, which reads, and I quote:

What a brilliant trip with Team Defence Australia, and how lucky we are to have been escorted by Rear Admiral Mark Campbell and the Department of Defence, who have opened doors for us as we never imagined. Thank you.

That is a copy of the Facebook post there.

Dr Kearnan: I'm not on Facebook with him.

Senator AYRES: Let me ask: did Mr Kauter participate at the Eurosatory exhibition in Paris in 2018 as part of the Team Defence Australia delegation?

Dr Kearnan: I don't have a list of the names of every individual.

Senator WONG: Can someone get it? This is not a difficult document to obtain.

Dr Kearnan: Can I clarify which company?

Senator AYRES: Mr Kauter is the founder and—

Senator Reynolds: Can we just clarify? Initially, you asked to have these on notice.

Senator AYRES: No.

Senator Reynolds: Can we just clarify, because Dr Kearnan took some information on notice. Can you clarify this?

Senator AYRES: What I asked for on notice, Minister, was a schedule of what events Team Defence Australia has participated in overseas and a list of the officials and invited guests who attended.

Senator Reynolds: And company representatives, presumably?

Senator AYRES: Yes.
Senator Reynolds: So company representatives and anyone representing those companies.

Senator AYRES: I will now turn to quite a specific question. Did Mr Kauter attend the event in Kuala Lumpur on 18 April 2018?

Dr Kearnan: We'll have someone just confirm. I don't have a list of names of every individual who goes to every Team Defence Australia event. It sounds like he did.

Senator WONG: It sounds like he did. How about this? There are going to be a few questions. Whoever is watching, can we get up some of the details of the various trips that Mr Kauter was involved in?

Dr Kearnan: Yes.

Senator WONG: Thank you.

Dr Kearnan: We will do that.

Senator WONG: Thank you.

Senator AYRES: It might assist, while we're getting those details, to know that Mr Kauter is the founder and managing counsel at Strategic Political Counsel Pty Limited, a government relations firm. Are you aware of what export Defence and dual use purpose products and services that Strategic Political Counsel provides that would justify his participation in a Team Defence Australia international delegation?

Dr Kearnan: I will have to get someone to get additional information about the process. Every company goes through a consideration process when they apply to participate in a Team Defence Australia activity. I don't know the specifics. It was strategic.

Senator AYRES: The organisation is called Strategic Political Counsel Pty Limited. According to its website, if it helps, it says:

Strategic Political Counsel is Australia's newest government relations and grassroots campaign business. We offer cutting-edge strategic and political communications counsel and discrete access to the best researchers and influencers in the business. We aim for brilliant outcomes for our clients delivered with both ingenuity and integrity and ensure that client satisfaction is our highest priority.

Why was a political lobbyist part of any team Defence Australia delegation to trade fairs?

Dr Kearnan: I'm not aware of a political lobbyist being involved in a Team Defence Australia activity, so I will get the team to get some additional information. I don't have any detail that I can provide you, but we will go and check.

Senator WONG: My colleague might have asked you this and I may not have followed it. How did the list of names come together for each delegation?

Dr Kearnan: Companies can put in an application to be part of a Team Defence Australia activity. We often can get more companies applying than we actually have space for. So the Defence Export Office undertakes to match people and companies that will best be able to hit the market that we're looking at.

Senator WONG: Are you able to tell us whether there was any involvement from the then minister's office about Mr Kauter's involvement in this delegation?

Dr Kearnan: I have no awareness of that.

Senator WONG: Mr Moriarty, are you aware of this person?
Mr Moriarty: No. I'm not aware.
Senator AYRES: Minister?
Senator Reynolds: No, I'm not aware, no.
Senator AYRES: You're not aware of this person?
Senator Reynolds: I know the person.
Senator WONG: How do you know him?
Senator Reynolds: I have come across this person.
Senator WONG: How have you come across him?
Senator Reynolds: Senator Wong, let me finish. I've had no involvement in this process that has been run by the department. I think before we start impugning people's reputation, we need to allow the department to go and get the information you are asking for so we can get the lists and the processes that you've asked for and get some more information rather than—
Senator WONG: How do you know him? Tell us how you know him.
Senator Reynolds: I've met this individual.
Senator WONG: How?
Senator Reynolds: Around this building. Have I had any engagement with him in this portfolio? No, I have not.
Senator WONG: Around this building?
Senator Reynolds: Yes.
Senator WONG: Meaning what? In what capacity does he work?
Senator Reynolds: Senator Wong, I said before you start digging into—
Senator WONG: I am just asking. You have put on the record that you have met him. I am just asking you how.
Senator Reynolds: I was asked a question by Senator Ayres. I said that I have met him. I have met him here. Your questions go directly to these two events and his participation at these events. Dr Kearnan has asked her department to get some more information about the issue at hand—about his attendance and the circumstances. They will get you that information.
Senator WONG: You've met him when he was a coalition staffer?
Senator Reynolds: Yes, I have.
Senator AYRES: And how would you describe what he does now?
Senator Reynolds: I'm not in a position to comment on someone's personal company. As I've said—
Senator AYRES: But you do know what he does.
Senator Reynolds: Senator Ayres, what I have said that is these events relate to things that Dr Kearnan is now getting some further information on. You've asked about his attendance at events. We will get that information for you as much as possible, preferably today, Dr Kearnan.
Dr Kearnan: Yes.
Senator Reynolds: If we can get that information today, those questions will be answered as you've asked them.

Senator AYRES: Is there a due diligence process for assessing people who apply to come on these delegations?

Dr Kearnan: There is a process. It is looking at companies looking to export from the defence industry into overseas markets. As I said earlier, we look to see whether we can match the companies to a particular market. So if we were going to the US, it could be much higher technical businesses that are trying to set up relationships and export into the US. France would be different again. So there is a matching process. We can get information for you that details how all of this works.

Senator AYRES: Are you aware of Mr Kauter at all, Mr Moriarty?

Mr Moriarty: No. I'm not, Senator.

Senator AYRES: So you're not aware that he's a former coalition staffer and senior National Party official?

Mr Moriarty: No.

Senator AYRES: Was Defence aware that Strategic Political Counsel was a platinum sponsor and hosted finance minister Cormann at the Liberal Party of Australia's federal council dinner on 24 June 2017?

Dr Kearnan: I was not aware of that.

Senator AYRES: So this man is a former staffer, a former senior National Party official, a donor and sponsor and applies to be on one of your delegations and you're not aware of his background?

Dr Kearnan: I don't know this individual. I will have the department provide the information that you have requested.

Senator AYRES: He is a good social media user. He is a frequent poster. Here he is with Minister Cormann at the federal Liberal Party event. I'm happy to table the material if it assists.

CHAIR: We would have to see it.

Senator AYRES: That's fair enough. I will take a moment to make sure I have the right material.

CHAIR: I think everybody in public life has been photographed with all sorts of people. I'm not sure that photographs take us very far. But if you want us to see some happy snaps, I'm sure we're more than happy to look at them.

Senator AYRES: Further, is Defence aware that Strategic Political Counsel sponsored the speaker line-up at the conservative Australian political action conference in Sydney this year, which included luminaries like Nigel Farage, unsuccessful Liberal candidate Warren Mundine and Peta Credlin?

CHAIR: The former national president of the ALP that you are referring to.

Senator AYRES: What sort of—

CHAIR: I think you're clear as to who we're talking about.
**Senator Ayres:** I think he's all yours, Chair, now. I point this out because I wonder what sort of due diligence process there is before somebody goes on the delegation.

**Senator Reynolds:** Senator Ayres, I think we've discussed this at some length. Dr Kearnan is getting the relevant information about the process and about who attended and who represented what company. You are picking out one when there may be others who represent a range of people who represent companies overseas. Let's wait and get the information from Dr Kearnan. Instead of this rather pointless discussion at this point, let's get the information from Dr Kearnan, and then she can answer your questions.

**Senator Ayres:** This is all material that is there on the public record for anybody with a search engine. Is nobody aware on this side that he made a $30,000 donation to the Queensland One Nation Party branch?

**Senator Reynolds:** I think that is a rhetorical question, Senator Ayres.

**Senator Ayres:** Do you think it's appropriate that a person with that background, who is a lobbyist, attends Team Defence Australia delegations?

**Senator Reynolds:** Senator Ayres, as I've said, you've made a number of assertions. Dr Kearnan and the rest at the table are not in a position to answer your questions until they get the relevant information. So rather than speculating about who may or may not have been there and what they were doing, let's get the facts first.

**Senator Ayres:** Is that consistent with the mission statement set out on the website?

**Senator Reynolds:** Senator Ayres, you made a number of assertions. Again, Dr Kearnan is getting the information so that she can answer correctly.

**Senator Wong:** This is actually a question for you, though, Minister. We understand details of delegations et cetera. I think there are some other questions my colleague will ask. I don't think you have disputed the facts of his political background or the political lobby company he runs. I don't think it's disputed that he was part of the delegation. I think the question to you was whether the government regards that as appropriate.

**Senator Reynolds:** Senator Wong, as you know, I do not have the information of the context—who else was there and how they were selected to go on this and who they were representing. It is entirely inappropriate for me to speculate when I don't have the information in front of me and neither does the relevant official. Until I see that information, it is impossible and it would be inappropriate of me to make any subjective comment on it.

**Senator Ayres:** If it assists, I have one final question that you might be able to come back to us with this afternoon, and that is what communication Defence and/or Team Defence Australia or the Centre for Defence Industry Capability have with the defence minister and their office and/or the defence industry minister and their office with respect to Mr Kauter and/or Strategic Political Counsel?

**Senator Reynolds:** Again, we'll have to take that on notice until we actually get the information.

**Senator Ayres:** What I would like to see is an itemised list of the correspondence.

**Senator Reynolds:** We'll definitely have to take that on notice. We are endeavouring to get the information for the first part of your question to see who went and how the process of selection went. But that one is a detailed question we'll have to take on notice.
Senator WONG: Dr Kearnan, how long have you been in this role?
Dr Kearnan: Since January last year.
Senator WONG: This matter includes the timeframe for this. I think your evidence earlier in answer to my question, which I suspect was a repeat of Senator Ayres's question, was that the Centre for Defence Industry Capability made the decision about who would be on the delegation, given that more people sought to go than there were places available. Is that how it works?
Dr Kearnan: No. The Defence Export Office.
Senator WONG: The Defence Export Office?
Dr Kearnan: Yes.
Senator WONG: So Defence Export Office actually makes the decision. Is that right?
Dr Kearnan: Yes.
Senator WONG: Is the minister involved in that decision making or their office?
Dr Kearnan: No. I think it is just the department undertaking a review.
Senator WONG: The review meaning we've got 150 names for, say, 90 positions or whatever; it's probably less than that. But it is that kind of thing?
Dr Kearnan: Yes. Twenty-five companies seek to participate in a trade show. We probably have only 18 positions. So we do a process to look at—
Senator WONG: I am sorry. I interrupted you.
Dr Kearnan: To try to get the best matches to support the export strategy. It is about reaching key international markets.
CHAIR: And was JAR Aerospace one of those companies that went on that, do you know?
Dr Kearnan: Which one?
CHAIR: On the delegation. JAR Aerospace?
Dr Kearnan: I think that one was on that visit.
CHAIR: Thank you.
Dr Kearnan: But I'll check that.
Senator WONG: Are you from the Defence Export Office?
Dr Kearnan: The Defence Export Office falls within my division.
Senator WONG: In respect of Senator Ayres's questions, they would need to extend to the Defence Export Office. Was there was any contact between that office and relevant ministers in respect of this delegation list?
Dr Kearnan: Yes. Team Defence Australia sits within the Defence Export Office.
Senator WONG: I was just trying to be helpful about the scope of the questions.
Dr Kearnan: Yes. I understand the scope. We will check.
Senator AYRES: I have one final question on this before you come back to us. I would like to know if Mr Kauter applied through the process that you've described or whether he was suggested to you.
Dr Kearnan: We've taken that on notice.

Senator VAN: I refer to the defence industrial capability plan. One of the 10 priorities in Australia's cyber defence capability is munitions and small arms research, design, development and manufacture. Obviously we need to encourage the development of this capacity and capability. My question is around commercial finance for the purpose of manufacturing munitions and small arms?

Dr Kearnan: I will have to take that on notice. That is about a level of detail in the context of the discussions that have occurred.

Senator VAN: I will have to take that on notice. That is about a level of detail in the context of the discussions that have occurred.

Dr Kearnan: Issues about financing for the defence industry is a fairly broad topic.

Senator VAN: Sure. Can I try to narrow it down for you, if it's helpful. Are you aware of policies of Australian banks to not lend to Australian manufacturers of munitions?

Dr Kearnan: I'm not aware of that. That doesn't mean that there is or isn't an issue.

Senator VAN: Sure.

Dr Kearnan: But I am aware that there is some increasing interest in the banking sector about supporting defence industry.

Senator VAN: Thank you. I am aware of some manufacturers that are having difficulty getting commercial loans from our banking sector, which I find disheartening. Should an Australian defence manufacturing company face difficulties in accessing commercial loans for the purpose of manufacturing munitions, as I've described, especially some of our more innovative companies with innovative capability bringing exceptional products to ADF, is there support provided by Defence that might assist them in continuing to provide that capability to our defence forces? Is there any ability to get upfront payments or part payment, that sort of thing, that would assist?

Dr Kearnan: When the defence industrial capability plan was released last year, one of the parts of that plan that was released was a grant program that the Centre for Defence Industry Capability runs. It is a grant program in the order of $17 million allocation a year. That is specifically for sovereign industrial capabilities. It has been running over the last number of months, and there has been quite a lot of interest in that program.

Senator VAN: It sounds like a great program. Thank you. I want to move to defence export controls. I understand that sometimes defence export control assessments take longer than the specified time. Without going into specifics, I've heard, in my role on the Joint Standing Committee on Trade and Investment Growth, of instances from industry where assessments have taken almost a year. This means that business opportunities for Australian manufacturers and service companies are being lost because the in-principle approval systems
have taken too long. On the Defence website, I've seen that 72 to 73 per cent of applications met the assessment timeframes for the financial year 2018-19. If you are receiving almost 4,000 applications a year, that means about 1,000 applications are late. What strategies is DECO working on to alleviate this issue?

**Dr Kearnan:** We've been doing quite a lot of work in this area. It was an issue that has been raised as part of the review of the Defence Trade Control Act in terms of delays that have been occurring in the export control area. For simple applications, we try to meet that within 15 days. For complex applications, it's around 30 days. As a result of some of the discussions that we've been having, which is partly around the export control act that we're currently progressing, we have been looking at how we can try to get the processes running much more efficiently and streamlining them. Even through the consultation process that occurred, there were quite a few good ideas. Those are being worked through at the moment. We are also bringing some new staff into the defence export control office. I'm hoping by the end of the year that we will have significantly streamlined the process and brought those timeframes down.

To give you some information, we did look at how it was tracking on an average level in the first six months of this year, where there were 1,995 export applications in 15 working days. The average was 14 days. In the 35 complex application process, it was 32 days. That really points to how we're still getting quite a lot done within the timeframes that we're committed to. Obviously, there are ones that are slipping over that timeframe. But there is a lot of action underway to try to resolve that.

**Senator VAN:** Thank you. I would be keen to hear more about those actions and getting that timeframe down to more commercial timeframes.

**Dr Kearnan:** We're very conscious of the commercial impact that this can have on businesses seeking to export.

**Senator VAN:** Thank you. I'm also very interested in the Land 400 Phase 3 project. Last month, I believe it was, the government announced that Rheinmetall and Hanwha had been shortlisted. I think it was yesterday or the day before, a media release said that contracts were signed with those two organisations. In the media release that I saw, I noted with some interest that the Minister for Defence Industry had encouraged Australian industry to get behind that project. Can the department or others tell us who defence companies, especially those from the great state of Victoria that I'm a senator for, should contact if they wish to get involved in the Land 400 Phase 3?

**Major Gen. Coghlan:** You will recall that Land 400 Phase 3 is designed to replace our aging and obsolete M113 vehicles with up to 450 troop fighting vehicles. We achieved first pass in March last year. We put an RFT out to industry on 24 August, preceded by a draft RFT so that industry could give us feedback. The tender closed on 1 March. On 16 September, the government announced that Hanwha Defense Australia and Rheinmetall Defence Australia had been shortlisted to proceed to the next stage, which is the risk mitigation activity, or RMA. The RMA is designed to allow Defence to work with tenderers to clarify, refine and negotiate their offers and to undertake detailed testing and evaluation.

At the same time, we will work with industry to maximise opportunities for them to deliver an optimum AIC under Land 400 Phase 3. Shortlisted tenderers are required by contract to
participate in an Australian industry roadshow, which provides Australian companies with the opportunity to showcase their capabilities. The contract that we signed last week includes that requirement. At this stage, the tour around Australia will be April to May. We are yet to come to a firm agreement on that. At this stage, the roadshows will visit Townsville, Brisbane, Newcastle, Sydney, Canberra, Melbourne, Geelong, Hobart, Adelaide, Perth and Darwin. We're open to other locations being considered.

Senator VAN: Is there a website or other information that industry can go to for more information?

Major Gen. Coghlan: Certainly. The Land 400 Phase 3 website has been recently updated with these decisions. It will be populated as far as the industry roadshows are concerned. Each state government, based on phase 2 experience, will also promulgate that and the local defence industry networks.

Senator VAN: I have one last question. We heard from Senator Steele-John earlier about unmanned aircraft and drones et cetera. Is there anything you can share with us about Defence capability that the ADF is building to defend against those sort of weapons?

Lt Gen. Burr: Certainly within the Army we concentrate on the lower end—the lower altitude threats from unmanned systems or drones. We have two systems in place, which I won't go into here, to help us with our operational deployments. We are constantly refining our tactics, techniques and procedures to defend against these threats and the larger type threats, considered as more the traditional air defence type capabilities. But this is an issue for many militaries around the world and we are very focused on it.

Senator VAN: Great. Thank you very kindly.

Senator Reynolds: Chair, I want to clarify something in relation to Senator Ayres's last line of questioning about trade shows. I want to provide a bit more information to clarify one point in relation to your last line of questioning, Senator Ayres. As I said, we're going to get more information about those shows. I have been advised that, at the time of at least one of them, the KL and possibly the Eurosatory, it may have been that Team Defence Australia was actually run by the CDIC, which, as you know, is part of the Department of Industry, not Defence.

Senator WONG: Not your fault?

Senator Reynolds: I am not saying there is anything at fault.

Senator WONG: It's not our fault; it's their fault.

Senator Reynolds: We are making our best endeavours to get information for you. I am saying that we are checking, but we may have to check with the department of industry, which owns CDIC, which would have run the process, including the arrangements for one or both of the shows. So we'll come back to you with more information tonight. I am letting you know it could actually have been Industry for one or both of them.

Senator AYRES: Thank you for that. I guess that does mean that the reformulation of the on notice question about correspondence does go to the CDIC.

Senator Reynolds: As I said, we are making best efforts to get that information today for you. One or both of them may have actually been organised by industry.

Senator WONG: It could have been a different minister.
Senator LAMBIE: My questions refer to identifying personnel involved with search and rescue events. It is in relation to Malaysia. I will quickly give you an overview of what is going on here. These are the facts. Mr Lindsay Crouch proudly served Australia as a RAAF fireman for 20 years. He had an unblemished career and retired as a senior instructor. He served as part of the elite fire service for Her Majesty the Queen of England. He was awarded a medal for bravery. During his service in Malaysia at the Butterworth base, he was required to form part of a Malaysian air force recovering mission for the bodies of Thai pilots shot down by Malaysian insurgents. This required him to rappel down into thick jungle forest and recover the dismembered bodies of servicemen. He handled the decapitated head of the pilot and the chest cavity, which had been separated from the body's lower limbs.

The Department of Defence alleged that Mr Crouch, his experienced advocate and the servicemen—there were about eight of them who gave supportive statements—were liars and conspirators. I've got a piece of paper that names that. The Department of Defence refused to make inquiries of the Royal Malaysian Air Force to confirm whether the RMAF helicopter performed the search and rescue mission that Mr Crouch alleged he was part of. Instead, the department puts forward a middle ranking bureaucrat who just says that such inquiries cannot be made because of Defence sensitivities, yet no issue of defence sensitivities was ever stated.

My problem is here. They've obviously gone to the Air Force. The Air Force has thanked them and sincerely apologised for the ongoing delay in responding back to this case. Apparently the Air Force staff undertook an extensive search and attempted to locate the information requested. Unfortunately, Air Force was unable to find any reference to confirm that this had occurred and that he was part of any search and rescue teams associated with the FA-18 plane crash on Palm Island in 1987. According to them, they understand that a lack of confirmation will be disappointing to the members involved. Unfortunately, as they indicated in the letter to the Australian Air Force, recordkeeping for such events was not as reliable as it is today. In 1987, minimal consideration was given to the prospect that such activities could lead to future medical conditions which would have prevented the ability for compensation. The DVA, through the Department of Defence, cannot ask for these records. It decided not to ask for these records either. So nobody is going anywhere.

What I am asking is this. I have eight or nine of these witnesses who were on base at the time. There are witness statements. I have one here from a former serving high-ranking officer. There is one. I am not sure what his state is, to be honest with you, because this was written by the Australian Government Solicitor and then it was signed by the former member, and that is worrying. I don't think there are any sensitivities. It was made quite clear in Malaysian papers the date this was. There are five different newspaper articles when it happened or just after it occurred on the date and the times. So they are here. I guess my question is—I also have in my hot little hands—

Senator LAMBIE: It is coming. I have the Thai air accidents. Are you aware of this situation and the appeals that are going on in what happened with some of these people who went on search and rescue?
Gen. Campbell: Thank you very much for the comments you've made. I am not aware, and I do not believe the Defence Force or department are aware, of what you have just raised. It sounds to me as though the lead may be in the Department of Veterans' Affairs. Of course, there is supporting effort that can be provided by the Department of Defence and the Australian Defence Force. I would welcome, subject to confidence you have that privacy issues are enabled, that you might pass us that material and pass that material to the Department of Veterans' Affairs so we can work together to at least ensure there is a single whole-of-government and comprehensive view of understanding and what can be done about the issue you have raised. But we don't know anything about it.

Senator LAMBIE: General, you see, that just saved me saying anything else. That is exactly what I was going to ask you: if you would please look into this. I will pass the other stuff on to Veterans' Affairs. It is really wearing these seven or eight guys down, and something needs to be done about it. It's not fair that they wear this because apparently we don't have information that apparently is here.

Gen. Campbell: Are you going to pass it to us and to Veterans' Affairs?

Senator LAMBIE: Yes.

Gen. Campbell: Do you have permission from the members to pass it to us?

Senator LAMBIE: Yes, I do.

Gen. Campbell: Great. Thank you very much.

Senator LAMBIE: Quickly, while we have another couple of minutes, I have questions about Mr Ray Williams. I'm not sure whether you know who that is. He is a Tasmanian. He served in Beirut. He was an observer during 1983 to April 1984 during a significant state of disturbance, which in turn was a war zone being stubbornly denied by Defence as to the nature of service. This matter has been ongoing for 21 years. It took over 10 years to produce the review report into the reclassification of the UN Truce Supervision Organisation, or UNTSO, from 1956 to 2006. I have some questions. I am happy for you to take them on notice. If I could get some answers, that would be good. I will pass these over to you.

Gen. Campbell: We'll take them all on notice because we don't know anything about the situation.

Senator LAMBIE: I will say one more thing. Minister, I am not sure whether or not you have heard from Veterans in Construction. Have you heard about Veterans in Construction? They are a group that goes into construction?

Senator Reynolds: I have not until you mentioned them earlier today. Since you mentioned them to me, I have asked for some more information. That is all I know.

Senator LAMBIE: I want to make you aware, because I find this very frightening. I don't know whether you have any suggestions about this or we can intervene from here. I will quickly read out. It's only a couple of paragraphs. This is to me:

We recently met at a 20-year East Timor reunion at Dandenong. I mentioned to you that the CFMEU have been attempting to remove our workers from a site due to our company, Veterans in Construction, not signing a CFMEU EBA. And this site is a Lendlease site working on a level crossing removal project. Shortly after meeting you, I was again approached by CFMEU organiser named Jerry McRubble who told me in no uncertain terms if we did not sign an agreement with them, he would ensure our boys get kicked off site and he would make our life hard as best he could. Lendlease are very

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
concerned as the CFMEU have told them unless we go, they will enforce strict working conditions on the site that will cost Lendlease large sums of lost time dollars. To date, Lendlease have not asked us to leave because it would be illegal because they are feeling the pressure as we are.

Yesterday the CFMEU actually attacked these guys on social media, which is very disconcerting. Is there anything that we can do for Veterans in Construction? Are there any suggestions that you could give me so I can help them?

**Senator Reynolds:** Senator Lambie, if you would like to formally raise that with me, it is an issue, I think, also for the Attorney-General, as the Minister for Workplace Relations. The behaviour you describe is entirely consistent with the reported behaviour of the CFMEU over many years. If you would like to formally raise that with us, there are a number of options that they can take. Maybe we can take this offline and provide some advice for you and for them in terms of what action they can take.

**CHAIR:** There is an organisation called the Australian Building and Construction Commission that might be interested.

**Senator Reynolds:** There is.

**Senator LAMBIE:** That would be wonderful. Thank you for that. I will see you during the break. Thank you.

**Senator Reynolds:** Again, it's entirely consistent with the poor or illegal behaviour of the CFMEU.

**CHAIR:** We are now over time. The chief needs to make a quick statement.

**Gen. Campbell:** I believe we do know of the case of Williams and UNTSO. If you could pass the documentation and any questions on notice, we will respond to you.

**Senator LAMBIE:** Thank you very much.

**CHAIR:** The committee will suspend for 15 minutes.

**Proceedings suspended from 15:31 to 15:46**

**CHAIR:** Minister, I think you wanted to make some statements. I invite you to defer them until certain colleagues come back. In the meantime, I will ask a few questions, supported by all my colleagues around me.

**Senator Reynolds:** Thank you. I appreciate that. I have responses to questions by Senator Wong and Senator Ayres when they are back.

**CHAIR:** I want to ask some questions about Pegasus and One Atmosphere. Did Defence undertake a value-for-money analysis into the Pegasus project?

**Lt Gen. Burr:** The answer to your question is yes. Since we last met, we have continued to explore its applicability to other ADF helicopter platforms and deemed that it's not suitable for other platforms either.

**CHAIR:** I didn't ask you about that. We'll get there, but hopefully with a different response. Defence did undertake a value-for-money analysis into the Pegasus project. When was that?

**Lt Gen. Burr:** It was a progressive, I guess, process. It involved the capability to match, the technical integrity of fitting it to the aircraft versus the benefit that would be derived from
that capability versus the investment required linked to the expected life of type of the ARH aircraft, which is due to be replaced in 2025.

**CHAIR:** Due. What is the best it will be flying past that date? We have all these wonderful cut-off dates with Defence with certain platforms that seem to be extended. My only question is in relation to the value-for-money analysis. When was the first one of those undertaken? I can understand that it continues on and you might add on to it, but when was the first one done?

**Brig. King:** We step through three processes. Money has been awarded through the initial capability technology demonstration and two innovation realisation funds awarded to One Atmosphere. At each step, a value for money assessment has had to be made to ensure that Commonwealth money—

**CHAIR:** When was the first one made?

**Brig. King:** That would have been made in support of that original capability demonstration.

**CHAIR:** When? Do we have a date?

**Brig. King:** I don't have that date. That money was awarded but spent in 2013, so it would have predated it.

**CHAIR:** So it predated 2013. So there must have been a value-for-money analysis that said it would be good to take the first step?

**Brig. King:** That is correct.

**CHAIR:** There was some development and a second step was taken and another value-for-money analysis was undertaken, which allowed the next step to be undertaken. Is that correct?

**Brig. King:** Yes.

**CHAIR:** So was a cost-benefit analysis undertaken as opposed to just a value-for-money, or is it the same thing?

**Brig. King:** I think it's fair to say a cost-benefit analysis is part of the value for money. But as we have progressed—

**CHAIR:** What was considered in the cost-benefit or value-for-money? Aren't we talking about potential lives lost?

**Brig. King:** Yes, we are.

**CHAIR:** What was the value that we placed on the potential of a life lost that could have been relatively reasonably avoided?

**Brig. King:** When this was first identified, it was a new role for the Tiger helicopter. As such, we sought a materiel solution to address the risk. This was a new role that we didn't fully appreciate. For us, the value for money and the cost-benefit around a materiel solution was an extremely attractive and effective way of treating that risk around flying the helicopter over water. As we've now flown that helicopter over water over a number of years, we've started to develop other control measures that are non-materiel based. As we've progressed over time, that value-for-money adjustment has shifted. When the first assessment was made, it was a purely materiel based solution. We have moved to an assessment that is a
combination of both materiel and other control measures, such as tactics, training and procedures that have allowed us to make a different value-for-money adjustment that was not purely materiel based.

CHAIR: Did the cost-benefit analysis include the potential loss of personnel?

Lt Gen. Burr: Safety is always foremost in all of our minds. The procedures put in place to operate the Tiger over water have matured over time to the point now where, I think, it would be fair to say that the risk of flying this helicopter over water is the same as flying it over the land. That is an acceptable risk in relation to additional flotation systems to be considered at both capability and financial cost.

CHAIR: Are there special considerations when a helicopter might be 'landing on water' that it might start sinking, something which does not occur if it were to happen over land? Does not the sinking of the helicopter, then, preclude somebody, because of the water pressure, from actually getting out of the helicopter—something which is not applicable if the same situation were to arise on land?

Lt Gen. Burr: Part of those training procedures that we talk about are increased training in them before flying. That is so people are more familiar with how to egress from the helicopter flying at a higher level above the water and there is more time to prepare for an emergency landing, if that were to occur. A more detailed research and rescue plan is put in place to support flight over water and to minimise flight over water wherever practical.

CHAIR: To minimise flights over water.

Lt Gen. Burr: That is a sensible measure. When we can't because we operate from the amphibious platforms, we make sure that all these other procedures are in place. It is straightforward. I might add that the US Army and the US Marine Corps, which use similar aircraft, do not have flotation systems on them.

CHAIR: But do they fly them over water?

Lt Gen. Burr: Yes, they do.

CHAIR: They don't have the limitations that we do.

Lt Gen. Burr: They would have similar training and procedural costs.

CHAIR: No, limitations, not training. Limitations about flights over water.

Lt Gen. Burr: I wouldn't overuse the word 'limitation'. They are sensible precautions before flight over water.

CHAIR: Are they less than they are in Australia?

Brig. King: I think for us we've made our own assessment.

CHAIR: No. That's not the question. Is it the same as in the US or not?

Brig. King: I would have to take that on notice.

CHAIR: All right—if you could, please. It's all well and good to train somebody for a controlled landing, but what happens if there's a massive mechanical failure and that platform crashes?

Lt Gen. Burr: As it would on land, it would be in a crash. Who knows how that would unfold.
CHAIR: But the idea of a flotation device to turn the helicopter around so that somebody can get out of it, that was considered to be a good idea, wasn't it, at least at the beginning?

Lt Gen. Burr: That was the genesis of this project.

CHAIR: Yes. That's right.

Lt Gen. Burr: It sounded attractive, but seven years hence that doesn't seem to be a viable path.

CHAIR: The Army had a statement of requirement for a mission flotation system at about the end of 2016.

Brig. King: Yes, Army did.

CHAIR: That was only three years ago, wasn't it? Did Army ask the Innovation Hub to proceed with a detailed proposal for the certification phase of Pegasus for the Tiger helicopter in about late April 2018?

Dr Kearnan: I can confirm that there was a request. We always work with the capability manager.

CHAIR: Yes. That was in April 2018. I put a proposition to you. It is either yes or no or I've got some of the bits and pieces wrong.

Dr Kearnan: The way the system works is in early 2018 I had Army consider the further potential of the development of the technology. In light of these considerations and because the investment has been made to date, in May 2018, the decision was made to request a detailed proposal from One Atmosphere.

CHAIR: I had April. You are telling me it was later, on May 2018. Thanks for that. Was a call made by Chief of Army to the head of Innovation Hub? Do you have any detail of that? For the May 2018 request, was that specifically made by Chief of Army to the head of the Innovation Hub at that time?

Dr Kearnan: It would have involved a consultation process between the Innovation Hub personnel and the Army as the capability manager.

CHAIR: Was the statement of requirement ever withdrawn by Army?

Brig. King: It is my understanding it has been withdrawn.

CHAIR: When was that?

Brig. King: I would have to take that on notice.

CHAIR: Can you have a very close look, please, in your documentation now? You don't have it at all? Let's try. Was that statement of requirement withdrawn before or after May 2018?

Brig. King: I will take that on notice.

Lt Gen. Burr: Yes. We'll take it on notice.

CHAIR: You really don't know?

Lt Gen. Burr: The precise time I don't have right in front of me.

CHAIR: I'm not asking for a precise time. I'm just asking before or after a particular date.

Lt Gen. Burr: I don't have that degree of the detail.
CHAIR: So we're only talking about 12 months ago or a bit longer—18. Did Defence move the last Pegasus development program out of DSTG and into the system program office within DMO, now CASG?

Lt Gen. Burr: Sorry, Senator. I was just looking at that to try to find that date. Can you restate the question?

CHAIR: Sorry, I didn't mention a date.

Lt Gen. Burr: No, sorry. I was looking for it so I didn't fully catch the question.

CHAIR: Sorry, May 2018, I think, was the answer from Dr Kearnan.

Brig. King: Could you repeat the question, please?

Lt Gen. Burr: Could you repeat the question, please, Senator?

CHAIR: Which one—about May 2018 or the last one?

Lt Gen. Burr: Your last question.

CHAIR: My last question is: did Defence move the last Pegasus development program out of DSTG and into the system program office within DMO, now CASG?

Brig. King: The original capability technology demonstration was a DSTO or DSTG activity. It was moved across after that event.

CHAIR: Into DMO?

Brig. King: That’s correct.

CHAIR: Which is now CASG. Was it communicated to the company that this was in preparation for certification and production phases?

Brig. King: That was the intention. I don't believe that the design matured to a point where it reached that level, so that was certainly the aspiration that we were looking for.

CHAIR: Was that intention advised to the company?

Brig. King: When we transitioned from the capability technology demonstration to the first stage inside what was then DMO, the expectation was what is called a technology readiness level of level 8. There was no statement made by One Atmosphere as to what level of readiness they would be able to achieve in that first tranche of funding when it was transitioned to Defence. In the second tranche, they made a statement that they believed they achieved what is called a technology readiness level of 7, but not in the first tranche of funding when it was moved to DMO.

CHAIR: Are you aware that, as a result of this move into CASG, the Tasmanian government and AusIndustry made commitments to support production?

Brig. King: I'm not familiar with the details. We are aware—

CHAIR: Is somebody aware who was around at the time? Was anybody here around at the time that I'm talking about, as in a couple of years ago?

Dr Kearnan: I wasn't around at the time, but I have had discussions with the Tasmanian Defence Advocate, who has given me that context.

CHAIR: So you are aware of that. Thank you.

Dr Kearnan: My understanding is that it was an offer of in-kind.

CHAIR: That's right, yes. You're aware of that. Was the Tiger's performance achieved?
Brig. King: In which stage?

CHAIR: At the last stage.

Brig. King: Well, our assessment was that it diverged from the assessment by the company.

CHAIR: I suppose I will go back to basics. Was there a board of inquiry into a helicopter incident on 29 November 2006, which was the Australian Black Hawk helicopter 221?

Lt Gen. Burr: There would have been, yes.

CHAIR: There was a board of inquiry. Did it find that Defence should attempt to identify a suitable flotation system for the Black Hawk fleet despite approaching the planned withdrawal from service date?

Brig. King: Can you repeat that last sentence, please?

CHAIR: Did the board of inquiry find that Defence should attempt to identify a suitable flotation device for the Black Hawk fleet despite approaching the planned withdrawal from service state? Let's take it in two lots. Did the board of inquiry find that Defence should attempt to identify a suitable flotation system?

Brig. King: I do not have it in front of me.

CHAIR: This is the whole beginning. I am astounded. If you don't know, you don't know. It doesn't fill me with confidence that you have got your head right around this issue. The next question is: the board of inquiry made this suggestion despite the helicopter approaching its planned withdrawal from service state. Can you take that on notice as well, please.

Lt Gen. Burr: We will take that on notice.

CHAIR: That might then allow you to reconsider some of the arguments about the Tiger being withdrawn. Affixing a flotation device is not, I would suggest to you, a major logistical issue because it is being bolted on and off, isn't it? That was the proposal?

Brig. King: I think the fixture to the aircraft is relatively simple. It is the certification and acceptance of that design that is far from trivial. The certification of that design to operate on the aircraft is what is not trivial.

CHAIR: What were the issues?

Brig. King: In terms of the design—

CHAIR: And these were communicated with One Atmosphere so that they could overcome them?

Brig. King: I believe originally they had an analogue design. That was moved to a digital design based on discussions with the department with regard to how that design could better achieve success. To give you some ideas in terms of the complexity, I suppose, it is a relatively bolt on, bolt off, as One Atmosphere stated. However, it is attached to what is called primary structure. That is structure that the aircraft relies on for its airworthiness. It is also a composite structure, so that is a complexity in terms of how it fatigues. That takes a significant amount of work to certify. When you look at where it is fixed to the aircraft or where the proposal was, it covers over where the magazine feed is for the nose cannon. It also potentially interferes with the ordnance on the wings.
**CHAIR:** Potentially. Did Defence request a proposal from the Tiger helicopter OEM, which is original equipment manufacturer, and the Pegasus developer to place an interim emergency buoyancy system on the Tiger helicopters for the first of class flight trials due to safety concerns raised by the test pilot fraternity regarding Tiger's flight over water from landing helicopter dock ships?

**Brig. King:** I think it is fair to say that test and evaluation staff raised a number of requirements throughout the life of that platform. The SOR for this device was but one of them, as is their responsibility to look for opportunities to improve our capability. Yes, they did raise that.

**CHAIR:** Did Defence put the Hellfire missile on the Tiger following an airworthiness certification program?

**Brig. King:** The Hellfire missile was originally identified in the original project scope as the deliverable missile for that aircraft.

**CHAIR:** Surely that would have a worse outcome if that went off during flight rather than a flotation device accidentally going off during flight.

**Brig. King:** I suppose what I am trying to get to is that none of these are trivial events. The effort and the certification and tests to achieve that, given the effects it could have on an aircraft at flight over water, is not something we trivialise. There is a significant body of work both in terms of cost and time to do all of that certification.

**CHAIR:** If it's possible to do it for the Hellfire missile, why not for something that might actually save the odd life or two?

**Brig. King:** As I said when I first started, originally a materiel based solution to reduce the rate of descent of an aircraft is a good outcome. But if we've been able to achieve a level of risk around low, which is what we've been able to do, through a set of other control measures, then—

**CHAIR:** When was this done, reducing this risk level all of a sudden when we're talking about last year?

**Brig. King:** It's not an individual control measure or one that has occurred at a certain time. It has progressed as we have operated the aircraft over a number of years over water. Each of those have progressively been—

**CHAIR:** So we're progressing all this with a deadline that we're going to get it out of service anyway?

**Brig. King:** I'm not sure I understand your question.

**CHAIR:** You are telling us that you don't want a flotation device on this platform because it's going to have an end of life of 2025. If we're around then, it'll be interesting to see if it's still flying and required. My hunch is that it will be, but we'll see. I park that one. Why not for this air flotation device have it properly assessed?

**Lt Gen. Burr:** The Tiger helicopter is designed to be an armed reconnaissance helicopter. It was designed to have a forward cannon and Hellfire fitted to it. That's its primary purpose. All the technical integration and certification has enabled that. The flotation device is new. It is additional and requires retrofitting to make it effective without compromising the other weapon systems and sensor systems, including the flares and the self-protection systems that
would operate and ensure its survivability for its primary purpose. That is the difficulty with the flotation system. It has proven to be not a straightforward integration. Indeed, it is seen to be posing more risk to the aircraft and to the crew. That is the bit that we are trying to work through, hence the determination that we've made that it doesn't meet the needs of the capability requirement.

CHAIR: How does that all fit in with what we were told at the last estimates as to what was going to happen with this project?

Lt Gen. Burr: At the last meeting when we spoke, I felt that we accepted the fact that it wasn't going to work on Tiger and that we were going to see if it would fit on other ADF helicopter platforms. We have done that work since then and have concluded that it won't.

CHAIR: Has that been communicated to the company?

Lt Gen. Burr: I understand that it has.

Dr Kearnan: Yes, it has been.

CHAIR: Thank you. Did the Tiger manufacturer do the integration assessment in 2015?

Brig. King: They did, yes.

CHAIR: And the defence capability committee was happy to proceed based on that?

Brig. King: It presented a number of risks in terms of cost and schedule. I think we continue to see value in a materiel based solution—

CHAIR: Was it happy to proceed? It proceeded, didn't it?

Brig. King: Yes.

CHAIR: So despite all those negatives you are throwing in, nevertheless, there were sufficient positives to drive this forward?

Brig. King: I also think we invested—

CHAIR: So why can't you tell us about all the positives that made you decide to drive it forward rather than try to tell us all the negatives and you still drove it forward? Give us all the positives as to why you drove it forward.

Lt Gen. Burr: I think we're always trying to find that next best thing and where it relates—

CHAIR: What were all the good things that allowed you to drive it forward?

Lt Gen. Burr: The idea that it might actually work and continue to find it. But I think we've reached that point where we concluded that—

CHAIR: But that was it at that time?

Lt Gen. Burr: I wasn't around then, but I expect that would be part of the criteria.

CHAIR: That's the problem; no-one was around at the time. Then the Tiger manufacturer provided a ROM, a rough order of magnitude, costings to design, certify and modify all 22 aircraft at a relatively modest cost relative to the aviation budget. Is that correct?

Brig. King: My recollection is that it was in the order of over $13½ million on top of the cost that One Atmosphere had addressed.

CHAIR: Yes. For 22 aircraft.

Brig. King: That's correct.
CHAIR: So $13 million would be less than $1 million per aircraft. Is that right?

Brig. King: Yes.

CHAIR: And we might potentially be saving the odd life. What sort of value cost-benefit analysis do we do in relation to the safety of our personnel?

Lt Gen. Burr: We take safety very seriously, which is why we embarked on this initiative. Since the time we embarked on it in 2012, we've been able to refine the operating procedures for this aircraft over water to a level of satisfaction that we are comfortable with the risks that we are taking. Indeed, the way the flotation device is looking, it would actually infer more risk on to the aircraft, the crew and those that the aircraft would be supporting in its primary role. The decision was taken that it should not proceed.

CHAIR: Can people within Defence be held personally accountable for breaches of failing to act as required by the Australian Work Health and Safety Act 2011?

Gen. Campbell: They can.

CHAIR: You can. And you guys are willing to take that risk, having had a board of inquiry telling you what needs to be done in relation to flotation devices and then for monetary reasons, not pursuing.

Brig. King: So the management of this issue, Senator, has been regulated through the Defence Aviation Safety Authority. We've progressively engaged with them throughout the design to ensure that the decisions we've made and the assessments we have made are correct and to make sure that our assessment without it, which is now assessed as a risk of low, is accurate and reasonable because of its importance. At the moment, the risk of flight over water without the flotation system that was proposed by One Atmosphere is listed as low. As you noted, for the $13½ million or so that was identified, there are higher risks, I would argue, or more valuable things on this aircraft that we could invest in when this item in particular is already rated as low from a risk perspective.

CHAIR: Well, you nearly had a bad incident, didn't you, with an MRH90 helicopter taking off from HMAS Adelaide en route to Brisbane airport and had to return. It was very lucky to get back.

Lt Gen. Burr: Yes.

Brig. King: I wouldn't say very lucky. They followed the procedures that they did and they landed safely.

CHAIR: But if it would have been further away over water when the problems arose, they might not have got back. But you're still willing to take that risk with your personnel. Be it on your heads. I look forward to further answers to the questions you have taken on notice and expect some more questions on notice from me. Minister, you were going to make some responses.

Gen. Campbell: Chair, I want to make a comment. I commend your advocacy of defence industry and Tasmanian defence industry.

CHAIR: It's more about the safety of our personnel.

Gen. Campbell: I understand that. What I heard from the testimony was that with the application of the flotation system, the weapons system cannot function as it's designed as a weapons system. We don't want that.
CHAIR: That is where, if you had got to the further stage, I am sure these matters would have been dealt with.

Gen. Campbell: I think that when you were speaking of the investment committee's decision to continue, I noted the use of the term 'happy' when you mentioned being more prepared to give Australian defence industry the best go possible. But an armed reconnaissance helicopter must function as an armed reconnaissance helicopter. It does not with this system attached to it.

CHAIR: Well, it has never had it attached to it, has it?

Gen. Campbell: Well, in the—

CHAIR: Has it?

Gen. Campbell: In the modelling design—

CHAIR: Has it?

Gen. Campbell: When I'm told by the head of army aviation that it blocks the ammunition feed to the major weapons system, it is no longer an armed reconnaissance helicopter. I think that we need to stand on that point and then calibrate the question of how we move forward.

CHAIR: Yes. And you haven't bothered to move forward, have you?

Gen. Campbell: No. We have recognised that we do not have a technical solution. It is an armed reconnaissance helicopter first and foremost. When it is not, it is vulnerable and much, much more dangerous to its crew than the managed flight over water safety risk.

CHAIR: We will deal with that undoubtedly at the next estimates.

Lt Gen. Burr: The statement of requirement was withdrawn on 2 February 2018.

CHAIR: If I may, with Labor's indulgence, what date again—February?


CHAIR: And when was the request made?

Brig. King: The SOR was released in December 2016.

CHAIR: When did Army ask the Innovation Hub to proceed with a detailed proposal for the certification of Pegasus? Is May 2018 the answer I was given?

Dr Kearnan: The May 2018 decision was made.

CHAIR: You've withdrawn the statement of requirement three months earlier and yet you lead them on this proposal. Does Defence actually know what one arm is doing in relation to the other? Why weren't they told that the statement of requirement had been withdrawn? Why would you bother leading them down this path when you'd already made the determination? That is the truth of the matter, isn't it—that even before all this, a determination was made and yet you led them further down the path without telling them. Now it is an exercise of trying to cover up what was done. I just find it inexplicable. I asked for the specific dates because I was told that there was this disconnect of three months. Can you provide an explanation on notice as to why you went on with it despite this change and why that wasn't communicated, I would have thought, to the people who allowed the matter to progress, let alone the company. Labor have been sufficiently generous with time thus far, so I will leave it at that.
Senator Reynolds: On that matter, you used the words 'cover up' there. I ask that you withdraw and replace them because they are pretty strong words.

CHAIR: I will withdraw those words, of course.

Senator Reynolds: Thank you.

CHAIR: It seems pretty inept and incompetent—I will use those words advisedly—for Defence, using taxpayers' money to withdraw a statement of requirement, which basically means, 'We don't need it any more' to then continue to proceed with something at taxpayers' expense three months later. One assumes somebody somewhere along the way must have found out that the statement of requirement has been withdrawn, but we've still gone down the path afterwards. I would have thought it somewhat embarrassing. Anyway, we will look forward to the explanation on notice. Minister, you have two issues you want to raise?

Senator Reynolds: I do. I will turn to Senator Wong and Senator Patrick and the discussion we had about indirect and direct workforce numbers. What I would like to propose, subject to the chair and the committee's concurrence, is that given that this is, as we've said for all the reasons we've articulated today, an iterative work and at the moment they are projections, is that we give you tonight the numbers that we currently have. Rear Admiral Sammut has them. We use them as a baseline. So every time we come back to estimates, we will use them as a baseline and progress them in terms of how they've gone up and why and how they've changed. We're talking about the same numbers every estimates.

Senator Patrick: It makes a lot of sense.

Senator Wong: Are you tabling them now, Minister?

Senator Reynolds: We'll go through them now with you and explain which ones we've got and what the numbers are. We can provide something more on notice. Then we can use that as the baseline for further estimates.

Senator Kitching: And you're happy to give the rationale of how you've arrived at the numbers so that in the future at other estimates or on questions on notice we will have an understanding of why you've used those numbers in the first place?

Senator Reynolds: As this project goes on, as you know, over the last few years, the focus has rightly been on getting the contracts established and getting the build arrangements underway for various projects and the infrastructure underway. Now, as the department, as we've said before, is turning its mind, along with the shipbuilding college, state governments, universities and others, I can see very clearly that it would help to have a baseline of numbers that we can then discuss from one estimates to another.

Senator Wong: We appreciate it.

Senator Reynolds: In that case, I turn to Rear Admiral Sammut.

Rear Adm. Sammut: Senator Wong, you asked me for our in-year projections for direct jobs. They are the ones I offered to provide you.

Senator Wong: This is future subs?

Rear Adm. Sammut: This is the Future Submarine program. You were asking me——

Senator Wong: Because I don't think I got to the other bits.
Rear Adm. Sammut: This is in relation to the average of 1,100 direct jobs and how we developed them. I have our workforce projections out to 2023 in terms of direct jobs. In 2019, they are 322. In 2020, they are 377. In 2021, 458. In 2022, 526. In 2023, 1,077. In 2025, 1,341. In 2026, 1,698. In 2027, 1,873. In 2028, 1,982. In 2029, 2,102. In 2030, 2,271. In 2031, 2,300. In 2032, 2,317. In 2033, 2,215. In 2034, 2,219. They are based on our interactions with our prime contractors, Naval Group Australia and Lockheed Martin Australia, and will comprise the companies, of course, that have all the direct employment for delivery of the Attack class submarines. They are projections at this stage. You might recall that I stated in earlier testimony that we are currently at 318 versus a projection of 322.

Senator WONG: I appreciate that. Thank you.

Senator Reynolds: Ms Lutz has also got some other figures for some of the other fleets.

Ms Lutz: I have the direct numbers for ASC shipbuilding and I have the split between South Australia and totals for Australia.

Senator WONG: Thank you very much.

Ms Lutz: When I read out the Australian totals, it includes the South Australian numbers. For South Australia, at January 2020, it is 885. The Australian total is 976. In January 2021—

Senator WONG: These are?

Ms Lutz: These are ASC shipbuilding.

Senator WONG: Direct jobs?

Ms Lutz: Direct jobs. In January 2021, 852; Australia, 958. In January 2022, South Australia, 1,142; Australia, 1,250. In January 2023, South Australia, 1,315; Australia, 1,434. In January 2024, South Australia, 1,412; Australia, 1,545. In January 2025, South Australia, 1,326; Australia, 1,452. In January 2026, South Australia, 1,703; Australia, 1,824. In January 2027, South Australia, 1,866; Australia, 1,984. In January 2028, South Australia, 2,198; Australia, 2,303.

Senator WONG: What was the 2019 figure?

Ms Lutz: For 2019 currently, South Australia is 866 and Australia is 948.

Senator WONG: So those projected are actual?

Ms Lutz: They are actual.

Senator WONG: What were the projections for 2019?

Ms Lutz: The projection for 2019 is that figure until the end of this year. In January 2020, it will go up—

Senator WONG: To 885 and 976.

Ms Lutz: Yes.

Senator WONG: I am just trying to check. They are the figures that you have projected for 2019. As at currently, what are the numbers?

Ms Lutz: Sorry?

Senator WONG: Today, point in time. I want to make sure I am clear. The 2019 figure of 866 in South Australia and 948 national—

Ms Lutz: Is October 2019, as at the current date.
Senator WONG: It is the current date.

Ms Lutz: Current.

Senator WONG: Prior to this being the point-in-time data, what was the projection for 2019? Are you tracking to projection or not?

Ms Lutz: Yes. We are tracking to projection.

Senator WONG: What was the projection?

Ms Lutz: The same as what we are projecting to currently.

Senator WONG: Maybe this is words. I thought you were telling me that that is the actual figure.

Ms Lutz: In October 2019, yes.

Senator WONG: So if we were in a time machine and went back to May this year, what would you have told me was the projection for 2019?

Ms Lutz: I would have said 400 for Hunter, 200 for OPVs and 300 for Air Warfare Destroyer.

Senator WONG: As direct?

Ms Lutz: Yes.

Senator WONG: So 900? And the equivalent figure now is 948?

Ms Lutz: Yes.

Senator WONG: I just want to make sure that I'm comparing apples and apples.

Ms Lutz: Yes.

Senator WONG: Thank you very much. I appreciate that. That's very useful.

Senator PATRICK: Just to be clear, Admiral Sammut, your numbers were for the Future Submarine program or for future submarines and submarine sustainment?

Rear Adm. Sammut: No. For the Future Submarine program.

Senator PATRICK: So the bit we're missing now is the workforce at ASC submarines, which I know is not your area.

Rear Adm. Sammut: We were answering the question in relation to the 1,100 average jobs for the Future Submarine program.

Senator PATRICK: It wasn't a criticism. I was just saying that, between the two bits of information, the workforce for ASC submarines wasn't provided. Maybe that can also be provided on notice.

Rear Adm. Sammut: Of course, we are here today. That is of the order at the moment.

Senator WONG: My colleague has the call. I appreciate that. There are similar questions in relation to other capability that we would want to ask. I want to flag—I'm not the deputy chair—informally that as I understand it, consistent with the standing orders, there will be a request for a spill-over day, probably not Friday. I think Senator Patrick did want to talk to you about what he would want to be provided with prior to that spill-over day. I won't deal with that now, if that's all right. I might cede to Senator Kitching. I want to indicate that to you. Senator Abetz is unhappy. We will make it a time when he's unavailable and Senator Fawcett can chair.
CHAIR: We have been exceedingly generous to the Labor Party.

Senator WONG: You have.

Senator KITCHING: I want to ask some questions about the division of portfolio responsibilities. There were charter letters received, Minister, from the Prime Minister?

Senator Reynolds: Yes.

Senator KITCHING: On what date?

Senator Reynolds: Good yes. I will have to go and get it.

Ms Skinner: Senator, could you repeat your question so I know exactly which document date you are looking for?

Senator KITCHING: The charter letters received from the Prime Minister firstly by the minister. So the letter from the Prime Minister to the Minister for Defence. Did Mr Hawke, Mr Chester, Ms Price and Senator Reynolds receive individual letters?

Senator Reynolds: No. I received a letter. I received the charter letter.

Senator KITCHING: What date was that?

Senator Reynolds: We are just checking. Our system here is not cooperating. I will get the precise dates for you because it is not coming up on my iPad. We'll come back to that. It is 2 July. It is cabinet-in-confidence.

Senator KITCHING: If there was one charter letter, did you then determine the responsibilities to be apportioned to Mr Hawke, Mr Chester and Ms Price?

Senator Reynolds: Obviously, the ministers had been appointed, so I did that in consultation with the Prime Minister, in accordance with my charter letter.

Senator KITCHING: You were sworn in on 29 May. Then you received your charter letter on 2 July. Do you know if other portfolios received them around the same time you received your charter letter?

Senator Reynolds: I could not possibly speak on behalf of other colleagues in terms of that process.

Senator KITCHING: I am just interested to know if there was a delay. So the process whereby you apportioned the portfolio responsibilities was done between you and the Prime Minister?

Senator Reynolds: Say that again, sorry?

Senator KITCHING: The apportionment of the portfolio responsibilities was done as a consultation process between you and the Prime Minister?

Senator Reynolds: No. I received my charter letter from the Prime Minister under cabinet-in-confidence. The arrangements were worked out from there between the portfolios. Obviously, there were three other ministers in the portfolio and we worked through the individual responsibilities from there.

Senator KITCHING: With those other portfolio ministers?

Senator Reynolds: Yes. For the other three.

Senator KITCHING: And then you went back to the Prime Minister?

Senator Reynolds: Yes.
Senator KITCHING: I am sure there is a more formal way of putting this. Was the Prime Minister kept in the loop as to the apportionment or how that was going?

Senator Reynolds: I really can't add anything more, Senator Kitching, on the process. I think what I have described is a pretty clear process.

Senator KITCHING: When and by what means was the department subsequently informed of the specific responsibilities of each minister?

Senator Reynolds: I've got here that the department received the final ministerial responsibilities on 20 September from my office. They published these responsibilities on the Internet on 23 September on their web page.

Senator KITCHING: And your charter letter wasn't shared with the department? Did Mr Moriarty receive a copy of the charter letter?

Senator Reynolds: I would have to check on that. We'll take that on notice.

Mr Moriarty: I don't recall. I certainly discussed it with the minister. I don't recall whether the minister provided me with a copy.

Senator Reynolds: Senator Kitching, just to make sure that we are totally accurate, we'll check on that and get back to you. We will take it on notice.

Senator KITCHING: Do you think you will able to do that today?

Mr Moriarty: Absolutely.

Senator Reynolds: I think we've demonstrated good faith so far on coming back today with information, so we will do that.

Senator KITCHING: I am just checking.

Senator Reynolds: It is important to point out, I think, that two of those ministers also have responsibilities outside the defence portfolio. They are responsibilities which are not within my remit to talk about directly. Minister Chester is Minister for Veterans' Affairs. Minister Hawke is Minister for International Development and the Pacific.

Senator KITCHING: How, when and in what form were ministerial responsibilities articulated and promulgated across the department?

Senator Reynolds: Well, I've just said that the final ministerial responsibilities went to the department on 20 September. They were published on the Defence internet page on 23 September.

Senator KITCHING: So there wasn't on the intranet, for example—

Senator Reynolds: I did not say that. The secretary or Ms Skinner will have to check.

Ms Skinner: The responsibilities went up on 23 September. That is the point at which they were shared in the department in a public way, if you like.

Senator KITCHING: People were sworn in on 29 May. Senator Reynolds, you received your charter letter on 2 July. Prior to the receipt of the charter letter, there was a consultation process between you and, I guess, your junior ministerial colleagues, if I can use that term. Just to make sure we're clear, how did the department determine which minister had responsibility for a given issue, or did you take all responsibility at the beginning?
Senator Reynolds: Senator Kitching, from the moment I was sworn in, I was under no doubt whatsoever what my responsibilities were as the sole cabinet minister in the portfolio. In fact, on the second day, I went to the Shangri-La Dialogue in Singapore, so I was very clear on my responsibilities. The other three ministers were as well. Minister Chester, in terms of personnel and veterans, was also very clear on his span of responsibilities, as was the Minister for Defence Industry. So given the size and complexity of this department, we made sure that everything was well considered. So while responsibilities were very clear, we made sure that when it was promulgated and provided to the department, it was as good a balance as we could achieve across a very large and complex department.

Senator Kitching: I'm not saying it's not large and complex. When you were having the consultation process with your junior ministerial colleagues, maybe there was one particular area that was unclear about who might be getting that. Did you act in that capacity until that was resolved?

Senator Reynolds: Well, there was very little, apart from not having a parliamentary secretary or an assistant minister. The only question in terms of the portfolio was where those responsibilities go. Yes, I assumed those responsibilities until the discussions had been finalised. It was a very smooth process and, from my perspective, a very clear process.

Senator Kitching: Through you, Minister, could I ask the department whether it always takes such a long period of time to have those responsibilities articulated and apportioned?

Mr Moriarty: I think it does vary from time to time and in particular circumstances. I assure the senator that the department, the CDF and I were very conscious that Senator Reynolds is the senior portfolio minister. There were very few occasions when it wasn't entirely clear to us which minister would be the action minister. We sought Minister Reynolds's guidance on those occasions, and it was done smoothly.

Chair: I think Mr Rudd is just about to get around to sending out his letters.

Senator Kitching: Volume 3 maybe.

Senator Wong: And then we'll find out what Mr Ciobo's job actually was.

Senator Kitching: I think you said at the beginning of your response, Mr Moriarty, that there were a few occasions where it wasn't clear. What is an example of that?

Mr Moriarty: I don't like hypotheticals. For example, on a capability decision where the senior portfolio minister would be the minister taking that to cabinet but the Minister for Defence Industry is obviously engaged in those issues, we would consult the Minister for Defence and seek her guidance about whether we should bring it to her as the action minister or whether the Minister for Defence Industry would be the action minister.

Senator Kitching: But before that was apportioned and sorted out, you went to Minister Reynolds with these instances?

Mr Moriarty: On a very limited number of circumstances we would seek guidance from Minister Reynolds.

Senator Kitching: I think in response to a QON, you confirmed it was 23 September. It is QON 860. Why did it take four months?
Senator Reynolds: I haven't had the need to reflect on that question because it simply wasn't an issue. I was issued a charter letter. We had some good discussions amongst the ministers. It was a very similar structure to the previous government and the portfolio breakdowns of previous ministers. My responsibilities were very clear, as were those of the other ministers in the portfolio.

Senator KITCHING: The other three ministers are in the outer ministry. That's correct? Are they all of equivalent status?

Senator Reynolds: In terms of?

Senator KITCHING: In the outer ministry.

Senator Reynolds: Yes. All three are ministers.

Senator KITCHING: With regard to Mr Hawke, he is an assistant defence minister?

Senator Reynolds: No. He is the minister assisting, so he is actually a minister.

Senator KITCHING: He might be described as a minister assisting with defence. Is that correct?

Senator Reynolds: Yes. As I said, he's sworn into both defence and to foreign affairs.

Senator KITCHING: I'm not going near the DFAT portfolio area. He could be described as a minister assisting with defence as opposed to an assistant minister for defence?

Senator Reynolds: Yes. He's not an assistant minister or what used to be called parliamentary secretary. He is a minister assisting.

Senator KITCHING: What is the department's understanding of what Mr Hawke is assisting with across the Defence portfolio?

Mr Moriarty: Our understanding, as is published on our website, is Minister Hawke's primary responsibility is to support the Minister for Defence with Defence's contribution to the Australian government's Indo Pacific step-up, including capacity building in the Pacific; the delivery of key infrastructure projects in the Pacific; the Pacific Maritime Security Program and acquisition of the large hulled vessel; the Pacific support team; Defence engagement activities in the Pacific, including training and sporting relationships; and Defence fora in the Pacific, including the annual Joint Heads of Pacific Security event and Defence commemorations across the Pacific.

Senator KITCHING: You would say he is assisting across the Defence portfolio? It's not just limited to step-up issues?

Mr Moriarty: That is the primary focus.

Senator KITCHING: But he is doing other—

Senator Reynolds: Let me assure you, Senator Kitching, that the Pacific step-up is a large and a very important responsibility.

Senator KITCHING: Yes. There are other responsibilities as well?

Senator Reynolds: In DFAT, yes.

Senator KITCHING: Didn't Mr Moriarty just read that from the Defence website?

Senator Reynolds: Yes.

Senator KITCHING: So they wouldn't be the DFAT responsibilities?
Senator Reynolds: No. I am saying in addition to what is on the Defence website.

Senator KITCHING: I don't want to talk about DFAT because I don't want to get confused. I can ask about that tomorrow. I want to ask about Defence. I want to confirm now that the secretary just read only those responsibilities from the Defence website, nothing to do with DFAT. Is that correct?

Senator Reynolds: That's correct. Of course, what they do in Defence has a significant crossover with what DFAT is doing as part of the Pacific step-up and engagement programs as well.

Senator KITCHING: I don't want to go there because you gave prior evidence—

Senator Reynolds: You are quite right. You ask Minister—

Senator KITCHING: that you were not able to touch the other responsibilities that any of the others have.

Senator Reynolds: That responsibility is specifically his responsibility in the Defence portfolio, yes.

Senator KITCHING: Mr Hawke would have received briefings or advice from the department that relate to issues that don't just pertain to step-up. Is that correct?

Mr Moriarty: From time to time.

Senator Reynolds: Yes. On that, yes, he has. I have made sure that all three ministers have a sound understanding of Defence organisation and the ADF as well. Even for certain issues that are not particularly in their area, all ministers in the portfolio must have a good understanding of the organisation—

Senator KITCHING: And you want to coordinate it.

Senator Reynolds: And the context. Absolutely.

Senator KITCHING: Would he have received briefs about capability acquisition, sustainment issues and industry issues? When you did ensure that the junior ministers had an understanding of the department and the ADF, did you do that in a formal briefing process?

Mr Moriarty: We did some introductory briefings for all of the ministers in the portfolio. I need to check the date of those briefings for you.

Senator KITCHING: It couldn't have been that long ago, because you put it up on the website on the 23rd. It was decided, I think, on the 20th. You put it up on the website on the 23rd. So it must have been within the last month that you've held the induction.

Senator Reynolds: Senator Kitching, it was certainly before then. Whether ministers get a briefing or not didn't depend on what was on the website on any given day.

Senator KITCHING: I will go back to my question. Have you got someone who can answer that now? Did he receive any briefings on capability acquisition, sustainment issues and industry issues?

Senator Reynolds: I will come back. I have just been reminded of some pertinent information by my staff. The website information was delayed because Minister Price was traveling at the time and, given it was cabinet-in-confidence, we needed her to check the details. I had actually corresponded with them before that date.

Senator KITCHING: What is the date of that correspondence?
Senator Reynolds: That's what I'm checking on. While it wasn't made public until then, the conversations and the arrangements had been put in place before then. So in terms of—

Senator KITCHING: Before the 20th?

Senator Reynolds: Yes.

Senator KITCHING: So was Minister Price traveling for a long time or was it just for a few days?

Senator Reynolds: That I don't have. By the nature of your questions, you are making it sound like the ministers haven't known what they had to do and certainly had nothing to do for three or four months, which is anything but the case. I am making that point so it is very clear that all ministers hit the ground, in fact, the day they were sworn in.

Senator KITCHING: So 29 May?

Senator Reynolds: Yes.

Senator KITCHING: Your previous evidence was that you informed the department. You had this consultation process. You also consulted with the Prime Minister. You then wrote to each of the ministers, is that correct, on the 20th?

Senator Reynolds: We will go back with the initial dates. The dates I have given you are correct. I think the inference I was getting from your questioning is that really nothing happened for the first four months across the portfolio, which is vastly untrue.

Senator KITCHING: No. I haven't actually implied that. Your evidence has been that it wouldn't have mattered because you were the cabinet level minister. If there was a lack of clarity around who might be dealing with something, it went to you anyway. Is that right?

Senator Reynolds: That's correct. As the secretary said, that would have been the case. I cannot actually recall a single case where that was elevated to my level at all, because it was very smooth across the portfolios.

Senator KITCHING: So you are going to get that date when Minister Price was traveling?

Senator Reynolds: We'll come back with that on notice, yes.

Senator KITCHING: Has Mr Hawke received any capability acquisition or sustainment issue briefings or any industry issues that fall outside the step-up program? Is that true? Is that right?

Senator Reynolds: We'll take that on notice, because clearly he has received capability briefings relevant to his portfolio on the Guardian class and, as said, the large hulled vessel. So the answer is yes, he has. But in terms of any other detail, we'll have to take it on notice.

Senator KITCHING: Thank you. One of Minister Price's responsibilities is to, according to the Defence website 'support the Minister for Defence in the management of capability acquisition and sustainment projects'.

What does that mean in a practical sense? Can you give me an example?

Senator Reynolds: I think that's pretty self-evident. We have 137 projects underway. Minister Price does the day-to-day engagement on these projects with CASG. But she and her office do that in conjunction with my office as well.
Senator KITCHING: I want to go back to Mr Hawke. He isn't just confined to step-up. Is that correct? He is assisting across the Defence portfolio?

Senator Reynolds: In the areas that the secretary read out in terms of what you've got there on the website.

Senator KITCHING: So he is not solely confined to step-up related issues and has received briefings on other issues. Is that correct?

Senator Reynolds: As I said, he will have received briefings on capability in relation to his area of responsibility. We are just checking to see what other briefings he has received.

Senator KITCHING: Even though the website says he supports the Minister for Defence in the management of capability acquisition and sustainment projects, if it is something that is specific to Mr Hawke, he gets that brief, not Minister Price? Is that correct? Or do they both get it?

Senator Reynolds: Both. I will also get a copy as well. In fact, most of the briefs will come to me and to my staff so that we've got visibility of what is happening. Minister Price obviously sees all of the briefs that relate to capability and capability projects underway. Minister Hawke will see the projects that relate to him in terms of his responsibilities in the Pacific step-up.

Senator KITCHING: So if both Mr Hawke and Ms Price are getting the same briefing, and you're getting the brief as well, who is actually making the decision?

Ms Skinner: Can I help you?

Senator KITCHING: What if someone came to different conclusions? That could be unhelpful.

Ms Skinner: A standard ministerial practice in the department is that the senior minister tends to shape. The department is more open in the way in which it brings issues forward to ministers. There is clearly action ministers related to these items, but in most cases, another minister in the portfolio would be copied on an information in terms of a ministerial submission. But it's very clear in our ministerial templates who the action minister is. A minister will have 'action minister' at the top. Here is the agreed note, whatever the process is. For information, the other ministers will be copied in on the submission because it might have relevant, they have some sort of overlapping interest or it's important that they have that context. Those decisions are generally made by the officials preparing the advice. It would be very rare, very niche or extremely sensitive issues where the distribution would be exceptionally small.

Senator KITCHING: So if there was a large hull vessel project capability acquisition or sustainment project that related to that, the action minister would be Minister Hawke in all instances, or is there a monetary threshold at which Minister Price might be the action minister? How does that work?

Mr Moriarty: In relation to that example, I would consult the Minister for Defence, because that would be a significant commitment of funds which would impact on the integrated investment program. I would certainly make sure that the other ministers were engaged, as I am sure the minister would. For something that involved a significant capability
being added to the integrated investment program, I would, in the first instance, consult the
Minister for Defence.

Senator KITCHING: Senator Reynolds, you would get the resulting advice as well from
the department. You get a brief from the department as well, but the action minister would be
as promulgated?

Senator Reynolds: Yes.

Senator KITCHING: But there would be some monetary thresholds and other thresholds
where you would be the decision-maker. Is that correct?

Senator Reynolds: Yes. It varies. Again, it's a bit hard to answer on a hypothetical. It is—

Senator KITCHING: I'm happy to take a real example.

Ms Skinner: Matters for the integrated investment program which are taken to the
National Security Committee for consideration will always be taken forward by the portfolio
minister. Of course, it would be appropriate for other ministers to be aware and be engaged in
that discussion. That is an example.

Senator KITCHING: I can understand that. I ask on notice if the department is able to
provide the following: a list of briefs, submissions and/or formal advice requested by each of
the four ministers and their offices?

Ms Skinner: Yes. We'll take that on notice.

Senator Reynolds: That sounds a little odd. Can you explain what you are seeking?

Senator WONG: We'll do it in writing so we don't have a long discussion in this time
when we don't have a lot of time. We'll do it in writing.

Senator KITCHING: Now I'm going to go to special purpose aircraft.

Mr Moriarty: Before we move to that, I will let the committee know that I received a
copy of the Minister for Defence's charter letter from her office on 4 July.

Senator KITCHING: So you received the charter letter on 4 July, Independence Day.
With regard to special purpose aircraft, can the department confirm that the guidelines for the
use of the SPAs, as published in February 2013, are still accurate?

Air Marshal Hupfeld: They are the guidelines that were published in February 2013 and
they are the ones that we still use to provide the advice up to the minister.

Senator KITCHING: I think I put in a QON to you, which would be QON 611.

Air Marshal Hupfeld: There is a number there. We've got one that is QON 69 that asked
that question.

Senator KITCHING: I asked on 12 September 2019, and it is QON 611. Essentially, the
guidelines on the website are not particularly easy to find. They are on the Trove archive
website. Is that correct?

Air Marshal Hupfeld: I'd have to take that on notice.

Senator KITCHING: That is where the senators and members entitlements handbook is
now located.

Air Marshal Hupfeld: That is the QON that I have. That is No. 69.

Senator KITCHING: It is webarchive.nla.gov.au.
Air Marshal Hupfeld: My understanding is that is a parliamentary business resources determination of 2017. That is one of the links that you've got. The other one, the guidelines for the use of special purpose aircraft, is the webarchive.nla link that you have just mentioned.

Senator KITCHING: Yes. Are you able to table a current copy of the guidelines for the committee?

Air Marshal Hupfeld: I don't have that today, but I can get that on notice.

Senator KITCHING: Thank you. Is it possible to have a copy of the guidelines on the Defence website?

Air Marshal Hupfeld: I will find out whether that is possible. I don't know if that is the case at the moment.

Senator KITCHING: No. It isn't.

Air Marshal Hupfeld: We don't own the guidelines, so I'll have to determine that through the other parts of the organisation.

Senator KITCHING: Fair enough. I put in another QON to you, which is 613. That is the schedule for the special purpose aircraft of 1 July to 31 December 2018. It was provided to the PMO on 24 January 2019 and verified on 17 March 2019.

Air Marshal Hupfeld: That's correct.

Senator KITCHING: Did the department provide the draft schedule to former defence minister Pyne's office?

Air Marshal Hupfeld: I don't believe so, but I'll take that on notice as well. The dates that we've provided there are for when they were verified. The current minister was sworn in on 29 May. Her office was provided the brief on 11 June in accordance with that question on notice that we provided to you.

Senator KITCHING: Can you check for me who received the draft schedule, if not former minister Pyne?

Air Marshal Hupfeld: I'll take that on notice. This was all caught up in and around the time of the election, so I will take that element on notice to confirm.

Senator KITCHING: Is that subject to caretaker provisions? We wouldn't have been in caretaker on 17 March because the election was called just after the last lot of Defence estimates, which was early April. So who received the draft schedule? I guess that's what I want to know. What happened to the schedule between 17 March and 11 June, which is I think when Minister Reynolds received the schedule. That's correct? I think you said that. What happened? Where did it go between then?

Air Marshal Hupfeld: My understanding is in the administration, verified on the 17 and 29 March through the official secretary of the Governor-General. I will have to take on notice what occurred and the reasons for that between those dates and when it then provided the brief to the minister on 11 June.

Senator KITCHING: This is from the QON. This is the response in the QON: after reviewing, the Minister verified and signed the schedule on 21 August 2019—being the final version and the printing date. Why did that take two months?
Senator Reynolds: I will have to check for you. That was a while ago, so I will have to check and take that on notice.

Senator KITCHING: We've established, haven't we, that they're the current guidelines?

Air Marshal Hupfeld: They are the ones that are being used, yes.

Senator KITCHING: In paragraph 25 of the guidelines, it says:
The Minister for Defence is responsible for tabling the schedule in June and December each year.

On what date was the most recent schedule tabled prior to when you verified and signed the schedule on 21 August 2019? What was the one before that?

Senator Reynolds: I'll have to defer to Air Marshal Hupfeld. I just don't have that information because that was before I was sworn in.

Air Marshal Hupfeld: Are you referring to the same schedule of special purpose flights?

Senator KITCHING: I would like that and the one before. Obviously there's a guideline, section 25, which says that there are dates. There is a schedule of when you have to verify and put this up. I want to see if it is unusual that it took so long this time.

Air Marshal Hupfeld: Another question on notice that was provided to you was 612, which refers to the schedule of 1 July to 31 December 2018. Is that the one you are referring to?

Senator KITCHING: What date was that?

Air Marshal Hupfeld: It is 1 July to 31 December 2018.

Senator KITCHING: Yes.

Air Marshal Hupfeld: That was tabled on 28 August.

Senator KITCHING: Yes. What was the one before that?

Air Marshal Hupfeld: I don't have the data on that. I'll have to take it on notice for you.

Senator KITCHING: That's fine. So just the date on which that occurred. The next schedule—January to June 2019—is due in December. Is that process running smoothly?

Air Marshal Hupfeld: It's running as programmed.

Senator KITCHING: Good.

Air Marshal Hupfeld: We'll have to wait and gather that data. The amount of data that is required means it does take some time. So it will be running through the normal schedule of process in accordance with the guidelines to deliver that to the minister.

Senator KITCHING: The last one wasn't on time. I want to make sure this one is on time.

Air Marshal Hupfeld: We will be aiming to do it as efficiently as we can.

Senator KITCHING: I have no doubt you are always efficient. Thank you.

Air Marshal Hupfeld: Thank you, Senator.

CHAIR: Senator Steele-John. Five minutes it is.

Senator STEELE-JOHN: Let me pray that this Google doc opens as fast as it was meant to. Again, I am in the hands of the minister as to who to most appropriately direct this question to. It might indeed be to yourself or you will take it on notice and pass it over.
Senator Reynolds: What is the topic, Senator Steele-John?

Senator STEELE-JOHN: I'm stalling, Minister, while the computer loads.

Senator Reynolds: I know the feeling.

Senator STEELE-JOHN: I am unable to tell. On 19 June, the UN Special Rapporteur on extra judicial, summary or arbitrary executions published a report titled *Investigation into the unlawful death of Mr. Jamal Khashoggi*. It stated:

…Mr Khashoggi's killing constituted an extra judicial killing for which the State of the Kingdom of Saudi Arabia is responsible.

It is in this context that I note the Australian government's subsequent invitation to Saudi Arabia to attend the launch of the 2019 Australian Military Sales Catalogue in Canberra. I would like to ask the relevant counterpart how this invitation was justified in light of Mr Khashoggi's killing by Saudi Arabia in relation to the conflict in Yemen.

Senator Reynolds: I am consulting. Mr Jeffrey can assist you with that.

Senator STEELE-JOHN: Thank you, Mr Jeffrey.

Mr Jeffrey: My colleague Sheridan Kearnan will also be able to answer your questions. Australia has a modest defence relationship with Saudi Arabia, but it is a defence relationship, so there is bilateral engagement between the two countries. This engagement does not condone, of course, or explain the killing of Mr Khashoggi.

Senator STEELE-JOHN: What were the criteria for inviting governments to attend that event?

Mr Jeffrey: What were the criteria for inviting governments to attend that event?

Dr Kearnan: We looked at a broad range of embassies and high commissions that we thought might be of interest.

Senator STEELE-JOHN: But 70 ain't the number of countries in the world. So there must have been some excluded. Again, I ask: what were the criteria for inviting people?

Dr Kearnan: I will have to take that on notice.

Senator STEELE-JOHN: You certainly will. Can I confirm that the invitation was extended in the full knowledge of the international concerns about Mr Khashoggi's extra judicial killing at the hands of the Saudi Arabian state?

Gen. Campbell: I don't think we can assume the mind of the person undertaking those duties to invite. It has been taken on notice.
Senator STEELE-JOHN: Are humanitarian concerns are factored into the extension of such invitations?

Senator Reynolds: I think Mr Jeffrey and the CDF have said that they'll take that on notice to make sure that we provide you with the correct information and not guess what may have been in the mind of the official at the time.

Senator STEELE-JOHN: Does the government regard this invitation as one that meets its ethical parameters?

Senator Reynolds: As I said, Senator Steele-John, we've taken this on notice to get you the precise information.

Senator STEELE-JOHN: Does the government have ethical parameters?

Senator Reynolds: Clearly, we do, Senator Steele-John. There are a couple of issues here. One is about any defence engagement we have with Saudi Arabia. As Mr Jeffrey says, we have a very modest defence engagement with Saudi Arabia. As I understand it, it was a catalogue show. It wasn't actually a defence export event. As we've discussed in the past, the government has some very clear criteria for its defence export control processes, which is a different issue.

Senator STEELE-JOHN: Indeed. Thank you for your answers, such as they are.

Senator WONG: I have a few questions to CDF. I don't want to take up a lot of time. I know from your career but, more importantly, more broadly, the ADF has a long and proud history, does it not, of engaging in multilateral operations, whether in terms of peacekeeping or otherwise.

Gen. Campbell: Yes. When I get a compliment, I'm not always wondering where it is going.

Senator WONG: Suspicious. When you get a continent, did you say?

Gen. Campbell: No. I said—

Senator WONG: Compliment?

Gen. Campbell: Where the ADF is complimented—

Senator WONG: That is not true. I am very nice to you often. For example, I think there was a recent announcement of co-deployment between Australia and Fiji to the Golan Heights. That is a UN peacekeeping operation, which we have been engaged in on rotation for many years. Correct?

Gen. Campbell: We have been involved in UN peacekeeping in the Middle East for some years. You are referring to the UN disengagement and observer force.

Senator WONG: Correct. Which has been in place since, what, 1974? I am interested in whether or not you, in any of your public statements as CDF, have used the term 'negative globalism'.

Gen. Campbell: I have not used that phrase. I am trying to hear it correctly—negative globalism?

Senator WONG: Negative globalism.

Senator WONG: Do you understand what it means? What do you understand it to mean?

Gen. Campbell: I would welcome your insight. I couldn't offer a view.

Senator WONG: It is the case, too, is it not, that, certainly from the military perspective, Australia participates in UN or other multilateral arrangements? We do so based on decisions that the government of the day makes.

Gen. Campbell: That's correct. We have been engaged in United Nations or multinational force observer missions variously and typically in the Middle East, Africa. We have been in some multinational force activities in, for example, East Timor and Bougainville and in regional assistance missions in the Solomon Islands and Cambodia. There is a long history and it has been in a variety of areas, locations and with a variety of higher regional or United Nations authorities behind it.

Senator WONG: And always, obviously, on the decision of the government of the day to participate?


Senator WONG: If I may add—and it's unnecessary to do so—ADF personnel in those deployments have served with distinction.

Gen. Campbell: Thank you, Senator.

Senator WONG: The Prime Minister, in a speech recently, made this statement:

We should avoid any reflex towards a negative globalism that coercively seeks to impose a mandate from an often ill-defined borderless global community.

Prior to me making that statement to you, have you heard that sentence before?

Gen. Campbell: I read it in the speech.

Senator WONG: Did you understand it?

Gen. Campbell: I think I had a sufficient understanding of the meaning of the Prime Minister in the speech.

Senator WONG: Do you understand that to be the government policy towards multilateral, plurilateral or international cooperation?

Gen. Campbell: As you are now asking me to interpret the Prime Minister's position, I do not feel that that is an appropriate role for a member of the military. I will defer to my minister.

Senator WONG: You said you understood what it meant?

Gen. Campbell: When reading that speech, I had an understanding of the words in the sentence and the paragraph and the flow of the speech, which I am not intending to paraphrase in any way whatsoever.

Senator WONG: The speech went on to say:

…worse still, an unaccountable internationalist bureaucracy.

Have you encountered unaccountable internationalist bureaucracies?

Gen. Campbell: We are way out of the space where a member of the Australian Defence Force should be.
Senator WONG: If I asked you what you understood the difference between negative and positive globalism to be, you wouldn't want to answer?

Gen. Campbell: I would decline to answer.

Senator WONG: I know you are assiduous in many ways, but I know that senior members of the ADF are very careful to read many of the speeches of senior members of the government. Is this phrase 'negative globalism' one that you've encountered before from a member of the government?

Gen. Campbell: No. I can't recall. I can't recall encountering it previously.

Senator WONG: Thank you, CDF. You will be pleased to know I am moving on. I have questions about Project Concur.

ACTING CHAIR (Senator Fierravanti-Wells): At 5.30 pm, we have the Australian Signals Directorate.

Senator WONG: I think there have been some discussions with the deputy chair. I will try to work through this so we can. Senator Patrick is waiting. I will try to be very quick.

Senator Reynolds: Senator Wong, can you clarify? You started to say what the next issue is.

Senator WONG: I said Project Concur. I told the CDF that I have no further questions of him at that point.

Senator Reynolds: Thank you.

Senator WONG: I am going to try and truncate this. I looked at the Auditor-General's report into this project. I'm going to skip through a timeline. If there's something wrong, I would like to be told it. There was a 2015 review of red tape in the Department of Defence. It recommended an automated travel management system to simplify and improve your travel administration. Defence then approved—there might be a number of interim steps; we'll come back to them—in December 2016 just under $12 million to implement a travel and expense management project. Originally, the operational date was supposed to be some time in 2017. I am a bit unclear about when. The commencement date was rescheduled to November 2019 and then rescheduled to 2020.

Ms Skinner: I'm not sure about the 2019 and 2020 dates. Until that point, I would say I was tracking.

Senator WONG: I think this is in the Auditor-General's report.

Ms Skinner: I will double-check that piece.

Senator WONG: At page 40—

Ms Skinner: I don't have it with me.

Senator WONG: In October 2016, the CIO group delivered a draft business case which identified a target implementation of June 2017. In December 2016, the Minister for Defence approved the funding. By February 2019—this is paragraph 3.36—the completion date had slipped to 6 April 2020, three years later than originally envisaged and reported to. Then we go into the pause. So there was a slippage from 2019 and then to 2020. The project was then paused on 5 March 2019 by agreement between Defence's chief information officer, the chief
finance officer and deputy secretary estate and infrastructure due to performance issues. Are all of those timelines correct?

Ms Skinner: Yes.

Senator WONG: Now you have discontinued it?

Ms Skinner: That's right.

Senator WONG: This is a fairly sorry tale. Would you agree?

Ms Skinner: I think there are a couple of points. It is illustrative of a couple of features. It is illustrative of the complex administrative arrangements around travel allowances and travel expenses and the way in which the pay and conditions of our organisation are structured. The original intent in that red tape review was that we would take an off-the-shelf product and that would fix everything. That hasn't turned out to be the case. We did try to continue to proceed for some time to get us to a point where we would have had an easier to use travel and expense system. That ANAO report points out that we have some challenges with the administration and the recordkeeping around that. That didn't turn out to be the case. I think it was wise of us to look hard at this and decide to stop further investment in a project that wasn't good—

Senator WONG: I'm going to ask you some process questions and maybe cut to the chase. Do you think this was handled properly?

Ms Skinner: I think that the original beginning point was overly simplistic about how easy it would have been to achieve it. As it became more complex, we extended and deepened the governance around it and we elevated the people who were involved. That is how you get to the position that three deputy secretaries were governing the program and ultimately provided advice to cancel it.

Senator WONG: So you would identify the beginning or the origin as fairly disastrous. You might push back on that, so I don't want to get into an argument about adjectives. How would you describe this? Unsuccessful? A questionable project?

Ms Skinner: As I have, I think the business requirement and the complexity of our administrative system and our travel system was not understood when it was thought that a commercial off the shelf product would do the job.

Senator WONG: I wasn't asking for an explanation. I was just trying to get agreement about an adjective so that we didn't have an argument.

Ms Skinner: An adjective would be 'poor'.

Senator WONG: This poorly managed project. You identify the origin or the cause, at least initially, of the problems to date as the original procurement decision. Would that be correct?

Ms Skinner: I think they certainly date from perhaps a poorer understanding of the business requirement.

Senator WONG: We'll come to the business case. I want to understand why the business case was made when it was and why it wasn't done earlier. Let's start with procurement. Did this go to open tender?
Ms Skinner: That is a very good question. I can't answer the procurement piece. I don't have that detail with me.

Senator WONG: Who made the decision?

Ms Skinner: I believe the previous chief financial officer.

Mr Groves: I'm not sure either. It was before my time. I would have to take that on notice.

Senator WONG: You are getting a reaction because PM&C kept saying to me, 'I wasn't there.' There is not year zero for when everyone starts employment. It is a government, so there should be records. There should be a capacity to obtain information. I know you have a lot of projects, but this was the subject of a pretty negative audit office report. I am surprised that no-one is able to answer those sorts of questions, such as how the decision was made. Can we take that on notice?

Ms Skinner: Certainly.

Senator WONG: No-one knows whether it went to open tender and who made the decision. When was the minister first advised?

Ms Skinner: The minister would have been advised—

Senator WONG: No. Let's not use 'would' but 'when'.

Ms Skinner: Yes, sorry.

Senator WONG: Because that means maybe.

Ms Skinner: The minister of the day was advised around the time of the authority to expend the money.

Senator WONG: The $11.9 million?

Ms Skinner: Yes.

Senator WONG: So who was the minister then?

Ms Skinner: I believe Minister Payne was the minister. I would need to get the date, unless my colleagues have it, of when further advice was provided about the difficulties in the project.

Senator WONG: When was the minister first asked, or is $11.9 million above the delegation threshold where the minister had to sign off?

Mr Groves: No. Not sign off. They would have been advised that we were going forward.

Senator WONG: Does anyone have the date the minister was advised?

Mr Groves: Not with me.

Senator WONG: Do we have the date the procurement decision was made?

Mr Pearson: The project commenced in December 2016, so it must have been just prior to that.

Senator WONG: Well, not necessarily. You can make a decision about procurement in a contract before and there can be a delay between that decision and the contract commencing. So does anyone have when the contract was actually commenced?

Ms Skinner: No. I don't have the actual date. It would be in that timeframe.
Senator WONG: There is a draft business case prepared, which is referenced in the ANAO report. The CIO group in October 2016 developed a draft business case, which identified the target implementation date of 30 June 2017. Can you confirm for me whether that business case was prepared and/or finalised prior to the procurement decision being made?

Ms Skinner: I'm not going to use the word 'would'. I don't know.

Senator WONG: No-one knows whether the business case was finalised before we agreed to spend money on this?

Ms Skinner: I would need to take—

Senator WONG: If you don't, just say. Take it on notice.

Ms Skinner: As I say, I don't have the procurement details around this project with me.

Senator WONG: Can I ask for a copy of the business case on notice?

Ms Skinner: Sorry?

Senator WONG: I'm asking for a copy of the business case on notice.

Ms Skinner: Yes.

Senator WONG: Was there more than one business case prepared? There was one, presumably, around October 2016. Is there a subsequent one? As the problems become clearer, is the business case revised at any point?

Ms Skinner: There may be elements of not so much the business case but the implementation that may have been revised. But we'd need to take on notice the full history of that project in that sense of implementation, which we do have but not with us.

Senator WONG: The ANAO report says that the Minister for Defence in December 2016 approved the funding of $11.9 million. I think your evidence is—I don't have the dates of the ministerial changes in front of me—it would have been former Minister Payne. Can you tell me on notice whether former Minister Payne was advised of this project at any time prior to 20 December 2016?

Ms Skinner: We'll take that on notice.

Senator WONG: The draft business case identified a target implementation of June 2017. The minister approved acquisition with capability to be implemented by January 2017. Is anyone able to tell me why there was a difference between those two start dates?

Ms Skinner: We have to get the project manager, who is not here. I don't have those answers. There was a project manager.

Senator WONG: Is she or he still working with you?

Ms Skinner: They are not currently working on the project. But we will have the information in the department.

Senator WONG: Is she or he still working with Defence?

Ms Skinner: I believe so.

ACTING CHAIR: I will interrupt. I thought we had an arrangement whereby Senator Patrick would ask questions at 5.30 pm to 5.40 pm and then we would go to the Signals Directorate at 5.40 pm.
**Senator WONG:** I will try to finish this off. The report also says that the estate and infrastructure group provided a largely positive report to the enterprise business committee, saying that performance issues had been largely resolved. This occurred in December 2018. By February 2019, the completion date has slipped to April 2020 and then the project is paused. I am interested in understanding how there can be a positive report to the senior leadership in Defence about this project in December and by March it is so bad that you are bailing out.

**Ms Skinner:** I think the advice was provided to as the ANAO have said, but that did not stop the enterprise business committee from contesting the progress of that program. Certainly as the chair of that committee, I continued to ask a range of questions about the performance and the complexities that I think led to more, as I said, senior attention on the program, which ultimately drew out some sort of, I guess at the end of the day—

**Senator WONG:** It's not drawing it out, with respect.

**Ms Skinner:** It drew out the problems.

**Senator WONG:** You said you are pulling the pin.

**Ms Skinner:** Sorry?

**Senator WONG:** You said you are pulling the pin. It's not drawing out problems. You went, 'We can't do this.' Three months prior to that, it was all on track. Then the three deputy secretaries say, 'We're bailing out.'

**Mr Groves:** My recollection of that advice that went to the senior committee was that there were a range of issues impacting the Concur system. One of them was performance on our network. I believe there was some success in addressing that, but there were still other fundamental problems that we were working through.

**Senator WONG:** How much money did this whole exercise cost, for which we have now achieved nothing, essentially? How much did it cost?

**Mr Pearson:** To date, project expenditure has been $7 million.

**Senator WONG:** We spent $7 million on basically getting it wrong.

**Ms Skinner:** The potential for there to be some silver lining here is that as we move to the enterprise resource planning program we were talking about this morning, there are some learnings on how we work with these sorts of products that we can apply here. I think it also reminds us of the complexity of our administration arrangements—

**Senator WONG:** And the need to work that out somehow.

**Ms Skinner:** And the need to do that—that's right.

**Senator WONG:** Finally, $7 million doesn't accord with what the ANAO has said. So even now are we getting this wrong? Page 40 of the audit office report says that you've spent $6.7 million of the $9.6 million budget for nothing. Project delays cost $4 million in subscription fees that were yet to be paid, which I assume we're still up for. Is that right?

**Mr Pearson:** That's under negotiation with the software vendor.

**Senator WONG:** So potentially we're up to $10 million and a bit for a series of mistakes?

**Mr Pearson:** Potentially, but that is subject to discussion.

**Senator WONG:** Thank you. Nothing further.
Senator PATRICK: I want to talk about Navy manpower. I note in the incoming government brief to the minister it was an issue of fairly significant concern. Secretary, thank you for the FOI on workforce analysis. You've gone from blacking everything out to overwhelming me. It's a better strategy, so thank you. Admiral, a focus in the incoming brief is Navy personnel. Table 7 on page 23 of the budget papers basically details the forward estimates for your force. I don't have the benefit of all of the resources you do have, although the FOI has helped. I have done a thumbnail or mud map of future ships and current ships. The FOI says that you are pitching for a 1.7 sea-shore ratio. My guesstimate is that, in order to man the new ships that are coming along, you're going to have to get to a Navy of around about 20,000. Would you agree with that?

Vice Adm. Noonan: The Navy has been dealing with a case of workforce holiness for a number of years now. The current Navy workforce is sitting at 14,755 as of last Thursday. We are still about 800 people short of our funded average strength. As we move forward to the future capabilities that have been approved and will be delivered, Navy will need to grow. The defence minister stated during the opening of our Seapower conference two weeks ago that the priority at the moment is to achieve the authorised strength of the Navy. We are working very hard through a number of initiatives targeting retention as the No. 1 priority. Over the last 12 months, we have lifted the recruitment target for Navy by 40 per cent. Through those series of recruiting and retention initiatives, we have managed to reduce the separation rate from Navy, which about 18 months ago was sitting at 10.4 per cent. It's currently below 7.8 per cent. This is having a positive effect on the workforce, but we've got a long way to go.

Senator PATRICK: You did provide some answers on submariners, where you were doing very well as well. I will go back to my question. As you project forward, which you must do, because you know what ships are coming along, the numbers I calculate are roughly about 20,000. Is that an order of magnitude wrong? Is it close?

Vice Adm. Noonan: There has been some speculation in terms of what the future workforce might look like. I know that in the report provided on the critical review of the naval workforce by Admirals Shackleton and Robinson, which I understand has been provided to you—

Senator PATRICK: It has, yes.

Vice Adm. Noonan: they indicated that, by 2040, the future Navy will need to have a workforce of about 20,000 personnel. In order to accurately determine what that future force might look like, in July this year I established a directorate of future navy workforce. That team is currently taking into account the future projected force structure along with the advice that we had received from the Shackleton and Robinson report. Early next year, I will receive advice from the director-general of Navy's future workforce, which I will consider alongside the work that is currently underway with the force structure plan. I will provide advice to government in terms of what I believe the future workforce for navy should look like out to the 2030 to 2040 timeframe.

Senator PATRICK: Even out to where we might see OPVs coming online and so forth. The 2018-19 numbers are 14,143 plus some reserves. The permanent Navy to 2022-23 is 15,078. It just doesn't seem enough. I take it from what you've just said that you are now looking at this as a result of what was in the incoming brief in the advice you gave the
minister. One would expect that these numbers may well change upwards as a result of that work. Obviously, that will clearly cost some money.

**Vice Adm. Noonan:** We currently sit with a funded average strength of Navy of 15,567, as authorised through the Defence white paper 2016. That takes us through to financial year 2035-36. Certainly I am working hard to achieve the retention in recruiting that will allow us to achieve that approved funding envelope and manpower envelope.

**Senator PATRICK:** Because you can't just grab someone off the street, as you well know. For the benefit of other members of the committee, to get to a petty officer level like a sergeant takes 10 years.

**Vice Adm. Noonan:** That's correct.

**Senator PATRICK:** To get to a lieutenant or lieutenant commander takes about the same.

**Vice Adm. Noonan:** Correct.

**Senator PATRICK:** I guess I will keep a close eye on that. I am done after that. Thank you very much, Chief of Navy. Chair, I know that a spillover is now planned. That has been done by the consensus of the committee.

**CHAIR:** No. Be assured that there is no consensus on my part.

**Senator PATRICK:** By agreement by some members of the committee. Of course, the standing orders allow any senator to insist on a continuation or a spillover if they're not prepared to put questions on notice. I say that in the context that I have put questions on notice. There are a number of them. I get very short and shallow answers. Had the committee not agreed otherwise, I simply would have insisted on continuing on dealing with those answers. It's much better if you actually take questions on notice and answer them thoroughly because it saves a lot of time and I wouldn't hesitate to insist—I know others feel similar—on getting proper answers. That is going to tie up your entire team.

**CHAIR:** And you now know that if you flood him with information, he will go away.

**Senator PATRICK:** Exactly right.

**Senator Reynolds:** I note what Senator Patrick has said. I note that there are no outstanding questions on notice for the portfolio at all at the moment. Senator Patrick, you raise an interesting point.

**Senator WONG:** Is it because of the election?

**Senator Reynolds:** Was it?

**Senator WONG:** I am asking.

**Senator Reynolds:** No.

**Senator WONG:** That's impressive.

**Senator KITCHING:** Finance has 15 outstanding questions.

**Senator Reynolds:** Defence has absolutely none outstanding at the moment.

**Senator WONG:** It's better than Project Concur.

**Senator Reynolds:** I just want to make a point on this. Senator Patrick, the government and obviously all the officials fully respect your right and that of all senators and MPs to ask questions on notice and the 55-odd FOI requests that you have made at inquiries.
Senator PATRICK: Over a couple of years.

Senator Reynolds: In relation to the size of the answer, while it might have been something like 90 QONs, you've had 30 per cent of all questions on notice for this portfolio this year. Each one of them balloons out, as you know, into sometimes over 100 separate questions. All of your questions pretty much go to one or two people within Defence, which is generally Rear Admiral Sammut. I think on last count, he and his very small team spent something like 1,200 hours answering your questions, which are bordering on tedious repetition—the same sort of questions over and over. So while the answers might be concise, they are nonetheless correct. You are asking the same question over and over. My personal preference would be that Rear Admiral Sammut and his team spend the time on this important project, not answering the same questions over and over.

Senator PATRICK: This is a billion-dollar project, Minister.

Senator Reynolds: Senator Patrick, I don't for a second doubt your desire—

Senator PATRICK: When you find a different funding source other than the public, I'll stop asking questions. I used to be an adviser to Senator—

Senator Reynolds: Senator Patrick, I absolutely—

CHAIR: The minister was speaking.

Senator Reynolds: I absolutely respect your right. Of course it is your right to ask them. What I am saying is that it's the way that you ask them. It takes people who should be working on the submarine project thousands of hours to answer the same question pretty much over and over again.

Senator PATRICK: Well, I will continue to ask the questions. You will probably get more now. I will insist—

Senator Reynolds: Senator Patrick, that is—

Senator PATRICK: on getting proper answers. If I don't get them, we'll end up with a whole crowd here forever and ever. I don't want that either. I am giving you the opportunity, and I am suggesting to you that we get more thorough answers. That will save time.

Senator Reynolds: Senator Patrick, you cannot point to one answer that was not correct in response to your questions. The team has been fastidious. It is the way that you ask questions that is diverting the project team away from what they really should be doing. That is my point.

CHAIR: Let's stop that here.

Senator AYRES: I wouldn't wish to be either tedious or repetitious.

CHAIR: But you will be.

Senator WONG: Oh, he's new. You've got to be nice to him.

Senator AYRES: And I'm very thin-skinned. I may have to retire to my office for the dinner break.

CHAIR: No. Until the dinner break.

Senator AYRES: That's right—very thin-skinned. Minister, there was a series of—

CHAIR: Does Defence have a little safe space for him?
Senator AYRES: That's right. There was a series of questions I put to you about the consultant who travelled on those trips. You indicated that you were going to try to come back to me in the course of the day.

Senator Reynolds: We have a bit more information. The rest we have taken on notice.

Senator AYRES: I should correct the record and say it was Glen Innes, not Grafton.

Dr Kearnan: We have some additional information in response to the questions. They were quite detailed questions. There is still compilation happening about the broad two-year period. I can give you an update on the particular individual you mentioned. I can confirm that Mr Michael Kauter attended both Defence and Security Asia in Kuala Lumpur and Eurosatory in France in 2018. He was there as a representative of JAR Aerospace, which is an Australian small business. He was in this role at both shows representing JAR Aerospace and not representing Strategic Political Counsel. Out of these two—

Senator AYRES: I think JAR is one of his clients, yes.

CHAIR: That's right. It is on the register.

Senator AYRES: Can I work through this?

Senator Reynolds: Let Dr Kearnan finish.

Dr Kearnan: For the first activity, Team Defence Australia was run in the CDIC. Because of the export strategy, TDA was brought back into Defence, so the French activity was run by Defence. We have been engaging with CDIC on your questions as well, noting that they are in the Department of Industry, Innovation and Science. I will give a bit of context.

You were asking questions about selection processes. As I was indicating, there is a criterion to look at the company that we are selecting. It is an Australian company. We confirm it is Australian. We confirm that they own their intellectual property. We look at things like whether the item is Defence specific, has export potential or is a dual use item. We also make sure that the company engages Defence export controls. We also consider issues, as I discussed earlier, like the market that the activity is happening in. We consider things like states and territories to try to get an appropriate balance of representation and previous attendance. We consider how they enhance sovereign capability, as that is a big part of the work going forward. So the way it works is Team Defence Australia selects the company.

What we are funding is the Team Defence Australia stand at the trade show. So it is the branding of Team Defence Australia. For example, at DSEI, 60 companies went along. The businesses themselves cover the costs of their travel and attendance. It is up to the businesses to figure out who their representation is. This is a small business. It is not uncommon that small businesses often bring an external support when they are setting up for a major activity. It is a matter for the company what sort of representation they want to fund themselves to go to this activity.

CHAIR: That concludes the committee's examination of the Department of Defence. I thank the officers for their attendance.

Australian Signals Directorate

[17.53]
CHAIR: I welcome Lieutenant-General John Frewen, Acting Director-General of the Australian Signals Directorate, and officers of ASD. Lieutenant-General, do you wish to make an opening statement?

Lt Gen. Frewen: Thank you. I will.

CHAIR: Do you have copies of that for distribution?

Lt Gen. Frewen: I do have a copy for you, Chair. I am conscious that you may wish to get straight to questions and that we only have a short time with you here today. I am mindful that we've had some changes in ASD's leadership. I would like to quickly introduce my colleagues and then say a few short remarks.

The committee would be aware that Mr Mike Burgess left ASD in September 2019 to commence as the Director-General of Security. I will act as the Director-General until a replacement has been identified. I'm joined today by Ms Rachel Noble, the head of the Australian Cyber Security Centre, who joined ASD in July 2019 from the Department of Home Affairs to replace Mr Alastair MacGibbon. There is also Ms Hazel Bennett, the Deputy Director-General of Corporate and Capability Group.

ASD first appeared before this committee 12 months ago. The intervening period has seen ASD deliver some significant work against its functions. Our foreign signals intelligence function has continued to deliver intelligence that meets the government's requirements and priorities. Our intelligence work has also continued to support a range of activities that protect the lives of Australians, including providing support for the overseas operations of the Australian Defence Force.

Australia continued to be targeted by a range of actors, who conducted persistent cyberoperations that pose significant threats to Australia's national security and economic prosperity. During the 2018-19 financial year, the Australian Cyber Security Centre responded to 2,164 cybersecurity incidents. In the first quarter of the current financial year, we have seen over 13½ thousand reports of cybercrime made to our new online cybercrime reporting tool, ReportCyber. This is an average of one report every 10 minutes.

As the committee may be aware, since being established as a statutory agency on 1 July 2018, ASD has made a concerted effort to be more transparent about our role and provide a better sense of what we do and why we do it. In August, we published our second corporate plan. Last week, we tabled our first unclassified annual report in accordance with the Public Governance Performance and Accountability Act 2013. While much of what we do needs to remain classified in order to protect our capabilities, we will continue to be as transparent as we can be. We look forward to assisting you today. Thank you.

CHAIR: Thank you.

Senator KITCHING: It is very nice to see you, General Frewen. Thank you for the ASD's time. I will start with some questions about the 2019 CyberCon. Days before CyberCon started, two speakers, Thomas Drake and Dr Suelette Dreyfus of the University of Melbourne, were withdrawn from speaking. The ABC has reported that they were told their talks were incongruent with CyberCon, despite being invited to speak months earlier. Mr Drake's presentation was to address national security and surveillance while Dr Dreyfus's talk explored the use of safe digital dropboxes for anticorruption whistleblowing. Did ACSC, a
major sponsor of CyberCon, request the organisers to withdraw Thomas Drake and Suelette Dreyfus as conference speakers?

Ms Noble: Yes, we did. I made that decision.

Senator KITCHING: Had you read their papers prior to requesting the withdrawal?

Ms Noble: The advice that I made the decision on was a proposal for Dr Dreyfus and Mr Drake via VTC to have a panel with Edward Snowden. That was the first proposal. At that point, my judgement was based on, I guess, the reputation of all of those speakers—that they are known public advocates for unauthorised disclosure or the leaking of classified information outside of legitimate whistleblowing or lawful whistleblowing schemes. So my concern was that, firstly, those presentations weren't consistent with the objectives of the conference, which is actually about cybersecurity and helping Australians raise their awareness and technical knowledge about cybersecurity issues. Secondly, my concern was that there was a risk that those speakers would express views that are inconsistent with Australian government laws and our processes and values.

Senator KITCHING: Thank you very much. I want to go to some questions about the attribution of responsibility for cyberattacks. I will give you a quote from the Minister for Home Affairs first from 12 October. He said:

In a democracy like ours we encourage freedom of speech, freedom of expression, thought etc. and if that is being impinged, if people are operating outside of the law, then whether they're from China or from any other country, we have a right to call that out.

Fergus Hanson, the director of the International Cyber Policy Centre at the Australian Strategic Policy Institute, whom I'm sure you know, points out that the attribution of cyberattacks has come out via media leak. He has cited unauthorised cyberbreaches of, for example, the Australian parliament, political parties, the ANU and military contractors et cetera. Does the Australian government have a formal decision-making framework for attributing responsibility for cyberattacks on Australia?

Ms Noble: Yes, it does.

Senator KITCHING: Can you go through that for me?

Ms Noble: The policy actually belongs to the Department of Home Affairs, and, from an Australian Cyber Security Centre perspective, we're the government techies. Our job in this role is to provide advice to those policy departments, from a technical point of view, about whether or not we have a level of confidence about who to attribute the attack to. From that perspective, it's a matter for the Department of Home Affairs and the Department of Foreign Affairs and Trade, largely, to then provide their advice to the government about how to weigh up economic interest, international relations and so forth. It's on that basis that the government will then make a final decision about whether to attribute publicly a cyber incident to a country.

Senator Reynolds: In addition to that, as Ms Noble has said, public attribution is just one of the many responses Australia has in its toolkit, and not all of Australia's responses to cyberincidents will be made public. The government publicly attributes when it's in our nation's interest to do so. It is very much on a case-by-case basis.

Senator KITCHING: Is it possible to table the policy document from Home Affairs? Or is it also from DFAT?
Ms Noble: My understanding is that the framework is classified.

Senator Reynolds: But that would be a question for Home Affairs, given the policy responsibility lies with them.

Senator KITCHING: The only reason I ask is that it's implemented by the ASD, as the techies, and I just thought you might have a copy of it. I'm happy to put it on notice and go back to Home Affairs. And, obviously, DFAT's here tomorrow; so I can certainly ask them. But you think it's classified, anyway?

Ms Noble: Yes, I'm pretty confident it is and I think it would be better to ask Home Affairs or DFAT.

Senator KITCHING: There was certainly attribution in a Reuters report that it was a state actor in the breach in Parliament House. Are you investigating how Reuters received that information?

Ms Noble: No.

Lt Gen. Frewen: We are not investigating that, no.

Senator KITCHING: Is anyone investigating that?

Lt Gen. Frewen: I'm not aware, Senator.

Senator KITCHING: Who would be responsible for investigating that?

Ms Noble: Normally leaks are referred on the basis that there's clear evidence that there's a classified document, for example, that's entered the public domain. In the Reuters article that you're referring to, I think the quote that I recall was quite general: 'I have heard from five senior officials that this is attributed to a certain state actor.' So, I think it would be very hard for us, or any one department, to refer that in the normal course of things, because there's insufficient information in that article to refer.

Senator KITCHING: It did attribute to China.

Ms Noble: If I recall the article correctly, the journalist claiming to have spoken to five officials didn't, for example, state very clearly that, 'I have access to a classified document from the department of X.' Even if a department were able to refer it, I can't imagine what the law enforcement would investigate on the basis of his claims in that article.

Senator KITCHING: But it wouldn't be government policy to speak to a journalist?

Ms Noble: No.

Senator KITCHING: Is that a risk?

Ms Noble: I think, speaking generally, that's always a risk, and I think, of course, it does happen from time to time.

Senator KITCHING: What are the instances in which you would attribute? Is there a threshold where you think, at 95 per cent, that's pretty certain, or—

Ms Noble: From a technical point of view, our input to that process is as I described earlier. Then it would be a matter for others to weigh up, as I said, other issues like economic interests, engagement, international relations and diplomacy. We, from a technical point of view, would want to have a very high level of confidence.

Senator KITCHING: Is 'very high' able to be given a percentage?
Ms Noble: More than 90 per cent; that's what I would characterise as very high. And we can, from time to time, have that level of confidence.

Senator KITCHING: Has there been an instance where you have attributed officially rather than a journalist being able to say they have spoken with five officials? I'm just trying to think over the last, let's say, calendar year. I'm thinking of the breach in December. Was there any official attribution?

Ms Noble: There has been a number of official attributions to a number of countries. I'm just looking at my notes here. I think the last time was in December 2018, which was an attribution that the Australian government joined in with other international partners. That's the most recent public attribution.

Senator KITCHING: Can I go to some specific instances around where ministers, or certainly parliamentarians, have claimed their social media accounts were hacked. In November 2017, Christopher Pyne, the then Minister for Defence Industries, claimed that his Twitter account had been hacked. My understanding is that he didn't make a public disclosure that he'd gone to the AFP, for example. I don't know whether he did or not, but he didn't say that he was going to. Does the ASD regard the hacking of a senior minister in a defence portfolio as a serious matter?

Ms Noble: Yes, we would, of course. And, unfortunately, from a technical point of view, it's probably surprisingly easy for bad actors or people with malicious intent to do exactly those sorts of things. In fact, in the first three months that we, in the ACSC, have run the ReportCyber portal, which allows all Australians to report incidents of criminality in cyberspace, we've received 13,650 reports in those first three months alone.

Senator KITCHING: Sorry, what was that figure?

Ms Noble: There were 13,650 reports in the first three months since its operation from 1 July. So this is sadly a common occurrence for everyday Australians, let alone people who are of high profile who do and will tend to be targeted more than others.

Senator KITCHING: There are a number of examples of this: there was Mr Pyne, there was Mr Hunt, Ambassador Hockey when he was Treasurer and Prime Minister Morrison claimed his Twitter account had been accessed in April 2016. What is the process? Should one go to the AFP to make a complaint?

Ms Noble: People can do that. They can also make a complaint directly to the police in their jurisdiction, or they can go to ReportCyber, which is an online portal, and make a report to us. We will refer that to the police jurisdiction for law enforcement to look at.

Senator KITCHING: Okay, so I'll leave that there. But could I go back to the attribution. In relation to the breaches of parliamentary security and the recent ANU breach, did you arrive at 90 per cent plus certainty?

Ms Noble: Yes.

Senator KITCHING: So that would mean you'd feel quite comfortable in attributing?

Ms Noble: That's not a decision for us. But, from a technical point of view, we have a very high level of confidence that we know which state actor was responsible for both of those incidents.
Senator KITCHING: So in those instances did you, as the techies, refer to DFAT or to Home Affairs?

Ms Noble: Yes. Those were decisions taken by the government on advice from all of us together—us, from a technical point of view, and then policy advice from Home Affairs and the Department of Foreign Affairs and Trade.

Senator KITCHING: So you advised both Home Affairs and DFAT?

Ms Noble: Yes.

Senator KITCHING: What did they do at that point?

Ms Noble: They provided advice to their ministers, as we would, and then it's a matter for ministers to consult about their view. A decision is subsequently taken by either the relevant minister or, indeed, the Prime Minister.

Senator KITCHING: Maybe I should address this to Minister Reynolds. Minister, are you aware whether that was a decision for the ministers or for Prime Minister in that case?

Senator Reynolds: What I can say, as I said before, is that public attribution is only one tool that the Australian government has to respond to these incidents. In this case, we publicly attribute when it's in our national interest to do so.

Senator KITCHING: And would you say that in both of those? There were two examples there; there was the ANU breach and the parliamentary breach.

Senator Reynolds: All I'm saying is that advice is received—

Senator KITCHING: The test applies to both?

Senator Reynolds: as Ms Noble has said, and then the government make the decision about public attribution in the national interest.

Senator KITCHING: Sorry, just say that last bit again.

Senator REYNOLDS: The government makes a decision about public attribution and whether it is in our nation's interests or not.

CHAIR: It's better sometimes not to let them know that we know.

Senator KITCHING: Wasn't it Sun Tzu—

Senator Reynolds: We've got more than one tool in our toolkit in terms of responses in the national interest.

Senator KITCHING: Sun Tzu said, 'All warfare is based on deception.' I won't take too much time, because we've got Defence Housing before the dinner break, but could I ask about Slack. The Australian Cyber Security Strategy from April 2016 promised to 'establish a layered approach to cyberthreat information sharing' through 'a co-designed online information sharing portal'. The 2020 Cyber Security Strategy paper A call for views reported: An interim public-private communications platform has been established while a long term solution is created. Is that right?

Ms Noble: Yes.

Senator KITCHING: Okay, good. Is the 'interim public-private communications' channel Slack? Are you using Slack?
Ms Noble: That's one of our channels. We have quite a number as we work towards a much richer and higher quality ability to share information, particularly with the private sector but also, importantly, with our state and territory governments. We have our cyber.gov.au website, where we make public advisories and threat information. We also have a partner portal. We have Slack, the one you mentioned, which is a cloud based proprietary instant messaging platform. We have an automated threat intelligence sharing capability. We also use email and other dissemination channels. The information-sharing portal that you mentioned is one of the initiatives that was funded in the Cyber Security Strategy 2016. It's an upgrade to the automated threat intelligence-sharing capability that we have now which will allow us to load more data into it. With the threat intelligence-sharing we have now, for example, we can only put in a certain amount of data and we can only put it in Excel spreadsheets, and we often have to share that detailed threat data separately via email. The portal will give us a significant upgrade to that so that the portal itself can have a much richer data set that is being provided automatically. That project is well under way and it will be complete by 30 June next year, which is within the four-year time frame of the forward estimates that the 2016 strategy gave us funding for.

Senator KITCHING: What's the cost over the forward estimates?
Ms Noble: We were given $2.98 million for that upgrade.

Senator KITCHING: Slack isn't encrypted. Are you using that for particular types of communication and using other methods or platforms or apps for other types?
Ms Noble: Yes. We have a number of channels through which we can provide people information, and Slack is one of those.

Senator KITCHING: What would you use Slack for? Are you using that internally on a secure system, if that makes sense?
Ms Noble: I'll have to check whether it's actually encrypted. What we put in Slack are what we call, in technical language, indicators of compromise. For example, if you're looking at source code for this application and you find in that source code the following string, then that string would indicate to you that there is a virus or malicious software operating on your computer. That little string that they might search for is something we would call an indicator of compromise, and that's what we use Slack for.

Senator KITCHING: The upgrade is over the forward estimates, so you'll be finished that in—

Senator KITCHING: You've had four years to do it. Is that because you've been availing yourselves of new technology? Why has it taken the four years?
Ms Noble: We've been prioritising our work. We've got a lot of channels through which we can already provide this threat intelligence-sharing information. So it's really been a matter of working through the projects we had on our list. This is going to be one of the last to land because we do have some capability at the moment. In the meantime, we've also done a lot of other initiatives to try and improve our information-sharing, for example. We literally have put out more than 20,000 reports in that period of time, and there are another 44,000 open service reports, for example. So we have a lot of work on our plate.
Senator KITCHING: I'm just looking up Slack in Wikipedia. It doesn't say that it's encrypted. Certainly if you go to their platform—which I'm not sure I'll be able to download, because this is a DPS machine and I don't think they let us download it, otherwise there would be many random applications on these computers—I think you just put in your work email and it says to try it for free. Are you able to take it on notice and see if—

Ms Noble: I certainly can get you more details on how it works.

Senator KITCHING: Thank you. Your cyber.gov.au website also says that you can share cyber threats through the news pages. I think those headings are for news, latest advice and latest threat advice. There have been two reports of latest advice since August 2018—is that correct?

Ms Noble: I'm not sure; I'd have to check the website myself.

Senator KITCHING: I might put some questions on notice about that.

Ms Noble: Sure.

Senator KITCHING: I might stop there. I was just going to compare with the UK's National Cyber Security Centre; it has a weekly update—but I'll put this all on notice. The other thing I would ask is: is it possible for those pages to be in real time?

Ms Noble: We try to keep our website as up to date as we can, with the best threat and advisories possible. But also we are trying to work on quality, as opposed to quantity, and so what you might not see, obviously, on our website, is threat advice going out into the public domain. The value of having these intelligence-sharing and information-sharing portals is that we are able to provide that kind of threat information in real time at a higher quality, which we find that the private sector and our state and territory government partners value more because it has that extra level of sensitive information that actually helps them protect their networks more. So we are shifting towards using those platforms to get that quality advice to them quickly.

Senator KITCHING: If the Slack channel is not encrypted, have any of the threats of compromise or the indicators of compromise been shared on that channel?

Ms Noble: Yes, they would have been—they have been.

Senator KITCHING: If it's not encrypted, is that problematic?

Ms Noble: I think my colleague was just describing to me that there is a level of protection by Slack, but I would like to get you the exact detail on notice.

Senator KITCHING: I might ask the minister for a private briefing!

Senator Reynolds: We'll take that on notice, but I'm sure something can be arranged, Senator Kitching.

Senator KITCHING: Lovely! Thank you. Thank you very much for your time. You do such good work. Thank you.

Ms Noble: Thank you.

ACTING CHAIR (Senator Fierravanti-Wells): Does that conclude—

Senator KITCHING: I don't have any more. I'm going to put some questions on notice, but not now.
ACTING CHAIR: That concludes the committee’s examination of the Australian Signals Directorate. I thank the officers for their attendance. The committee will now move to its examination of Defence Housing Australia.

Defence Housing Australia

[18:23]

ACTING CHAIR (Senator Fierravanti-Wells): It looks like Senator Kitching doesn't have a lot of questions, so I propose that we conclude Defence Housing, hopefully, by about 6.30.

Senator KITCHING: That's my hope, too, Chair!

ACTING CHAIR: Good.

Senator Reynolds: We are all in thunderous agreement, Senator Fierravanti-Wells!

ACTING CHAIR: I welcome Mr Paul Groenewegen, Acting Managing Director, and officers of Defence Housing Australia. Do you wish to make an opening statement, sir?

Mr Groenewegen: Thank you, Senator. I do wish to make an opening statement, on behalf of Mr Barry Jackson.

ACTING CHAIR: Okay.

Mr Groenewegen: I would like firstly to correct the title: I am Paul Groenewegen, the Chief Financial Officer of Defence Housing Australia.

ACTING CHAIR: Apologies. My script said something different.

Mr Groenewegen: I would like to make an opening statement on behalf of Mr Barry Jackson. Mr Jackson is unable to be at these proceedings this evening. I understand that that circumstance is covered by previous correspondence to the committee. Mr Jackson's opening statement is as follows.

'Unfortunately, I am unable to appear before today's committee hearing due to a scheduled medical procedure in Melbourne. DHA's Chief Financial Officer, Mr Paul Groenewegen, will lead DHA's senior executive group in my absence. I'm confident that they will be able to respond to any of the committee's questions regarding DHA's operations and assure the committee of our ongoing cooperation.

I'm very proud to have been appointed to the role of managing director of DHA, an organisation with a long history of providing excellent housing solutions to our Defence Force members. I look forward to working with our shareholders and the ministers for Defence, Defence personnel and finance to ensure that tradition continues well into the future.

I also wanted to note a particular highlight of 2019, in very difficult circumstances for DHA. In February the city of Townsville endured catastrophic floods. Not since Cyclone Tracy in 1974 has a natural disaster impacted so many Australian Defence Force personnel and their families. DHA was part of the broader Defence and Australian government response, building on the knowledge and capability from DHA's responses to Cyclone Yasi in North Queensland and the Brisbane floods, both in 2011. DHA staff helped secure safe conditions, established functional communications and found emergency shelter for ADF members and their families. Our Townsville regional office and national contact centres worked round the clock, and we flew in staff from around the country to assist our Townsville
team. Some of whom were also coping with their own personal impacts from the floods. Up to 318 properties were affected and 245 ADF members, most with families, sought housing assistance immediately following the floods. Ultimately, 101 families needed to be housed, 62 families were rehoused into alternative DHA service residences and the remaining families rehoused in non-DHA accommodation using rental assistance. To date, seven Defence members, three with families, have returned to residences that have been remediated following flood damage. The returning of the properties in to DHA's Townsville portfolio is an ongoing process, with a further 33 flood-affected properties to be returned soon. This process will continue throughout 2020.

I am immensely proud of the tireless efforts of our staff in assisting and continuing to assist our Australian Defence Force personnel and their families. DHA would like to acknowledge the assistance provided by Minister Reynolds who was, at the time of the floods, Assistant Minister for Home Affairs and subsequently the Minister for Emergency Management and North Queensland Recovery. Thank you.' I understand that a copy of Mr Jackson's opening statement has been provided to you.

CHAIR: Thank you very much.

Senator Reynolds: On indulgence for half a minute, can I also, as the minister at the time, just again extend my thanks and warmest regards to your staff, because I saw firsthand on the ground that you did a wonderful job. It meant a lot to the Defence personnel and their families who were impacted. Thank you for a job really well done.

Senator KITCHING: I'll second the minister's statement. Are you under any pressure to deliver commercial returns for the government?

Mr Groenewegen: DHA is a government business enterprise. As such, we balance our objectives in meeting our purpose under the act with the GBE obligations.

Senator KITCHING: Is that a yes?

Mr Groenewegen: That's a, 'there is a balance'. The balance is, I think, between providing support for the operational recruitment and retention goals of the Australian Defence Force and also being a self-sustaining organisation as a government business enterprise.

Senator KITCHING: So it's a balance rather than a conflict between your not-for-profit function and the primary purpose of providing suitable and adequate housing for ADF members and their families.

Mr Groenewegen: That's how I see it, yes.

Senator KITCHING: Is there anything in terms of governance or legislative arrangements that DHA would like that would make it easier to achieve its primary purpose of providing housing for ADF members?

Mr Groenewegen: I'm not aware that there are any proposals for legislative change coming from the organisation.

Senator KITCHING: No, I'm asking you. I'm interested in whether there are any, but I'm really asking you: is there anything, in terms of either governance or legislative arrangements, that would make it easier for DHA to achieve its primary purpose of providing housing for ADF members and their families.
Mr Groenewegen: I think within that question is perhaps a question as to whether or not we suffer impediment under the current arrangements, and I'm not aware that there are circumstances in which we do.

Senator KITCHING: I'm not really implying that. Obviously, most of us have wish lists or we can see that there's potential for improvement somewhere. I'm really asking you that, not whether you operate impediment free or with impediment.

Mr Groenewegen: Our focus has been on operating within the current framework and doing so as best we can, meeting our core purpose and our GBE obligations as well. Is there a wish list? I don't think so.

Senator KITCHING: I've made an assumption that you do believe your primary purpose is to provide suitable and adequate housing for ADF members and their families.

Mr Groenewegen: It is specified so. The purpose is specified in the act.

Senator KITCHING: In your own words, how do you prepare the financial accounts of DHA? On what basis do you prepare those accounts?

Mr Groenewegen: In 2006, DHA elected to prepare accounts on a for-profit basis.

Senator KITCHING: Would it not be easier to prepare those accounts on a not-for-profit basis?

Mr Groenewegen: We do that too.

Senator KITCHING: You do both.

Mr Groenewegen: Yes.

Senator KITCHING: You do it on a for-profit basis and a not-for-profit basis.

Mr Groenewegen: That's correct.

Senator KITCHING: So you've got different financial accounting methodologies?

Mr Groenewegen: Correct.

Senator KITCHING: Within that for-profit basis, are you subject to an efficiency dividend as well?

Mr Groenewegen: No.

Senator KITCHING: On the for-profit basis, where do those financial accounts go? Do they go to the minister? Or do both sets go to the minister?

Mr Groenewegen: Our for-profit accounts are published in our annual report each year and our not-for-profit outcomes are consolidated into the Department of Defence accounts.

Senator KITCHING: Is there a bottom line difference?

Mr Groenewegen: There are different accounting treatments for some items. In particular, differences of the past have been in relation to how we value the assets of the organisation. Under for-profit accounting, we carry the value of the assets at cost. Under not-for-profit accounts, we carry the value of the assets at fair value.

Senator KITCHING: I might come back with some QONs on that. The Australia Defence Association and the RSL have proposed legislative changes to improve DHA's position—namely, the Defence Housing Australia Act having primacy over the Public
Governance, Performance and Accountability Act—in the same way as other institutions such as the Australian War Memorial have their own standalone acts. Would this help?

Mr Groenewegen: I don't think we've done any analysis of the proposal. I haven't heard of the proposal.

Senator KITCHING: So you haven't done any analysis. If it was put to you by the people whom you're providing housing, would you countenance it?

Mr Groenewegen: We would—

Senator Reynolds: I suspect this might be a hypothetical.

Senator KITCHING: No. I understand the Australian Defence Association and the RSL have both written to DHA, so I'm a little surprised that—sorry I don't have my—

Mr Jordan: I might be able to help you there, Senator.

Senator KITCHING: My understanding was you had been written to about this. I'm sorry that Mr Groenewegen doesn't know, but over to you, Mr Jordan.

Mr Jordan: I'm broadly aware, from my memory, of those issues raised by those two organisations. I cannot recall the specifics of whether we received the letters or whether they came through another party, but I'm broadly aware of the concepts.

Senator KITCHING: Okay. First, maybe you could take on notice for how long DHA has been aware of this proposal—that is, when did you receive a letter or letters or communication or correspondence?—and whether there was any action taken on the receipt of such correspondence from those organisations or any other organisations. I don't want you to think that it's just limited to those two. If you have received correspondence on that matter, perhaps you can come back to us and let us know whether any action was taken within DHA.

Mr Jordan: I'm happy to do that.

Senator KITCHING: Thank you. Minister, does the government have any plans to privatise DHA?

Senator Reynolds: Not to the best of my knowledge, but, if that's incorrect, I'll let you know.

Senator KITCHING: Lovely. If you're taking that on notice, could you also take on notice any preparations that have been made for the possible sale of the organisation?

Senator Reynolds: As I said, my understanding is not, but, so I don't want to misinform you, if there's anything further to add to that or to clarify, I'll come back.

Senator KITCHING: Going back to the RSL and the Australian Defence Association, I think you'll find that it wasn't just correspondence; there were proposals in a 2016 Senate inquiry into the operations of DHA as well. That may facilitate.

Mr Jordan: That assists, yes.

Senator KITCHING: Those are all the questions I have.

CHAIR: That concludes the committee's examination of Defence Housing Australia. I thank the officers for their attendance. The committee will now suspend for the dinner break.

Proceedings suspended from 18:38 to 19:35
CHAIR: The committee will resume. I welcome Senator the Hon. Linda Reynolds in her capacity as the Minister representing the Minister for Veterans' Affairs. I also welcome, especially, if I might say, the Hon. Dr Brendan Nelson and officers from the Australian War Memorial. I note, Dr Nelson, that this will be, I assume, your last appearance before Senate estimates, at least in this capacity, so I say thank you very much for your dedicated service and the wonderful work that you have done over the years. Now, it's over to you, Senator Ayres.

Senator AYRES: Dr Nelson, I echo Senator Abetz's comments. Congratulations on a very distinguished seven-year term. I took my family to the War Memorial on Sunday, and it reminded me of what a terrific facility it is and the changes that have happened over the course of the last decade or so. So, well done. I understand the government has announced a recruitment process to appoint a replacement director. Is there anything you can tell us about how that process is going, whether it's been advertised at this stage or what the recruitment process is going to look like?

Dr Nelson: Thank you very much, Senator Ayres, and also to the chair, Senator Abetz, for your generous and bipartisan-spirited remarks. It's been an honour to serve. In terms of my successor, that's entirely a matter for the Public Service Commissioner and the Secretary of the Department of Veterans' Affairs, so I'll invite the secretary to answer your question.

Ms Cosson: The position of the director was advertised a few weeks ago. We engaged Mr Ian Hansen to undertake that recruitment process and search. The Public Service Commissioner is the chair of the panel. I'm on the panel, as is the president of the national RSL, Major General Greg Melick, and Kathryn Campbell, Secretary of the Department of Social Services. At this stage we plan to have interviews next week, and hopefully by the end of the year we will be able to provide some advice to the Governor-General. As you would appreciate, the role of director is the Governor-General's appointment, so the panel will be putting forward some recommendations.

Senator AYRES: So, interviews next week and an appointment by the end of 2019?

Ms Cosson: That's correct, yes.

Senator AYRES: What's your departure date, Dr Nelson, if it's not impolite to ask?

Dr Nelson: My contract expires on New Year's Eve, so effectively I suppose it's Christmas Eve.

Senator AYRES: I couldn't help but notice that former Prime Minister Abbott has been appointed as a member of the council. He will bring a wealth of governance experience and a passion for military history. It's a critical time for the memorial with the expansion project rolling out. Can you tell us anything about the selection process used to appoint Mr Abbott? Is that a question for you, Dr Nelson, or for Ms Cosson?

Ms Cosson: That's a question for me, if that's all right?

Senator AYRES: That's perfectly fine.

Ms Cosson: In terms of the process for the selection of a member of the council, we normally get advice from the chair. In this case, we had advice from the chair that Les Carlyon had offered his resignation from the council. He resigned and then he passed away.
Once again, it's an appointment from the Governor-General onto the council. We were invited to put forward some potential names for the council. That's then considered by government, and the Governor-General make the appointment.

Senator AYRES: And Mr Abbott was on the shortlist that you presented?
Ms Cosson: Mr Abbott was on the list, that's correct.

Senator AYRES: So the proposal for Mr Abbott came from the chair—that is where the shortlist originated from?
Ms Cosson: No. The chair advises us that there is a vacancy on the council, and we are invited to put some names forward. That's normally the process—

Senator AYRES: So the department developed the shortlist?
Ms Cosson: That's correct.

Senator AYRES: The decision to appoint Mr Abbott is a function of the minister—or is that a—
Ms Cosson: The Governor-General appoints—in accordance with the act.

Senator AYRES: The Governor-General is the sole decision-maker?
Ms Cosson: Sorry?

Senator AYRES: It's not a recommendation from government to the Governor-General?
CHAIR: He acts on advice, I would have thought.
Ms Cosson: That's correct.

Senator AYRES: Advice from whom?
CHAIR: The Executive Council.
Ms Cosson: We pull together a shortlist, a list of names that the minister can consider. The minister then puts them forward to advise the Governor-General.

Senator AYRES: Presumably, the minister has a recommendation—you wouldn't provide the whole shortlist.
CHAIR: One assumes it goes to cabinet, not to the Prime Minister.

Senator Reynolds: It is a standard process. The minister would make a recommendation to the Prime Minister to be discussed at cabinet and then put forward to the Governor-General for consideration.

Senator AYRES: So it's a cabinet decision to recommend that to the Governor-General?
Senator Reynolds: That's the standard process, yes.

Senator AYRES: Is there a set of selection criteria for council members?
Ms Cosson: We looked at the composition of the council, we looked at the skills that the members on the council had and we looked at potentially what gaps there may be on the council. And we did a scan of who may be available to get some balance as well. There is gender balance on the council. We looked at all those factors in pulling together a potential list for consideration.

Senator AYRES: Dr Nelson, now that funding has been agreed can you provide us with an update on the progress of the redevelopment?
Dr Nelson: Firstly, on behalf of the young veterans who will be the primary beneficiaries of this generational expansion in the gallery spaces of the War Memorial, I thank the government and acknowledge the support it has received from the opposition for this project. At this stage, the project is certainly on time and it is on budget. We completed the detailed business case; the government considered that in October last year. A formal announcement of the project was made by the Prime Minister, Scott Morrison, in the Great Hall on 1 November and the opposition was represented by the then shadow minister for veterans' affairs, Amanda Rishworth.

We have since that time appointed a program director, Wayne Hitches, who is sitting here with me. We've built a team of close to 30 people—people who have expertise in project management and probity, an integration architect and an integration engineer. We have selected architects and designers. We have tendered and accepted four architectural packages and nine engineering packages. We have appointed the quantity surveyor.

We have appointed an external project manager to independently oversee the project for its duration. As at 30 September, we had issued $30 million in contracts and expenditures in support of the project. We are currently being considered by the National Capital Authority for the expansion of our underground car park for the so-called primary works and the contractor parking which will be on top of that extended underground car park.

We have a large, very attractive, transportable building, which is currently in front of Poppy's, our cafe-restaurant. It is currently being transferred into a project information gallery. We expect to open that during the third week of November. That will explain to visitors to the memorial the origins of the Australian War Memorial, its development progressively through generations and the various times in which our nation has invested in expanding the memorial. We'll have some very powerful oral histories from young service men and women and their families in it, and we will show on a very large screen, more than five metres wide and two metres high, fly-throughs of the architectural designs that are being proposed for the construction.

We've also commissioned a very large and detailed model of the Australian War Memorial. Next week we will submit our heritage impact assessment for consideration under the Environment Protection and Biodiversity Conservation Act. We would expect that the final consideration of that will be completed around February next year. In the first quarter of next year we will submit it to the Public Works Committee for its consideration and then, immediately following that, to the National Capital Authority on the project itself. So, to reassure the Senate, it's on time and it's on budget. I must say that the team we have built to oversee this is absolutely outstanding.

I should also come back to your conversation with the secretary about the council. The finance, auditing and compliance sub-committee of the council, in a very forensic way, oversees the governance of our public management, our accounting, our auditing, our balance sheets and so on. Given the importance of this project, we've also established an independent committee of the sub-committee of the council to oversee the project itself. For probity reasons, of course, the same council members that serve on the FAC committee should not also serve on this sub-committee. We've brought in two independent experts, who have between them over 60 years of experience in major construction, development, architecture and engineering projects, to serve on that committee. Mr Hitches and some of our internal
staff are also working on that committee. We've also appointed an independent auditor to serve on that committee.

I have suggested to the minister—as I'd suggest to the parliament—that, given the size of the project, it might be prudent to consider a modest increase in the size of the council itself in order to see, at least through this period of redevelopment, that there are enough council members to cover the various responsibilities the council actually has. But that's, of course, a matter for the government itself.

**Senator AYRES:** Thanks for that outline. The decade-long construction timetable really reflects the complexity of the project and the requirement for the minimum amount of disruption to people's capacity to experience the War Memorial. Is that the right way to put it? Is that the rationale?

**Dr Nelson:** It is indeed. We will continue to operate through the process of the redevelopment. In my first year of arriving, realising there were some properties at our Mitchell storage facility precinct the War Memorial did not own, we moved fairly aggressively to acquire those properties. Three years ago we made a decision to spend $16.2 million out of our own reserves to build a new storage facility at Mitchell of 5,200 square metres of exhibition space. This is required because we receive a lot of large things that are being deaccessioned from defence—that generational change—and because, if we were successful, as we were, in acquiring the funds to expand the War Memorial, we would need somewhere to store some of the things that would come off display.

We've also increased the responsibility and risk to the memorial itself—which is one of the reasons that I think a little more options for governance might assist—by basically overseeing six major elements of the project and essentially running them concurrently. That means less risk to the taxpayer—if we back-ended this project into a very large contract, the taxpayers would certainly, to use an expression, be done over—and that we have much more control. We'll get an integrated outcome with an overarching integrated architect and integration engineer. It also means that the public is disrupted for a lesser period of time.

If we are successful with the heritage impact assessment, PWC and NCA, the major works will begin in the last quarter of next year. All of that major construction will be completed in late 2026, the final gallery fit-outs completed in 2027 and political leadership cutting ribbons in 2028.

**Senator AYRES:** Is it fair to ask, Minister, whether the government's actively considering a proposal to make the board larger?

**Senator Reynolds:** I'm sorry, I was temporarily distracted. Could you please repeat the question?

**Senator AYRES:** Dr Nelson said that there was a desire on behalf of the board to make the board a bit larger in order to accommodate the governance requirements of the project. Is that a fair way to put it?

**Senator Reynolds:** My understanding is that there is no immediate plan to do so, but we'll take Dr Nelson's advice on board. But, at this stage, not.

**Senator AYRES:** It's a complicated project. Besides the storage facility, I assume a lot of thought has been put into ensuring that works won't be damaged by the move. Are there any other pieces that can't be moved completely?
Dr Nelson: All of the pieces can and will be moved. It is critically important that the Lancaster Bomber remain available and accessible to the public. It means so much to those men and their families of Bomber Command. That will go out into the new storage facility, where there is now already a Seahawk helicopter, a P-3 Orion, an F-111, a Caribou and CH-47 Chinook. That will be open and available to the public from October next year. So, during the period of the redevelopment, those aircraft and others will be available to the public to see, as they see them today. But the miniature submarine, the First World War aircraft, the 95 tank and the Mk IV tank—all of those things—can and will be removed.

I should also add that Aviation Hall, which includes the Fury, the Kittyhawk, the Zero, the Mustang and the Wirraway, and that display in the centre of Anzac Hall, we will remove in around March next year. The reason we are doing that is so that we can have not only an exhibition space but also a place where we can have dinners and functions through the process of the redevelopment which we'd normally have in Anzac Hall.

Senator AYRES: I assume there's been some concern from members of the public about the risks associated with moving some of the displays.

Dr Nelson: That particular concern has been very, very modest. Whatever confidence or otherwise people have in me, they have immense confidence in our professional staff. The men and women who work at the War Memorial regard those artefacts and relics as being even more precious than their own personal effects, and I have absolute confidence in them.

Senator AYRES: So there haven't been critics of the project?

Dr Nelson: There have been critics of the project and there are.

Senator AYRES: What is the basis of that? What do those criticisms look like?

Dr Nelson: It falls into a number of categories. Firstly, most of the criticism is concentrated in Canberra and to some extent in Melbourne and Sydney. In fact, an open letter was signed by 83 individuals who are, largely, intellectuals, academics and retired public servants. It was also signed by two former staff of the Australian War Memorial and some journalists. Their criticism is that the amount of money is far too excessive to spend on the Australian War Memorial. There's some implied criticism of me in this particular open letter and a legacy they think I have. There's a suggestion that, by having large spaces, which we are proposing, and proposing large objects, we are militarising our history and it is in some way a glorification of war.

There is another group of people who look at the sum of money and say, 'Well, that is a lot of money; we should spend it instead on veterans.' They're a smaller group, and they are generally reassured when I point out to them that not a cent of the money being spent on the memorial is at the expense of veterans and the Department of Veterans' Affairs budget or the Department of Defence budget. I remind them that, over the last 20 years, this country's created 100,000 veterans; we spent $22 billion deploying them to war, peace-keeping, humanitarian and disaster relief; we spent $400 billion equipping them; and now we are going to spend under $500 million over less than a decade creating the spaces to tell their stories and display the artefacts and relics that are so important to them and their families. Most people don't appreciate it, but our country, as you know—in this committee, in particular—spends over $60 million every day buying and maintaining equipment. Most of those people are reassured when it's put into that context.
Generally speaking, I am reasonably well known in public life. I travel extensively throughout the country. I speak to a lot of audiences. I have not had a single person stop me anywhere in Australia, including in Canberra, and express anything but support for what we are doing. I am not suggesting that doesn't mean there are not critics but, generally speaking, the people who are critical of the project are critical of the War Memorial itself. Of those 83 people who signed that open letter, there are only three in my seven years who I have actually seen at the War Memorial. One was Professor Gillian Triggs, who came to talk me about the politics of asylum seekers. One was Professor Peter Stanley, who is a former head of history at the Australian War Memorial and has a rather negative view of things, shall I say. The other is Professor Joan Beaumont, who is a wonderful woman, an academic at ANU who has written extensively on the First World War. But none of those, including Professor Beaumont, have done any work on any of these young men and women over the last 30 or 40 years for whom this is intended.

Senator AYRES: Maybe I should ask other heads of government departments as they come in what criticism there is and get them to outline it. That was a pretty good outline, I have to say, of the alternative arguments. There is a parcel of land behind Treloar Crescent. I understand there was going to be some negotiations with the ACT government. Has that process commenced? Are there any difficulties with that?

Dr Nelson: In the detailed business case, our proposal was to build contractor facilities and parking across the road from Treloar Crescent behind Anzac Hall using a parcel of land approximating that of the width of the current Anzac Hall and we would go back about 75 metres. In fact, the last time I appeared at Senate estimates, I said that was what our plan was, which it was. About a week later, I was then informed by our then project director that we had encountered a couple of problems. The ACT government was and is very supportive of the project itself.

The first problem was that there are two residual trees there, which our European forebears manage not to chop down when they arrived, and, of course, they needed to be protected. The second was that the gas lines, the NBN, the telcos, water, sewerage and so on are about 20 metres back from the verge of the road, which meant we would need to go another 20 metres back. One of the first things I said to Mr Hitches when he started in early April this year was, 'We need to have another look at this and see if we can find somewhere.' The option we have now come up with is to extend our existing underground car park. That will give us 123 additional permanent parks, which will add to the 180 already underneath there. It will give us a 115-contractor parking facility on top of it through the period of the project. That will cost us $10.4 million instead of the $4.5 million that we had budgeted originally. So what we have made a decision to do is take $6 million out of our asset reserves as a better investment in long-term additional underground parking at the memorial, not in any way disturb the environmental or neighbourhood amenity to those living in Campbell as we go through the project. We will reinforce the infrastructure of that underground car park so if in 40 or 50 years from now they want to build a building on top of that, they could, for example. Importantly, the new southern entrance, underground entrance and exhibition hall at the front means now we will have 300 people who can park underground. Those in wheelchairs, with walking frames and those who are having difficulty will be able to walk all the way underground from the car park through the new underground entrance and exhibition hall. So
even though it is more money, it is a much better solution. Mr Hitches got his gold star from me in his first week.

**Senator AYRES:** That's pretty good. As you said, one of the aims of the project is to reflect some of the more recent conflicts. Is there anything additional to what you've already said that you wanted to say?

**Dr Nelson:** There is. This is a point worth reinforcing. People and the critics to whom I referred earlier say: how do Nelson and Stokes convince the government and the opposition to give them all this money to expand the War Memorial? The reason we do has nothing to do with us; it is all about these young men and women. In my very first week, when I asked when would we have an exhibition on Afghanistan, I was told it would be at least 10 years, we had no money, and the culture was to wait till the war was over and everybody had come home. I said to the senior management at the time, 'We have got to do it now. We have 35,000 young Australians coming back to a country that has got no idea. They can't explain it to their families let alone to Australia. We have to do it. If we had told the story of the Vietnam War broadly, deeply and with a degree of pride sooner, some of those men might not have suffered quite as much as they have.'

I had a major battle with volunteers internally to clear a space. They wrote to the minister and to the papers complaining. One of them said, 'I have never had anybody ask about Afghanistan.' We opened eight months later. On the night of that opening, Mrs Pam Palmer, standing with me in front of the cowling from the Blackhawk in Kandahar that crashed, killing three of our commandos—that cowling had been used as a stretcher to bring out her dead son—buried her face in my shoulder, cried uncontrollably and said, 'Thank you for making my son's life mean something and his memory live.'

Then 18 months later, we used an access corridor, so the rest of the Afghanistan exhibition is actually in an access corridor. As I said to the Prime Minister, Sapper Darren Smith and his explosive detection dog, Herbie, and Sapper Jacob Moerland are sitting there behind the wire having a cigarette, relaxing just before they went back out. A short time later, all three were dead. And Jacob Moerland's mine detector in that image is right opposite the door to the parenting toilet. As young veterans signed the Afghanistan wall in that corridor only five weeks ago, our staff were walking past them, in and out, trying to get to the back of the building. There was a young man maybe in his mid-20s on one knee, his head bowed, crying, with his hand resting on one of the signatures that is on that wall. I waited until he finished and got up and I went and spoke to him. He was in his mid-20s from 6RAR Townsville, touching the name of a mate who had signed that wall and who is now dead—suicide. We had 43 car funeral shrouds on a shelf in an extra corridor on the way to the shop.

In the peacekeeping story of this country, we have had 40,000 Australian contribute to peacekeeping over 64 missions. The floor space dedicated to that is about half the size of the Prime Minister's office, less than a standard 7-Eleven. What those young Australians endured in Rwanda and Somalia was worse than most of the wars to which we have sent these young people. So there will be a major expansion of the peacekeeping story. For the very first time an exhibition like the one we opened last week, the temporary one—courage for peace—will actually tell the story of what Australia does to stop war in the first place, to then create and maintain peace. Then there is the diplomatic story—those key moments of political leadership

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FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
and diplomatic leadership in Afghanistan, Iraq, northern Iraq, Syria, East Timor, Solomon Islands.

We are also building a national archive of every cenotaph and memorial in the country. We now have over 7,000 places of pride. It will be projected on a huge screen in the new underground exhibition hall. It will scroll across. People will be able to put their own community, their own suburb, in and see their cenotaph or memorial come up.

For the very first time, there will be a space for quiet reflection. We have immense emotional breakdown at the memorial. I am patron of Lifeline, amongst nine charities, and within two months of being at the memorial, I realised what was going on. I put all the staff through the accidental counselling program. It is a two-day course that is like a first aid certificate for people having mental breakdown. As I speak to you, there is not a single room in the entire War Memorial you can take somebody to who is feeling extremely physically emotional. As a result of what we are about to do, there will be. Sorry to speak so long.

Senator AYRES: I really appreciate that outline. I find a lot of the exhibitions there quite moving but that photo of those sappers with their dog is one of the most extraordinary things I've seen, really, quite affecting. Thank you, Dr Nelson, for the last seven years of passion and commitment to the War Memorial. We look forward to hearing more reports about the progress of the project.

Senator STEELE-JOHN: Thank you very much for your contribution, Dr Nelson. I have met so many people who have a personal connection to the War Memorial. My great-uncle Gordon flew Wellington bombers in the Second World War, was declared missing in action in June of '44 alongside a Captain Minogue, whose name is written on the War Memorial wall. One of my earliest interactions with Australia was a visit to the War Memorial as a child. It has always been a bit of a personal place for me as it is for so many other people. I must confess a certain amount of ignorance to the funding arrangements around the War Memorial prior to taking on the role of peace and disarmament spokesperson for the Greens. It came as a great surprise to me to find out that the memorial does in fact take donations from corporate weapons manufacturers. In the seven years of your tenure, what is the precise amount of donations that have been taken from people like BAE, Thales, for instance, in donations to the memorial?

Dr Nelson: It varies from between $300,000 to $500,000 a year. The specific total sum, I would have to take on notice. I can tell you certainly that since I first arrived, Boeing has contributed a million dollars in total, Lockheed Martin has contributed $1 million. My primary concern is for those who are not supporting us. When I first asked in my first week of 17 December 2012 the three then assistant directors and managers of the memorial: when will we have in Afghanistan exhibition? After a long pause, I was told there was no space, it would be a least a decade, there is no money and we have to wait till the war is over and everyone has come home. The only reason we had an Afghanistan exhibition open on 13 August 2013 was because Boeing gave us $500,000. That was the only way it happened. On the night of the opening, the then chief of defence, now our Governor-General, General Hurley, spoke very proudly then Prime Minister Rudd, opposition leader Abbott, I spoke and I asked the Boeing representatives to speak. I didn't have a single person criticising the fact that they were supporting it—in fact quite the opposite.
Senator STEELE-JOHN: I noted in your 2018-19 annual report breakdown of donations received from individuals and corporations made to the memorial, the breakdown tells you who donated to the memorial but it doesn't give the exact breakdown of how much. Why was this step taken in the records?

Dr Nelson: There are two reasons. The first is that some individuals and corporations specifically don't want people to know how much they've given.

Senator STEELE-JOHN: I bet they don't.

Dr Nelson: Before you climb into me, we have recently had a family donate $600,000 to the memorial for a particular program of education. This particular family is very keen that they not be named. There are individuals who are of high wealth—none of us here amongst them, I might add—who do not want to be named. Because they are generous, they don't want other people and organisations coming at them. For others, I actually encourage every organisation and individual that does donated to the War Memorial to allow us to name them and how much they give because I want to encourage other people to do the same.

Senator STEELE-JOHN: So it doesn't concern you that the Australian public are currently unable to tell exactly how much corporate weapons manufacturers are contributing to the maintenance of our national War Memorial?

Dr Nelson: Firstly, when it comes to defence contractors, I'm not aware of any defence contractors who specifically do not want the amount of money they donate to the War Memorial nor the purpose to which it is being put published. I stand to be corrected. My assistant director tells me I'm right, which I have asked them to always do. But when it comes to non-defence companies and individuals and philanthropists, it is variable.

Senator STEELE-JOHN: To be clear, Dr Nelson, as I said, I have a personal connection to the War Memorial, as do so many. I personally find the involvement of weapons manufacturers in the memorial—and indeed their contribution to the memorial—to be morally repugnant and a stain upon the institution of the most profound nature. So I would very much appreciate if you could get that information to me on notice and if you could further provide me with the exact period of time under which these donations have been able to be made to the memorial—that is, has this always been the practice or was there a point at which we started allowing manufacturers to make these types of contributions?

Senator LAMBIE: Seriously! I find it really disrespectful. I'm really sorry, but—

Senator VAN: I'm with you, Jacqui.

Senator LAMBIE: I just find it really disrespectful.

Senator VAN: How can you celebrate the memorial—

CHAIR: I think everybody here disagrees with the honourable senator, but he is entitled—

Senator STEELE-JOHN: It is a totally legitimate view to state that—

Senator VAN: Your views are repugnant.

Senator LAMBIE: They ought to look at their own donations.

Senator VAN: Your views are repugnant.
Senator STEELE-JOHN: those who manufacture arms should not be donating to the space in which we commemorate the dead.

Senator VAN: Rubbish!

Senator STEELE-JOHN: That is not a radical nor a repugnant position to take.

Senator VAN: It is absolutely repugnant.

Senator STEELE-JOHN: I must say, as a member of this committee, it is not the role of fellow senators to cross-examine a senator as they ask a series of questions, as you should all well know.

CHAIR: Ask your question, Senator. I gave you the protection that you're entitled to.

Senator STEELE-JOHN: Thank you very much.

CHAIR: Now please ask your question.

Senator STEELE-JOHN: I want to take you to the question of—you can really feel that you step on the third rail when you question the—

CHAIR: Just ask your question.

Senator STEELE-JOHN: orthodoxy in these spaces.

CHAIR: We'll wind up at quarter past eight.

Senator STEELE-JOHN: Mr Stokes has given the Prime Minister, according to a letter sourced through FOI processes, a personal guarantee to the PM in relation to the $500 million amount that the memorial is meant to cost. Can we take it from this that, should the project overrun, Mr Stokes intends to cover the overrun cost? What is the nature of this highly unusual personal guarantee to the PM?

Dr Nelson: I'd firstly say, Senator, that I've met a lot of people in my life—I've dealt with a lot of people, as you have—and I regard Kerry Stokes as one of the greatest Australians. I've seen extraordinary acts of philanthropy by this man that no-one will ever know. When he said what he said to—in fact, to correct you—the Treasurer, what he was putting behind that commitment was over 40 years of development, major building and construction in both the public and private sectors. He's overseen major projects not only at the Australian War Memorial but at the National Gallery of Australia and other places, and what he was saying was, 'In all of my experience and all of my expertise and my commercial acumen, I can guarantee you this is not going to cost more than $50 million.' He was also expressing his confidence in the quantity surveyors and those who'd done all the costings around the project itself. He wasn't in any way suggesting there was something questionable about the basis of the costings, nor indeed was he suggesting that he would personally underwrite anything that went over the projected budget for the project.

If I could come back to your earlier comment, about defence contractors, you would be absolutely right and I would agree with you entirely: it would be repugnant to have defence companies or anybody else associated with or named in the commemorative area, the Roll of Honour or areas like the Sandakan Death March at the Australian War Memorial. But, as you and I both know, the Australian War Memorial is three things: it is a shrine, it is a museum and it is an archive, and what these companies and individual philanthropists do is support us in the museum and our education programs.
Senator STEELE-JOHN: That distinction is a false one, Sir. That is not something which is supported by—

CHAIR: Wait a minute. That's a debating point. Ask your question, Senator.

Senator STEELE-JOHN: many I have spoken with, but I've concluded my questions, Chair, so I'll leave it there.

CHAIR: Thank you very much. In that case, I again thank you, Dr Nelson, for the wonderful job you've done. You've combined 100 per cent passion with 100 per cent professionalism to make the War Memorial really stand out in the psyche of the Australian nation. Again, thank you. And now, to top it all off, the Minister.

Senator Reynolds: Thank you, Chair. Chair, on behalf of myself, all the ministers in the Defence portfolio—current, and those you've served with—and also the Prime Minister and the government, I'd just like to say thank you to Dr Nelson. Thank you is so inadequate in terms of Dr Nelson's contribution. His passion for telling the stories of each and every one of our veterans from over a hundred years of our nation's history is something that I know Charles Bean would have been enormously proud of. He would have been proud of your efforts and the enormous difference you have made to the lives of so many veterans, their families and Australians. Many times, I've heard Dr Nelson taking visitors through, including heads of state, defence ministers and others. I've heard the stories that you tell and I've heard you explain to those who visit that to understand the soul and the psyche of Australians is to come to the War Memorial to really understand who we are, because the history of our Federation is one of conflict and war and the impact on our men and women in uniform. One of the legacies is the enormous support that Dr Nelson and the War Memorial gave to the Centenary of Anzac and to the large range of exhibitions, memorials and documentaries that have been produced, but another is taking the War Memorial out to all Australians and around the country.

One of the most significant and poignant contributions Dr Nelson has made is his commitment to the last post ceremony. As they do in Ypres, every night at last post, there is the telling of the story of one of our men or women who sacrificed their lives, allowing their families and all visitors to the memorial, including visiting heads of state, to come. That is an extraordinary thing you've done for our nation. As Dr Nelson has so eloquently said tonight, the expansion of the War Memorial, which is supported on a bipartisan basis, will tell the stories of our contemporary veterans. As he said, it's somewhere they themselves can go to reflect on their own service, their own sacrifice and their own loss, as can all of the families of contemporary veterans. It will give them a home and I've got to say, Dr Nelson, it will be a lasting legacy to you. Very few people in our nation will have made such a significant contribution to ourselves as Australians and to who we are as a nation. As inadequate as it is, on behalf of us all, Dr Nelson, to you and your team, but particularly to you, I thank you very much. On behalf of everybody to whom the War Memorial means so much, thank you.

CHAIR: Because thank you is inadequate, can I suggest we put our hands together. If the Hansard could record applause, that would be great. Thank you.

Senator AYRES: I should say, Dr Nelson, on behalf of the Labor Party and the leader of the Labor Party in the Senate—who has been here all day and will be here shortly but couldn't be here now—that we very much echo the minister's comments. Your service to the War
Memorial and your other post-parliamentary service has been exemplary, and we would echo everything that Minister Reynolds has said. Thank you.

Dr Nelson: Thank you very much, Senator Ayres. If I could also say, you know my background, but I have worked very hard to ensure that at no moment has there been any sense of party politics at the memorial, certainly no race or religion, to treat everybody equally. I have enjoyed magnificent support from Prime Ministers Gillard, Rudd, Abbott, Turnbull and now Morrison; the Veterans Affairs ministers and the shadow ministers have been magnificent; Rear Admiral Ken Doolan, my first chair, the finest and most ethical man of integrity I've ever worked with; Mr Stokes, I've spoken about in passing; the staff who've worked so damned hard to make me look better than I deserve to be, particularly the three assistant directors; and the secretaries, Ian Campbell, Simon and now Liz, with whom I've worked with great support. In the end, it's the veterans and their families. Everything we do, as you do—and Senator Lambie, I know—is for them. It's all for them.

CHAIR: Thank you. That concludes the committee's examination of the Australian War Memorial, and I officially thank the officers from the memorial for their attendance.

Department of Veterans' Affairs

[20:20]

CHAIR: The committee will now move to its examination of the Department of Veterans' Affairs. Welcome, Liz Cosson, secretary, and officers of the Department of Veterans' Affairs. Ms Cosson, do you wish to make an opening statement?

Ms Cosson: I do. Thank you, Chair.

CHAIR: Do you have copies of it for the committee?

Ms Cosson: Yes, we do.

CHAIR: Thank you. If they can be circulated, thanks. Can I ask: the statement won't be too long?

Ms Cosson: No. It shouldn't be too long.

CHAIR: Thank you.

Ms Cosson: I'll speak as quickly as I can. As the committee is aware, the department has now entered the third year of our transformation program known as the Veteran Centric Reform. I am pleased to update the committee that we have now over 100,000 veterans who have registered using our new online channel MyService. This new channel has seen over 66,000 claims lodged as it is allowing veterans and their families to lodge claims faster and more easily.

We are also seeing quicker decisions with over 80 per cent claim acceptance rates for our MRCA initial liability. As a result, we are seeing unprecedented growth in the volume of claims of around 83 per cent against the three acts. This is having an impact on how quickly we can process claims, and it is causing a backlog, a backlog we are committed to remedying.

We are making great strides in modernising our telephone system. It is making it quicker and more direct for veterans and their families to get the assistance they need. We have digitised over 327,000 veteran files and, for the first time in the organisation's history since 2016, we now know every veteran who is leaving the Australian Defence Force and our
relationship with Defence has never been stronger with our ability to leverage data from Defence as all current serving members leave the Australian Defence Force.

I also recognise the passing of the Australian veterans' recognition bill, which includes the covenant, as this is important to encourage all Australians to recognise and acknowledge the unique nature of military service and to support veterans and their families.

It is important to recognise that the vast majority of Australian Defence Force personnel transition well from their service. They find employment or purpose and integrate into communities. They go on to lead healthy and productive lives, enriched and enabled by their military service. They further enrich and enable this nation and its economy as veterans in so many ways.

However, there are some veterans and families who need some additional support, and this is where we continue to place our priority of effort. Some find the transition into civilian life challenging. Others may need additional support throughout their post military life. We will continue to prioritise our efforts to deliver this support to them and their families.

I am pleased to see improvements in our client satisfaction results. Since our transformation program commenced, overall client satisfaction continues to rise. The MyService access satisfaction rate is four out of five stars, and the annual satisfaction rate of veterans under 45 years of age has notably increased.

As mentioned by the minister—oh, the minister hasn't said anything!—we are aware that the department has acknowledged the Productivity Commission report and its findings regarding the veteran support system. I acknowledge there is more to be done for veterans and their families.

I would like to acknowledge all the staff in DVA. I am proud of their commitment and know that they work exceptionally hard to build on achievements and to deliver supports and services to strengthen the trust and confidence of our veteran community. I thank you for the opportunity to address the committee and am happy to take questions.

CHAIR: Minister, I assume you don't have an opening statement?

Senator Reynolds: I don't, but I might just pick up on Ms Cosson's comments. I have just a couple of quick points. I would reinforce, again, this government's commitment to ensuring that veterans and their families are given the supports that they need and deserve. The Productivity Commission report was obviously a very important report, which the department and also the government are reviewing carefully. It does create some good opportunities for further reforms in the department.

What I did want to say in relation to Ms Cosson's comments about her staff is that the department has gone through significant reform now for a number of years. Large reform like that is never easy on staff. I just want to acknowledge the progress, on behalf of Minister Chester and myself, to the staff for the work that they have done to get to this point. While there is still a lot of work, I know that everybody in that department goes to work every day actually wanting to do the right thing by our veterans. And while we still have some work to do on processes and more reform, I just want to thank them and acknowledge the work that they do.

Senator FAWCETT: Secretary, thank you for your great advocacy and support for assistance dogs. That's brought the program forward faster than many of us had feared that it
would occur, so thank you. You may be aware that the Royal Society for the Blind in South Australia were strong advocates for this and have a good track record in this area. They were one of the groups who were pushing for this to occur originally. To say that there is bitter disappointment that they were not included on the panel with that first limited tender would be an understatement. Could you just explain to the committee if, for groups such as them, there will be further opportunities, and how soon, so that veterans in South Australia can benefit from this initiative?

Ms Cosson: I would also acknowledge the committee, which did actually advocate for the assistance dogs for our veterans' community. As you'd appreciate, Senator, we do have a trial underway to gather that research and evidence to support the assistance dogs for our veterans—particularly those who are suffering from mental health conditions and PTSD. We do see that there is great support for those veterans with a program such as the assistance dogs.

We were very clear when we went out for the limited tender to have a look at what governance and arrangements we wanted to put in place. As you would appreciate, we announced two successful tenders—and Mr Cormack will just outline what the next steps are. I did have the opportunity to speak to the CEO of the Royal Society for the Blind as well about what we were doing. I'll hand over to Mr Cormack.

Mr Cormack: We are pretty much at the launch stage of an open tender. That will be to encourage all providers of assistance dog services to put in a bid to participate in a broader panel arrangement, of course subject to the requirements being met. If those requirements are met through the tender process then we envisage that there would be a significant increase in the number of providers.

Senator FAWCETT: You said you were almost there; are we talking weeks, months?

Mr Cormack: Yes, weeks.

Senator FAWCETT: Weeks. And how long do you anticipate that tender will be open for, and then how long until the announcements are made?

Mr Cormack: We've envisaged that the tender would be open for a minimum of four weeks and then there would be an evaluation period, probably in the order of about five or six weeks. At the conclusion of that, we would identify a number of bidders—tenderers—who've met those requirements, and then we would enter into a process of contract negotiation with them. So I think, realistically, that will take us into early 2020 to have a broader range of providers than the two that we've currently got.

Senator FAWCETT: Will you be contacting known providers, or will this be advertised?

Mr Cormack: It will be an open tender. It will go up on AusTender, and it will certainly be available to all organisations.

Senator FAWCETT: I understand that's a requirement for procurement. But, in terms of alerting and advising existing providers, will they be contacted?

Mr Cormack: It'll be announced through the standard government procurement process, which is a release on the AusTender site.

Senator FAWCETT: Ex-service organisations who have members who would like to have assistance dogs provided as part of this program then perhaps need to be contacting their
local providers to make sure they are looking out for that. Not every provider will be scanning the government sites daily. You're not going to advertise in papers or do any other advertising?

Mr Cormack: As I said, the standard process we go through for all of our tenders is to go through the AusTender site. That's the way that we advertise those. We've got networks, of course, across the department. We've got a very active ex-service organisation network that provides advice to the secretary and to the minister, and we always make sure that they're well informed about activities such as this. But the formal process is governed by the government procurement arrangements and the AusTender arrangements.

Senator FAWCETT: Sure. I accept that.

CHAIR: Senator Lambie?

Senator LAMBIE: I'll quickly go on with the dogs, while we're on that. I believe these questions come out of outcome 2 for DVA.

CHAIR: We are covering all of DVA.

Senator LAMBIE: Yes. I just thought, since we're on dogs, I'll go straight to my dog questions. Does the committee have the appropriate departmental officials in attendance to deal with these matters?

CHAIR: I reckon they do, so ask your questions.

Ms Cosson: We should have. We have all our officials here.

Senator LAMBIE: The Department of Veterans' Affairs has announced several different funding figures over the past 18 months for an assistance dog research program with La Trobe University and the Centre for Service and Therapy Dogs. These published figures included indicative spends by the department of $2.4 million, $2.2 million and $2 million over the period of 2018-19 to 2021-22. Could you please advise what the actual figure for this research project with CSTDA and La Trobe is?

Mr Cormack: I'll get a colleague to give us the precise answer to that.

Ms Nowland: On the figures that we have, it's approximately $2 million for La Trobe to undertake the research and then approximately $350,000 for Evolution Research's evaluation of the program.

Senator LAMBIE: And how much has been spent on the scheme so far?

Mr Cormack: We'll see if we can get you an answer on that tonight, but the project's been underway for about 12 months, and the money's not all expended, but we'll give you an indication as to where we're up to with that before the hearing concludes.

Senator LAMBIE: How many veterans have received a dog under the scheme so far?

Ms Nowland: We have 12 veterans who've participated in the program so far, and we have space for up to 20.

Senator LAMBIE: How many veterans do you believe will receive dogs under this program?

Ms Nowland: Under the trial, there'll be a maximum of 20, and that's for the purpose of the research program that La Trobe University is undertaking.
Senator LAMBIE: So we're paying $100,000 per veteran assistance. That seems like an extraordinary amount of money when we've done studies in the past with dogs and what they affect. Why are we going back over old ground?

Mr Cormack: It's very important that—while there is certainly some good evidence about the effectiveness of this, we're keen to make sure that the effectiveness of assistance dogs for veterans with PTSD is based on the best possible research. The purpose of this trial is to establish not only the efficacy of assistance dogs for veterans with PTSD but the various circumstances—the way of training the dogs, the way of pairing the dogs with the veteran that works the best and gets the selection process right. So it's really about making sure that it's done to the highest possible standard, based on the latest available evidence.

Senator LAMBIE: Okay. I have some questions in reference to the TPI benefits now. When is the government planning to release the KPMG report on TPI benefits?

Ms Cosson: I can take that one. The KPMG report was actually commissioned by the department. We have the final report from KPMG, but I haven't actually released it at this stage. I was waiting—as you may remember, the Prime Minister appointed David Tune to do an independent review into the TPI pension, so I held the release of the KPMG report; I just didn't want to interfere with that process. I'm happy to release the KPMG report once I know the outcome of David Tune's report.

CHAIR: Can I follow up? I understand Mr Tune's report has been delivered to government. Is that correct?

Ms Cosson: It has been delivered to government, yes.

CHAIR: I think that was in August some time; would that be right?

Ms Cosson: I think the report was due 31 August; I think that might be the date.

Senator Reynolds: I understand it was the end of August, and government are still considering the report.

CHAIR: And do we have a general time line? I don't expect a specific date.

Senator Reynolds: That is the information that I have to hand and I'll take that on notice and see if I can get the answer back tonight. If not, I'll take it on notice.

CHAIR: Good, thanks a lot. Senator Lambie.

Senator LAMBIE: With or without the government's support, is there any reason why you're dragging your feet on this, and what have you got to hide? I think that's a fair question.

Ms Cosson: When we commissioned the KPMG report—I had been engaging with the TPI Federation before releasing it, but I have now received advice from the president of the federation to say that they actually don't want to offer any further comment, so if we want to release it we can. Unfortunately, the report didn't deliver what the federation wanted, so it's ready to go.

Senator LAMBIE: I doubt if it's what anybody would want. Anyway, is it any different to the review on the TPI benefits conducted by David Tune? Is it similar? Can you at least tell us that much? Are they matching up or—

Ms Cosson: I can tell you what was in the KPMG report and what it found, if that is helpful? Certainly the KPMG report—
Senator LAMBIE: That's okay; I have a copy.

CHAIR: I suppose the question is: is there any overlap, without giving the game away completely as to what's in the Tune report? Are there certain similarities, at least in some areas?

Senator Reynolds: As the government's still considering the Tune report, I'll see if I can get further information about that. But I think it would be inappropriate to comment further until I can report back.

CHAIR: All right.

Senator LAMBIE: The TPI SRDP compensation payments are supposed to compensate veterans who cannot work as a result of a total and permanent disability as a result of their service, yet estimates from the TPI Federation of Australia suggest that the economic loss component of TPI benefits is worth nearly $10,000 less than the minimum wage. The compensation for veterans who are totally and permanently incapacitated is worth less than 50 per cent of male average weekly earnings. Does the DVA agree that there is a shortfall in the economic loss component of the TPI benefit?

Ms Cosson: The purpose of the KPMG report and also David Tune's report was to look into the case that had been put forward by the TPI Federation.

Senator LAMBIE: I suppose that you have seen that. Do you have anything that you'd like to say about that?

Ms Cosson: I can speak to the KPMG report. The KPMG report said that they did not have a case. Certainly the KPMG report, as you would know—you have a copy—said that there were some opportunities to look at some of the TPI veterans who were in greater need and that we could look at potential opportunities to give them some relief.

Senator LAMBIE: So you haven't actually seen a copy of the Tune report?

Ms Cosson: I have seen it, but it's not my place to comment on it. As the minister said, it is under consideration by government at the moment.

Senator LAMBIE: Have you as the secretary given advice in relation to the Productivity Commission report, the Tune review and the KPMG review to the minister on the TPI Federation's claim for the rightful restoration of the amount of compensation paid to TPI SRDP veterans?

Ms Cosson: If I can take the KPMG report, I have provided a copy of that to the minister. We're prepared to release that. David Tune's report went to the Prime Minister. That was commissioned by the Prime Minister.

CHAIR: No. The specific question was: in relation to each of those reports, have you proffered any advice? It's not for Senator Lambie or this committee to find out what the advice was, but has advice been proffered?

Ms Cosson: With the KPMG report, it was more a case of providing the report to the minister, and giving him the highlights of the report and what KPMG potentially recommended. In relation to the David Tune report, I can't recall, to be honest, if we provided a copy. I wouldn't have provided advice on David Tune's report, because it was an independent report commissioned by the Prime Minister through Prime Minister and Cabinet.
Senator Reynolds: Again I can confirm that the government is considering both reports at the moment.

Senator LAMBIE: I want to ask about the delays in processing compensation claims. How long does it take on average for a veteran to have their compensation claim assessed at this point in time? You said that there's a backlog. I have had letters sent to me with your signature on them, Secretary. Obviously you're saying to people that you have a backlog. What's your backlog here in dealing with these claims?

Ms Cosson: It depends on which part of the claim and which claim. If we're looking at initial liability under MRCA, that certainly is very quick. As you would appreciate, under Veteran Centric Reform we identified the top 40 conditions. We were able to streamline the decision-making in relation to those initial liability claims. So they're going through relatively quickly.

What we have seen, as I mentioned in my opening statement, is unprecedented growth in the demand and the claims that are being put forward—about 83 per cent. We are seeing a backlog in the permanent impairment claims. We are making a real effort. We are looking to see where we can redistribute our workforce. We are also prioritising claims. We are trying to understand where we have got veterans who are at risk and have greater need to make sure that we're getting to them early. We are bringing on additional workers to actually deal with those claims and get them through as quickly as possible. I'm happy if Ms Cole wants to talk about the claims generally and what she's doing. The annual report as well has where we have met the targets and where we haven't been able to meet targets.

Senator LAMBIE: That's okay. Has the department thought about getting rid of all the low-hanging fruit that is sitting there and giving the staff a little bit more room to concentrate on those who have worse injuries? Wouldn't that be a much quicker way of doing things? There would be quite a lot of low-hanging fruit. They could check it off.

Ms Cosson: We are looking at veterans who have mental health conditions, who are experiencing financial difficulties or who have been subject to abuse. We're looking at those who are high risk. That's certainly where the staff are focusing their efforts. That is the priority that they are applying to the claims that are waiting to be progressed.

Senator LAMBIE: I note the department has put out a tender for a private contractor to improve—well I think you guys could say 'improve'—these processes. What are you hoping the private contractor that you're going to send our medical documents out to for assessment, like a medico-legal, without seeing us will do? What are you hoping they will do to actually fix this mess?

Ms Cosson: That's part of the issue. The Senate's inquiry into veteran suicide, The constant battle, recommended that we look at our medico-legal arrangements, as did the Australian National Audit Office. They recommended we look at medico-legal. Similarly, the Collie report identified there was some evidence that claims processing could aggravate a mental health condition. All three of those reports said, 'Have a look at your medico-legal arrangements, strengthen them and try to have better performance metrics around them,' because there were delays in some cases.

I know Ms Cole has made an effort with her delegate training that anybody lodging a claim in accordance with our legislation needs to have evidence that they've got that condition, that
injury, and that it is related to service. The first step is to look at defence records; the second is, if they don't have their defence records, to use their treating clinician to provide a report to us; if they don't have a treating clinician or their treating clinician isn't wanting to put forward a report, then that's when we go to medico-legal. To go to medico-legal, we actually have to have the veterans' consent to do that; we don't just send medical records to a third party. At this stage we haven't gone out to the market yet; we've gone out to seek interest before going to the market.

Senator LAMBIE: How is this going to improve the situation when a veteran has a report from their GP and from probably two or three specialists who are treating them and it says the same thing? What difference is this going to make when you send them to a medico-legal, who currently sees them for 15 or 20 minutes and downgrades them anyway and who, in the future, will not be seeing them at all? Tell me how you expect this is to work exactly?

Ms Cosson: We'd use their treating doctor's reports. That's the first thing we would do. We would have a look at the report to ensure that it covers what we need to progress that claim. It's only if that report and/or their treating doctor aren't able to give us the information we need, that's when we'd go to a medico-legal. The first step is to use the treating doctor.

Mr Cormack: Senator, by going out, as we are, initially for expressions of interest and then making an approach to the market, once we get those providers on board they will actually speed up the processing time. So if the concern that you have is that there are delays, then refreshing that panel, making sure that we've got the best available medical advice, will speed processing up.

Senator LAMBIE: My problem isn't the delay; that is secondary. My problem is the results that will come out of this. What sorts of KPIs are up for this contract? Will they receive kickbacks for the number of claims they reject? What sorts of wages are they getting paid here? I imagine this is very questionable.

Mr Cormack: Senator, this will be going through formal government procurement processes, and I can assure you there will be no kickbacks paid along the lines of what you've suggested. We'll be seeking the best quality and availability of medical advice and the best value for money, and they'll be acting in accordance with the legislation, which is beneficial. That's what we'll be seeking to do: the best quality advice, the shortest possible time, the least delays to the veteran and there will not be any adverse KPIs incorporated into any contract for these providers.

Senator LAMBIE: I guess we'll see. Regarding the AAT decision in the matter of Thurlow vs Repatriation Commission involving Mr Thurlow, a World War II veteran, can you please advise how much did DVA spend on legal costs with respect to the AAT application relating to Mr Timothy Thurlow? How much did DVA spend on the disbursements relating to the Thurlow AAT application in 2015?

Ms Cosson: Senator, I can take on notice how much.

Senator LAMBIE: That would be great. Do DVA have lawyers seconded from panel firms assisting with respect to reviews of claims (a) at a primary level and (b) before the VRB, subject to the response to the above?
Ms Cosson: Sorry, Senator; I'll have to check on that one for you and take that on notice. We do have lawyers that work in our legal and assurance branch to support providing advice to our delegates. But I'm not too sure of what your question is.

Mr Cormack: If you're talking about representing the—

Senator LAMBIE: I'm talking about the panel firms. I'm talking about how much is spent with the Australian Government Solicitor. You obviously get tapped for that.

Ms Cosson: Okay. We do have those figures for you.

Senator LAMBIE: For the panel firms, I'd like to see whether they're all paid the same. I'd like to know how much is spent with the Australian Government Solicitor and how that works—the hourly, monthly and yearly rates and what that is costing.

Ms Cosson: Are you happy for us to take that on notice to give you that breakdown?

Senator LAMBIE: Sure.

Ms Cosson: Absolutely.

Senator FIERRAVANTI-WELLS: On that point, I used to do this work at the Australian Government Solicitor's office. Are you getting a bulk rate, if I could put it that way, because of the number of cases that they—whether it's the Australian Government Solicitor or any other law firm—are doing for you? Are you being charged as if that were a standalone case, or are you getting a discounted rate for the number of cases?

Ms Cosson: I'll have to defer to the general counsel on this one.

Senator LAMBIE: I guess this would be the same question: is there a different amount paid to lawyers seconded subject to their level of seniority and experience? If so, what are the different rates paid? How much was paid to individual panel firms to provide lawyers on secondment to DVA in the last 12 months?

Brig. Worswick: Which question would you like me to answer first?

Senator FIERRAVANTI-WELLS: There are two sets of questions, so both of them.

Brig. Worswick: All right. The department has a panel of three providers which assist with the AAT litigation. That panel was put together under the previous Commonwealth legal services arrangements. Those arrangements changed as of 1 July this year, but the department has not reorganised and gone out and put together a new panel as yet. We are in the process of preparing to do so.

The three panel providers are the Australian Government Solicitor, Sparke Helmore Lawyers and Moray & Agnew Lawyers. I can tell you the amount that we expended on each of those three firms for the financial year 2018-19. Those figures are published in the annual report. They are also reported annually to the Office of Legal Services Coordination in the Attorney-General's Department. For the financial year 2018-19, we spent $2.49 million with the Australian Government Solicitor for veteran appeals, $1.74 million with Sparke Helmore and $1.22 million with Moray & Agnew.

Senator LAMBIE: How much do you believe you saved by using this method? What do you believe you've actually saved, and how many actual people—veterans and those who've served—did that involve?
Brig. Worswick: When a veteran decides to take their case to the Administrative Appeals Tribunal to seek an appeal of a decision, the department is obliged to engage legal services to represent the Commonwealth's interests in the Administrative Appeals Tribunal. We do that in accordance with the Legal Services Directions. The three firms that we use have specialist practitioners who understand the complexity and detail of the three different pieces of legislation that veterans are appealing about in the Administrative Appeals Tribunal. There are only a very small number of legal practitioners in Australia that have the expertise and are able to work at the quality standard that we require in representing our interests in the tribunal.

Senator LAMBIE: Yes, I'm aware of that. I can just imagine how our poor advocates are trying to get through all that stuff out there. But my point is: have you weighed up what it's costing you? I certainly know that, for some people who are paid out, the amount you people spend fighting us far outweighs what you're actually paying out, and then you lose anyway. So you must have a table or something that weighs it up to see how that's going and whether that's worth your while.

Brig. Worswick: The department doesn't take a 'win or lose' approach with respect to these cases in the Administrative Appeals Tribunal.

Senator LAMBIE: I'm asking: do you do a cost approach?

Brig. Worswick: The Legal Services Directions regulate the way a Commonwealth agency conducts its litigation. In respect of veteran appeals in the AAT, the department is required to only pursue litigation where there's a proper legal basis.

Since my time as general counsel, we have spent a considerable amount of energy focused on trying to find ways to resolve these matters as soon as the veteran takes the matter to appeal, and looking for opportunities at all times for early resolution. The interesting thing about trying to resolve early a lot of the veterans cases is that it actually costs us more in legal costs because we ask the law firms to engage in more investigation, and to engage further with the advocate and the veteran, to try and get the best possible evidence and the most favourable outcome possible for the veteran. But if the matter continues through to a hearing—and only 1.5 per cent of our cases, on average, go through to hearing because many are resolved beforehand—it is being litigated because it's in accordance with proper principle and proper legal procedure.

Senator LAMBIE: And what's your win-loss ratio once it gets to that?

Brig. Worswick: I can tell you the figures, if it would be helpful, for matters that ultimately end up being affirmed in the tribunal. But I can say to you that, on average, the department has between 350 and 500 veterans appeals per annum. It's never a finite figure because we ask the law firms to engage in more investigation, and to engage further with the advocate and the veteran, to try and get the best possible evidence and the most favourable outcome possible for the veteran. But if the matter continues through to a hearing—and only 1.5 per cent of our cases, on average, go through to hearing because many are resolved beforehand—it is being litigated because it's in accordance with proper principle and proper legal procedure.

Senator LAMBIE: And what's your win-loss ratio once it gets to that?
set aside, 58 were set aside or conceded by the department, and 18 MRCA decisions and 80 VEA decisions.

We publish those figures every year. The ones I just read out to you are actually published in the Productivity Commission report, but our figures are also published—and the figures are also published by the Administrative Appeals Tribunal.

Senator LAMBIE: And is DVA still carrying out the practice of using surveillance on those who have served, with regard to their injuries?

Brig. Worswick: Since I've been general counsel in the department, we have never—

Ms Cosson: No.

Brig. Worswick: engaged in any surveillance.

Ms Cosson: We don't engage in surveillance of our veterans.

Senator LAMBIE: No, but you used to.

Ms Cosson: I understand that that may have been the case, but we do not undertake surveillance.

Senator LAMBIE: When did that stop?

Ms Cosson: I haven't been aware of it since I've been in the department. I joined in 2016.

CHAIR: Why is that? If you think somebody's cheating the Australian taxpayer, why wouldn't you bother looking into it?

Ms Cosson: Our legislation is to be beneficial, and what we do in applying our decision-making is look at the evidence that's been put forward to lodge a claim. We don't undertake surveillance to then check if the veteran is genuinely experiencing that injury or that illness. That's just not part of our legislation—or our practice.

CHAIR: Legislation or practice?

Brig. Worswick: The way these matters unfold in the Administrative Appeals Tribunal is that, by the time the veteran makes a decision to go to the tribunal, the case has usually been subject to at least one if not two independent reviews. Once we are in the tribunal’s jurisdiction, we're in the hands of the tribunal as to how the matter is run. The first port of call is a summons for all the material in relation to the veteran's claim, and often that evidence alone will be supplemented by additional reports and the like that we commission. There's no need to surveil, because the evidence base to be able to assist the case and assist the tribunal is quite extensive.

Senator FIERRAVANTI-WELLS: But you still do surveillance for a personal injuries claim?

Ms Cosson: That's separate.

Brig. Worswick: The department in 2019 hasn't had any personal injuries claims.

Senator FIERRAVANTI-WELLS: Right. Okay.

CHAIR: It's 9 pm. The committee will suspend for 15 minutes.

Proceedings suspended from 21:00 to 21:15

CHAIR: We will resume, and Senator Roberts has the call.
Senator ROBERTS: Thank you for coming today. How many Defence veterans are homeless in Australia, and, if this figure is not known, why is this so?

Ms Cosson: We actually didn't know the figure. We understood that we have heard many figures over recent years, so what we did was commission some research to try and actually understand the nature of homelessness in our veteran community. The first piece of work we commissioned is with—I always use the acronym and I'll find you the correct name—

CHAIR: The question was about the numbers. Do we have the numbers or not?

Ms Cosson: It depends on which report you're reading. The AHURI, Australian Housing and Urban Research Institute, determined a figure in their report. They identified 20 veterans and then they gained some insights on whether they had experienced or felt that they were at risk of homelessness.

CHAIR: Time is going to be of the essence.

Ms Cosson: I'm sorry.

Senator ROBERTS: Thank you, Chair. How many veterans do you see as homeless?

Ms Cosson: I beg your pardon?

Senator ROBERTS: In your eyes, how many veterans are homeless?

Ms Cosson: It depends on the report. The Australian Institute of Health and Welfare identified 1.1 per cent of veterans as potentially homeless.

CHAIR: Which is how many in number?

Senator ROBERTS: How many is that?

CHAIR: Take it on notice if you don't—

Ms Cosson: Thank you, Chair. I'll take that on notice.

Mr Cormack: It's 1,215.

Senator ROBERTS: You've established what measures are being taken to establish a national database, and you're starting to do the research—

Ms Cosson: That's correct.

Senator ROBERTS: but there's no database yet. How much does the department spend on addressing this problem?—just a quick broad figure.

Ms Cosson: There are a number of programs that we actually have. We're entering into partnerships with our ex-service community to address that, but we're also looking at risk factors. We're talking to veterans who may have experienced homelessness, so—

Senator ROBERTS: You don't know how much you're spending on it?

Ms Cosson: Not the exact figure, because it crosses many programs that we deliver for our veteran community.

Senator ROBERTS: We've seen research figures recently that indicate more than 5,000 veterans may be homeless in Australia.

Ms Cosson: That was the AHURI report that I was referring to earlier. They based that on 20 veterans, and then they extrapolated that to work out that it was probably about 108,000 using their modelling, which then came up with a figure of 5,800.
Senator ROBERTS: How has this growing problem been allowed to get out of hand, given an estimated figure of 3,000 homeless veterans was made by the department in 2009 in the DVA veterans at risk report? It's grown by 66 per cent in 10 years.

Ms Cosson: To be honest, it depends on which report that we're looking at. We haven't just let it—

Senator ROBERTS: It's still pretty alarming though.

Ms Cosson: Absolutely. Homelessness is alarming. We take it very seriously and are looking at what the risks are. Importantly, we have identified that one of the key risks is during that transition period—

Senator ROBERTS: I want to pursue this quickly, because the chair is under pressure for time. Isn't it a matter of understanding the root cause of this, and there are many root causes?

Ms Cosson: Absolutely.

Senator ROBERTS: It indicates a problem that's growing.

Ms Cosson: What we have done is invested a lot of time working with the Department of Defence and the Australian Defence Force in that transition space, because what we have recognised is that a key period, particularly of—

Senator ROBERTS: Doesn't that indicate something's going wrong, because it's increased by 66 per cent in 10 years?

Ms Cosson: In the last three years we have committed a lot of effort into that transition, looking at employment opportunities, understanding what are the—

Senator ROBERTS: How can we understand the problem if we don't even know the count?

Senator Reynolds: Chair, I know Senator Roberts is trying to go fast, but I think it would be helpful if he could at least allow Ms Cosson to answer a question.

Senator ROBERTS: With respect, I'm asking specific figures and all I need is a yes or no on whether you have the figures. I'm getting a lot of vague stuff about 'We're working with this and that.'

Senator Reynolds: With respect, I don't think you have allowed the secretary to answer a question.

CHAIR: Let's try to ask the questions again. Senator Roberts, ask the question and then see how we go with the answer.

Senator ROBERTS: How much does the department spend on addressing this problem? You don't know about that. How has this problem been allowed to get out of hand, given an estimated figure of 3,000 homeless veterans was made by the department 10 years ago and the DVA veterans at risk report—so it has increased by 66 per cent in a decade?

Ms Cosson: We don't have an exact figure and we have been committing a lot of time and resources to understand what is the nature of the issue with homelessness in our veteran community. Even though we didn't have an exact number we've been looking at what programs and what services we can provide to try to reduce the risk of homelessness. I wouldn't reflect that it's out of hand at all, because we have been doing a lot of work with defence and we do understand what those risk factors are. We have been talking to veterans
who have experienced homelessness in order to inform those programs. I can't give you an exact figure of what we spend to address homelessness, because it does cover a number of programs across the department for all veterans, of which it can target those risk areas for our veteran community.

Senator ROBERTS: Do you agree that we as a country owe a significant debt to our service veterans?

Ms Cosson: Absolutely.

Senator ROBERTS: They deserve to be treated with dignity and respect and in a way that shows our gratitude?

Ms Cosson: Absolutely.

Senator ROBERTS: Wouldn't that start with having a roof over their heads, as a good example of our gratitude?

Ms Cosson: As you know, we have had the passing the veterans recognition bill, which went through the House yesterday. That is fundamental to all Australians recognising and respecting and helping veterans to integrate into community.

Senator ROBERTS: Just a final comment: I talk to veterans and listen to them about that and they say that this was done some time ago and it is just yet another signal. What they're after is some action.

Senator LAMBIE: Minister, when was it taken to COAG to speak to the states about veteran homelessness?

Ms Cosson: In 2016, Minister Tehan, our veterans minister at the time, convened what was then called a Veterans' Ministers' Round Table. We don't have a COAG in our veterans space. Minister Tehan took it to the Veterans' Ministers' Round Table. Then, Minister Chester took it to subsequent round tables and the Veterans Ministerial Council, because, as you would appreciate, it is an issue for the states as well. But we're working very closely with our state and territory colleagues and ex-service community. It has gone to all of the Veterans Ministerial Council round tables.

Senator LAMBIE: When they have their COAG meetings—

Ms Cosson: No, they're not called COAG.

Senator LAMBIE: No, if it's so important when we have COAG meetings, when the ministers go and meet their state counterparts, when was this raised at that level?

Ms Cosson: Certainly, from 2016, when Minister—

Senator LAMBIE: You told me they're round tables. When did a minister go to COAG and sit with his state counterparts and raise this, because it's so important?

Ms Cosson: He does raise it with his ministerial colleagues—

Senator LAMBIE: But he hasn't raised it in that environment? That's what I'm asking you?

Ms Cosson: Because we don't have a COAG for veteran issues, we do have a council. It doesn't have the formality around a COAG but it does discuss veteran issues with all state and territory ministers.
Senator Reynolds: The Veterans Ministerial Council met in August this year and the need for a more coordinated approach with state and territory governments and ex-service communities on veteran homelessness, particularly when it comes to the collection of data and the provision on-the-ground services, was discussed and agreed.

Senator LAMBIE: When did you take it to COAG—youself—because it's so important? When did you take it to the states at the COAG meetings they have and bring this across the table and actually ask them what they're doing about it, straight from you?

Senator Reynolds: I haven't personally, because I'm not the minister directly responsible. That's Minister Chester. The last time he did was in August of this year.

Senator AYRES: Ms Cosson, I'm not sure that I followed the end of Senator Lambie's line of questioning. Was there a request to provide the KPMG report? Did we agree that was going to happen?

CHAIR: It's been provided to the minister—is that right?

Ms Cosson: That's correct. The KPMG report has been provided, but I did not release it—it was commissioned by the department—because I was conscious of the Prime Minister asking the Secretary of the Department of the Prime Minister and Cabinet to commission an independent report, which was done by David Tune, and that is the one that is currently under consideration by government. So the KPMG report that we commissioned has been finalised, but I didn't think it was appropriate to release it when Mr Tune was developing his own.

Senator AYRES: When will that be released?

CHAIR: We've gone through this.

Senator Reynolds: What we've already discussed in relation to this is that the government is considering both reports. Any further questions need to go to PM&C because it was PM&C and the Prime Minister who commissioned the report.

Senator AYRES: Okay. I want to ask some questions about budget cuts. I know there have been questions in previous estimates about the impact of budget cuts on staff numbers. What is the reduction in staff numbers this year?

Ms Cosson: In our annual report we do actually have the breakdown on page 208. Our current staffing headcount—if I can use headcount—totals 1,681. That is a reduction of 108 positions since last financial year.

Senator AYRES: Is that since 2017-18?

Ms Cosson: From 2017-18, our total headcount was 1,885. At the end of 2018-19, our total headcount was 1,681.

Senator AYRES: What's projected for—

Ms Cosson: For 2019-20, our cap will be 1,615. That's for APS. That doesn't count where we have contractors or labour hire. If we look at that, then we're sitting over—

Senator AYRES: I'll come to contractors and labour hire in a minute. Is that 1,615 cap—

Ms Cosson: APS

Senator AYRES: Is that what you have budgeted for?

Ms Cosson: That's the average staffing level that we have in our budget for 2019-20—that's correct.
Senator AYRES: Are they full-time equivalents?

Ms Cosson: APS is a little bit different. It's the average staffing level over the year rather than full-time equivalent.

Senator AYRES: Okay. Did you say how many less that was? I could do the maths myself I suppose—1,681 and 1,615.

Ms Cosson: That's correct.

Senator AYRES: So they're round figures. Were the individuals who lost their job in the last year, 2017-18 to 2018-19, made redundant or redeployed?

Ms Cosson: There was a mix. I did provide an answer on notice to this earlier—that is, we do have voluntary redundancies, where staff actually seek a voluntary redundancy, and I think that was around just over 40 in the last financial year. But there are also staff who want to be redeployed, and we will always try and do that, particularly when we've been going through significant transformation. Some staff have preferred to leave, but that is normal management. So it's been pretty steady over the last financial years.

Senator AYRES: So 40 voluntary redundancies—

Ms Cosson: It was 43. We answered that in question on notice No. 63. From 1 July 2018 to 17 April 2019, there were 43 staff who wanted a voluntary redundancy.

Senator AYRES: And how many redeployed?

Ms Cosson: I don't have that number. I'll take that on notice.

Senator AYRES: Thank you. And then, I assume, the balance are forced redundancies?

Ms Cosson: We don't have forced redundancies.

Senator AYRES: You don't have any forced redundancies at all?

Ms Cosson: No, it would be natural attrition—people that retired.

Senator AYRES: So it's either voluntary redundancy or redeployment?

Ms Cosson: Voluntary redundancy, redeployment or natural attrition, where someone has retired or taken a job elsewhere and we have elected not to fill that position.

Senator AYRES: I'm conscious that you have provided answers on notice before to some of these questions, but what was the total cost of the redundancies?

Ms Cosson: For those 43 staff, it was a cost of $4.8 million.

Senator AYRES: Have you got a budget for the number of redundancies from 2018-19 to 2019-20?

Ms Cosson: We would put funding aside in the departmental budget to cover redundancies. I don't want to guess, so I'll take on notice what the budget was for the last financial year.

Senator AYRES: It's an obvious question, isn't it? If the number of staff is being reduced, doesn't that mean less support for veterans?

Ms Cosson: I don't agree with that. Even though we have reduced our APS numbers, we do have the opportunity to bring in contractors, labour hire, to actually support the work we are doing in progressing, particularly in our claims area. Our headcount is still up there—over 2,000 staff to deliver support to our veterans. I can give you that number if you like; the total
headcount as at 30 September this year is 1,646 APS staff and 1,332 non-APS staff. Adding those together, we get the total headcount of our blended workforce. What we are also doing is having a look at staff that aren't necessarily delivering frontline services to make sure we've got the right balance, to ensure that we are not reducing services to our veteran community.

Senator AYRES: Just so I understand: 1,646 is the number of APS staff, and 1,332—

Ms Cosson: Those are labour hire contractors, health advisers, medical advisers, information technology experts—people we need to actually support our business who aren't part of the APS workforce.

Senator AYRES: I accept that there are some specialist contractors that organisations engage from time to time. How many of those contractors, or labour hire, are doing work that is interchangeable with the work that APS staff do?

Ms Cosson: Usually you'd look at the labour hire number. Potentially—

Senator AYRES: How many are labour hire?

Ms Cosson: it would be 777.

Senator AYRES: What sort of work are the labour hire people doing?

Ms Cosson: It could be a range of tasks that they undertake with the department.

Senator AYRES: Call centre work?

Ms Cosson: They could do call centre work. They could also be supporting in our claims area. They could be doing administration. It could be a range of tasks. For example, if we are looking to put a workforce in the service delivery area, we may need to backfill behind the service delivery area, in the administrative area. So it could be a range of tasks.

Senator AYRES: DVA is an organisation that deals with people, and that requires an absolute focus on their needs—a lot of skill, a lot of capacity. How do you end up in a position where such a large proportion of the staff are labour hire? It's not really a defendable long-term proposition, is it?

Ms Cosson: We put a lot of effort into recruiting the right people, particularly those who we recruit to deliver services to veterans, who have that frontline role in working with our veterans. We also invest a lot in training and making sure that they understand what the veteran experience is. We have a number of programs—for example, It's Why We're Here. Our staff go through that training to understand what is the nature of military service and what is the experience of veterans, so that those staff who are actually working with veterans understand what the veteran experience is. We do put a lot of effort into making sure we've got the right people doing that.

Senator AYRES: I'm sure you put a lot of effort in; I don't doubt that. Maybe I can come at it another way: what is the rationale for 777 labour hire positions? I assume some are part time and some are casual?

Ms Cosson: Yes.

Senator AYRES: Why aren't they direct employees of the department?

Ms Cosson: Like all Commonwealth departments, we have efficiency dividends that are applied to the department. For many years the nature of our workforce has been a blended workforce, where we have APS staff, contractors and specialists. Our responsibility in the
department is to make sure that we put the workforce where they can best serve the community that they're supporting, and we do look at making sure that they're the right people for working with our veterans. We're not always going to get that right, but that certainly is our priority—to make sure that they're the right people. So, even though you look at the number of labour hire, they can be working anywhere in the department, not necessarily on the frontline.

Senator AYRES: So, at least in part, the efficiency dividend is what drives the high level of labour hire and casual employment?

Ms Cosson: It drives our ASL cap; that's correct. What we do, and what we have been doing, is look at how we can be more efficient in delivering services and how we can best use that workforce. We look at the claims area, for example, at combined benefits processing—I failed to mention that when the senator asked the question—and at how to reduce the backlog. One of the great initiatives that Ms Cole has implemented is that we have a delegate working with a veteran from the time they lodge their claim, and take it through the needs assessment and then determination of their permanent impairment. What we're finding with that is it's a great experience for the staff but also a great experience for the veteran, and we're finding that it's quicker. So using the workforce differently, and just this mix of a workforce, encourages us to do that.

Senator AYRES: I accept that you are doing good things. I can't understand why—there appear to be two rationales coming through what you're saying. The first is that the efficiency dividend drives the cap, which drives a higher level of labour hire because there is a lot of work to be done with veterans; if you just applied the ASL cap—and that's all you have—you could not do it. The second is that, it appears to me, there are some management advantages to what you described as a blended workforce. But it's a pretty raw deal for veterans, isn't it—the efficiency dividend driving a casualised labour hire workforce? Wouldn't you be in a better position if you could deliver flexibility? It's all there for you; that's not a difficult proposition, if you had a larger number of permanent or directly employed staff. But it's the efficiency dividend and the staffing cap that drive—

Ms Cosson: They drive the number. Can I say: a lot of our contractors are great. I don't want to suggest that contractors aren't delivering services to veterans as well, because when we have contractors join us—one of the things we are concentrating on now is how we recognise that talent and bring them into the APS, because there are always opportunities.

Senator AYRES: I'm not critical of the contractors; I'm critical of the efficiency dividend and the impact it's having on services for veterans. What is the saving that's been generated by the last round of staff cuts?

Ms Cosson: I'll have to take that on notice; I don't have that in front of me. I think I might have answered that in a question on notice as well, where we looked at the reduction in the number and how much that equated to in dollars. Here we go; it was question on notice No. 7. The total ASL reduction in 2019-20 was 108, which equates to $7 million.

Senator AYRES: How much did you spend on labour hire?

Ms Cosson: It's somewhere. I might have to take that one on notice while we find it.

Senator AYRES: Could you tell me, if it's on notice, how many labour hire people there were and how many direct APS staff there were in the APS categories—I accept that these
were people who were providing specialist services—in 2017-18 and 2018-19, and what the savings that arose out of staff cuts were and what the cost of the labour hire component of the workforce was for each of those years?

Ms Cosson: I'm happy to take all that on notice.

Senator AYRES: Thank you. Is it correct that one of the other drivers of staff reduction is the move to the 1800VETERAN number?

Ms Cosson: No. We looked at the 1800VETERAN number a few years ago, because there was some concern about what number you call the department on. With 1800VETERAN, we were able to look at all the phone lines we had coming into the department, and, essentially, we found over 200 phone lines that we spend money on. We have still got all those phone lines in existence so that, if people phone them, people can now be redirected to 1800VETERAN. But it wasn't about staff savings at all, because we recognised that the phone channel is still very popular with our veterans. What we have implemented as a result of that is open speech, where we are picking up words now. That can direct calls to the right person in the department. I think 71 per cent of the calls that were coming through that open speech were going straight to where they needed to go rather than having to wait while we took time to find the right person for them. So it wasn't about staff cuts in 1800VETERAN.

Senator AYRES: So, before, people would ring a number for a particular purpose?

Ms Cosson: That's right.

Mr Cormack: The experience for the veterans, and their families, was that they had to sit through a menu—press one for this, two for that, three for whatever. The new technology that's been introduced through 1800VETERAN enables the call to be steered directly by the veteran simply saying, 'I want this'—so they articulate their need, and the call is directed to the area. It saves time and it saves frustration. The other thing is that it enables, through modern technology, the individual and their file to be called up on machine recognition of their voice. Our transformation journey is about knowing our veterans, and part of that is technology based—that is, when veterans ring up, it will recognise many veterans simply by their voice. That enables their records to be brought up on the screen, and the operator is able to help and direct their call appropriately. So it's not about cost saving; it's actually about better service, and it's going down pretty well.

Senator Reynolds: Just on that: I think it's also important to reflect back on the secretary's opening statement, where she said that veterans themselves voting with their feet, in terms of satisfaction, is improving significantly; in fact, I think it was 4.5 out of 5 stars. So, in terms of those who are being supported by DVA, these new arrangements are working and they are becoming more satisfied.

Ms Cosson: Particularly for our under-45 age group, we were very focused on how they were interacting and how they felt about their experience with the department. In the recent survey we've seen an increase from 49 per cent satisfaction to now 65 per cent satisfaction, but importantly, also, the dissatisfaction that they were experiencing with the department has gone down. So we're doing something right, but we still always acknowledge that there's more that we need to be doing.

Senator AYRES: So, with the technology that's been adopted, are more staff or fewer staff taking phone calls?
Ms Cosson: We still have the same staff taking the phone calls. I visited our access network up in Sydney recently and watched how they are still taking all the calls—it's actually now giving them time to spend more time with the veterans because they haven't got calls waiting, and that is a really good outcome for the veterans as well. The staffing profile is the same, but it's a better experience for the staff and for veterans.

Senator AYRES: What labour hire companies do you use?

Ms Cosson: I don't have that, but Mr McHardie might have that.

Senator LAMBIE: While you're doing that, maybe you can explain to us how you do the surveys. How do you get your star ratings? Who do these so-called surveys go to?

Ms Cosson: There are a couple. When you register with MyService, it will ask you to rate how you found the experience in registering, and that's where you can do a star rating—at the time of that engagement with us. That's where you get the 4½ star rating out of five. We have been doing the other survey for several years, but now we're doing it annually. We randomly select around 3,000 veterans and invite them to participate in the survey, and we make sure that the selection picks up on the different age groups and different cohorts. We survey them on how they feel about their experience with the department. We ask them a range of questions.

Senator LAMBIE: You ask what sort of star rating they give on that initial contact. Is that correct?

Mr Cormack: The star rating is associated with MyService.

Senator LAMBIE: Which is their first contact—MyService; you go in there?

Ms Cosson: Sometimes not.

Senator LAMBIE: What are they surveying? They are saying, 'This is good' on that bit, but they're not saying that about the whole of DVA, are they?

Senator Reynolds: That's the second survey.

Ms Cosson: That's the second survey. One is that point of experience; it's really important to capture when you're engaging with us how you feel about that experience. The other is looking back on how your overall experience with the department was. So we're trying to get the best out of surveys in real-time and then looking back.

Senator AYRES: How did we go, Mr McHardie?

Mr McHardie: The core contracts and the core providers of HR services for us are Hallis, Randstad Pty Ltd, Hays specialist recruitment and DFP Recruitment.

Senator AYRES: Are those contracts let on a geographic basis or are they for particular functions?

Mr McHardie: I believe they're right across the country, so not set on a geographic basis.

Senator AYRES: On what basis then? If you've got four labour hire providers, how does that work?

Ms Cosson: It depends where the need is. There may be a need in Victoria and they will tap into one of those contracted providers to bring in a workforce. We have staff all across the country.
Senator AYRES: That's what I thought I asked. Is it a particular labour hire contractor in a particular geographic location?

Ms Cosson: No, I think Hays, for example, is a national provider, so—

Senator AYRES: So your Victorian centre could have a choice of many or four different labour hire companies?

Ms Cosson: Yes, that's correct. They would go to the labour hire company and outline what the particular skills are that they're looking for and what gaps they're trying to fill, and then the labour hire company would fill them based on the geography.

Senator AYRES: I've asked for a schedule of the costs for labour hire over the course of the last two years—

Ms Cosson: Yes, that's right.

Senator AYRES: What about consultants? On notice, could you provide the same material for the consultants that you use and the functions you use them for?

Ms Cosson: Absolutely.

Senator AYRES: And the costs associated with each of those?

Ms Cosson: Yes, we can do that.

Senator AYRES: Could you tell me if the DVA headcount has declined since the Veteran Centric Reform program began, and by how many?

Ms Cosson: It has declined. From 30 June 2016, our headcount was 1,986; a year later it was 1,938; and on 30 June 2018, it was 1,885.

Senator AYRES: That's your APS headcount, is it?

Ms Cosson: Yes, APS headcount was 1,885.

Senator AYRES: Let's do it as a job lot, then. If you could provide me with the APS figures and the labour hire figures for each of those years, I think that'd make more sense.

Ms Cosson: My challenge will be in 2016-17, when we didn't have the system to capture the non-APS. It's quite a manual system, so it's not going to be as accurate as it has been since 2018 when we moved onto a new HR system. But we'll do the best we can to give you the breakdown of APS and non-APS.

Senator AYRES: Is PwC still working with DVA?

Ms Cosson: Yes, it is.

Senator AYRES: How many staff?

Mr McHardie: Primary work for PwC is around the Veteran Centric Reform program. We're currently in contract for them to provide up to—this is dynamic, based on need—47 resources this year.

Senator AYRES: What do they do?

Mr McHardie: There's a range of activities. They assist in the Veteran Centric Reform program with running portfolio management, they help us with cultural change activities, and they assist with some of our technology uplift with DHS—a wide range of activities.
Senator AYRES: Could you tell me how much has been spent on consultants since VCR began?

Mr McHardie: Yes, I can. There are two core contracts that sit behind VCR. One is with KPMG, and then the other one is with PwC, as you've mentioned already. I'll just bring those figures up.

Senator AYRES: While you'd doing that, in round figures, since 2016, it's a 15 per cent APS staff cut. Is that right? In round figures, it's 300 out of 1,980?

Mr McHardie: Do you mean across the last two years of the program?

Senator AYRES: From 2016 to now, you started at 1,986, and you've ended on 1,681—

Mr McHardie: VCR has been running for just over two years. We just kicked off our third year—

Senator AYRES: You wouldn't say the 2016 cuts are related to VCR?

Ms Cosson: No, you wouldn't link them to VCR. That's right, Senator. It'd be 2017 through to 2019, but noting that we also had a big chunk of the workforce move into the Department of Human Services, where we transitioned all of our ICT branch when we entered that partnership with DHS. There's quite a bit of the workforce that went across last year.

Senator AYRES: Apart from savings from fewer staff, are there other savings that are a consequence of the budget cuts or the application of the efficiency dividend, or whatever the language is that people use to describe this?

Ms Cosson: We're certainly looking at our travel. Looking at departmental costs is something that all departments are required to do as part of being efficient. But we certainly have had savings as a result of doing things differently.

Senator AYRES: So in terms of changes to rehabilitation, public and private hospital billing structure, Type C certificates, are there savings attached to those measures?

Ms Cosson: Yes. What we're doing is undertaking auditing of our hospital services. That was announced a couple of budgets ago. We've now entered into a contract to undertake that auditing. We're looking at how they code different services provided in hospital, but also looking at whether there is potential to have those services out of hospital, rather than in hospital. It's a range of different ways—

Senator AYRES: Have you been generating those savings over the period of the—

Ms Cosson: Not yet, no.

Senator AYRES: So it's a planned savings there?

Ms Cosson: That's correct. To reinvest—

Senator AYRES: And are those being sucked up into the efficiency dividend or are they going to be reinvested?

Ms Cosson: Reinvested into our veterans services.

Senator AYRES: Would you be able to provide the committee with an outline of the savings measures and the amount that's planned for 2019-20?

Ms Cosson: Yes.
Senator AYRES: Media reports have indicated that DVA is overloaded, that it is struggling to deal with a surge in claims through MyService. Is that accurate?

Ms Cosson: We can deal with the claims coming through MyService. What MyService was intended to do, particularly for MRCA, where we identified 40 of the top conditions to help them be decision-ready when you went onto MyService—so MyService is okay and we're actually seeing the initial liability determined quickly. What we are seeing is a growth in the demand in our claims.

Senator AYRES: What's driving that growth?

Ms Cosson: It's easier to come to the department, and veterans are feeling more confident to lodge a claim with us earlier. So rather than wait until they've been out of the Australian Defence Force for years they're now engaging before they leave the Australian Defence Force, which is really good. That's through a huge effort working with Defence. They now talk to serving men and women from the point of enlistment, essentially, to say, 'Be aware of DVA.' What we're seeing is a result of making it faster and easier to access through MyService. We've seen, as I mentioned in my opening statement, about 83 per cent growth in the claims. We are committed to reducing that backlog that is growing. That's because that hasn't been automated. That still requires our delegates to make decisions. Our whole transformation in the compensation area was pushed a little bit to the right because we were waiting for the Productivity Commission's report, because we knew that was going to be their focus of attention. So we're in a bit of catch up there with the claims, particularly in permanent impairment and particularly in DRCA.

Ms Cosson: We can deal with the claims coming through MyService. What MyService was intended to do, particularly for MRCA, where we identified 40 of the top conditions to help them be decision-ready when you went onto MyService—so MyService is okay and we're actually seeing the initial liability determined quickly. What we are seeing is a growth in the demand in our claims.

Senator AYRES: I've seen some private briefings that were provided to one of the committees in relation to this work. I don't want to argue with the assertion that you're making, but, beyond the fact that Defence is providing more information to people as they're exiting the forces, what evidence do you have to sustain that that 83 per cent is driven by better access to DVA's services? Is there anything else that's going on out there?

Mr Cormack: There are a number of initiatives.

Senator AYRES: I accept that there are initiatives. I wonder whether there are other factors driving the backlog.

Mr Cormack: What we have available is very solid evidence that the initiatives associated with the transformation have delivered exactly what they were intended to do. The first thing is that we know our veterans sooner, better and a lot more. We've done that through a number of initiatives. We've heard about MyService. We've also heard about issuing every veteran with a white card as they discharge from the military. In the past, it wasn't automatic that transitioning ADF members took up their card entitlements. Now it's happening automatically. In fact, our plan is to have that happen even earlier. The impact of that is that both serving and ex-serving ADF members are more comfortable with and have a greater understanding, and it's easier for them to access those services 24 hours a day, anywhere in the world. That's what they're doing. This is manifest in the increase in the number of claims that are coming through. I think it's best described as evidence of the service being more accessible and evidence that the department is responding to that increase in demand.

Senator AYRES: The use of MyService has been increasing. What's the number of paper claims versus MyService claims?
Ms Cosson: We've had over 100,000 users register on MyService, which is incredible.

Mr McHardie: We've had 66,000 claims to date in MyService, so it's had significant uptake. We're basically gaining approximately 10,000 just about every month now.

Senator AYRES: During the election campaign the government committed to cutting waiting times. You're telling me, really, that there's an 83 per cent increase in the number of claims. What's happened to waiting times?

Ms Cosson: We're still committed to cutting the waiting times.

Mr Cormack: The waiting times for a number of our claim types have increased.

Senator AYRES: So some waiting times have increased?

Mr Cormack: Correct.

Senator AYRES: In some categories—what are they?

Mr Cormack: They've increased in VEA pensions. They've decreased for MRCA initial liability. They've decreased for MRCA permanent impairment. They have slightly increased for DRCA permanent impairment, and for MRCA incapacity—DRCA incapacity—there are slight increases. So across the board there are ups and downs, but overall there has been some increase in the time taken to process. The secretary has already outlined efforts that are under way to get those numbers down. But they are directly as a result of veterans accessing services where previously they didn't, and it will take time to catch up. And we will catch up and there are lots of measures in place to do that—combined benefits processing is one of them.

Senator AYRES: I accept that all that work's been done. It's really a question for the minister, isn't it? Minister, you made a commitment during the election period that waiting times would decrease. It sounds to me like DVA needs more staff, not less staff, in order to meet that commitment. You've driven an efficiency dividend that's meant less staff and more labour hire workers. And, despite the department's best efforts—the introduction of new technology and what sounds to me like big efforts in cultural change and managing change—the government has not met the commitment it made during the election. Waiting times have gone up, not down.

Ms Cosson: Senator, we're still committed—

Senator AYRES: It's a question for the minister. I understand where you're up to, Ms Cosson, and I understand the process that's been gone through. I understand the impact of the efficiency dividend on staffing levels. But the government said waiting times would go down and waiting times have gone up. And the application of the efficiency dividend to this department is the government's responsibility.

Ms Cosson: If I can, Senator, we have seen the times go down in some of the categories.

Senator AYRES: Yes, in some areas. I take that point.

Ms Cosson: But also, the minister made a commitment that we would reach out to as many veterans as we could and that we would make it easier for them to enter our system. It used to be quite difficult to actually get that initial liability established with the department, where we did require 40 questions to be answered to prove that it's related to service. And we've made it so much easier.
**Senator AYRES:** The chair has just indicated that I've only got half an hour left! The amendments to the act require DVA to process MRCA claims by veterans within 90 days. Is this still going to be possible?

**Ms Cosson:** Certainly our aim is always to do it as quickly as possible, but one of the things—

**Senator AYRES:** Ninety days can be a very long time for somebody who's made a claim.

**Ms Cosson:** Yes. Thank you for acknowledging the cultural change, because one of our key areas of focus is to say: 'If a veteran needs more time to talk, don't just be focused on the time. Look at what their needs are.' Sometimes veterans need a tailored response rather than just, 'make a decision'. So our aim is to do it as quickly as possible to reduce the stress of waiting. And, as we talked about before, staff will have more time to be able to talk to a veteran on the phone because of what we're doing with the 1800VETERAN number and our technology. So our focus is a mix of time—to do it quickly, particularly for those that have a greater need and need some certainty—but also, where some veterans would benefit from more time, talking through what the options are for them. It's just balancing all of those outcomes.

**Senator AYRES:** My argument's not with the process; it's with the efficiency dividend. Have you made representations to the minister for more APS staffing?

**Ms Cosson:** Yes. We have in previous budgets received supplementation because of what we are doing to meet the demand.

**Senator AYRES:** Over the last 12 months have you made representations about supplementation?

**Ms Cosson:** Yes, we have.

**Senator AYRES:** When did you make those?

**Ms Cosson:** Recently. The normal budget process. We put forward our business case for supplementation, which we have done for the past few years.

**Senator AYRES:** How did you go?

**Ms Cosson:** We were successful in previous budgets in receiving that supplementation.

**Senator AYRES:** In previous budgets. But that has gone to the labour hire line, not the staffing line?

**Ms Cosson:** No, not the APS line. We do get relief in the 2016-17 budget, where we were able to retain our staffing level. That was APS.

**Senator Reynolds:** Can I make a point? Pulling out some of the key bits of information from the secretary and her team tonight, there has been, in 12 months alone, an 83 per cent increase in claims, the majority of which are dealt with faster than previously. They're working on those other categories that still need to be sped up. The outcomes, clearly by the research, are improving markedly. I think, as the secretary has said, it is not perfect—but it never will be—but there has been significant change. The fact that they were able to deal with 83 per cent more claims in 12 months alone speaks volumes for the reforms that the secretary and her department are going through.
Senator AYRES: But the government made a commitment that waiting times would go down. While in some areas they have gone down, in aggregate they have gone up.

Senator Reynolds: Senator, with the greatest respect, you are looking at a single tree in a whole forest.

Senator AYRES: It's an average number, and the average is up. The commitment that you gave to veterans was that it would go down. The evidence here is that at least in part the increase in the number of applications has been driven by an expectation that service will improve and that waiting times will go down. That's the challenge, isn't it? They are doing their best. The government has let them down.

Senator Reynolds: Senator Ayres, with the greatest of respect I have to completely reject that. I really cannot fathom the logic in that. The fact is that significant reform has resulted in—what was it, over 100,000 new registered veterans?

Ms Cosson: Yes.

Senator Reynolds: And an 83 per cent increase in claims in one year. If anything, I think that it is a demonstration of the success—

Senator AYRES: Increased waiting times are a good news story, are they?

Senator Reynolds: Senator Ayres, don't put words in my mouth. What I'm saying is that these reforms have been incredibly successful. Veterans are speaking with their feet in terms of joining up. Over 100,00 in 12 months. An 83 per cent increase in claims and the department is dealing with them in a very efficient way and in a way that has received great satisfaction from the veterans themselves. If anything, they're a victim of success. In fact, greater success—would it be fair to say, Secretary—than we had anticipated?

Ms Cosson: Absolutely.

Senator Reynolds: I really fail to see, Senator Ayres, where you can draw any black cloud over this or any sort of broken promise. This is a good news story. The staff have done an amazing job.

Senator AYRES: That's where I thought you'd get to. Increased waiting times are somehow a good news story. You made a commitment to veterans—

Senator Reynolds: Senator Ayres, as I said, you are trying desperately to find and focus on a single tree in a forest of good news, and wilfully ignoring the reasons for that.

Senator AYRES: I've listened very carefully to the department's evidence.

CHAIR: Can we get back to questions?

Senator AYRES: I've listened very carefully to the department's evidence.

Senator Reynolds: Senator Ayres, I said with the greatest respect that I don't agree with that.

Senator AYRES: Chair, Senator Ciccone has a series of questions.

Senator LAMBIE: Just quickly, doesn't it take longer to process claims? You say you're getting faster here, but your claims process is blowing out.

Ms Cosson: Some part of the claim process is quicker and some areas, as Mr Cormack was pointing out, are taking a bit longer, and that's where we are looking at our investment in
prioritising those claims, making sure that we actually respond to the needs of the veterans that are waiting for those. There are some categories that are taking longer than we had anticipated. That's correct.

**Senator CICCONE:** I have a couple of questions on the allied health budget to do with the treatment cycle initiative. I understand that in previous estimates the secretary to the department advised there had been some undertakings to veteran organisations, particularly TPI associations, to monitor, I guess, the implementation of the changes to the allied health treatment model. Are you able to provide me with a bit of an update as to what has occurred since the last round of estimates?

**Ms Cosson:** Certainly, Senator. We deferred the implementation of the 12 treatment cycles for allied health. It was scheduled to commence 1 July this year, but we deferred that to 1 October. So it has only just kicked in. Also, we provided an exemption to the treatment cycle for our TPIs for exercise physiology and physiotherapy. What we have done since we last appeared is engage with a number of providers and we have written a number of letters outlining what the framework involves. What we will now do is continue to monitor the effectiveness of the 12 treatment cycle over the next 12 months, with effect from 1 October this year.

**Senator CICCONE:** What was the basis for the decision to delay?

**Ms Cosson:** It was felt that we needed to do some more consultation, particularly with the providers and the peak bodies in the allied health area. We just wanted to make sure that, when we implemented it, we had everyone aware of what that framework looked like. The team has done a great job in pulling together a very comprehensive package so that veterans know what the 12 treatment cycle entails, how they engage with their GP, how they then engage with their allied health providers, what they can expect in relation to reports back to their GP, and how the treatment cycle is for their best quality of care, particularly at the primary level.

**Senator CICCONE:** What was the feedback that you received from the health professionals about this? It obviously resulted in the delay.

**Ms Cosson:** Mr Cormack can outline that, if that's all right.

**Mr Cormack:** Thanks for that question. I think the feedback fitted into a couple of categories. Overwhelmingly, the allied health organisations were very positively engaged with the department and they wanted to understand more about the initiative. They also wanted some guidance material so that they would be able to explain the arrangements to their clients. I also point to a number of useful outcomes of the consultation. I'll ask Ms Campbell to talk about the risk framework. That was very much the result of engagement and consultation with both medical and allied health professionals.

**Ms Campbell:** In recognition of exceptional circumstances that may result in a small percentage of DVA clients being adversely affected by treatment cycle requirements, the department established an at risk client framework which will identify and support those clients and allow their usual GP to make a determination based on specific criteria and their clinical judgement—that the client would benefit from tailored referral arrangements specific to their needs and outside of treatment cycle requirements.
Senator CICCONE: What I'm interested to know is why there was the delay. Was it because you had backlash from health professionals? Was the department not ready on 1 July? It's a quite significant delay.

Mr Cormack: It's important to listen when issues are being raised.

Senator CICCONE: It is very important to listen. I agree with that. But why was there a delay?

Mr Cormack: There was a decision taken by government in recognition of the complexity of the change, plus some specific modifications that the government had decided to do in relation to TPI, physiotherapy and exercise physiology. Clearly, our advice was a little bit more time would make this transition from the previous arrangements to the current arrangements smoother, more effective and less disruptive for providers and for clients. That's in essence what we've done.

Senator CICCONE: Is there now more support because of that delay?

Mr Cormack: I think there's more information out there.

Senator CICCONE: Not information; support.

Mr Cormack: The feedback we're getting from the allied health providers is that they welcomed the additional time that was available for them to be able to adjust their practices and get used to the new arrangements. I think that was a very sensible arrangement. So I think the treatment cycle will proceed, whatever disruption there may have been will be significantly diminished, and it will be able to progress. And, as the secretary said, it will be evaluated. We'll continue to look at it and we'll continue to listen to the feedback we're getting.

Senator CICCONE: Which stakeholders did you consult prior to this announcement?

Mr Cormack: I'll ask one of my colleagues to run through the list of the groups we consulted with.

Senator LAMBIE: And the service organisations. I'd like to see which one of those approved this. Please enlighten me.

Ms Campbell: We undertook extensive communication and engagement activities. Peak general practice and allied health provider associations—would you like me to run through the list?

CHAIR: How long is the list?

Ms Campbell: I have four more to go.
CHAIR: All right.

Ms Campbell: ACT Primary Health Network, the Royal Australian College of General Practitioners, the Royal Australian and New Zealand College of Psychiatrists and Speech Pathology Australia.

Senator LAMBIE: How many of those were for this implementation and how many were against?

Mr Cormack: We didn't take a vote.

Senator LAMBIE: There it is!

Mr Cormack: We consulted.

Senator LAMBIE: What about the service organisations? How many service organisations did you go out ask and how many were for and against?

Mr Cormack: That's not our job—

Senator LAMBIE: No. It is your job to consult.

Mr Cormack: Senator—

Senator LAMBIE: It is your job to get the facts. You're not listening.

Mr Cormack: The government makes policy decisions and the department implements them and it consults with those affected—

Senator LAMBIE: You don't consult. If had consulted, we wouldn't be sitting here talking about these 12 visits.

Mr Cormack: We just gave you a list. We gave you a long list of those we consulted with.

Senator LAMBIE: This is rubbish—absolute rubbish!

Mr Cormack: We don't go out taking votes against government decisions. The government has made its decision. The department is responsible for implementing it. It's not a—

Senator CICCONE: In that list, surely they've expressed views. The department would be recording information and no doubt that information would be passed on to the minister's office that we've had this many stakeholders that were in favour or against or were neutral. Is that not something you can provide the committee?

Mr Cormack: The flavour of the consultations was overwhelmingly that the organisations wished to work closely with the department to implement this policy change.

Senator CICCONE: What information was—

Senator LAMBIE: Show me the evidence.

Senator CICCONE: provided to the minister or the minister's office?

Mr Cormack: We provided regular updates to the minister on the implementation of this government policy initiative.

Senator CICCONE: If you can take on notice, can the department provide an itemised list of all advice, submissions and correspondence provided to or requested by the minister or her office?

Mr Cormack: Sure. We'll take it on notice.
Senator CICCONE: Thanks.

Senator LAMBIE: I take note that you didn't have any audiologists or optometrists at the table either.

Mr Cormack: I think we did consult with Audiology Australia.

Ms Cosson: I think optometry is exempt, isn't it?

CHAIR: The list is already in the Hansard record.

Senator CICCONE: How does the department explain the preliminary costing of excluding TPIs and special rate disability pension recipients from this treatment cycle, given it was anticipated to cost $22 million, when the measure itself is to save around $20 million a year?

Mr Cormack: The—

Senator LAMBIE: No. $40.7 million actually.

Mr Cormack: I haven't got that figure in front of me. But the revised government decision to incorporate that exclusion was recosted, and that would be taken into account in terms of the projected financial outcome of the measure.

Senator CICCONE: I understand at the last hearings—which I wasn't at—PwC provided some modelling on the changes. Are you able to provide that or is someone here able to talk about that analysis?

Ms Cosson: We do have the question on notice response. I'll try and grab that for you. We did provide the details in regard to the modelling.

Senator CICCONE: I'm curious to know what the results or findings were from that.

Ms Cosson: And we can show that. We can find that number again.

Senator CICCONE: Have you got that now?

Ms Cosson: This is one of them. This talks about the modelling we did with PwC—and established a range of service usage patterns, which informed our report in to the allied health arrangements. It was published on our website, and I can give you the link to that if that's helpful.

Senator CICCONE: Just take it on notice. I can get it afterwards if you've got it there.

Ms Cosson: It's question No. 12 that we responded to on notice.

Senator CICCONE: Some allied health professionals have said that better, smarter and more contemporary health practices could achieve DVA's aim for improved quality and efficiency of services they have been offered. Have you considered any other feedback from health professionals? We see from time to time that potentially this could be one way of trying to save on costs—from pressure from government.

Mr Cormack: We engage regularly with health professionals and indeed other service provider groups. We have regular provider forums, and those health provider forums are held, I think, three times a year. That provides us with an opportunity to hear directly from provider organisations and the different professional groups about latest developments in their field and recommendations and ideas that they have to modernise and improve health services. We really welcome that engagement. That's very much part of what we do. Whenever there are opportunities to change, to evaluate and to improve the quality of service delivery—and
certainly the transformation program that the government has committed to gives us that opportunity—we will be very much seeking their input to design and improve the program offerings of DVA in relation to health and other services.

Senator CICCONE: I'll have to leave my questioning there, chair.

CHAIR: Can I ask a few questions. On what basis do we assert that the treatment cycle is best practice in relation to the 12 treatments for allied health?

Ms Cosson: We're putting the GP at the centre of your care, and it looks at: is that treatment that you're receiving actually the best treatment for your condition or—

CHAIR: Should the veteran be the centre of care, as opposed to the GP?

Ms Cosson: It's to ensure the veteran is at the centre, that the veteran is getting the best possible care, and not just receiving treatment that isn't contributing to their health and a healthy outcome. What we've heard from our veterans in a lot of the workshops we've had is that what is really important to them is quality healthcare and particularly at the primary level.

CHAIR: Would anybody disagree that they wanted quality health care?

Ms Cosson: Sometimes people think that our veterans are interested in compensation, but they're actually interested in their health care. When we're talking health care, and that's what we're doing now, whether they're interested in compensation or not is one issue. But, with these 12 treatments, does the department accept that there are a lot of conditions where the veteran will require ongoing treatment, year after year, for conditions that will not go away?

Ms Cosson: If there's a clinical requirement for the veteran to go beyond the 12-treatment cycle, and Ms Campbell was talking about that, within our framework there is an option to do that.

CHAIR: How do we do that?

Ms Cosson: Here's their chief health officer, Dr Firman. She'll be able to talk about that.

Dr Firman: The treatment cycle offers an opportunity for the GP who's at the centre of care to check with the veteran and make sure they're receiving the sort of care that's appropriate and gets the best results for them. At times, patients can repeatedly visit their allied health provider from whom they perceive they're getting really good care. But it may not be in their interests to do that, sometimes, for prolonged periods without checking back and making sure that that's the most appropriate level of care for them. It's a way of making sure the GP is at the centre. Many veterans have said to us that they really make sure that their GP knows what their specialist is doing, what their allied health professional is doing, that they know about all the reports and understand their care. This is a way of assisting that.

Ms Cosson: Ms Campbell could talk about the framework where, if there's a clinical need, you can go beyond the 12-treatment cycle.

Ms Campbell: Under the framework, the client's usual GP is required to make an assessment using criteria outlined in the framework and their best clinical judgement about whether that particular client would benefit more from tailored referral requirements for up to 12 months. The GP makes the assessment. They must select, from a list of options, what that tailored referral arrangement is. They then complete an at-risk client assessment form and they provide it to Veterans' Affairs for information. It is the GP that makes the decision about
which clients receive tailored arrangements. The onus is on the GP to advise the allied health providers that those tailored requirements are in place.

**CHAIR:** The question is in relation to the limitations. If there is a requirement that they be treated by an allied health professional on an ongoing basis, how is that able to be achieved without the need to go back to the GP?

**Mr Cormack:** I think that's the purpose of the at-risk framework, to deal with that.

**CHAIR:** But how does that work?

**Mr Cormack:** I think Ms Campbell has just explained it.

**Senator LAMBIE:** What? I'm not getting this.

**CHAIR:** I'm a bit slow or it's late, but can you please repeat it?

**Dr Firman:** An example would be someone who perhaps has seen two or three allied health professionals. According to the framework, they would have to return, potentially, at every 12 visits. That gets quite complicated. This is someone with complex needs. The GP would assess those complex needs and could apply to have a review point at three months, six months or 12 months depending on the complexity of that case. They apply to say, 'Instead of following the usual treatment cycle, the veteran I'm looking after would be better off being seen less frequently.' They're usually monitored quite closely in such a situation and seeing their GP fairly regularly anyway, but this is a way of reducing any stress for that veteran.

**CHAIR:** If they're seeing their GP regularly, chances are it's not an issue—

**Mr Cormack:** That's right.

**Ms Cosson:** That's correct.

**CHAIR:** but it's been put to us that there are some who have the need of only an allied health professional, and the need to go to a GP, just to have it signed off again for another 12 months, is a waste of their time, a waste of taxpayers' money and serves no useful purpose. So what I'm trying to get at is—for example, is podiatry on the list for DVA?

**Dr Firman:** Yes.

**Ms Cosson:** Yes, podiatry is on the list. Importantly, they're not—

**CHAIR:** It stands to reason, for example, that if there is a podiatry need and that is, hopefully, the only need for this particular veteran, it ain't going away. In those circumstances, what is the benefit to the taxpayer or to the veteran to have to go back each time? Is there the capacity for the GP to say, 'This is going to be an ongoing requirement; therefore, there shouldn't be the need to come back to visit the GP'?

**Dr Firman:** Everybody needs a clinical review at some point, and to go potentially to a podiatrist for a prolonged period of time without review would not be appropriate. Most of these—

**CHAIR:** So, who knows the most about podiatry—the podiatrist, or the GP?

**Dr Firman:** The GP knows about the whole person. Podiatry is part of the care that's provided.

**CHAIR:** But there are specialists, aren't there, in the allied health areas, who might know a little bit more in that specific detailed area than a GP?
Senator Reynolds: One of the key issues, as we know in other areas of health provision, is overservicing. I think the point is that it is now uncapped with the GP, but it is appropriate at some point clinically to go back to be reassessed. But, again, they've now expanded—

CHAIR: At what point, then?

Dr Firman: For podiatry, that would often be at the 12-month point, because most people, even if seeing a podiatrist regularly, wouldn't be going more than once a month. That would be the normal—

CHAIR: I would agree.

DR Firman: And they would see them at 12 visits at 12 months.

CHAIR: So, there is no capacity for a GP to say, 'Look, with this podiatry need it's pretty basic—once a month and there's no need to come back in 12 months'—but it should be for two years or three years before the veteran comes back?

Senator LAMBIE: Good one!

Mr Cormack: The arrangements are for—

CHAIR: Sorry: does the GP have that capacity under this framework? It's either yes or no.

Mr Cormack: If they meet the at-risk framework requirements, yes. But otherwise the policy requires a return for a referral either every 12 months or after 12 sessions, whichever comes first.

CHAIR: So, that's the policy.

Mr Cormack: That's the policy, and that's what we're required to implement.

CHAIR: But can the policy be, if you like, set aside for the sort of condition that I refer to?

Mr Cormack: The at-risk framework is the way to address those clients who have complex needs—

CHAIR: But does that allow for the GP to say, 'We don't need a review for 24 months or for 36 months'?

Mr Cormack: No. The government policy setting requires that. But the at-risk—

CHAIR: So it has to be every 12 months, no matter what?

Mr Cormack: The treatment cycle—

CHAIR: That's not what I was told the other day.

Mr Cormack: It's a government policy decision, which requires—

CHAIR: So, there's no flexibility in it.

Mr Cormack: There's a lot of flexibility for those who are high users—

CHAIR: There has to be a review after 12 months or 12 treatments no matter what.

Mr Cormack: Correct.

CHAIR: And the GP cannot sign away that need for the review.

Mr Cormack: The GP, under the at-risk framework, can forestall the requirement for a person to keep coming back after the 12th session for review of their arrangement if they meet the at-risk client framework.
CHAIR: When and how does the GP communicate that to the veteran?

Dr Firman: The GP can tell the veteran that this is how the DVA treatment cycle operates. In addition, the podiatrist is also informed, so the podiatrist also notes and tells the veteran. If the veteran, for example, had been seeing the podiatrist for 10 months and happened to have an appointment with their GP at that point, the GP could then re-refer at that point. We don't say 'must be at 12 visits'. There's some flexibility between eight and 10 visits, for instance, such that you can come into the GP, discuss the treatment and make it appropriate—

CHAIR: That's earlier. The whole basis of these questions has been for lengthier periods, not shorter periods, with respect. Has DVA referred the setting of health fees to an independent review?

Mr Cormack: We're undertaking an exercise at the moment to have a look at the rates that are being charged in the broader health market and having a look at how that compares with the DVA rates.

Senator LAMBIE: That's weird. I thought we joined that ages ago.

Mr Cormack: It's an independent market assessment of our rates. It's not setting those rates, which I think is what your question was. It's not independent rate setting; it's actually assessing the alignment of the DVA rates with, what the market—

CHAIR: Although it shouldn't take you too long to do that in comparative terms. But when do you hope to have that finalised?

Mr Cormack: We are in the middle of that at the moment.

Senator LAMBIE: When?

CHAIR: When do you hope to have it finalised? Telling me that you're in the middle of it doesn't answer the question.

Mr Cormack: I haven't finished the answer yet.

CHAIR: Telling me that you're in the middle of it does not help me.

Mr Cormack: You interrupted me when I went to give you the rest of the answer.

CHAIR: If you just answered the question, Mr Cormack.

Mr Cormack: I am answering it.

CHAIR: The question is when.

Mr Cormack: We anticipate this being completed by the end of the year.

CHAIR: Thank you. That's all we needed to know. Once you've done that, it will go to the minister for consideration?

Mr Cormack: The minister will certainly be advised of the outcome of that, and whatever decisions may or may not need to be taken in relation to that are a matter for government.

CHAIR: Then there's been a standard but ever-louder TPI claim about the eroding value of the economic loss disability compensation issue. Where are we at with that and have you received the letter from the TPI federation dated, I think, 23 October?
Ms Cosson: Yes. There are a couple of things there. The KPMG report was the first one. As I mentioned, it has been completed, but I have held that pending Mr Tune's report, which is currently under consideration by government. Sorry; I forgot the other part of the question.

CHAIR: The letter of 23 October.

Ms Cosson: Yes, today I did see the letter written by the federation.

CHAIR: Right. When do you think we might we get a response to that?

Ms Cosson: I hope that it won't take long, because it's actually asking for the Tune report.

CHAIR: So that will be considered in that total context, which is fair enough.

Ms Cosson: That's correct.

Senator Reynolds: I can provide a little bit more information in relation to your questions about fees. The Productivity Commission did make recommendations on fees, and issues around this are being considered as part of the government response to the PC.

CHAIR: Very good. Thank you for that, Minister; that's helpful. If this is the case, can somebody explain why veterans are being asked to pay up to $6,000 or more for their hearing aids when it's supposed to be part of their compensation entitlements?

Ms Cosson: This has been an issue that the TPI Federation has raised. The Hearing Services Program, which is a Commonwealth run program, actually does provide 210 fully subsidised devices that are available and accessible for our TPIs and for all Australians if they need hearing services. So those are 210 devices that are available which are fully subsidised. What we do have are occasions when a veteran will be recommended by their audiologist to have a different device that isn't on that fully subsidised list. Occasionally, veterans will approach us and ask us to meet the additional costs. We have an audiology adviser who then looks at the case to see if there is a clinical need for that other device and then gives either approval or otherwise. We are now working very closely with the head of the Hearing Services Program because he's going through a big transformation to have better education in relation to those 210 devices, the view being that those devices should meet the majority of clinical needs, particularly for our veterans as well. So we are going to sit down—

CHAIR: That doesn't mean they're a lot cheaper?

Ms Cosson: No, they can be any cost, to be honest. They have a range of lower-end and top-end devices, but the view by the hearing services team is that they should meet the majority of clinical needs to address hearing. We also provide assisted listening devices to our veteran community, but I am aware that the federation has raised some individual cases of concern. So our chief health officer, Dr Firman, and our audiologist will sit down and review all those cases with the federation.

CHAIR: Thank you for that.

Senator LAMBIE: How many prior requests for top-up hearing aids were rejected and approved in 2018?

Mr Cormack: There were 50 requests for prior approval for hearing aids outside of the range that the secretary mentioned, and 34 of those were approved.

Ms Cosson: Ten of them were TPI requests for prior approval.
Senator LAMBIE: You can tell me if I'm wrong here, but back in 2013, I believe, it changed. When we changed to the DRCA, you had 520 under the SRCA which would have been able to obtain full hearing aids but now can only obtain basic hearing aids. Could you please tell me why you didn't have that grandfathered?

Ms Cosson: The 210 hearing devices on the list through hearing services are not basic; they are fully subsidised. So there has been a communication issue. I acknowledge that we need to communicate better what is available. But they're not basic hearing aids.

CHAIR: In relation to veterans accessing Open Arms, which is, as I understand it, a service to assist those that are incarcerated, I've been told that Open Arms psychologists are unable to get permission to access jails. Has that been an issue that's been raised with you?

Ms Cosson: That hasn't been raised with me directly.

CHAIR: It hasn't?

Ms Cosson: No, but our national manager for Open Arms may be able to respond to that one.

Senator LAMBIE: Since we've been talking about this for six years, when did you actually start doing a log of who is in jail and whether or not advocates are out there visiting them? This has been a problem for six years. What have we done about trying to obtain who is in a jail so advocates can get in there and see them—or have we still not done anything about that and the suicides?

Ms Cosson: We have been working with our state and territory colleagues to understand, for a start, if—

Senator LAMBIE: For six years?

Ms Cosson: For the last three years that I'm aware of. Since I've been in the department, we've been talking to them.

Senator LAMBIE: Three years?

Ms Cosson: Well, I've only been back in for—

Senator LAMBIE: No; I'm saying three years to get something done even in your time?

Ms Cosson: The first challenge really is for a veteran to identify that they are—

Senator LAMBIE: Yes, I know. I've heard them all. I'm asking you what you're doing about them.

Ms Cosson: We are working with the states, so if they can provide us details of veterans that may be incarcerated—

Senator LAMBIE: And when are they doing that? When are the states going to provide you with that list?

Ms Cosson: South Australia has done a lot of work. They are actually leading in capturing that information. and Dr Hodson might be able to talk a bit about that.

CHAIR: In fairness, in this space, jails are run by the state and therefore access to the jails is largely determined by state regulation et cetera. That is why I was wanting to ascertain what the various state bureaucracies were up to and then how we might be able to break through.
Ms Cosson: The states are working very closely with us.

CHAIR: Is it true that Open Arms were unable to get permission to access the jail, Dr Hodson?

Dr Hodson: I have not heard of that actual case. Typically, jails do have their own psychologist, and we will typically work with them. The guidance we have for our psychologists is that we could be invited in at request, and there would be no barrier, but the actual jail psychologist would take the lead on any clinical care. At the moment, especially down in South Australia, we are working on a transition process. A young individual who is a veteran himself and who works in the jails—his name is on our younger veterans list: Chris Tilley—is working with us to look at a transition point. What we have probably not done well in the past is, as these individuals are leaving, just like when people transition out of defence. It's important that we look at the social determinants that might mean they won't actually do well and try to help by doing a psychosocial assessment. We've just kicked off that work down in South Australia, and it is actually driven by a young veteran who is driven. What we'd love to see, if it works in South Australia as a lighthouse case, would be that, as people are transitioning out, we do a full assessment and then look to see what ongoing care they need.

CHAIR: But that's only in South Australia?

Dr Hodson: That's where we've started. It's really important with this to get it right and then take it national. So, at the moment, the focus is on South Australia working—

Senator LAMBIE: What's the timeline?

CHAIR: Because the Open Arms psychologists, one assumes, have special expertise dealing with veterans—

Dr Hodson: Yes.

CHAIR: and therefore might be able to value-add a bit more than the clinical psychologist who's attached to the jail.

Dr Hodson: And, if invited in by the jail, we would be happy to go.

CHAIR: But the issue is that you're not being invited in—

Senator LAMBIE: Excuses. You're not being proactive.

CHAIR: and that access is being denied. That's the assertion. I don't know if it's true. Are you saying you have not experienced that?

Dr Hodson: It hasn't come to my attention. I'm happy to take it on notice.

CHAIR: That's fine. I don't have a specific case to put to you.

Mr Cormack: It's really important that—and you've raised this before—corrections are the responsibility of the state government. Responsibility for all aspects of health and welfare is solely the responsibility of the state governments. Incarcerated prisoners have no access to the Medicare system. They have no access to the Commonwealth health support arrangements. That's been a longstanding arrangement. The delivery of all health care to prisoners is the responsibility of the state government.

Senator LAMBIE: And it is your responsibility to help everybody that has served in the military every step of the way if they've got a physical or psychological injury, veteran or not.
You've obviously failed in this area, and that bothers me greatly. You have a responsibility as well.

CHAIR: In relation to compensation payments, how quickly does a veteran have to come to a determination as to whether they will accept what is being offered?

Mr Cormack: I might ask one of my colleagues who's got very specific knowledge in this space to help me, because it varies to a certain extent.

CHAIR: There's been a suggestion made to me that it's a relatively short time frame.

Ms Cosson: We're trying to find the right person, Chair.

CHAIR: Whilst they're coming to the table, the assertion is that it's a relatively tight time frame and so, if somebody is especially on the verge of or actually dealing with mental health issues as well, they can be pressured into a settlement. Or if they don't take a settlement within the time because they're not in the mental space to make the decision then they miss out on a particular option.

Ms Kairouz: We provide to our MRCA and DRCA veterans, who are our more modern contemporary veterans, compensation in the form of incapacity payments and—

CHAIR: Sorry, what sort of payments?

Ms Kairouz: Compensation in the form of incapacity payments, which are for economic loss, and also compensation for non-economic loss, which are permanent impairment payments. For permanent impairment payments, MRCA provides for individuals to receive a periodic payment. It's a weekly payment. What that is, depending—

CHAIR: If it's a weekly payment, the veteran wouldn't—

Ms Kairouz: They have a choice. They have up to six months to determine whether or not to take that as a lump sum payment. So there is a period there. Under DRCA, it can only be a lump sum payment that's provided. They're the only time frames that are set out for our legislation.

CHAIR: To cut through: the only time frame is the six-month one?

Ms Kairouz: In relation to permanent impairment for MRCA, the payment's initially—

CHAIR: That's the only time frame?

Ms Kairouz: That is a time frame.

CHAIR: How's that working? Are you getting complaints that that rushes people into decision-making?

Ms Kairouz: Not that I am aware of. We'd have to—

Ms Cosson: We'll take that on notice, if that's all right.

CHAIR: Yes, if you could.

Ms Cosson: We did hear from some of our younger widows, for example, that the time in which we required them to make a decision was too short, so we did review that.

Ms Kairouz: And it was extended. So, for widows, they have up to two years now to make decisions—

CHAIR: Good.
Ms Kairouz: on whether or not they want to take that money as a lump sum. During the course of waiting to make that decision, they're provided with a periodic payment.

CHAIR: Thank you for that. That's helpful.

Senator LAMBIE: Are DVA collating, or have they moved any further in making sure that they've got, the number of veteran suicides each year?

Ms Cosson: Sorry, Senator. I missed that.

Senator LAMBIE: Veteran suicides. Obviously there are groups on the outside keeping the numbers. Is DVA doing anything about trying to collect numbers on veteran suicide each year?

Ms Cosson: Senator, as you know, we commissioned the Australian Institute of Health and Welfare to look at what the suicide numbers were, and we get an annual report. At this stage, that report relies on the death being certified by a coroner as suicide. We should be receiving the report from the institute later this year for the figures from 2001 to 2017. But, other than that, we don't keep our own register of suicide, because we rely on the coroner to certify that it is a suicide.

Senator LAMBIE: Since the Bird review, do you know how many are at least at risk?

Ms Cosson: We certainly have a much better understanding of what the risk factors are for our veterans, and we have introduced a lot of changes as a result of Jesse Bird's suicide. In particular, on all our IT systems now, if you have a mental health condition it comes up as a flag so our delegates are aware that they're dealing with a veteran who may need some extra care or some urgent support, such as a veterans payment. So we have introduced quite a few changes as a result of Jesse's passing.

Senator LAMBIE: Is there any reason why Jesse Bird wasn't with the Client Liaison Unit?

Ms Cosson: We've implemented a brand-new client framework, and it wasn't really as solid or mature as it is now. The reason Jesse wasn't with the Client Liaison Unit is that it was a different structure back then for the CLU.

Senator LAMBIE: Great. How many do you now have within that unit or whatever you're calling it?

Ms Cosson: It's called managed access arrangements. We've got 60 veterans who are in there at the moment, and we regularly review that. That's come down from, I think, about 130. But that managed access is in addition to our coordinated support arrangements and also our WASP, as we call it, which is case management. So we have now a stronger, more mature client framework so veterans can move in and out of any of those support arrangements in the department.

Senator LAMBIE: Are you using this same unit to deal with the difficult advocates out there and those who are representing the veterans? Are you using that unit to deal with them? They're starting to get a little irate.

Ms Cosson: We did use the unit for that reason, but we don't anymore. Interestingly, we did have some veterans in the old CLU—the managed access arrangements now; it's a different arrangement—who have asked to remain in that because they like to have that single point of contact. But it's a different arrangement now to what the old CLU was.
Senator LAMBIE: Why would you not just have a single contact for an advocate anyway? Why would they not be able to have direct access so they're not wasting time and the client's time, which is putting them under immense pressure, obviously?

Ms Cosson: They do now.

Senator LAMBIE: Since when?

Ms Cosson: Advocates can actually deal with particular delegates. They build relationships with delegates in the department, so they don't need that managed access arrangement. That is really for veterans who need some additional support around them.

Senator LAMBIE: How many of the 23 recommendations from the 2017 review on veteran suicide have been implemented fully?

Ms Cosson: Do you mean The constant battle, the Senate inquiry?

Senator LAMBIE: That would be the one.

Ms Cosson: I've got a breakdown against each of the recommendations, but—

Senator LAMBIE: Are they in full? Have the recommendations been finished in full? My count is that at least seven—and I'm being extremely kind here—have been completely ignored.

Ms Cosson: I'd suggest they haven't been completely ignored.

Senator LAMBIE: Okay.

Ms Cosson: But if I can take that on notice—

Senator LAMBIE: That would be great.

Ms Cosson: because we've got a complete breakdown of all of the recommendations and what we're doing, so that might be helpful.

Senator LAMBIE: That would be wonderful. The review recommended:

... the Minister for Veterans' Affairs and Defence Personnel should liaise with the Minister for Health to oversee the development of strategies ... to engage and support former members of the ADF aged 18-29 years who have left the service in the last 5 years and who could be at risk of suicide or self-harm.

What's happened with that?

Ms Cosson: We regularly engage with the Department of Health. Importantly, the Prime Minister has appointed an adviser on suicide, Ms Christine Morgan, and we've had a meeting with her, and Mr Cormack has actually written to her. I met with her yesterday as well, just to talk about the veterans suicide initiatives that we have. She is facilitating a summit in November, which I think is 13 November, and I think we'll be participating in that.

Senator LAMBIE: Another summit? Seriously?

Ms Cosson: But it's a workshop.

Senator LAMBIE: I'm sick of summits.

Ms Cosson: It's a workshop, Senator—

Senator LAMBIE: Yes, well, I've seen them all.

Ms Cosson: and she is very keen to work with us very closely.
Senator LAMBIE: Okay, so nothing's been done at this point in time for those aged 18 to 29 who have left the service and are most at risk of suicide and self-harm. We still are waiting for anything to be done. Nothing has happened.

Ms Cosson: No, no, no.

Mr Cormack: No, that's not the case.

Ms Cosson: No, we've done a lot, actually.

Mr Cormack: There's a wellbeing and support program that focuses on them.

Senator LAMBIE: Okay. How's this being evaluated? Can you supply me with all the evaluations—what's come out of that, the accomplishments?

Mr Cormack: It's into its second year and it will be the subject of a formal evaluation, and we're happy to give you the details of that on notice.

Senator LAMBIE: When is that evaluation happening?

Mr Cormack: The evaluation design is underway. The program is still running. It is a three-year program, and it's targeting support for just the sorts of people that you mentioned. The evaluation will be fully undertaken at the end of that three-year period.

Senator LAMBIE: With your 12-session treatment cycle pathway, how did you contact every serving member and veteran to let them know that was going on and explain that to them?

Mr Cormack: We used a range of communication measures. There were articles in Vetaffairs. There was social media. I can give you the details of all the different communication activities.

Senator LAMBIE: So nothing in the mail, nothing in emails—you just threw out some ads. 'That's it, well done.' Seriously?

Mr Cormack: No, no. I'll provide you with the details.

Senator LAMBIE: But there was nothing in the mail and nothing in emails, was there?

Mr Cormack: Senator, I'll take it—

Senator LAMBIE: I specifically asked you a question, mate. Was there anything sent in the mail, was there anything sent out in an email?

Mr Cormack: Yes. Vetaffairs was sent out to a very large mailing list of our clients—

Senator LAMBIE: How many of them?

Mr Cormack: I'll need to get you the circulation figures for that publication, but that goes out on a regular basis and it contained full details of that initiative before it commenced.

Ms Cosson: We also have that electronically—

Mr Cormack: That's right.

Ms Cosson: so we can take that on notice to work out the distribution list for that.

Senator LAMBIE: Okay. You've got all the names there, though, right?

Ms Cosson: Yes.

Senator LAMBIE: You've got all the names; you've got all your database. Why didn't you send out an email to everybody?
Ms Cosson: I'll check if we did or didn't do that.
Senator LAMBIE: No, you didn't, trust me.
Ms Cosson: Okay.
Senator LAMBIE: If you're really trying to sell something and you're not trying to hide it, because there's nothing wrong with it, why wouldn't you just flood it out there?
Ms Cosson: We'll take that on notice, Senator—how we communicated that.
Senator LAMBIE: Okay, and can you please tell me how you reached every GP out there if they've still got no idea about your 12-session cycle pathway.
Mr Cormack: Sure.
Senator Reynolds: Senator Lambie, I understand there was an email that was sent to all veterans who'd accessed the service in the previous 12 months—as well as any other activity.
CHAIR: We will find that out on notice, in detail. This now concludes the committee's examination of the Department of Veterans’ Affairs and the Defence portfolio. I thank the minister and officers for their attendance, and Hansard and Broadcasting staff. In these notes, the secretariat don't refer to themselves, but allow me to thank the secretariat staff as well. The hearing is adjourned. Thank you, all.
Committee adjourned at 22:59