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SENATE
FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Wednesday, 20 February 2019

DEFENCE PORTFOLIO

In Attendance

Senator Payne, Minister for Foreign Affairs
Senator Fawcett, Assistant Minister for Defence

Department of Defence

Portfolio overview and questions arising from opening statements

Mr Greg Moriarty, Secretary
Vice Admiral David Johnston AO, RAN, Acting Chief of the Defence Force

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

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

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

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

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

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

Program 2.2: Defence Executive Support
Ms Rebecca Skinner, Associate Secretary

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FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
Mr Adrian D'Amico, Head, Defence Legal
Ms Megan Lees, First Assistant Secretary, Governance and Reform Division
Dr Tom McGoram, Assistant Secretary, Enterprise Reform Branch
Mr John Geering, First Assistant Secretary, Ministerial Executive Coordination and Communication
Ms Celia Perkins, First Assistant Secretary, Security and Vetting Services
Dr Tom Clarke, First Assistant Secretary, Audit and Fraud Control Division

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

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

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

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

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

**Program 2.8: Australian Defence Force Headquarters**
Vice Admiral David Johnston AO, RAN, Vice Chief of Defence Force
Rear Admiral Stuart Mayer, Head, Force Design
Air Vice Marshal Stephen Meredith, Head, Force Integration
Commodore Richard Boulton, Acting Head, Military Strategic Commitments

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

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

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

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

Program 2.13: Defence Science and Technology
  Dr Todd Mansell, Acting Chief Defence Scientist
  Dr David Kershaw, Chief Maritime Division

Program 2.14: Defence Force Superannuation Benefits

Program 2.15: Defence Force Superannuation Nominal Interest

Program 2.16: Housing Assistance
  Mr Steve Grzeskowiak, Deputy Secretary, Estate and Infrastructure

Defence Housing Australia
  Mr Tom Cummins, Acting General Manager, Property Provisioning Group
  Mr Glen Gleeson, Senior Executive Officer
  Mr Paul Groenewegen, Chief Financial Officer
  Ms Sarah Ingram, Senior Executive Officer
  Mr Ross Jordan, General Manager, Governance
  Mr Brett Jorgensen, Acting Managing Director
  Mr Rob Lafreniere, Head, Project Symphony
Mr Jeremy Logan, Senior Executive Officer
Mr Shane Nielsen, General Manager, People and Corporate Capability
Ms Suzanne Pitson, General Manager, Portfolio Management Group
Ms Christine Steele, Acting General Manager Property and Tenancy Services
Mr Danny Williams, Risk Officer

Program 2.17: Other Administered

Australian Signals Directorate
Mr Mike Burgess, Director-General
Lieutenant General John Frewen, Principal Deputy Director-General
Mr Simeon Gilding, Deputy Director-General, Signals Intelligence and Network Operations Group
Ms Hazel Bennett, Deputy Director-General, Corporate and Capability Group
Mr Alastair MacGibbon, Head, Australian Cyber Security Centre

Outcomes

Department of Veterans' Affairs
Outcome 1—Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements
Outcome 2—Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements
Outcome 3—Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations though promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations

Australian War Memorial
Outcome 1—Australians remembering, interpreting and understanding the Australian experience of war and its enduring impact through maintaining and developing the national memorial, its collection and exhibition of historical material, commemorative ceremonies and research

Program 1.1: Commemorative ceremonies
Program 1.2: National memorial and grounds
Program 1.3: National collection

Department of Veterans' Affairs
Ms Liz Cosson AM, CSC, Secretary
Mr Mark Cormack, Deputy Secretary, Policy and Programs
Mr Charles McHardie AM, Deputy Secretary, Business Transformation
Mr Craig Orme DSC, AM, CSC, Deputy President
Major General Mark Kelly AO, DSC, Repatriation Commissioner
Mr John Fely, First Assistant Secretary, External Stakeholder and Government Relations Division
Ms Kate Pope PSM, First Assistant Secretary, Veterans’ Services Design Division
Ms Gayle Anderson, First Assistant Secretary, Client Engagement and Support Services Division
Ms Natasha Cole, First Assistant Secretary, Clients’ Benefits Division
Ms Bobbi Campbell, First Assistant Secretary, Legal, Assurance and Governance Division
Mr Mark Harrigan, First Assistant Secretary, Business Support Services Division
Mr Graeme Rochow, Chief Finance Officer and Assistant Secretary, Finance and Property Branch
Brigadier Bronwyn Worswick, General Counsel and Assistant Secretary, Legal Services Branch
Mr Paul Nothard AM, CSC, National Manager, Commemorations and War Graves Branch
Dr Ian Gardner, Chief Health Officer
Dr Stephanie Hodson CSC, National Manager, Open Arms, Veterans and Families Counselling
Mr Neil Bayles, Assistant Secretary, Portfolio Assurance Branch

Australian War Memorial
Dr Brendan Nelson, Director
Ms Leanne Patterson, Assistant Director, Corporate Services
Major General Brian Dawson (Retired), Assistant Director
Ms Anne Bennie, Assistant Director, Public Programs
Ms Helen Petrovski, Chief Finance Officer

Committee met at 09:00

CHAIR (Senator McGrath): Good morning. I declare open this additional estimates 2018-19 hearing of the Senate Foreign Affairs, Defence and Trade Legislation Committee. Today the committee will examine the Defence portfolio, as set out in the circulated program. The committee has fixed Friday, 1 March 2019 as the date for senators to submit written questions on notice in order to receive answers by the due date of 29 March 2019. 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)

Department of Defence

[09:01]
CHAIR: I welcome Senator the Hon. Marise Payne, the Minister for Foreign Affairs, representing the Minister for Defence; the Secretary of the Department of Defence, Mr Greg Moriarty; the Acting Chief of the Defence Force, Vice Admiral David Johnston; and officers from Defence. Minister, do you wish to make an opening statement?
Senator Payne: No, thank you.
CHAIR: Mr Moriarty, do you wish to make an opening statement?
Mr Moriarty: No, thank you.
CHAIR: Vice Admiral Johnston, do you wish to make an opening statement?
Vice Adm. Johnston: No, thank you.
CHAIR: I will throw to Labor.
Senator WONG: Thank you.

CHAIR: I'm sorry to interrupt. The Acting CDF might want to advise the committee in relation to the CDF's absence.

Vice Adm. Johnston: General Campbell expresses his regret at not being here. He is on overseas travel at the moment—a series of visits to Indonesia, Malaysia and Singapore. They were pre-arranged before the estimates schedule was available, late last year. But he does offer his apologies.

Senator WONG: Thank you for that. I would usually say that we would want the CDF to be here, but he has been very assiduous in attending, and we did change the schedule.

I go first to the South China Sea and some comments that Mr Pyne made, from memory, in his address at the Fullerton Forum. He is quoted in the AFR, after that speech, as saying: Australia reserves the right to navigate the South China Sea and undertake overflight both on its own and also in a multilateral engagement with countries like the US, Canada, New Zealand, France, Japan and others.

I want to confirm that that reflects the government's position in relation to FONOPs in the South China Sea.

Mr Hamilton: Yes. The minister's comments were consistent with our longstanding policy in relation to the South China Sea and the region more broadly, in that we will undertake exercises, both ourselves and in conjunction with other parties as part of multilateral activities.

Senator WONG: It's just a wording that I hadn't come across, certainly from Senator Payne previously.

Mr Hamilton: Our take on the minister's statement was that it is consistent with our policy.

Senator WONG: That's not what I said. Obviously, in this area, people pay a lot of attention to the words that are used.

Mr Hamilton: Yes.

Senator WONG: I wondered if there was any conscious change in the words used or not.

Mr Hamilton: I can't speak for the minister responding off the cuff to questions—

Senator WONG: No, it was in his speech.
Mr Hamilton: but there was no intended change in the speech.

Senator WONG: It was in his speech; I think that paragraph is actually in his speech.

Mr Hamilton: But there's no intended change to our longstanding position.

Senator WONG: Mr Moriarty?

Mr Moriarty: I think the defence minister used the words 'multilateral activities'. Other ministers, including Minister Payne, have talked about activities in cooperation or in coordination with friends and partners.

Senator WONG: Correct, 'friends and partners'. Was the department provided with a draft of the speech?

Mr Hamilton: Yes.

Senator WONG: Was that paragraph in the draft provided?

Mr Jeffrey: The draft went through multiple iterations. I can't recall the origin of each particular paragraph; of course, as is the nature of these things, speeches are edited and amended right up to the time that they are delivered.

Senator WONG: Minister Pyne answered questions, and, as reported by Mr Sheridan on 29 January:

In answers to questions, Mr Pyne made it clear he was referring to FONOPs in which Australia had not been involved so far.

Senator WONG: I understand why you're giving me that answer, but he's reporting on an answer to a question that was put to the minister.

Mr Jeffrey: My understanding of the remarks is consistent with what was mentioned by Mr Hamilton.

Senator WONG: No, that's not what I was talking about. This is the next point. There's the point about the wording; the secretary has answered that, and we have moved on. This is a specific point. I don't watch everything that Mr Pyne says, because that would take a very long time, but I wasn't aware that a federal minister, on the record, had actually gone into detail about what might or might not have happened in terms of FONOPs. He is saying here very clearly that he was referring to FONOPs that we hadn't been involved in. I wondered why that occurred.

Mr Moriarty: My understanding is that the government's policy remains that it has not taken a decision—

Senator WONG: Correct.

Mr Moriarty: to participate in US-style FONOPs within the 12-nautical-mile limit. But the government, of course, acknowledges the right of countries to conduct these operations and may at some stage consider it.

Senator WONG: Minister Payne's predecessor, Ms Bishop, articulated quite clearly the difference between the US global FONOPs and its policy, obviously, and ours. I'm not quibbling about that, but I am interested in the defence minister saying explicitly to a journalist, 'This was my speech.' You say, Mr Moriarty, that it's not a change of position. But the minister then says, 'I'm referring to FONOPs that we haven't done,' which suggests that we
FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

will do them but we haven't yet. That is much less cautious; that is not consistent. That is a step beyond what you've just said and certainly what Senator Payne says. You're looking at me quizzically.

Mr Moriarty: No. It's a slightly different formulation, but the government has acknowledged that it recognises the right of the United States and other countries to conduct freedom of navigation operations. The Australian government has not taken a decision to conduct operations inside the 12-nautical-mile—

Senator WONG: Okay, which is the previous position. I'm interested in why Mr Pyne felt that he should put that into the speech and then tell a journalist, 'What I've said in the speech about what we are asserting is something that we haven't done'—and something, as you now indicate, we haven't actually made a decision to do.

Senator Payne: Or not to do.

Mr Moriarty: Yes, or not to do.

Senator WONG: Or not to do; that's true. I'll take Senator Payne's aside. Why put it in the speech? I get the position, which is the position that Senator Payne has just articulated, that no decision is being made either positively or negatively—correct? —as to whether or not we would participate in a FONOP within the 12 nautical miles. I don't understand why Mr Pyne gives a speech where he specifically references multilateral FONOPs and then tells a journalist, 'I'm talking about FONOPs that we haven't done yet,' which must be the FONOPs within 12 nautical miles.

Mr Hamilton: The term 'FONOPs', as we understand it, is that particular US definition of 'within 12 nautical miles'—

Senator WONG: Correct.

Mr Hamilton: and also freedom of navigation—

Senator WONG: Freedom of navigation and freedom of overflight is the formulation that ministers use—I understand that—but he has not used that.

Mr Jeffrey: It's us speculating on what the minister may have meant.

Senator WONG: No, it's not.

Mr Jeffrey: For example, you could conduct a freedom of navigation exercise that's—

Senator WONG: I understand that, but—

Mr Jeffrey: It could include other members. There's a range of different ways that you could construe those remarks to infer what they mean.

Senator WONG: It just seems a little undisciplined to be floating something like that, which is a step beyond. If it's not a conscious decision, it is clearly a step beyond in terms of the articulation of the government's current position; that's all. You don't agree with that?

Mr Moriarty: It is a slightly different formulation, but my understanding is that the government's policy has not changed.

Senator WONG: Did the Minister for Defence consult with the Minister for Foreign Affairs prior to making the statement to Mr Sheridan based on the speech?

Senator Payne: Are you asking me, Senator?
Senator WONG: I'm asking anybody; I'm sure that you can answer. You, representing Mr Pyne, could ask yourself whether or not he actually consulted with you prior to making that—

Senator Payne: I could ask myself a lot of questions on that basis. No, Senator.

Senator WONG: So you weren't consulted in terms of what he said to Mr Sheridan or in the speech?

Senator Payne: Not directly, but I am happy to take any consultation with my office on notice.

Senator WONG: Okay. Was there any consultation with DFAT?

Senator Payne: Mr Jeffrey will answer that.

Mr Jeffrey: Yes. A draft of the speech was shared with the department of foreign affairs and with the Department of the Prime Minister and Cabinet.

Senator WONG: Has any other minister explicitly said publicly that we would engage in FONOPs that we had not yet done, which is what Mr Pyne has done?

Mr Jeffrey: I'm sorry; can you repeat the question?

Senator WONG: Has any other cabinet minister—previous or current holders of the portfolios of Foreign Affairs and Defence—actually made reference publicly to the possibility of FONOPs being conducted that Australia had not yet participated in? One can infer from that the 12 nautical miles; correct?

Mr Hamilton: We're not aware of any minister using that formulation, no.

Senator WONG: Mr Pyne's formulation?

Mr Hamilton: Yes.

Senator WONG: So why does he do it?

Mr Hamilton: He's using a formulation of words to describe our longstanding policy of conducting operations in that area.

Senator WONG: It's not, is it? It's not the same formulation of words; that's my point. This is a highly sensitive issue and it's been the subject of a lot of discussion. With a change in language people infer a change in position. I think what you're saying to me—tell me if this is correct—is that there was a change in language, it is a different language, but you infer that there's no change of position being communicated by that. Is that reasonable?

Mr Hamilton: That's correct.

Senator WONG: Has the Australian government given any undertakings to any other governments about FONOPs in the South China Sea?

Mr Hamilton: We talk to all of our partners regularly; we have not made any specific commitments—

Senator WONG: What does 'specific commitments' mean?

Mr Hamilton: It means that we have not committed to conduct particular operations. Those operations would, of course, be managed through the usual operational process.

Senator WONG: The minister referred to freedom of navigation overflight, essentially operations in international waters, engagement with the US, Canada, New Zealand, France,
Japan and others. Have we been formally requested by any of those nations to participate in what he described as multilateral operations?

**Mr Hamilton:** As I said we talk to all of our partners regularly about our operations and their operations, in operations around the world, including in the South China Sea. We don't comment publicly on the details of those discussions.

**Senator WONG:** Sure. I didn't ask you about the content.

**Mr Hamilton:** But, as I said, we do talk.

**Senator WONG:** The position that Senator Payne just articulated, though, is the current position of the Australian government: no decision, positive or negative—is that correct?

**Mr Moriarty:** That's correct.

**Mr Hamilton:** Yes.

**Senator WONG:** Is it anticipated that there's a time frame around that decision, or is it that there's no—

**Mr Moriarty:** My understanding is that government keeps these issues open and there's a range of issues that they might wish to consider at particular points in time. I haven't had any advice conveyed to me that there's been a change in policy or looking for advice about a particular operational context or a particular scenario, as Mr Hamilton suggested. But we wouldn't talk about operational planning or activities in a forum like this.

**Mr Hamilton:** To be very clear, when we're talking, we're using our terminology, which is operations, exercising our freedom of navigation and overflight.

**Senator WONG:** Which is silent on the 12 nautical miles. Mr Jeffrey?

**Mr Jeffrey:** I was just going to clarify the point that the government's position is that it reserves the right to exercise its rights, under international law, to freedom of navigation and overflight. So it is within what is deemed to be international law. That position is that it reserves the right; it is able to do this. Whether the decision needs to be taken on 12 nautical miles in particular is not circumscribed by the position.

**Senator WONG:** No. It's a subset of it.

**Mr Jeffrey:** Yes.

**Senator WONG:** The overarching proposition, with which we would all agree, is that we assert our rights to freedom of navigation and overflight in international waters.

**Mr Jeffrey:** Yes.

**Senator WONG:** Absolutely rights.

**Mr Jeffrey:** To preserve our rights, yes.

**Senator WONG:** My only point is: why has the language changed? Anyway, we'll move on. Can we turn to Syria? It's been reported that the US intends to fully withdraw its troops from Syria by—I think the reported time frame in the initial reports was April. Are you able to give us an update of what we understand to be the decision currently?

**Mr Hamilton:** I'm sorry; I just missed the last part of your question.

**Senator WONG:** It's been reported that the United States intends to fully withdraw its troops from Syria by the end of April this year; correct? Can you tell me what we know?
Mr Hamilton: We consult very closely with the US in relation to its plans and President Trump's announcement that it will withdraw its forces from Syria. We will continue to engage with the US but, as we're not involved in operations in Syria, those decisions are, of course, a matter for the US.

Senator WONG: You think that there are no implications for Australia of that decision for—

Mr Hamilton: I'm not saying—

Senator WONG: I'm sorry; the acting CDF wants to comment.

Vice Adm. Johnston: I was just going to answer your question explicitly about the time line. I think the time line is still unclear. There are a number of factors that the US are considering regarding how to execute it. They have commenced withdrawing some of the equipment, but we're not certain whether it's by April or some period after April.

Senator WONG: On what basis do you make the assertion that it's still unclear?

Vice Adm. Johnston: I think the US are looking—you would be aware of it—to the north-eastern part of Syria and how they manage the relationship that they have with the Syrian Democratic Forces, and the relationship with Syria, Turkey and the SDF in there. So there is still work around how they may mitigate some of the risks that they see from their withdrawal from that part of Syria.

Senator WONG: The most recent AUSMIN communique—this is July last year— included this paragraph:

The Secretaries and Ministers underscored their shared commitment to ISIS's lasting defeat in Iraq and Syria, and to support Afghanistan, including through their nations' development assistance and NATO's train, advise, and assist mission to the Afghan security forces.

So just over six months ago there was a clear articulation at AUSMIN level of not only the commitment to the mission in Syria but obviously an acknowledgement of the broader implications for the region. Given that clear commitment, can you tell me when we first became aware of the US decision to withdraw its troops from Syria and how?

Mr Hamilton: We'll take that on notice.

Senator WONG: Come on!

Mr Hamilton: The US advised us in advance; I don't have that information in my head.

Senator WONG: Did they advise us at the ministerial level? Senator Payne, were you advised or was Mr Pyne advised before Mr Trump made the announcement?

Senator Payne: We were advised through normal processes.

Senator WONG: What does that mean?

Senator Payne: Between officials in the United States and officials in Australia.

Senator WONG: Was that before or after the announcement?

Senator Payne: Prior to.

Senator WONG: How long prior?

Senator Payne: I don't have that detail with me.

Senator WONG: Sure. If you, Minister, could take it on notice?
Senator Payne: Certainly.

Senator WONG: I would like to know how long before and how, both at department level and minister level. What about the CDF; how did we become aware?

Vice Adm. Johnston: Through the same circumstances.

Senator WONG: Sure. But did you become aware because Senator Payne's office had been told or because, independently, your counterparts at the Pentagon advised you?

Vice Adm. Johnston: Do you mean specifically about the US decision in Syria—

Senator WONG: Correct.

Vice Adm. Johnston: and the President's decision?

Senator WONG: Yes.

Vice Adm. Johnston: I think it was the same mechanism, but we would need to check.

Senator WONG: That is 'the same mechanism'?

Vice Adm. Johnston: That is, the advice that was provided through the department was the means by which the CDF became aware.

Senator WONG: So the first advice goes to the department—is that correct?—and not at a political level, Mr Moriarty?

Mr Moriarty: Of course, sometimes our ministers are in direct contact with their US counterparts, but quite often our defence attache in our mission in Washington would be provided with some formal advice—

Senator WONG: Was this the conduit in this—I'm sorry; I interrupted you.

Mr Moriarty: through the Pentagon. The Pentagon would channel it through our defence attache or through our operational liaison staff; they would be advised, and then they would convey it to our Defence headquarters in Canberra. That would often also be—

Senator WONG: That is 'would'. I love it when we do 'woulds' and 'might have' and talk in the passive. What happened on this occasion? Did we get advice from the attache at post?

Mr Moriarty: That's what we will check and revert to you.

Senator WONG: Is that your recollection? It was a big decision.

Mr Moriarty: Yes.

Senator WONG: Can we do this later in the day? Can someone just tell me how we became aware? Have we expressed a view to the US about this at either a departmental level or a ministerial level or through the defence forces?

Mr Hamilton: Yes. In our consultations with the US—and I've been part of some of those discussions—we have discussed implications arising from the implementation of the President's decision.

Senator WONG: What are some of the implications?

Mr Hamilton: For us, of course, we need to think about the implications for security within Iraq, which has been the basis of our deployments into the region. So we're very keen to understand from the US how that will affect our operations from the Australian Defence Force.

Senator WONG: What are some of the risks that we have to manage?
Mr Hamilton: I'm not saying that there are risks; I'm saying that—

Senator WONG: Please!

Mr Hamilton: the movement of US forces in the region—

Senator WONG: Taking US forces out of Syria: no-one would look at that and think that that does not have a consequence in terms of the risks that our personnel might have to manage in Iraq. All I'm interested in is: how are we turning our minds to that and what has been put to the US?

Mr Moriarty: Some issues that we're engaged in have been very much a matter of public commentary, including what the relationship will be between Turkey and Syria with the withdrawal of US forces and what undertakings might be given or what the security situation on the Turkish-Syria border will be after the removal of US forces. There's how to maintain pressure on the remaining ISIL or Daesh elements in Syria. There's a related issue about what might happen with the foreign fighters who continue to remain in Syria. There are issues about the security of Iraq and whether Iraq might feel more vulnerable to cross-border incursions—

Senator WONG: Correct.

Mr Moriarty: if the security situation were to deteriorate. We've been involved in discussions with the United States about a range of those issues as the situation is evolving.

Senator WONG: What's the progress of those? Let's work backwards. Vice Admiral, you said it's a little unclear. At this stage, are we still working on the basis that April is the time frame, or is there an assumption that that is not the case?

Vice Adm. Johnston: I think our view would be: probably within six months. But that's not certain.

Senator WONG: So, in terms of whatever strategies are put in place to deal with some of the risks that you have articulated today—and I'm sure there are others—is it our anticipation that there is a period of up to six months for those to be implemented? I'm just trying to work it out. This is about to happen. You've identified—I think reasonably succinctly—some of the implications of that decision for Australia and Australian personnel. I'm just trying to get a sense of what you are working to in terms of time frames around how that might be dealt with.

Mr Hamilton: As the acting CDF has said, around six months. Our focus is on making sure that we get the latest information from the US planners as they work through, on their side, the implementation of their withdrawal.

Senator WONG: Okay.

Mr Hamilton: And I suppose that's an important point.

Senator WONG: I assume that feeding in also to that planning process is some of our perspective around it.

Mr Hamilton: We have the opportunity in those discussions to let them know our perspective. But, because we're not there, it's their planning for their force's withdrawal that is driving the time frame.
**Senator WONG:** Okay. I'll come back to the time frame, but I was asking a different question. I think the secretary has gone through some of the issues which arise, and I'm just confirming that, whatever our view is, obviously, ultimately, this is their decision, but, as a friend and ally, we are putting our view about how we might deal with some of those.

**Mr Hamilton:** Yes, whenever we have those discussions.

**Senator WONG:** Where do people get the 'inside six months' figure, date or time line from? Both you, Mr Hamilton, and you, Vice Admiral, have used that phrase. Where do we get that from?

**Vice Adm. Johnston:** It's my view that that comes from our direct engagement with liaison officers in the Pentagon and what we hear, similarly, through the people that we have in the operational headquarters of the US.

**Senator KITCHING:** We obviously have ADF personnel in Iraq who are doing a training and mentoring program. Would we consider increasing those numbers? Given the recent comments by the Iraqi President about US troops and President Trump's comments, a couple of weeks ago, how would that be perceived? Does that start to stabilise Iraq, if they have greater access to training of their own forces?

**Mr Hamilton:** We've said that we're committed to our mission in Iraq, and the Iraqis have said that they welcome that commitment from Australia. Any questions about adjustments to that would be a matter for government in the future.

**Vice Adm. Johnston:** Perhaps I could add to that answer for you. You would recall that our initial training contribution was very much around assisting the Iraqi security forces to rebuild their combat power to enable them to take the fight to Daesh. Those circumstances are changing, with the successes that the Iraqi forces have had on the ground in Iraq, and therefore the training needs of that force are adjusting. It may be a different type of training that's required in the future that may not require the scale of coalition training assistance that it did in the fight against Daesh.

**Senator WONG:** Minister, has the government expressed any concern to the US about the decision to withdraw?

**Senator Payne:** We have had discussions—I have had discussions—with National Security Adviser Bolton and with Secretary of State Pompeo in as recently as the last few weeks in Washington, and we've certainly canvassed these issues and discussed the sorts of matters that you would expect us to.

**Senator WONG:** Have you expressed concern about the decision?

**Senator Payne:** I wouldn't put it in those terms. We have discussed the decisions that the United States has indicated they intend to take. There is a process to be undertaken with partners and allies, in which they are engaged. Secretary of State Pompeo is having multiple discussions, as you would expect, as is National Security Advisor Bolton.

**Senator WONG:** Is the six-month time frame something that National Security Advisor Bolton has confirmed?

**Senator Payne:** The Acting CDF has indicated that these time frames are a matter of development and process. There is a lot of engagement with partners and allies to be undertaken—a lot of engagement in terms of positions on the ground. There are implications
for the United States in relation to force protection and ensuring that their personnel are properly supported. I would suggest that, although there is an effort to put a tight time frame around this, it is more amorphous than that because of all those things.

**Senator WONG:** That's logical, but that's not what was said by the President. I'm just trying to clarify: I'm unclear as to precisely how formal the announcement was, but the April date has been articulated. What has been said to me this morning at the table—and Senator Payne's lengthy answer—point to a reason why there might be a longer time frame than the one that's been announced. No?

**Mr Jeffrey:** The six months time line would be an operational decision by those US forces on the ground about how quickly they can implement the President's order, but the six months time line is not equivalent to the US saying it's going to withdraw from seeking to address the risks Secretary Moriarty outlined. The US remains—and has said publicly that it remains—committed to addressing the threat posed by violence and extremism emanating from the Middle East, particularly with regard to ISIS. The US continues to lead the counter-ISIS coalition, of which Australia is a member; we continue to meet—

**Senator WONG:** This is the Global Coalition to Defeat ISIS?

**Mr Jeffrey:** The Global Coalition to Defeat ISIS, yes. My team attended the most recent meeting, which occurred in early January this year, to talk about how we're going to continue to make sure that the fight against ISIS is maintained. So even though the US won't have a physical military presence in Syria, it does not mean that the risks we're looking to address collectively will end also.

**Senator WONG:** It's difficult though, isn't it? The importance of the military operations against Daesh are something the Western Allies have been articulating strongly over a number of years. As recently as July, the AUSMIN communique confirmed how important this was. The risk of Daesh and the imperative of militarily countering them is something that the US, Australia, friends and partners have been advocating to the public—to the world—in stark terms for a number of years.

**Senator Payne:** Indeed.

**Senator WONG:** The need for that to include a military presence in Syria has been pressed publicly as recently as July. The Australian government's senior ministers for defence and foreign affairs sit down with relevant secretaries in the US and reiterate that position in July. The US President announces, as is his right, a withdrawal from Syria. But what you're telling me, Senator Payne, is that you wouldn't class your conversations with Mr Bolton as expressing any concern about that decision.

**Senator Payne:** We are always engaged with our counterparts—in this case, the United States—on matters that concern violent extremist organisations, including the horrific work of organisations like Daesh. We are concerned to work together to do what governments are meant to do: protect their national interests and protect their citizens. We have had an extensive period of deployment in the Middle East—in Afghanistan, Australia's longest continuing military deployment, which has seen significant sacrifice, and more recently in Iraq, as we've discussed here this morning. Australia has not deployed—as we've also been reminded by the Acting CDF—in Syria personnel on the ground in the way others have.

**Senator WONG:** In the air we have—
Senator Payne: Yes, certainly—air support and, until relatively recently, support of both tankers and the Wedgetail. But the conversations we have with our allies and partners are predicated on their sovereign right to make their own decisions, as they respect ours to do the same. We would always express concerns, which are broadly shared, about ensuring that Daesh continues to be pushed and pushed to a point of defeat. But we are also realistic about its efforts to mutate and pop up in other places; we are not unrealistic about that. We understand that they will use every avenue they can to attack the values and the systems that countries like Australia and the United States hold dear. We are not unaware of those implications. But in our discussions we obviously have to operate in a context in which we respect the sovereign decisions of other countries and continue to work with them to make sure we are protecting Australia’s national interests, ensuring that our personnel who are deployed in very difficult and sensitive locations are supported and protected to do the exceptional job that they do and to continue our support for efforts against terrorism and violent extremist activity.

Senator WONG: Does the Australian government agree with the assessment that the objective of defeating ISIS or countering Daesh—however one wants to describe this—no longer requires a US military presence on the ground in Syria?

Mr Moriarty: I preface the answer to that question by giving you an update on what the military defeat of Daesh looks like, Senator. You would be aware that Daesh have collapsed down to the south-eastern part of Syria in what’s called the middle of the Euphrates River Valley. The assessed area that the core, the fighters, of Daesh hold is about a 700-square-metre area now. The judgement that we are seeing is that within days or weeks the remaining small pocket of quite hard-core fighters in that area are likely to be defeated by the SDF forces that are on the ground. So the land-based caliphate element of Daesh is likely to be defeated within the next few weeks.

Senator WONG: That was the background, and then you were going to answer my question.

Mr Moriarty: No. You were saying: is it important around the defeat of Daesh? What I was trying to offer was that the caliphate defeat is imminent.

Senator WONG: The caliphate defeat.

Mr Moriarty: The physical caliphate, yes.

Senator WONG: Yes. I actually was asking—and if people don’t want to answer, they can say so—if anyone at the table agrees with an assessment that the objective of defeating ISIS, which is the coalition’s objective, countering Daesh effectively, no longer requires a US military presence in Syria.

Mr Moriarty: In the next few weeks it should not require it, because the land-based caliphate should be defeated.

Senator WONG: Minister, Secretary Mattis resigned shortly before Christmas, shortly after this announcement or decision was made by the President. Did you have any conversations with him post or prior to the announcement of his resignation?

Senator Payne: Firstly, I would like to place on the record my personal appreciation of the exceptional cooperation and engagement that the Australian government, and I as Australia’s defence minister during the bulk of that period, had with Secretary Mattis. His
very strong commitment to alliance, his valuing of allies and his particular respect for Australia and the men and women of the ADF, which he developed over years of close engagement, were marked. We very much valued our contact together. I certainly had been in touch, after Secretary Mattis's resignation, to offer my personal best wishes and the thanks of the government for his work.

Senator WONG: I think he deserves much thanks from the nation, actually—

Senator Payne: Indeed.

Senator WONG: for his articulation of the importance of alliance, the principles of partnership, and his articulation of the role of the United States in our region and the objectives of that.

Senator Payne: I reminded people regularly that, as US Secretary of Defense, his first visits internationally were to the Indo-Pacific; to Japan and Korea, if I remember correctly, and that very much marked the tone that he brought to his role.

Senator WONG: His resignation letter, which is consistent with remarks he made over the time he was Secretary of Defense, contains this sentence:

One core belief I have always held is that our strength as a nation is inextricably linked to the strength of our unique and comprehensive system of alliances and partnerships. While the US remains the indispensable nation in the free world, we cannot protect our interests or serve that role effectively without maintaining strong alliances and showing respect to those allies.

They're sentiments with which we would all agree, I think.

Senator Payne: I think we already have.

Senator KITCHING: Have you had any discussions about what the US is doing with its infrastructure and its equipment that is based in the Middle East?

Vice Adm. Johnston: Senator Kitching, do you mean inside Syria or more broadly?

Senator KITCHING: More broadly. And what that withdrawal means—because, obviously, they would need to take that all away. Have any allies of the US had any discussions about the potential ongoing use of that? You might not be able to answer that in this forum.

Vice Adm. Johnston: I'm not aware of any discussion around the infrastructure. I am aware of where the US might move the forces out of Syria to, but that may be temporary rather than long-term.

Mr Hamilton: I'm not aware of any specific conversations about that infrastructure in Syria. Obviously, they will continue to use their infrastructure more broadly within the region to continue to counter Daesh, as it remains, from destruction of the caliphate.

Senator WONG: I'm done on Syria. I don't know if anybody else wants the call before I move on. No? I have a couple of questions about the Pacific step-up and Defence's involvement. Mr Pyne was reported in the media as indicating that the government's plan for an increased commitment to the Pacific—I assume that's the Pacific step-up—would include:

… the commitment to a large-hulled humanitarian and disaster relief vessel that would operate semi-permanently operating in the south-west Pacific.
I think there's a typo or misspeak there. That was repeated by him in an interview with Mr Speers on 15 November. I think that's what it's meant to be. The dates on this are not consistent. He said that we:

... will build a large hulled vessel for humanitarian and disaster relief, which will operate semi-permanently in the south west Pacific.

The minister continues it:

... it will return to Australia for maintenance and sustainment, but basically operate all the time in the south west Pacific ... It's a great idea. In terms of the type of vessel, where it will be built—those decisions haven't yet been made. I strongly anticipate it will be built in Australia.

Was the defence department aware of this commitment before the minister announced it in November?

Mr Hamilton: Yes. We were involved in the step-up policy process, including in relation to a new initiative to have a near-permanent presence in the region. In the first instance we will look to existing Australian Defence Force assets to provide that presence. In the first instance HMAS Choules will deploy into the region. We are also in the early stages of working through options for a new, dedicated vessel to support that near-permanent maritime presence and it's correct that we haven't made decisions around the precise nature of that vessel.

Senator WONG: So there's been an announcement but no decision as to what sort of a new vessel. There's been an announcement of building what he's described as a large-hulled vessel but actually there's been no decision other than an in-principle decision as to what that vessel will be, what type of vessel that will be or any process as yet around commencing planning for a build. Is that correct?

Mr Hamilton: I think that's correct. We're in the very early stages of looking at—as we do for all capabilities that the government announces, we then look at—the design parameters, how it will be used and what it will be used for. We then feed that into more detailed planning through the force design process. But the point is that this is how we do most of our force design. We start with—

Senator WONG: I'm just interested that the announcement has been made but nothing's happened. Anyway, let's leave that aside for one moment. How long before the minister spoke to Fairfax and Mr Speers had the decision been taken in government to, in principle, have a semi-permanent presence in the south-west Pacific?

Mr Hamilton: I'll have to check those dates but the Prime Minister made the announcement in November last year.

Senator WONG: No. The Prime Minister gave a speech about the Pacific step-up. I know from Prime Minister and Cabinet that there was a cabinet process prior to that and there was a range of interagency discussions. I'm actually just asking when the government made the decision, in principle, in the terms that Mr Pyne has outlined. How long is it before Mr Pyne goes to the public and tells them about a vessel? Did government make what is clearly only an in-principle decision to this proposition?

Mr Hamilton: It was part of that broader process that went to cabinet.

Senator WONG: That would be prior to Mr Morrison's speech in November? Is that correct?
Mr Hamilton: That's correct.

Senator WONG: Was that a proposition that emanated from defence?

Mr Hamilton: Yes. The government tasked us to look at our engagement in the region and what we could do. We looked at a wide range of options, many of which were announced by the Prime Minister, and the idea of having a near-permanent maritime presence was one of the ideas that we developed within defence.

Senator WONG: What you're saying is that that was part of the decisions taken as part of the cabinet process for the Pacific step-up decisions?

Mr Hamilton: Yes, that's correct.

Senator WONG: Choules hasn't been deployed?

Mr Hamilton: Choules will deploy this month. I don't have the exact dates for it to—

Vice Adm. Johnston: I think Choules is deploying into the region now.

Senator WONG: Have you been funded for it yet—not Choules but the new build?

Mr Hamilton: Yes. As part of that cabinet process we considered the broad nature of the costs that we thought we would need to provision for all of the initiatives.

Senator WONG: This one?

Mr Hamilton: Including this one.

Senator WONG: What's the DCP called these days?

Mr Moriarty: The Integrated Investment Program, the IIP.

Senator WONG: Do we have to keep changing acronyms?

Senator Payne: It's been called the IIP for some years now.

Senator WONG: I know, but it's capability, so why can't we call it that?

Senator Payne: At least since the defence white paper in 2016.

Senator WONG: Yes. I don't know why governments always have to change acronyms.

Senator Payne: We're both guilty of that.

Senator WONG: Yes, I know. It's like the Australia in the Asian century white paper. I gave bipartisan support to the foreign affairs white paper. I wasn't precious about that.

Senator Payne: You did.

Senator WONG: The integrated investment plan—

Vice Adm. Johnston: The integrated investment program.

Senator WONG: A program, not a plan? You'll understand if I keep calling it the DCP, though, won't you, which is a much more memorable acronym?

Senator Payne: I don't know.

Mr Jeffrey: DCP also stands for the Defence Corporation Program.

Senator WONG: Yes, that's true. That is a reasonable point. So the IIP—finance ministers always love these sorts of rolling endless large amounts that keep getting shifted—how long are you provisioned for in that?

Vice Adm. Johnston: Ten years.
Senator WONG: Is it 10 or 15?
Senator WONG: Was there an addition in terms of the capital budget for the IIP and other aspects of that for this vessel?
Mr Hamilton: No. The initiatives are funded from within the defence budget.
Senator WONG: So when you said, 'Yes, we were funded'—
Mr Hamilton: Sorry, budgeted for within our budget.
Senator WONG: No. I asked you, 'Before you were funded for this?' And you said, 'Yes, we were; that was provisioned as part of the cabinet process.' But what we're confirming here is that the expectation is that defence will fund it from the existing IIP budget envelope. Is that correct?
Mr Moriarty: We will reprioritise to take into account this new government initiative.
Senator WONG: What are the priorities that are being taken from? And don't say, 'Oh, it's nothing,' because you've been given a certain amount of money, a very large amount—defence—and both parties have a commitment to the increasing defence expenditure as a percentage of GDP. So I'm not quibbling with that. But it's a very large amount of money. There's also a lot of capability over the next decade that Australia is seeking to acquire and sustain. Is that correct?
Vice Adm. Johnston: Yes.
Senator WONG: Does everyone agree with that? Is sustainment in that too, or is that in an operating budget?
Vice Adm. Johnston: No, that's in the budget.
Senator WONG: So IIP includes both?
Vice Adm. Johnston: Yes.
Senator WONG: Okay, a big amount of money, lots of projects, lots of capability and a fair amount of risk, obviously—and we'll come to some of that. You then have another vessel which you're provisioning for within that envelope and there's no additional. So what are you taking it from?
Vice Adm. Johnston: As the secretary indicated, we ran a prioritisation process, as we do every six months, on what is in the investment plan. To fund the provisions for the south-west Pacific measures, what we looked at was: there were some estate impacts, some capability equipment impacts and some of our training systems. They involve generally re-profiling, so moving money around or some adjustments in time frames.
Senator WONG: What were the three things? Estate impacts—
Vice Adm. Johnston: Some capital equipment of our programs, including some of the training systems.
Senator WONG: I'm happy to keep going. Senator Moore wants to come back to the Pacific. I was going to go to the same issue I'm sure Senator Patrick would want to go to. We might want to do that if we start off after the break.
CHAIR: After the break I've got Senator Di Natale from 10.45 for about 15 to 20 minutes.
Senator WONG: Can we come back to the Pacific after that, then?
CHAIR: Okay.
Senator WONG: Can you perhaps just tell me again what were the three things? It was estate, capital and equipment?
Vice Adm. Johnston: Capital equipment and some training programs.
Senator WONG: Training programs, which have been deferred, essentially?
Vice Adm. Johnston: Deferred or the profiling of them, when they have money available, has been shifted.
Senator WONG: What type of ship has been provisioned for?
Mr Hamilton: Broadly, we're at a very early stage of looking at what sort of ship it would be but large hulled. Choules is an example of the sort of ship that we could purchase but, of course, we can't tell you at this point.
Senator WONG: Vice Admiral, you've basically made public, in broad terms, the categories of reprofiling. Is it intended that that be made more public? Are you going to tell people what's happening in each of those four categories?
Vice Adm. Johnston: Not as a collective. And what I mean by that is that we're engaging with the potential areas that would be providing those services to defence as part of our routine industry.
Senator WONG: On notice, can I have more details of the reprioritisation within the IIP for this acquisition or this build? How do you want me to refer to it?
Senator WONG: 'Initiative'—it's one of those words that can mean anything. Can you tell me: if you don't know what ship you're buying or building, how do you provision for it? They cost different amounts, no?
Mr Moriarty: We will do a mission analysis: what types of tasks does the government want it to do? We'll look at what capabilities the vessel would need to have on board or what systems or platforms. I'd imagine it won't need to be a particularly sophisticated vessel. It's early days but I think a large-hulled vessel to conduct presence operations in the south-west Pacific, to engage with our partners and friends in the region, to train with the security forces of the region would not need particularly complicated weapons systems or command and control systems. But it will need the basic provisions that any Royal Australian Naval vessel would have. So we will go through a scaling process of looking at what capabilities we need to build into the vessel and what that tells us then about the size.
Senator WONG: But you have to make costing assumptions. In order to provision within a budget line item—in this case a very large one—which is the IIP, you have to make assumptions as to cost of ship, which means that, underpinning that, you have to make some assumptions—and I'm not holding you to it; I get that you are at very early stages, notwithstanding the announcement—about what sort of capability. What assumptions have you made in order to provision?
Vice Adm. Johnston: We've been able to draw on our experience. You're aware that we have Australian Defence Vessel Ocean Protector. That's a large-hulled vessel. It's not a military platform but it has high utility. We can draw some of the lessons of the costs of acquiring a platform of that nature.

Senator WONG: So would it be correct to say that you've budgeted the costs approximately around the costs of what it would cost to replace the Ocean Protector today?

Vice Adm. Johnston: In that order.

Senator WONG: What sort of amount of money is that?

Vice Adm. Johnston: I don't have that figure with me.

Senator WONG: Other very smart people at the table can't tell me? You can't tell me because you haven't got it here?

Vice Adm. Johnston: No, I don't have it.

Senator WONG: Mr Jeffrey? Mr Hamilton?

Mr Hamilton: No, we don't have what that is. The other point I might make is that we haven't published those figures so that we don't signal to the market what it is we've got to spend.

Senator WONG: No, but that isn't the figure that I'm asking for, because your provisioning figure is not the tender cost.

Mr Hamilton: I don't know what an Ocean Protector, for example, would cost.

Senator WONG: What did the Ocean Protector cost in today's dollars?

Vice Adm. Johnston: I would have to ask some of the experts who acquired the vessel to give us that advice.

Senator WONG: Why doesn't someone give me that before the end of the day? Then I'll stop asking questions about the budget. How about that?

Vice Adm. Johnston: Yes.

Senator WONG: If it's okay with Senator Moore, who I know has a number of questions about the Pacific, I might go to subs now and then perhaps we can come back on that. I just want to ask a series of questions about the SPA. Prior to the election—this is 23 May 2016 on Q&A—Mr Pyne indicated that less than 10 per cent of the work on the future submarines project would be done overseas. He said:

DCNS—

Naval Group—

has admitted that probably less than 10 per cent of the work will be done outside Australia.

Then in December last year the figure was revised to 60 per cent plus being done in Australia—from 90 down to 60. He said:

A local build is defined as being around 60 per cent plus … we expect this to be a local build, as we've announced—

in other words, 60 per cent plus—

That's what Naval Group will deliver.

There is no disagreement to date that those are the assertions—correct?
Mr Johnson: I'm sorry, Senator; I have a great deal of difficulty hearing in this room.

Senator WONG: Okay. I will say it again. I will lean closer to the microphone. I would have thought these figures would be something you would be well aware of, but I'm happy to put them to you again. Mr Pyne, before the election, in May 2016 on Q&A—an ABC show—said that less than 10 per cent of work on the future submarines would be done outside Australia. In December of last year he indicated that the definition of 'local build' was, in fact, only 60 per cent of work done in Australia. That's a reduction of 30 per cent, minimum. He said that the government was committed to a local build that is in excess of 60 per cent done in Australia. I understand the SPA has been signed. This is a strategic partnership agreement; is that what the acronym stands for?

Mr Johnson: That's right.

Senator WONG: Between Australia and France. It lays down—tell me if I'm correct—conditions and principles which will be used—I suppose as a chapeau or as an overarching framework agreement—beneath which specific contracts as to particular acquisitions et cetera will be negotiated. Is that a reasonable summation?

Mr Johnson: Yes.

Senator WONG: In that SPA, can you confirm what has been said publicly, that the agreement fails to mandate a minimum level of Australian industry content in construction of the submarines?

Mr Johnson: We have not committed to a percentile at this early point in the work. We have decided that the following activities will be done in Australia—

Senator WONG: No. Please answer my question. Can you confirm that the SPA that has been signed by the government does not mandate a minimum Australian content?

Mr Johnson: It mandates the following activities to be done—

Senator WONG: No. Does it mandate a minimum Australian level of industry content?

Mr Johnson: We have not committed to a per cent of Australian content.

Senator WONG: Why are you not answering my question?

Senator Payne: Mr Johnson said there is not a percentile in the SPA.

Senator WONG: That's just a line, Minister. Mr Pyne was happy to put a floor on it before an election. He was happy to put a floor on it prior to the SPA being signed, and now it's emerged that there is no provision in the SPA which actually mandates minimum Australian content in construction.
Senator Payne: I don't think it has 'emerged'. I'm not sure there was a suggestion it was to be incorporated in the SPA. I'm happy to check the record on that.

Senator WONG: Senator Patrick, you had a question.

Senator PATRICK: Senator Wong had said there was an agreement between Australia and France. I actually think it's an agreement between Australia and a commercial French company. There's a distinction there. Is that correct?

Senator Payne: Are you picking up on Senator Wong or are you picking that up?

Senator PATRICK: Yes, because—

Senator WONG: I think he is making a point that he's smarter. That's all right.

Senator PATRICK: No; the witness agreed with the senator. I just wanted to clarify that it's an agreement between Australia and Naval Group, not Australia and France; is that correct?

Mr Johnson: The strategic partnering agreement is an agreement with the Naval Group, France.

Senator PATRICK: Thank you; that was all.

Senator WONG: I am happy to stand corrected. Has the minister indicated publicly that, contrary to his previous statements about minimum content, the agreement fails to mandate a minimum level of construction work in Australia?

Mr Johnson: I'm not aware of any recent comments from the minister.

Senator WONG: If you go on national television and tell people it's going to be 90 per cent in Australia, then you tell people in a press conference it's going to be 60 per cent, but the agreement you sign actually does not deliver any guarantee of Australian work, minimum content, do you think that might warrant some public acknowledgement that you might not have been telling people the truth?

Mr Johnson: I don't agree.

Senator Payne: That is actually a significant misrepresentation. There is no question that the—

Senator WONG: I have just read to you his quotes. Senator Payne, I'm using his quotes, not yours, because I'm sure you're always more circumspect. But he was not circumspect. He made very clear statements which are not being delivered by the government in terms of the SPA.

Senator Payne: They will be delivered by the government. There is no question about that. I don't know what you think is happening at Osborne, in your own state, but self-evidently you will see that the Australian government, in conjunction with Naval Group, is building rather a large submarine construction yard.

Senator WONG: Yes, I understand that.

Senator Payne: It's not for display. It's a real construction.
Senator WONG: I suppose that's unlike the announcement about a ship that we haven't got yet. Let's leave that aside. Why did the government choose to not require of Naval Group a minimum level of Australian content?

Mr Johnson: That's because of the point—

Senator WONG: Can I finish my question?

Mr Johnson: Yes.

Senator WONG: Perhaps it would be easier. The minister has made it clear publicly, and the term he used was 'minimum content'. Sorry; I should be clear: he has used percentages around Australian content. Can you tell me why the government chose not to include a percentage or other quantitative figure around minimum Australian content, given the government's public statements prior to the election and subsequently?

Mr Johnson: What I'd like to do to answer your question is give you a sense of the content, the work, that's mandated to be in Australia. If you take that as a given then we have to price it, which will take the next couple of years. At the end of that, that's when we start understanding what the per cent is. It will be a very fulsome number, but it's flawed to set a number now, prior to making the decisions on exactly what the submarine is, meaning the detailed design, how we're going to do the production engineering, where the design authority for sustainment will reside, exactly what will be in the land based test facilities, exactly how we will do sea based integration and testing—and I could go on. I don't think that's the part you're interested in. The SPA does have content that must be done in Australia in the agreement. It does not have a per cent.

Senator WONG: Okay. So is it—

Senator GALLACHER: Was that a discussion you had with Minister Pyne?

Mr Moriarty: Minister Pyne has told us that we aim to—

Senator GALLACHER: I was asking Mr Johnson if he had had that discussion—

Senator Payne: Mr Moriarty is the secretary; he can answer the question, if he wishes.

Senator GALLACHER: with Minister Pyne, because he gave a very eloquent statement.

Senator Payne: Mr Johnson always does.

Mr Johnson: Except I can't hear well. My responsibility is to maximise Australian content consistent with cost—

Senator GALLACHER: So you haven't had that conversation with Minister Pyne?

Mr Johnson: On a regular basis, we have that discussion. He reiterates maximum Australian content consistent with cost and schedule decisions. We make those as we go through the program. Minister Payne gave you a very good example which was fairly obvious, in that since we're building the submarines here, we have to have the construction yard here. But it's a sequential event. It's a flawed strategy to set a per cent before you have enough information to understand—

Senator WONG: So why did the minister do that publicly?

Mr Johnson: I think you quoted a 2016—

Senator WONG: And 2018.
Mr Johnson: In 2016 I think we were very early in all of this process.

Senator WONG: But December 2018 is not that long ago. What does waving your hands mean, or shrugging your shoulders?

Mr Johnson: I don't have a way of answering that.

Senator WONG: That's honest: 'I don't have a way of answering that.' Fair enough; I accept that. Can I ask this: were you the key negotiator? Were you one of the key negotiators? I know there were armies of lawyers et cetera.

Senator Payne: It's a team—team Australia.

Senator WONG: I didn't know you liked to reprise Mr Abbott as much as that, Senator Payne. Have you told some of your colleagues?

Senator Payne: Rear Admiral Sammut, as you would be aware, has been here for many a long estimates discussion on this matter, and led the team. But others are key members.

Senator WONG: Was it ever part of your negotiating remit to seek a percentage figure as a minimum Australian content?

Mr Johnson: The negotiations with Naval Group, France?

Senator WONG: Yes.

Mr Johnson: No.

Senator WONG: It was never—

Mr Johnson: We have not set a per cent.

Senator WONG: So it was never part of the negotiating instructions from this government for there to be—

Mr Johnson: No, we focused on content that must be done in Australia.

Senator Payne: The negotiating instructions—

Senator WONG: It would be really good if I could finish my question.

Mr Johnson: Sorry.

Senator WONG: I understand the argument. I'm going to give you the opportunity to take us through why you say you didn't need it. But I just want to be clear—I think you answered no—that it was never part of the government's negotiating instructions for the team negotiating the SPA for there to be a mandated minimum level of Australian content.

Mr Johnson: I agree with that.

Senator Payne: No, because the negotiating instructions are to maximise Australian content—a clear direction from government.

Senator WONG: Okay.

Mr Fraser: Senator, may I assist?

Senator WONG: That's all right. Everyone's been assisting. I think we all understand that what was said publicly was not matched by what was in the remit.

Senator Payne: I left Mr Gillis out, Mr Fraser's predecessor.

Senator WONG: I'm very happy for him to speak.
Mr Fraser: I took over from Mr Gillis, who was clearly involved. Admiral Sammut was the primary negotiator. The very framework and the very structure of the contract, the overarching contract and the agreement, provide for maximising Australian content. What Mr Johnson is trying to describe to you are the various layers underneath. During each of those negotiations there will be a clear imperative to drive the maximum that we can get for Australian industry. It's been made very clear.

Senator WONG: I understand that. That's the same, with respect, in different words, as what Mr Johnson said. I understood it the first time and the second time. The point is that none of that is inconsistent with the minimum level. You could have a minimum level and then proceed down the path you have identified. You could have a minimum level which is clearly not identified as a ceiling, which deals with the government's rhetorical argument that we want to maximise. You could have a floor. What I understand is that the government has chosen not to do that. I want to know: was that because you knew DCNS would not agree to it?

Mr Johnson: No. That was not a concern; far from it. DCNS—now Naval Group France—agrees that we will maximise content.

Senator WONG: Given the minister publicly had used the figure first of 90 per cent, and his most recent figure was 60 per cent, in the public arena—he did a doorstop in December 2018—why did we not seek a floor? It is not inconsistent with what you have outlined. I appreciate all of the words about how this is worked through, all the words about maximising, but it is not inconsistent for there to be a minimum. Can you tell me why the decision was made and by whom that it not be included?

Mr Johnson: Having run a number of these programs, whenever you set a per cent you start changing the behaviour of the staff of the government as well as of the contractor. Instead of a strategic, focused effort to maximise, they get distracted by small items instead of strategic items. The small items always take care of themselves. If it's relatively low cost or straightforward to do, it's going to be done in Australia. The most important thing is to set the parameters on the key fundamentals—the ones that will drive true sovereignty, both in shipbuilding and in submarine operations. That's why we focused this agreement and our work on the activity and its importance to Australia. As Mr Fraser said, Naval Group France does not make the procurement decisions for us. They make recommendations. It's your Commonwealth program managers that make the decisions on what's done where, consistent with cost and schedule.

Senator WONG: I will come back to what is in the SPA that is required to be done in Australia. I think you wanted to go through that. I might, Chair, as a courtesy to Senator Patrick, flick to him after this one question, which is: is the government proposing to release the SPA? Are you going to make it public? Is it public?

Mr Moriarty: I don't believe the government has any intention of making the SPA public.

Senator WONG: Why not?

Mr Moriarty: It's a complex and sensitive commercial document, and it's of a type that a government would not normally release.

Senator WONG: Redacted?
Mr Johnson: Rather than pursue that direction, I would offer that, subject to the approval of the Minister for Defence, we should do a private briefing to the committee.

Senator WONG: I am happy to go to Senator Patrick. I know he is interested.

Senator PATRICK: Just a follow-up on that. Firstly, I signal that I have got an FOI in for that, so I guess we'll determine at law what is and what should be held sensitive. But in relation to the agreement—and I note you have indicated some things that are in the agreement, Mr Johnson—what is the magnitude of any break-out payments? Can someone give some description of what happens in terms of deciding to stop the work on the contract? Are there break-out clauses in the contract?

Mr Johnson: The Strategic Partnering Agreement, as you are predicting, does include provisions to manage termination—I think that is what you're asking about—on a fair and equitable basis. It depends on the circumstances and responsibilities that led to that sequence of events. Those are normal set-up requirements in any contract. In this case it’s in the partnering agreement, which is often called the 'head contract', although it is an agreement. Those are the agreements that apply to all levels of work. As we have subsequent statements of work and contracts underneath that, the strategy and the fairness—should an unlikely set of circumstances lead to termination—have to apply to all the parts.

Senator PATRICK: The normal arrangement in commercial contracts of this nature would be that, if the Commonwealth were to terminate, they would cover the costs and, indeed, profit up to the point of the termination, so that a company does not lose out. That's all very reasonable. And, indeed, there may be some payment for loss of opportunity elsewhere. So I get that. I'm trying to understand the order of magnitude of the break-out costs in the event that the Commonwealth decided to do that at some point down track, noting that we haven't seen the design, we don't know what the design cost is and there could be changes of government. Is it simply a case of just making sure we cover the cost to the entity, to Naval Group?

Mr Johnson: Again, the agreement has provisions around what happens at what set of timing to ensure that all of the factors that come to play in a termination—which we do not expect; it's highly unlikely—are done on a fair and equitable basis. For more detail, because this is a commercial arrangement, I would recommend that we arrange for a private briefing.

Mr Fraser: If I may assist in the principle of it: it's important that we retain the IP, the tech data and the ability to continue with the program in the event that such a termination may or may not be required. Therefore, the provision for which we would make that will vary, according to where it is in the program and the status of the amount that has been done and executed.

Senator PATRICK: I just put this in a context—I'm not suggesting this has happened, but I think people have a right to at least understand the ballpark—that there have been previous contracts that have been signed by state governments and there's been a change of government and then the exit cost is just so high as to be actually either obscene or they are just not able to exit. I'm trying to get an understanding of the magnitude of what you say is fair and equitable. Is it possible to give publicly some indication? Is it the cost of a submarine? Is it the cost of two submarines? Is it a dollar value amount ranging in the hundreds of millions? Can you give some sort of idea? I appreciate it changes with circumstances.
Mr Fraser: It will change. Therefore, it's not appropriate, I don't think, commercially to put those in the public domain. What we have done is to gain an independent review and to make sure that the structure of that contract and the break points, should we need them, are appropriate, that the Commonwealth's interests are protected and that there's a fair and equitable right to the company and to the employees for such a mechanism. I don't think it would be appropriate or in our interests to put in the public domain precisely what they are, but suffice it to say the assessment of them is that they are fair and equitable, as Mr Johnson's indicated.

Senator PATRICK: What would be the harm—just the commercial harm—noting that both parties are aware of the break-out terms? I understand you go into negotiations and things are quite sensitive. But, having negotiated a position, what harm would be caused by releasing that information, as an actual harm—

Mr Fraser: Can I take advice on it?

Senator PATRICK: Sure.

Mr Fraser: I might seek external counsel. I will take advice and come back to you today as to whether it's appropriate or not appropriate to consider. It is my initial assessment, with some commercial experience, that it would not be appropriate to put that in the public domain.

Senator Payne: I would also like to seek the advice of the minister, so we will take that on notice.

Senator PATRICK: Sure. I appreciate everyone erring on the side of caution. Mr Johnson has also indicated a remedy. I will go to the secretary. There's an FOI that had been reported in the Australian newspaper. There was a denial of access to a document on the basis that the information could make it onto social media and then Defence wouldn't be able to control any ongoing discussion in relation to that material. I find that almost an extraordinary response for denial of access to public information, information paid for by the public.

Ms Greig: The overarching work that we're doing in the cultural reform area has involved quite a lot of research and we've talked about that a little bit here before. An element of Dr Crompvoets's Rapid Context work, which has been looking at specific areas of culture in the ADF and in the services, is still a work-in-progress. So an element of this has been to ensure
that we don’t impede or prejudice that work as we move forward. We're still looking at the results and analysing what's coming back to us in order to further inform that cultural reform journey. That's a key element, and also having an independent researcher helping us with those aims.

Senator PATRICK: I get all of that. There may well be very good reason not to release certain information on the basis of security or a whole bunch of reasons that are contained in the FOI Act, and one might accept them, but it seems somewhat extraordinary that you would say, 'Well, you don't want to have this out there in case it gets onto social media and people start talking about it.' The whole object of the FOI Act is to allow debate on issues related to public administration and policy.

Mr Johnson: I might add that I think the reporting in the Australian was selective around the reasons that were given around—

Senator PATRICK: I just read from your decision.

Mr Johnson: From the FOI release, which did include, as Ms Greig indicated, a number of other factors. Particularly in that case, where the research was around culture matters, it is important to us that we can honestly draw views from the community in order to accurately assess and understand the status of our cultural program. There was quite significant importance placed on our ability to draw that honest and frank view without risk of exposing the individuals who have given that perspective and denying the opportunity for us to continue to tap and understand performance in the organisation.

Senator PATRICK: Once again, I get the idea that communications received in confidence ought to be protected. This decision actually makes reference to that. But I was just disturbed that another part of the decision says, 'Well, we don't want to give this information in case people start chatting on social media about it.' That just seems inconsistent with FOI as an attitude. I get the other protection bits, but that one just seemed very strange to me.

Mr Johnson: I understand your comment.

Senator PATRICK: I will leave it there. It is not a standard response. I do lots of FOIs, and that is very unusual. It may come down to the decision-maker. Maybe you could go back and talk to the decision-maker about future access denials. Thank you.

Noting that I've only got three minutes, I want to bring up Woomera as an option for a national radioactive waste management facility. I first wanted to draw the secretary's attention to the sequence of events we've been through in trying to get a briefing on this material. At the last estimates Senator Gallacher asked the question, 'In regards to radioactive waste at Woomera, what is the cubic meterage of the waste and what level of waste is it?'—being either low level or intermediate level. The response we got was, 'Defence does not comment on details of Defence-managed radioactive waste sites.' That seems to me like a response that you might give to a media organisation, but it's probably not appropriate for the Senate. You can see on my table here that this is all the public domain information on Woomera, including an FOI I did that gave extensive details. Yet Senator Gallacher asked a reasonable question and got short shrift; in some sense it was a disrespectful response. You might want to have a look at that. Subsequent to that, we organised a private briefing, but 10 people turned up to that. It just seemed a waste of time. If we'd just had the question answered properly in the first
place—Senator Gallacher and I keep an eye on what questions he asked as well—we would have been quite satisfied with a brief. I'm just making the comment that some of the answers coming back I don't believe meet the standard required of Defence in their response to this committee.

Mr Moriarty: Certainly, there would be absolutely no intention on the part of the department to disrespect either Senator Gallacher or you or any other senator that was asking questions of the department. Let me turn to colleagues to perhaps give a little more context on the issues in play and the question.

Senator PATRICK: I only have one minute, Secretary. I wanted to raise that with you. Major General, have you got something you could table to the committee to give in response, perhaps? My understanding was that you might table something that might help us and I can come back to the conversation after the break.

Major Gen. Mulhall: Subject to your request to the secretary, we have a document we can table to answer the questions—as much as we're able to—that you have asked. Through questioning later I'll give as much information as I'm able to provide.

Senator PATRICK: Thank you, Major General. Could we have that tabled?

CHAIR: Can you provide that? Thank you.

Proceedings suspended from 10:30 to 10:45

CHAIR: We will reconvene, it being quarter to 11, and I will hand over to Senator Di Natale.

Senator DI NATALE: Minister, I am just wondering if you're aware of the findings from the CIA that concluded with a high degree of confidence that Crown Prince of Saudi Arabia, Mohammad bin Salman, ordered the assassination of Jamal Khashoggi.

Senator Payne: I'm aware of the reports, yes.

Senator DI NATALE: Were you briefed on those findings?

Senator Payne: I don't talk about intelligence briefings.

Senator DI NATALE: Are you aware that the US Senate Committee on Foreign Relations was briefed by the CIA about the assassination of Mr Khashoggi and following the briefing the Republican chair of the committee, Bob Corker, said that if he was in front of a jury he would be convicted in thirty minutes?

Senator Payne: I can't say I'm particularly aware of the chair's comments, but I am aware that there are briefings of that nature provided to committees in the United States.

Senator DI NATALE: Given the CIA and the chair of the US Senate Committee on Foreign Relations have both said that he is guilty of murder, does the Australian government support that conclusion?

Senator Payne: I think we discussed this on the last occasion. I indicated that the Australian government was watching—'watching' is the wrong word—the Australian government had noted the investigation that was being carried out by the Turkish government, given the location of the murder, and we would await the findings of that investigation. I also note that the UN special rapporteur has recently taken up what I would describe as an own

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motion investigation in terms of the role of the special rapporteur to the High Commission of Human Rights on it as well, and that is ongoing also.

Senator DI NATALE: Are you aware that the US Senate Committee on Foreign Relations, both Republican and Democrat, have since said that they can't support arms sales to Saudi in light of the briefings they've received?

Senator Payne: I'm aware that a number of committees have made comments, yes.

Senator DI NATALE: Just going to the issue of the conflict in Yemen, late last year the US Senate invoked the 1973 War Powers Act for the first time and voted 56-41 for a resolution demanding an end to US support for Saudi Arabia in the conflict in Yemen. Are you aware of that resolution?

Senator Payne: I'm aware that these matters are discussed in the United States and other locations, yes.

Senator DI NATALE: And in the UK the House of Lords select committee concluded that British arms sales to Saudi are highly likely to be the cause of significant civilian casualties in Yemen and are on the wrong side of international humanitarian law—in other words, illegal. Are you aware of the findings of the House of Lords and do you agree with those findings?

Senator Payne: I am not sure whether that one has been drawn to my attention. As I said, there are a number of international discussions occurring on these matters.

Senator DI NATALE: If the UK House of Lords Select Committee on International Relations have determined that the sale of arms to Saudi Arabia is illegal, would it not mean that Australia's arms sales are also illegal?

Senator Payne: I don't think you can necessarily draw that conclusion.

Senator DI NATALE: What's different about Australia?

Senator Payne: You're asking me to comment on a report that I haven't seen, notwithstanding, as I've said, there is international discussion on these matters. You are asking me to equate the UK system with the Australian system. They are not the same. We have different approaches to defence exports. I'm very happy to ask Mr Hamilton or other officials to go into the Australian system.

Senator DI NATALE: Perhaps before we do that I have just a couple more. Since we did have that discussion at the previous Senate estimates—and we discussed, I think, Germany's suspension of arms sales to Saudi Arabia—Italy, Denmark and Finland have all announced plans to cease arms sales to Saudi Arabia. Are you aware of that international trend, Minister?

Senator Payne: I've indicated I am aware of an extensive international discussion on these issues, yes.

Senator DI NATALE: Since we last spoke we've had the US Congress calling for an end to US support to Saudi Arabia, the UK House of Lords have said that arms sales to Saudi Arabia are illegal and another eight western nations have now announced the cessation of arms sales to Saudi Arabia. What is the Australian government's position in relation to arms sales to Saudi Arabia?

Mr Hamilton: The position that we are currently complying with is assessment on a case-by-case basis of all applications for exports of military equipment out of Australia to any
country, including Saudi Arabia. It's through that process, as you alluded to and we discussed at last estimates, that we assess all of those applications to make sure they're compliant with international obligations, including an assessment against the overriding risks of human rights abuses being committed.

Senator DI NATALE: So the Australian government's position is to continue to sell arms to Saudi Arabia if the circumstances are right?

Mr Hamilton: The Australian government's position is to assess applications on a case-by-case basis.

Senator DI NATALE: Minister, at last estimates you said in relation to sanctions against Saudi Arabia that all options were on the table. Are all options on the table? And will your government consider sanctions on arms sales to Saudi Arabia?

Senator Payne: That position hasn't changed.

Senator DI NATALE: What position?

Senator Payne: That Australia reserves the right to exercise options in relation to these matters.

Senator DI NATALE: But by not imposing arms sales in direct contradiction of the international trends against Saudi Arabia, aren't you condoning the activities of the Saudi government?

Senator Payne: I think Mr Hamilton has set out the processes that the defence organisation undertakes in relation to consideration of defence exports, and they are carefully stepped through in terms of those five—I think it's five—

Mr Hamilton: Yes, it is.

Senator Payne: matters of assessment, and those decisions are made in that context.

Senator DI NATALE: Is the government still pursuing an MOU with Saudi Arabia to sell weapons?

Senator Payne: My understanding is that that is not a priority at this time.

Senator DI NATALE: It's not a priority at this time. That's a no?

Senator Payne: The advice I have is that it's not a priority at this time. I'm here representing the Minister for Defence, and that's the advice I have.

Senator DI NATALE: Is the government pursuing an MOU with the United Arab Emirates to sell weapons?

Mr Hamilton: We have an agreement with the UAE which covers defence cooperation generally, the Defence Co-operation Agreement, which we are currently working through with the UAE. Should we look to build any further arrangements in place around arms sales, that would be pursuant to that overarching Defence Cooperation Arrangement.

Senator DI NATALE: Is there a specific MOU around arms sales to the UAE?

Mr Hamilton: There's not one at the moment, no.

Senator DI NATALE: Let me ask you about the report today by the ABC that an Australian company, Electro Optic Systems, will be selling 500 sophisticated weapons to Saudi Arabia. Sorry, it's a weapons mounting system, to Saudi Arabia. Is that report correct?
Mr Hamilton: We don't comment on individual cases in relation to the export permits. But I can assure you that, should we approve a permit, we would record it in our permit reporting processes.

Senator DI NATALE: It is being reported that 500 sophisticated weapons mounting systems have been approved. It's now on the public record. Are you prepared to confirm or deny those reports?

Mr Hamilton: As I've said, our reporting is around the numbers of permits that we issue, and we will continue to do that.

Senator DI NATALE: Can you confirm that Electro Optic Systems are going to sell those same weapons mounting systems to the UAE?

Mr Hamilton: As I've said, we don't discuss the nature of individual proposals for permits. Each and every one of them is subject to the assessment against those criteria.

Senator PATRICK: Is that even after you've issued a permit?

Mr Hamilton: Sorry, the assessment?

Senator PATRICK: Yes. So after you've issued a permit, you still say you can't discuss that?

Mr Hamilton: It's a matter for the company in relation to what they choose to do publicly, but we do not release details of those contracts.

Senator DI NATALE: Have the permits been granted for these systems?

Mr Hamilton: We have issued a number of permits for exports to the Middle East and reported on those publicly.

Senator DI NATALE: I'm asking you about the 500 specific weapons mounting systems from Electro Optic Systems. Have you granted permits for those 500 pieces of military equipment?

Mr Hamilton: As was reported today in the media, the company has said publicly that they are exporting a number of weapons systems to the Middle East. Any of those exports would have been subject to our permit systems.

Senator DI NATALE: So the answer is yes. We can get through this quickly. So the answer is yes. Last week the government released the Australian military sales catalogue 2019. On page 70 there's the Electro Optic Remote Weapons System. Can you confirm that this isn't just about approving arms sales and that there's actually a promoting element to these arms sales?

Mr Hamilton: As the government has made very clear, it's committed to building Australia's defence industry. The Australian military sales catalogue is part of the support that the department provides to that objective of government to increase sales.

Senator DI NATALE: So we are promoting the sale of these weapons to Saudi Arabia?

Mr Hamilton: We are promoting an industry in Australia that's got some very advanced systems. You can have a look at that entry. It is very clear that any exports will be subject to our export compliance regime.
Senator DI NATALE: Can I also ask you whether the ABC reports are true that the government has given $36 million worth of assistance to companies lobbying to sell arms to Saudi Arabia and other members of the Saudi-led coalition in Yemen?

Mr Hamilton: A couple of responses there for you: one is yes, the government has been very clear in relation to its broad support for Australia's defence industry. We do that within the Department of Defence through a range of advocacy programs and outreach and participation and trade shows around the world, including in the Middle East. We also, from a government perspective, consider applications for EFIC loans/grants. They're not managed by the Department of Defence; they are managed by the Department of Foreign Affairs and Trade. But yes, grants are provided to companies seeking to export.

Senator DI NATALE: So that $36 million assistance will also go towards the sale of arms in Saudi Arabia. Let me ask you specifically: what are the weapons that were reported this morning on the ABC going to be used for?

Mr Hamilton: The systems that EOS developed is a weapons mounting system, as I understand it. So they provide the vision optics they mount on vehicles so that soldiers within those vehicles aren't exposed to small arms fire and the like. We have a longstanding relationship with that company within Defence. We use the systems in our Bushmasters deployed to the Middle East within which our soldiers use those systems so they don't expose themselves outside the vehicles. Essentially, it's a force protection measure to improve protection of the personnel inside vehicles.

Senator DI NATALE: Can you state categorically that those weapons will not be used in Yemen?

Mr Hamilton: I can state categorically that our assessment process is followed for each and every permit, and that includes an assessment of the overriding risks that they will be used to commit human rights abuses. If we assessed that we would—

Senator DI NATALE: I'm asking a specific question.

Senator Payne: Let him finish.

Mr Hamilton: If we assess that they would, we would not approve the permit.

Senator DI NATALE: Will they be used in Yemen?

Mr Hamilton: I refer you to our process. We take a very robust and vigorous—

Senator DI NATALE: I'm not interested in the process. I'm interested in an answer of whether these weapons will be used in the conflict in Yemen.

Mr Hamilton: I can't—

Senator DI NATALE: You can't give me a no?

Mr Hamilton: I'm giving you my answer around the process that we follow to assess—

Senator DI NATALE: I don't want an answer on the process. I want an answer on whether these weapons will be used in Yemen. I'm sure you're aware of a number of reports. Indeed, the UK House of Lords have said that the arms sales from the UK to Saudi Arabia are highly likely to be the cause of significant civilian casualties in Yemen, so I'm asking you for just a simple yes or no answer. Will these weapons be used in Yemen?

Mr Hamilton: I refer you to my answer to your earlier question.
Senator PATRICK: Normally when you issue a permit, it involves an end-user certificate.

Mr Hamilton: That's correct.

Senator PATRICK: You have to be satisfied that it will be received by the authorised government. Just as a general question: in your process do you ever place caveats on the use of a particular arm that the country of destination has to agree with?

Mr Hamilton: In the assessment, as you correctly characterise, of the end-user certificate, we look at that user, and that forms the basis of one of our judgements around how it will be used.

Senator PATRICK: I understand that's about the approval. Do you ever put a caveat on the use of equipment that is passed to an approved end user?

Mr Hamilton: We make it generally known that we would be concerned if anything was used to commit human rights abuses.

Senator PATRICK: No, I asked the question: as a matter of policy or practice, in any export do you issue a caveat associated with the certificate that says you cannot use it in a particular circumstance?

Mr Hamilton: Let me take that on notice. I'd have to look at the actual format of the documents.

Senator DI NATALE: On that point, can you explain whether Australian companies are selling component parts that could be used in, say, lethal weapons where the end user may be parties to the conflict in Yemen?

Mr Hamilton: Saudi Arabia and the UAE are parties to the conflict in Yemen.

Senator DI NATALE: Your end-user agreement is simply about the state to which those weapons are sold and doesn't provide any other further limitations, as Senator Patrick has alluded to?

Mr Hamilton: I'll have to check the specificity, whether it provides the organisation within the state or not.

Senator DI NATALE: Frankly, isn't it pointless having an end-user agreement? If the Saudi regime qualifies as a legitimate market for the sale of these weapons and they qualify for an end-user agreement, you've got no guarantee that these weapons won't be used in conflicts contributing to human rights abuses, such as the conflict in Yemen?

Mr Hamilton: That's why we take our responsibilities very seriously around the assessment of whether we should issue an export permit or not. We do look at the end user.

Senator DI NATALE: We know who the end user is; it's the Saudi regime. We know they are involved in the conflict in Yemen. We know that that conflict has caused horrific human rights abuses.

Mr Hamilton: I bring you back to the point I made about our assessment around whether we judge there is an overriding risk they will be used to commit human rights abuses. We would not approve a permit if we thought that would be the case.

Senator DI NATALE: But you can't guarantee that these weapons will not be used in Yemen. If that was the case, if I had any confidence in your answer, you would simply be
able to say, 'No, these weapons will not be used in the conflict in Yemen.' But you refuse to say that.

Mr Hamilton: Because we rely on the process to manage our international obligations.

Senator DI NATALE: And I don't rely on that process because you can't give me that commitment. I don't think the Australian people could rely on that process. Do you agree that the situation in Yemen has deteriorated alarmingly, that the country is on the brink of catastrophe? Those are not my words; the UN Under-Secretary-General for Humanitarian Affairs, Mark Lowcock, made that argument. Do you agree with that assessment?

Mr Moriarty: You're aware that the Australian government, including the foreign minister, who's representing the defence minister, has made very clear Australia's position on the conflict in Yemen, including our views about the human rights challenges there and what we regard as necessary to happen to bring the conflict to a close. Yes, the department and the Australian government are aware of the circumstances in Yemen and have made their views on that conflict clear.

Senator DI NATALE: On what basis do we think the Saudis are an appropriate market for Australian weapons?

Mr Hamilton: On a case-by-case assessment of the weapon and the end user, and against those criteria that I mentioned before, which we go through for every single application for a permit.

Senator DI NATALE: Given that the major conflict that the Saudis are involved in right now is in Yemen, again I ask you: categorically, can you state that Australian weapons are not being sold to a regime that is committing human rights abuses in Yemen?

Mr Hamilton: Again I refer you to my previous answer.

Senator DI NATALE: Does the fact that the Saudis were responsible for the murder of Jamal Khashoggi, on the authority of Mohammed bin Salman, enter into your deliberations when deciding whether to sell weapons to the Saudi regime? Is that a factor?

Mr Hamilton: We take into account a wide range of factors in our assessment in relation to those permit applications.

Senator DI NATALE: As we've heard from the US, the UK and many others, and given that we've had a number of countries across Europe and beyond who have made a firm commitment not to continue to sell weapons to the Saudi regime, why is it that our assessment continues to allow the sale of weapons to the Saudi regime? How can we have confidence in the process that you've outlined?

Mr Hamilton: We apply all due rigour in this process to ensure we are compliant with our international obligations.

Senator DI NATALE: Going back to the Australian company Electro Optic Systems, you refused to rule out these weapons being used in Yemen. Talk me through the criteria that you have outlined and tell me how, on any one of those points that you've outlined, these weapons would be prohibited from use in Yemen.

Mr Hamilton: It's not about whether a weapons system that we approve the export of would be prohibited anywhere. It is whether we judge it will be used to commit human rights abuses. That is the key assessment criterion. The other four include other international
obligations, national security, regional security and foreign policy. If we judged that any of those would be—

Senator DI NATALE: Let's go through those individually. The first one?

Mr Hamilton: International obligations.

Senator DI NATALE: Are there any international obligations that would prohibit us from having those weapons being used in that conflict in Yemen?

Mr Hamilton: We would not approve the export if there were.

Senator DI NATALE: Are there?

Mr Hamilton: No.

Senator DI NATALE: I'm asking you: under that criterion that you've outlined, under our international obligations, is there anything that prohibits the Saudi regime from using our weapons in Yemen?

Mr Hamilton: We would not approve the export if there was.

Senator DI NATALE: You're answering it with a hypothetical. I'm asking you for the reality.

Mr Hamilton: No. We would not export something that's not in compliance with our international obligations.

Senator DI NATALE: It doesn't prohibit the use of those weapons in a specific conflict, so that won't prohibit the use of those weapons in Yemen. What was the second?

Mr Hamilton: As I mentioned, the overriding risk of committing human rights abuses.

Senator DI NATALE: Is there an assessment that human rights abuses might be committed by the Saudi regime as a result of selling weapons to them?

Mr Hamilton: We would not approve the export if there was.

Senator DI NATALE: Again, your view is that the Saudi regime is a legitimate market. What's the third criterion?

Mr Hamilton: National security.

Senator DI NATALE: Again, no reason to stop selling the weapons to the Saudis on the basis of national security?

Mr Hamilton: No.

Senator DI NATALE: And the final one?

Mr Hamilton: Two more. Regional security.

Senator DI NATALE: Same for that. And, finally?

Mr Hamilton: Foreign policy.

Senator DI NATALE: We have not prohibited. Based on the criteria—

Mr Hamilton: Senator, I apologise for interrupting you. If you are interested in more information, there is also detail in publicly available Customs regulations around the criteria that we must consider in granting permission. They are quite long. I could take you through them.
Senator DI NATALE: From what you have just outlined, on those five key points there is nothing that would prohibit the Saudi regime from using Australian weapons in Yemen?

Mr Hamilton: Our assessment is based on those criteria.

Senator DI NATALE: Again, there is nothing, using those five criteria, that would prohibit the use of Australian weapons in Yemen?

Mr Hamilton: As I've said, they are the criteria on which we base our assessments.

Senator DI NATALE: After the weapons have been sold, what ongoing monitoring is done?

Mr Hamilton: There's the permit approval, for one thing.

Senator DI NATALE: Yes. That's part of the sales process. I'm talking about after they've been sold.

Mr Hamilton: We can put into the permit approval obligations on the end user to notify us of their receipt. We can also work with the—

Senator DI NATALE: If the answer is 'nothing', just say 'nothing'. What ongoing monitoring is done once the weapons are sold?

Mr Hamilton: We can apply a range of monitoring, should we deem it necessary to do so.

Senator DI NATALE: Such as?

Mr Hamilton: Such as working with the end-user government, such as working with our colleagues and partners around the world. We can use intelligence channels. There are a wide range of ways that we can look at the use of military capabilities around the world, including once we've exported.

Senator DI NATALE: What monitoring is being done with regard to the sale of 500 sophisticated weapons mounting systems to the Saudi regime?

Mr Hamilton: I will need to check that they have actually been exported. That would drive the answer to the question.

Senator PATRICK: If you are monitoring activities—and you say you have capabilities—what remedies do you have if you see a piece of equipment being used in a manner that would be considered against humanitarian interests?

Mr Hamilton: We have a number. We can work with the end-user government to shape its use of those systems. We could advise other nations about our concerns with the way that those weapons are being used. We could very carefully look at whether we would approve future permits as part of that case-by-case assessment. Finally, we could revoke the permit if we assessed that they were being used.

Senator DI NATALE: It doesn't help when the weapons are in the hands of the regime, does it? It doesn't help the four-year-old kid who's had their legs blown off.

Senator PATRICK: In some senses it goes back to my question before. If there were a caveat associated with an export approval then indeed you'd have a legal remedy, I would imagine. Maybe you could put that in the answer to the previous question taken on notice.

Mr Hamilton: All right; we will come back to you on that, Senator.
Senator DI NATALE: Minister, given the deteriorating situation in Yemen, and given where many of our like-minded international partners are going, is Australia considering a ban on weapons sales to the Saudi regime?

Senator Payne: We keep those matters under review, as we've discussed on previous occasions.

Senator DI NATALE: Is that an option that you're still considering? I think at the previous estimates hearing you said all options were on the table. Does that remain an option for the Australian government?

Senator Payne: I also said it here again this morning, yes.

Senator DI NATALE: If that remains an option, are you concerned about the approval of further weapons sales to the Saudi regime? If you're considering a prohibition on arms sales—

Senator Payne: No, that's not what I said. I said that all options remain on the table.

Senator DI NATALE: If all options remain, if one of those options is a prohibition of arms sales to the Saudi regime, are you concerned that we have just approved the sale of 500 new weapons mounting systems?

Senator Payne: Mr Hamilton has outlined the process under which this is done, under the criteria that he has enumerated and discussed with you, and the focus which is brought to that. We keep these issues under review.

CHAIR: Senator Di Natale, we might finish up there and go to Senator Wong.

Senator WONG: Can I go back to the subs, please—the SPA et cetera. I don't recall where we got up to. I disagree, but you've articulated why the government didn't think a percentage floor for local content was required. We can leave aside that political argument or policy argument for a time. Can you tell me: with the maximising of Australian content, what levers are there—contractual remedies et cetera—within the SPA that would enable us to do so? Can I also ask the government to take this on notice and come back? I understand, Mr Moriarty, why you pushed back on the SPA being released, including redacted. I think you were going to get some instructions on that. But an articulation of what is in it is, I think, legitimate, in broad terms. Is the government proposing to do that?

Mr Johnson: Subject to approval, I might offer that we provide you a paper which could form a basis for continuing discussion.

Senator WONG: Okay. I'll leave that with you. Can we go back to the levers? We've got no floor and we've got no percentage. You say that's not necessary. We disagree. It is not consistent with the minister's statements. But, leaving aside the political argument, what are the levers within the contract to maximise the Australian content?

Mr Johnson: The primary focus, or focusing method, are the Australian industry capability plans. In the case of the future submarine there are a number of them. They are both in the platform side as well as the combat system side. The general format, first, is that the capability plans are submitted. Then they are reviewed and corrected. We agree upon strategies within them, and then in the course of design and procurement, the prime—in this case Naval Group France—makes recommendations, but only the Commonwealth program manager makes the decision to accept. It is typically done in consultation with Navy because, of course, it's a naval capability that we're providing.
Senator WONG: I'm actually interested, though, in what's in the SPA. These plans are a pre-existing policy proposition; correct? They are not unique to the future submarines contracts.

Mr Johnson: No, they are specific.

Senator WONG: Sorry. I thought there was already a policy around Australian industry capability.

Mr Johnson: No, they are very specific.

Senator WONG: These are contemplated in the SPA?

Mr Johnson: Yes.

Senator WONG: How are they contemplated? What's the obligation?

Cdre Bourke: They actually form parts of the annex of the SPA as attachments.

Senator WONG: What is the operative legal requirement? Is the operative legal requirement on DCNS simply to submit them or is there an obligatory requirement as to content?

Cdre Bourke: There's an obligatory requirement for Naval Group to seek to maximise Australian industry content—

Senator WONG: So that phrase—

Cdre Bourke: including finding the best possible outcomes to meet our sovereignty requirements.

Senator WONG: So the obligation—because this goes not just to jobs but to capability; correct?

Cdre Bourke: Certainly.

Senator WONG: Yes, how much capability we retain in Australia.

Cdre Bourke: The outcome of the program is to procure a capability for the Australian Defence Force and, obviously, a component of a national capability—

Senator WONG: Correct.

Cdre Bourke: is that component that ends up in industry.

Senator WONG: Correct. But going back: you say 'maximise Australian content'. Is that actually a legal obligation in the SPA?

Cdre Bourke: Within the balance of schedule and cost.

Senator WONG: Is that 'yes' within the balance of schedule and costs, or 'no'?

Cdre Bourke: Yes, within the balance of schedule and costs.

Senator WONG: Okay. So there's a specific provision in the SPA that talks about maximising Australian content?

Cdre Bourke: There are a number of provisions within the contract and the program contracts that seek to do that. There is no single provision.

Mr Johnson: Or perhaps said the other way around, that requirement is repeated many times.

Senator WONG: What is the phrase used?
Cdre Bourke: To maximise Australian industry content without compromising capability, schedule or cost.

Senator Wong: In other words, as the lawyer in me would say, it would be still technically compliant with that requirement if Naval Group—sorry, I have kept calling them DCNS; that's correct, isn't it?—

Cdre Bourke: Naval Group.

Senator Wong: were to say that to have Australian content in this regard would compromise any of those three factors?

Mr Johnson: They can make a recommendation, but the program manager is going to make the decision.

Senator Wong: There was a lot of discussion—I will come to that—about break fees, or penalties. I can't remember the technical phrase used that was written about. But is there any specific penalty associated with the fulfilment or non-fulfilment of the Australian content obligation?

Senator Payne: We took a similar question on notice, I think, from Senator Patrick earlier this morning and indicated we'd come back on notice. In terms of the detail, was it commercial terms and strategic terms that we can provide—

Senator Wong: I understand that you may wish to take on notice quantum, but I am asking broadly whether or not there is any financial penalty, financial incentive, for Naval Group to comply with that obligation. Is there any pain to them if they don't comply with it within the contract?

Mr Johnson: I think there's perhaps a preconceived misunderstanding. The design and construction of the submarine is a cooperative agreement that we look to to target costs. We make decisions that are often highly interrelated about doing that. There is no particular penalty for recommending what they think would be the optimum arrangement on a particular item, as compared to this one over here, as compared to that one over there, and adding them together to hit target cost. If that's helpful, broadly, that's how it works. But, again, the Commonwealth retains the decisions and, should we choose, we will go down the path, not necessarily the first recommendation or the prime—

Senator Wong: But the problem with that assertion—I appreciate that's a legal position—is that governments choose between noble options. Whoever is developing the options—the 'whip hand' might be a bit of a strong phase—but you create the options between which government can choose. Is there any legal remedy if the Australian government of the day is not satisfied with Naval Group's efforts to maximise Australian content?

Mr Fraser: If I may assist: under the framework of the Strategic Partnering Agreement there will be a number of subcontracts.

Senator Wong: Okay. I asked—

Mr Fraser: Those subcontracts have penalties. They have contractual mechanisms associated with the requirements to achieve Australian industry capability requirements.

Senator Wong: What legal remedy do you have if you are not satisfied, or the government of the day is not satisfied, with Naval Group's efforts to maximise Australian content?
Mr Fraser: They will be contractual mechanisms.

Senator WONG: I'm sorry?

Mr Fraser: The normal contractual mechanism, if they're built into a contract—

Senator WONG: Let's not talk about 'if'.

Mr Fraser: Sure.

Senator WONG: I would like to know what legal remedy is contemplated if Naval Group—if you're not happy or the government of the day is not happy with the maximising of Australian content?

Mr Fraser: Perhaps I can give you examples—

Senator WONG: With all due respect, I don't need a long series of examples hypothetically. I'm asking a clear question about a contract that you've been negotiating. I appreciate that there is an overarching agreement and I appreciate there are lots of sub-agreements. I want to know what your evidence is about the legal remedy, if any, in these various legal documents if the government of the day is not satisfied with Naval Group's efforts to maximise Australian content. Could I have an answer to that, please?

Mr Fraser: Under the AIC requirements, which is broader than just this particular contract, but then into the contracts with Naval Group, there'll be requirements—and there are requirements—for them to achieve deliverables on Australian content.

Senator WONG: I thought the SPA was supposed to set the principles of the contracts, the various contracts which, as Mr Johnson has told me a number of times, will be negotiated for various aspects of this very large project, the largest procurement in the nation's history. I'm asking a simple question. You have a lot of public commitments by ministers pre-election and post-election about maximising Australian content. We've agreed to move on from a political argument about what that means. You've now said, 'Well, we've got a maximising Australian content requirement.' I'm asking about legal remedies if the government of the day—given this project spans over decades—is not satisfied or does not believe that Naval Group is complying with that condition.

Mr Johnson: Again, I honestly believe there's a misunderstanding of the arrangement, because if we wish to direct procurement through a particular vendor or a particular piece of equipment, we can do that. In this narrow area that you're asking the question, the area that you're talking about is: are they consistently performing poorly? And then I would refer to Mr Fraser. If they are performing poorly across the work of the contract, we have remedy.

Senator WONG: What are the remedies? Are they in the contract? Are they specified in the way that break fees or penalties, which have been reported in the media—I'm sorry; I can't recall the phrase—or are we talking just unspecified damages? Or is there some self-executing penalty provision—not self-executing but like an indication of what the remedies would be within the contract itself, within the SPA itself?

Mr Johnson: The very first step in achieving a remedy is that the Commonwealth will direct any contractor to provide a corrective action plan: in other words, 'You're doing poorly here.'

Senator WONG: Sure. Is that contemplated in the agreement?

Cdre Bourke: Yes, it is.
Senator WONG: Right. Thank you. So, when you said, Mr Fraser, 'contractual remedies', are these contained in the contract or are these broader common law remedies? Or both?

Cdre Bourke: They are contained in the SPA.

Senator WONG: Thank you for giving me that answer. What are they?

Cdre Bourke: The first one is obviously the correction plan. Then there's the performance regime around the correction plan. There are a number of remedies, depending on how it goes from there to where you go, obviously—

Senator WONG: Financial penalties?

Cdre Bourke: There's performance, financial and, obviously, if you get to certain stages there are provisions under the SPA that would lead to breach—persistent breach and termination.

Senator WONG: I appreciate that. That's all contained in the SPA, is it?

Cdre Bourke: That's contained in the SPA.

Senator WONG: I appreciate that. Thank you for that answer. Can we go now to Mr Johnson. I said, to be fair to you, I would give you the opportunity to give me, I think, an answer you have commenced a couple of times. What are the things that the SPA require Naval Group to do in Australia?

Mr Johnson: The items that are required to be done in Australia include the construction of 12 submarines.

Cdre Bourke: The detailed design, the production engineering, the design authority for sustainment—

Senator WONG: Design authority for sustainment?

Cdre Bourke: That's part of the transfer of technology of the know-how and know-why. We will systematically increase our knowledge around the design of the submarine. They include the land-based integration and test facilities, the sea-based integration and testing, the construction of the 12 boats, the construction of the submarine construction yard, the construction of supporting infrastructure, such as ranges, wharves and training items, the ongoing sustainment, which includes the upkeep, the update and the upgrading of the fleet, and of course, as part of our previous discussions, the sovereign supply chain.

Senator WONG: The sovereign supply chain? This is Australian content?

Mr Johnson: Australian industry. Would it be helpful to explain why some of these things are so important to be done in Australia?

Senator WONG: I think we understand that. We have a very short estimates today. The whole purpose of our questions around Australian content is probably, whilst we are not across as much detail as you, the principle, with which we agree. Does that mean, based on that, and I hear the argument—I don't agree with it—that you didn't want to put a percentage in? But surely you've done an assessment on what you say the percentage is likely to be in light of the provisions that you have just outlined?

Cdre Bourke: Senator, it would be impossible to tell you what that figure would be, because the percentage will change across the life of the program. The program is decades
long. At what point would you like us to estimate what the Australian industry content would be?

Senator PATRICK: The objective was in the contract, wasn't it?

Senator WONG: The SPA contemplates the acquisition and sustainment of a capability.

Mr Johnson: It does.

Senator WONG: Will half the work generated within the remit of the SPA be Australian—done here in Australia?

Mr Johnson: That's why the commodore asked about time. If I could have one minute to explain. We used a couple of phrases that I offered to explain, like 'detailed design'. The basic design, typically called 'concept design' and 'preliminary design' is being done primarily by DCNS. We will bring that design to Australia around 22 July. From that point on, the very detailed part, as well as the work packages which we call 'production engineering', will be done by Australians here in Australia. That's a key step towards long-term know-how, know-why and sustainability because we will have done all that work here. The other thing about percentage is that, when you measure, it will change. On the far end, it's very Australian because we're in sustainment; in the middle it's kind of in the middle and, at the beginning, because the preliminary concept design is done by people overseas, that's the lowest point that we will be reporting.

Senator WONG: How low?

Mr Johnson: Based on people, based on dollars?

Senator WONG: You choose the metrics. Give me something.

Senator Payne: That's before the submarine goes into production. To be clear in terms of the focus we have in Australia, you indicated that you are a South Australian senator; you can see what is going on at Osborne.

Senator WONG: I was the shareholder minister for ASC.

Senator Payne: Indeed.

Senator PATRICK: Not sustainment, surely, Senator.

Senator Payne: I might complete that sentence. Laing O'Rourke had been appointed as the contract manager.

Mr Johnson: The managing contractor for the yard.

Senator WONG: Can we try to lock this down? Can you give me an estimate for the AIC for the first three submarines?

Mr Johnson: I will take that on notice.

Senator PATRICK: Senator Wong, in the AIC plan submitted by DCNS there was lots of detail about what could be provided. You've done extensive industry consultation. Surely, as Senator Wong is indicating, you've done at least some assessment as to what's the possibility.

Senator Payne: From the government's perspective, Senator, as I have said to you in the chamber and here, the government is in the business of maximising the Australian industry content and working very closely with that group to do that.
Senator WONG: That's just words. You can't even give us the minimum percentage. Mr Pyne told people 90 per cent; then he told people 60 per cent. Now you don't want to give a percentage.

Senator Payne: To be clear, as I understand it, it was a representative of DCNS then, now Naval Group—if I remember correctly, it was Mr Costello—who indicated a 90 per cent estimate in the first place.

Senator WONG: Which Minister Pyne backed in. He then stood up at a doorstop in December and told Australians it would be 60 per cent. And now you don't want to give us a percentage.

Senator Payne: Go back to your previous statement: Minister Pyne clarified with your own Matthew Abraham on radio in 2017 that that was a DCNS statement of 90 per cent.

Senator WONG: So walking away from it?

Senator Payne: He made that clear. In his further comments he said consistently, and he was still saying, that around 60 per cent was defined as a local build because there are things that we do not do in Australia, which will be part of the submarine development. That includes, for example, aspects of the weapons system; torpedos and so on. So they're not able to be part of the Australian contribution. But the Australian government's aim has always been—my statements have always been consistent—that at every opportunity we will be maximising Australian content.

Senator WONG: So will 60 per cent of the first three subs be Australian content?

Mr Johnson: The reason I wish to take this on notice is the need to be accurate for you, so that there's no misunderstanding about the assumptions. If I could be so bold as to follow up on Senator Payne's comments, what Costello said—

Senator WONG: Come on! I know what Costello said; I've asked questions about that.

The reason I did not respond to Senator Payne's interjections or her statement, which she's entitled to make, is that we haven't got a lot of time; I want to ask questions, other senators want to ask questions. There's no doubt that weasel words have been used by this government to give an impression of a greater commitment to a minimum content than is the case with this agreement. I don't think any reasonable observer reading the transcripts would think otherwise. No amount of weasel words—He actually said this', or 'Costello said that', or 'When he said 60 per cent he was referring to a local build'—change what this minister said, this minister you're representing. I want to know—on notice, if you can't give it to me now—the percentage of AIC for the first three subs.

Mr Johnson: I will take that on notice.

Senator WONG: Thank you. Commodore, you can't help on this?

Cdre Bourke: My boss has answered the question.

Senator WONG: Fair enough.

Senator Payne: It was an entirely appropriate response.

Senator WONG: It is. That's fair enough. Mr Johnson, or Commodore, you said that a percentage is a 'forward strategy'. That phrase was used—that setting a minimum percentage was a 'forward strategy'.
Mr Johnson: I said that. I think some of these discussions about percentage highlight that.

Senator WONG: I understand your position. Have you ever advised the minister of that?

Mr Johnson: Does the minister know that we wish not to discuss the program in terms of percentages? Yes, I believe he knows that.

Senator WONG: When did you provide that advice?

Mr Johnson: He knew it recently.

Senator WONG: So before or after he said 60 per cent in December 2018?

Mr Moriarty: The minister is very familiar with the drafts of the SPA as it was taken through government processes. The minister was closely involved with officers from the department, including the negotiating team, on how the negotiations were evolving, and the trade-offs that were made as we proceeded to finalise.

Senator WONG: Sure. So why does he say 60 per cent publicly? There's no answer?

Mr Johnson: He didn't apply 60 per cent to this program.

Senator WONG: He said publicly, 'We want a local build. Local build is defined as 60 per cent.'

Mr Johnson: I'm looking at a transcript from a radio show that says—

Senator WONG: It's the doorstop that I put to you previously.

Mr Johnson: 'I'm still saying that around 60 per cent is defined as a local build'. That was a general statement.

Senator WONG: Thank you for identifying the weasel words. Okay, let's move on. I'm conscious that Senator Macdonald wants to ask some questions. He will be given more space than he gave as chairman to Labor senators asking questions for hours yesterday, but anyway—

Senator Macdonald interjecting—

Senator WONG: Here we go. He's just wonderful! He's so polite to me!

Senator IAN MACDONALD: We give 10 minutes, the same as everybody else, Senator Wong. Please at least be truthful.

Senator WONG: You are the gift that keeps giving. You're like a poster boy for why the Liberal Party's women's vote is so poor.

Senator IAN MACDONALD: Thank you, Senator Wong, but could you at least be truthful. In my committee you have 10 minutes on, 10 minutes off—everyone has the same.

Senator WONG: We had been getting along before you arrived.

Senator IAN MACDONALD: We don't have five hours of you by yourself, as you are having here.

Senator WONG: Previously Mr Johnson—I apologise, I can't recall whether it was you or one of the other people at the table—talked about the break fees associated with the SPA and an independent review of same.

Mr Fraser: Senator Patrick was asking for a quantum on what those break fees were and where the structure was. I explained that that would vary over the time of the contract, depending on what it was, that the importance for the Commonwealth is for us to secure the
intellectual property and technical data to continue with the program should there be a
degraded performance or poor performance of Naval Group. I had taken on notice that I will
seek some guidance and come back this afternoon. But my recommendation is that we do not
disclose those commercial parameters.

Senator WONG: No, I appreciate that you did say that. I'm asking: was there not
reference to an independent review of them?

Senator PATRICK: You said that the contract had been independently reviewed prior to
signature.

Mr Fraser: Senator, we did gain independent review of the SPA contract and construct.

Senator WONG: By whom?

Mr Fraser: Commodore, can you help us with the details of the various reviews we've
done?

Senator WONG: I might have misunderstood then; sorry. So your evidence was about the
independent review of the SPA prior to signing, not a process whereby any break fees were
reviewed if they were initiated?

Mr Fraser: The complete agreement went under review.

Senator WONG: Sorry, Commodore, I interrupted. You were going to tell me about the
various reviews of the SPA. I'm particularly interested as to who independently reviewed the
provisions as to break payments. Do you need me to repeat that, Mr Johnson?

Mr Johnson: I'd be happy to do this with a question on notice. You have the detail. There
have been a series of reviews in progress and we are now doing a post-SPA independent
review of the total document.

Senator IAN MACDONALD: That was Mr Finley?

Mr Johnson: Yes, Stephen Finley will be doing that review of the final document. There
were reviews along the way. I'd be happy to provide that level of detail.

Senator WONG: Right.

Mr Johnson: Along the way there were negotiation reference committees within Defence.
This is a complex document, carefully reviewed, at regular intervals.

Senator PATRICK: What's the purpose of obtaining a review?

Senator WONG: You've signed it already. So why is it being reviewed after signature?
Would you not usually do that before?

Mr Johnson: We did.

Cdre Bourke: It was reviewed before signature.

Senator WONG: By whom?

Cdre Bourke: By Mr Finley.

Senator WONG: But you just told me he was reviewing it after signature, now.

Cdre Bourke: There will be another review for consistency when the first of the program
subcontracts, which is the submarine design contract, is completed and negotiations are
completed and we're ready to sign that contract to make sure that the program subcontract is
consistent in entirety with SPA.
Senator WONG: That's a different point. That is consistency of a sort of a subordinate legal document within the framework of the SPA, with the Framework Document. That wasn't what I was asking about. The break payments are included in the SPA themselves, the substantive original document.

Cdre Bourke: They are.

Senator WONG: Were they reviewed by Mr Finley before signature?

Cdre Bourke: Yes.

Senator WONG: And ticked off?

Cdre Bourke: Yes.

Senator WONG: Mr Tillett wrote an article on 12 February 2019, headlined, 'Australia can scuttle subs project'. It says that Australia can 'walk away from the $50 billion project if it runs late or fails to deliver the capability promised'. Do you have any knowledge of how Mr Tillett was briefed? It goes on to talk about various aspects of provision. I'm sure that you've read it, Mr Moriarty?

Mr Moriarty: I did read the article. I have no idea how Mr Tillett came to that view.

Senator WONG: Was it accurate? Was the article accurate?

Mr Moriarty: I don't wish to confirm anything that Mr Tillett may have said.

Senator WONG: Can someone tell me whether it was a briefing from Defence? Sorry, Commodore, you are still Defence, aren't you? You're not in another group?

Cdre Bourke: I'm in Defence.

Senator Payne: He's still in Defence.

Senator WONG: Yes, I know but we haven't set up a separate subs program entity?

Mr Moriarty: Mr Tillett was not briefed by Defence on any of the particular clauses in the SPA or any of the figures.

Senator WONG: Was he briefed by the minister's office?

Mr Moriarty: I have no idea.

Senator WONG: Minister, was he briefed by the minister's office?

Senator Payne: I don't have any knowledge of that.

Senator WONG: Because it does appear that it's a very substantial briefing, frankly, on some aspects. It is more detailed or more pointed than some of the answers in estimates. I just wonder why it's okay—I quite like Mr Tillett—for him to have a briefing in order for him to write an article than for answers to be given at Senate estimates.

Senator PATRICK: The silence is noted for the Hansard.

CHAIR: Senator Wong, I might have to—

Senator WONG: Thank you, Chair. I'm happy to turn it over.

Senator IAN MACDONALD: I just want to ask some questions about the first three programs in the Department of Defence, 1.1, 1.2 and 1.3 in particular. Could I start, Vice Admiral, by publicly thanking the defence forces, particularly the Army, for the wonderful work they have done in the Townsville floods and are currently doing in the north-west. I particularly emphasise that many of your soldiers were out there helping people at midnight.
whilst their own homes were underwater and their own families were being evacuated to higher ground. The commitment of your soldiers—our soldiers, I might say; Australia's soldiers—and other forces where they were involved, but it was principally the Lavarack people obviously enough, was just wonderful. Whilst they've been recognised on many occasions, I again wanted to do that here. I hope that you and the minister will continue to pass on, as I know you do, the thanks of the Australian people but particularly the people of Townsville for the work they've done there.

Could someone perhaps just update me on the current activity of the forces, mainly the Army, in both Townsville and the north-west? I'm very familiar, of course, with what happened on the night, taking ribbed boats, knocking down fences to get into the back door to take people out—just a magnificent effort. As I've said often, the mere sight of an Army convoy, an Army tank, in times where people are very frightened is just incredible—the mental support that comes from that. I wonder if you could just tell me currently where they're at in Townsville—perhaps I know the answer—but more particularly in the north-west, which I haven't been able to get to, and just what the defence forces are doing at this time.

**Vice Adm. Johnston:** Thank you for your comments on the contribution that Defence has made in Queensland in response to the flood circumstances. You are right, our contribution encompassed both the period before the height of the floods occurred and, in Townsville in particular, then some of the clean-up tasks that were associated with providing military support out into the community to help with debris removal and clearance. We provided some support in Townsville for displaced people who weren't able to occupy their own homes. I think that task has now concluded. In Townsville itself, we've transitioned largely to the local community and councils now leading the effort, and the defence support is collapsing back into Lavarack. And if there are ongoing tasks that we could perform, we would do so.

The focus has moved to the north-west area where, you would be aware, we were involved in the distribution of fuel—in particular, about 40,000 litres of fuel—to enable some of the movement to occur for local helicopters in fodder distribution and surveillance. We did conduct fodder distribution of our own, just over 40 tonnes of fodder moved. That effort has moved now, with the floodwaters, towards the Carpentaria area where we continue to have a presence there at the moment. I think most recently we provided some fuel in the middle part of this week, but we expect that task is now diminishing because the roads are opening and, therefore, road transport is able to move fuel in particular.

The final area that we are focused on is providing assistance in the coordination and planning of the carcass disposal. So we're working with the local government authorities and the state authorities on how best to approach that task using the local expertise and some defence planning assistance to look at an aggregate view on doing so. We've provided some personal protection equipment for those who are involved in the disposal task itself to assist with the biosecurity risk with it. And I expect that support will come to a conclusion probably early next week, subject to the Queensland government and the local councils indicating that our support is no longer needed.

**Senator IAN MACDONALD:** Thanks very much for that. I'm conscious that time is always short at estimates but could I just very briefly move on to the comprehensive strategic partnership with Singapore, which the minister is well aware of in all of her different roles. I
understand from Minister Fawcett that contracts are being signed shortly for the acquisition of additional land. I am just wondering whether we can get a brief update of where the partnership is so far with, of course, the training of the Singaporean troops and the expansion of the defence or army training facilities in the Townsville region, if someone could just give us a quick update.

**Mr Grzeskowiak:** The implementation of the on-the-ground work for that falls within my group. As you've seen publicly, we're negotiating land acquisition from willing sellers in two places: in and around Greenvale in North Queensland and then around the existing Shoalwater Bay. We've made good progress in the last year or so on those negotiations and we've reached a point where we've secured sufficient land to enable viable training areas firstly in Greenvale and then an expansion of the training area in Shoalwater Bay. We have Laing O'Rourke on contract as the managing contractor for the works in Shoalwater Bay, but that work is in the very early stages of planning and development. We're committed to starting infrastructure works towards the end of 2019 on both of those sites but right now we're still in the very early planning phase. Once we start those works they'll run for several years, as you'd appreciate, funded by the Singaporean government, as is the land acquisition that's ongoing. Throughout this process we've been engaging closely with local councils, local communities and the Queensland government, in particular, on a whole range of issues. So I'd characterise it as: we've made really good progress but there's a fair way to go yet in terms of the detailed design of the ranges, making sure that we maximise the opportunity not just for the Singaporean training but also for Australian training, because one of the key things for us in this is that Australian forces will use these ranges for training as well. So we need to look forward. This process is ongoing at the moment. What does a modern training area look like? We're not going to just reproduce what we may have had in the past. There will be a good deal of automation and electronic wizardry involved in all of that. All that work is going on at the moment. It'll be a good few years yet before any military training actually starts occurring, particularly in Greenvale or, indeed, at an expanded Shoalwater Bay.

**Senator IAN MACDONALD:** I think you mentioned in passing—I'm not sure whether I quite heard it correctly—and confirmed that this is being paid for by the Singapore government but is in the control of the Australian Army, effectively.

**Mr Grzeskowiak:** I can clarify that absolutely the Singaporeans are paying but the land remains owned by the Commonwealth of Australia, under the control of the Department of Defence. There is no ownership at all of any of that land by Singapore. But as part of that agreement Singapore will have training opportunities, as agreed, for, I think it's up to, 14,000 soldiers for longer than they currently train in Australia. It's a long-term agreement under a memorandum of understanding. It'll be a 25-year agreement as part of that comprehensive strategic partnership. The 25 years actually hasn't started yet. It starts as and when the expanded training commences. So it will start in a few years time.

**Senator IAN MACDONALD:** Thanks for that. You've mentioned that Laing O'Rourke had got the contract in Shoalwater Bay. I've heard from somewhere—I'm not quite sure where—but are you able to briefly indicate why they were chosen? Were they the cheapest, the best or the most available?
Mr Grzeskowiak: We always go to an open-market tender for all of our contracts. That process was run last year and that was the company that provided the best value for money, albeit on that occasion. That's why they would have been selected.

Senator IAN MACDONALD: The minister is very well aware of this because I was there when she announced the local capability program which, as I understand, put in one line what was probably in 15 pages of fine print. The local capability program is about ensuring that the major defence works are, where practicable and possible, done by local contractors. Is that right?

Mr Grzeskowiak: We will have a requirement for local industry participation within this contract. You'd be aware that we're running a range of pilot projects at the moment. But in fact, within the infrastructure capital investment part of Defence, all projects that we launch from now on—in fact, for quite a while now—will include a requirement for local industry participation.

Senator IAN MACDONALD: I'm very interested in Shoalwater Bay but I'm conscious that that's been going for some time. So it's a bit old hat down in Rockhampton and Shoalwater Bay. The Townsville experience is, of course, brand new and very exciting for the locals. Can I just find out where you're at with the appointment of a principal contractor for the Townsville works? Are you in that space at the moment? Also, how will the local capability plan and policy of the government—which, as I say, the minister was instrumental in introducing—transact into activities in the North Queensland region?

Mr Grzeskowiak: I might invite my colleague Chris Birrer to just talk about that.

Mr Birrer: Once we've secured all the land and undertaken the settlement of the land contracts we'll be undertaking then bringing on board a managing contractor and we'll be going through a similar process to what we did around Shoalwater Bay, where Laing O'Rourke was brought on. So part of the tendering arrangements will be to the local industry capability plan and our assessment of what the tenderers submit as part of that local industry capability plan will form part of the value-for-money assessment of how we then select the managing contractor. So it's not the cheapest. We go for the value-for-money solution. Yes, price is part of it but it's also the technical ability to deliver the project with the range of works that we want. And, in this instance, delivering on local industry capability plans forms part of that broader technical assessment.

In terms of what we would expect, we expect high levels of local industry participation and opportunities being made available for a wide range of different local companies. In terms of how companies go about undertaking the local industry capability plan submissions, they have to go out and get an understanding of what local industry has. And in terms of that, we're looking all across the project life cycle—so all the way from the beginning with the designers and the consultants all the way through to delivery with the actual construction. We're seeing some very good results.

Laing O'Rourke have undertaken contracting of quite a high number of local consultants in part of the design and the survey works. And when we go into the delivery phase beyond the design phase, that local industry capability plan will be updated and will be monitored throughout the implementation of the project.
Senator IAN MACDONALD: You may not be able to answer this regarding a tendering process. In simple terms, does the tender for the principal contractor say, 'You have to have at least 80 per cent,' or 75 per cent, 90 per cent or X per cent, 'local contractors, if you're going to get the tier 1 contract?'

Mr Birrer: No; in fact, it's the other way around. We ask the tenderers to submit what they think is achievable. As part of doing their homework for getting their tenders ready, they have to get an appreciation of what the local industry capacity and capability is, and inform themselves of that—build partnerships with local companies and come forward. It is about maximising opportunities. There is still the onus on local companies to put in competitive bids.

Senator IAN MACDONALD: Of course.

Mr Birrer: All the work is then subcontracted. Our managing contractors, except in very rare circumstances, don't self-perform the work; all the work is subcontracted. The actual results of local industry winning those subcontracts are monitored throughout the life of the project. There are aspects of the project or works packages that can be released for contracting a few years into the project. Up front you do have the targets known of what the tenderers believe is achievable, but in terms of actual results it needs to wait for those works to be tendered out.

Senator IAN MACDONALD: I understand that. To put it in very simple terms—and hypotheticals, which I shouldn't put at estimates—if a tier 1 contractor said, 'We're going to aim for five per cent local involvement,' and another one said, 'We're going to aim for 95 per cent local involvement,' clearly the latter would start well in front in the assessment process.

Mr Birrer: That would be a favourable aspect as part of a broader value-for-money consideration. But if you did see a result—again, noting that it's a hypothetical that you've submitted here—

Senator IAN MACDONALD: They are quite silly figures.

Mr Birrer: If you did see that, you'd be wondering why the contractors had different understandings of the capability and capacity of local industry.

Senator IAN MACDONALD: It was an exaggeration. Chair, I know that my time has finished, but could I seek the indulgence of the committee? I have about another five minutes on a separate matter. The benefit is that, if I do that, you won't see me again.

Senator WONG: How long does that commitment last for?

Senator IAN MACDONALD: I thought Senator Wong would be attracted by that request. The minister probably would be equally happy!

Senator Payne: Not at all, Senator Macdonald. I very much like talking about the ASMTI and I very much like talking about the local industry capability plans.

Senator IAN MACDONALD: And so you should, Minister. We did discuss this at previous estimates and, as I recall, the answer was, 'It's a bit early to talk about that.' But we're all very excited in Australia about the Boxer acquisition as part of Land 400. As a Queensland senator, I'm very excited that Rheinmetall are going to be building these things in Queensland. The chairman well appreciates that and so does Senator Moore, I'm sure—without being parochial.
I'm raising again the question of maintenance of the vehicles once they are in service. I appreciate that it's pretty early at this stage. I appreciate that Rheinmetall will have requirements in relation to this. But I ask the question, again relating to Lavarack—which I understand is where a number of the vehicles will be based, as they should be, with it being Australia's front-line Army base: in the past, within the Army itself, there have been maintenance capabilities and, where they weren't possible, specialised maintainers, if I can use that term broadly, in the Townsville region had contracts. I'm wondering, more in relation to the maintenance of the Rheinmetall vehicles: has any decision yet been made or what is the status of where they will be maintained—looked after, greased and oil changed, I guess you might say?

Lt Gen. Burr: Army remains very excited about the pending arrival of Boxer to add to our capability. To answer that specific question, I might pass to General Coghlan.

Major Gen. Coghlan: It's early days yet, but we did sign a support contract with Rheinmetall late last year for the initial support period of the Boxer vehicle. The maintenance program will be a traditional approach; that is, the first and second line repair will be done within Army units and with Joint Logistics Command and base repair will be done at the MILVEHCOE facility in Brisbane—major overhaul if there's major damage.

The Boxer will be deployed in Townsville, Adelaide, Brisbane and Darwin. Like our other major platforms, there will be local industry repair and opportunity there. We are probably a year or two away from that. If I use the Bushmaster as an example, Thales established in each of those areas a facility where they employed local tradesmen to maintain the vehicle in partnership with Army and Joint Logistics Command.

Senator IAN MACDONALD: Might I say frivolously in passing that it's good to see that some of the Boxers are going to Adelaide because we could expect an attack from the penguins in Antarctica as they invade Australia from the south. But that's an ongoing comment as a non-military expert. I use the opportunity in passing, Admiral, to say that it's always good to have our major naval assets in Sydney to protect us from New Zealanders and the penguins attacking from the east and the south rather than having them up north, where we might expect something. But that's a frivolous passing comment that I know has no merit in a technical sense, but we will keep the argument up.

Thank you, General; I appreciate that. Would I be right in assuming that, if there were expertise in all regions—but I'm talking about Townsville, of course—if there were expertise in the Townsville region that could do major overhauls, that is a matter that should be negotiated between Rheinmetall and the local expert. Would that be right?

Major Gen. Coghlan: That is correct, in consultation with our Joint Logistics Command. In essence, Rheinmetall would train either soldiers or JLC personnel or use their own personnel.

Senator IAN MACDONALD: What are JLC?

Major Gen. Coghlan: Joint Logistics Command, who provide our logistics in that context. My expectation is that there would be, as with the other major platforms, to a significant degree, the most maintenance in the home locations, and that would include Townsville.
Senator IAN MACDONALD: This will be my final question. Perhaps I should ask my colleague Senator Molan. Within the Army organisation—I use amateur's words here—how big are your local mechanics companies, battalions, divisions or whatever they are? Are they a separate grouping within the Army structure and has that increased? I have a suspicion that it may have decreased in recent years, but I may be wrong. Could someone briefly tell me about that? That will be the end of my questions.

Lt Gen. Burr: Within the Army, we have electrical and mechanical engineers who focus on the servicing and maintenance of our vehicles where that is done in house. Obviously, a lot of our work is contracted and others might like to speak about that, but that in-house expertise remains. RAEME, the Royal Australian Electrical and Mechanical Engineers, is a very large corps in our Army; it's becoming increasingly specialised as our equipment becomes increasingly technical. That is a very strong basis of the STEM workforce in the Army as well. That is distributed around all of the major army locations, all the brigade locations, as well as in the logistics and maintenance areas. So it's a big part of our Army. For Boxer specifically, as we look at how that will be maintained, that will be something that we work through with CASG and the contractor to work out that balance of uniformed and non-uniformed workforce.

Major Gen. Coghlan: With the Boxer contract, we've actually contracted to the company to put soldiers and officers in the factory, so that we have a significant understanding of how the vehicle is put together. If we are on operations, we can provide battle damage assessments and repair to a better extent than we can now.

Senator IAN MACDONALD: Perhaps I could put on notice the throwaway question about whether the numbers in your mechanical divisions, as I loosely call them, have increased, decreased, remained the same or have changed for a particular purpose.

Lt Gen. Burr: I think it's stayed about the same. They chop and change as the equipment changes, but it's broadly the same. People are becoming increasingly more technical because of the equipment being more technical. It's certainly not getting any smaller. They maintain our weapons, and we have a lot of weapons. They maintain our aviation fleet as well as our armoured vehicle fleet and our road transport fleet. They have a lot of work to do, and we value that work immensely.

Senator IAN MACDONALD: Thanks, Chair. Could I conclude by expressing again, General, while you're at the table, the thanks and appreciation for the tremendous work that your soldiers have done in the Townsville region. I know they do it everywhere in Australia, but it's been particularly relevant to me in recent weeks in what they've done there. I conclude by thanking you all for what your guys have done.

CHAIR: Before I hand back to Labor, having regard to what Senator Macdonald said then, the work that Defence personnel have been doing up in the north-west and Townsville cannot be overstated, and the thanks that people feel. How many families or Defence personnel have actually been impacted by the floods themselves? If you can't answer that now, it would be nice to know after the break. Perhaps someone could come back, in terms of the impact upon their lives while they're off helping other people.

Senator IAN MACDONALD: Senator Molan has just reminded me of this. I have specifically spoken about Army, but Senator Molan quite rightly says that many Air Force
personnel were involved as well, and I suspect there are others. My comments are directed across the services.

CHAIR: Senator Wong, would you like to ask questions now?

Senator WONG: I want to go now to time frames with submarines. Going back to 2015, the then defence minister, Kevin Andrews, noted publicly that the Collins class was due to begin retiring in 2026 and that it was important that we didn't allow a capability to open up as that retirement process began. I want to ask some factual timing questions here. We can have a political argument et cetera, but I just want to understand the assessment of time frames and how the capability gap is being managed—what the plan is to deal with it. I assume at that time, unless he got it wrong, that that was the government's thinking—that the first retirements in the Collins class would commence in 2026.

Mr Johnson: Yes.

Senator WONG: Thank you.

Mr Johnson: At the time of that, 2015, he had access to prior studies that reported that the Collins class could be life extended. However, there was no decision at that point, hence 2026.

Senator WONG: I accept that. As I said, we can have a lot of commentary about this. I am just trying to get dates. Then the 2016 white paper was released and had the new submarines entering service in the early 2030s—correct?

Mr Johnson: Yes.

Senator WONG: I have a note here that Vice Admiral Noonan provided some comments to Fairfax last year: The Chief of Navy, Vice Admiral Mike Noonan, told Fairfax Media he was expecting the first of the new fleet to be delivered to the navy in about 2032, but they would need to go through extensive testing. He then said: "For a new, complex submarine, that could be in the vicinity of up to three years." Is that correct—up to three years testing?

Vice Adm. Noonan: Yes.

Senator WONG: Sorry, I didn't know you were at the table. What did you say?

Vice Adm. Noonan: That's exactly what I said.

Senator WONG: Where does the three years start from? I presume it's 2032 that it starts?

Vice Adm. Noonan: We expect that the first submarine will be delivered to the Navy in 2032.

Senator WONG: Okay.

Vice Adm. Noonan: We then allowed up to a three-year test and evaluation period before we're able to accept the vessel into full naval service.

Senator WONG: So that means full operation, full capability, 2035?

Vice Adm. Noonan: That's correct. That's based on what we expect that the maximum amount of trials and tests would be. That's ultimately at the discretion of the Chief of Navy of
the day, based on his or her assessment of the seaworthiness and the assurance of the capability as we go through the build.

Senator WONG: Okay.

Mr Johnson: If I could add: the future Chief of Navy could choose to do that operational testing on more than one submarine.

Senator WONG: Sure. As I understand the dates, what that means is in 2015 Minister Andrews says the Collins has to start retiring in 2026. By implication, given what you're saying about when new capability will be available, the Collins will need to be life extended to 2035—nine years. So when was that decision made?

Vice Adm. Noonan: If I might, Senator, I'd like to give a little bit of an overview in terms of the Collins class capability as it currently stands and where we are planning for it to go over the next 20 years, which I think will answer your question and give you a fulsome appreciation for what the submarine capability looks like, inasmuch as it's always undergoing change. We've got six submarines in the Collins class. Four of them are currently at sea, operating as we speak. They have continued to meet and exceed benchmark standards over the last two years. The capability program—

Senator WONG: Vice Admiral Noonan, I have great respect for this, but we've got 10 minutes to the break and I'm going to have to leave. I'm actually trying to understand when we decided that we would life extend to 2035. It's clear that Minister Andrews says 2026. The white paper, plus your comments—I'm not pushing back on them; that you've told the truth—suggest 2035. We can have a discussion about how that will occur, but I actually want to know when that decision was made. The consequence of the time frames and testing was that the Collins would be life extended for almost another decade beyond what had originally been said by the defence minister.

Vice Adm. Noonan: In terms of the upgrade to the Collins, we are yet to fully determine how many of the boats we will upgrade.

Senator WONG: Okay.

Vice Adm. Noonan: We're expecting that we will upgrade at least five. The work around determining the scope of the upgrade has begun, but has not yet been fully decided.

Senator WONG: Could you say that last part again?

Vice Adm. Noonan: The exact determination of the scope of the life of type extension of the Collins class has not yet been fully determined. Some of the work that we'll do during that upgrade process will actually mitigate the introduction into service of the Attack class submarine. We will be using some of the technologies in the life of type extension that will be incorporated into the Attack. Once we've actually got through the design of the Attack class submarine, some of that will be incorporated into the life of type extended Collins.

Senator WONG: What you're saying to me is that you haven't determined how many Collins will be extended?

Vice Adm. Noonan: That's correct.

Senator WONG: What's budgeted for?

Vice Adm. Noonan: We have—
Senator WONG: The current non-DCP, IIP, or whatever it is.

Mr Johnson: The Chief of Navy is correct. We have not come to government for decision. We are pricing that and planning that now. We have a small core team of about 25 people, mostly from ASC Submarine and four from government. They are doing that work now and will bring that forward both to Chief of Navy and the Secretary of Defence within the next 12 months.

Senator WONG: To summarise, Australia is going to have to extend the life span of the Collins class by nine years, from what was previously indicated—at least. We can come to then the delivery schedule and what we do—was it two years per sub? So to maintain the capability we're going to have to extend for more than nine years, but let's leave that. As yet, there has been no decision about how many will be life extended—correct?

Vice Adm. Noonan: That's correct.

Senator WONG: As yet, the government hasn't funded, because the decision has to be made, specifically a provision for that extension?

Mr Moriarty: That's correct.

Mr Johnson: That's correct.

Senator WONG: Thank you.

Mr Johnson: Except perhaps for the assumption about the number of submarines, which might be a detail you're not interested in at the moment because of time.

Senator WONG: That was a bit pointed; we're getting along quite well!

Mr Johnson: No, because of time.

Senator WONG: As I understand Chief of Navy's response to me—Vice Admiral Noonan, you said we haven't decided how many will be life extended.

Vice Adm. Noonan: That's correct. I think Mr Johnson might have been referring to the total number of submarines that we will see through the 2030s and beyond.

Senator WONG: Well, that I am interested in. I'm going to have to go shortly and Senator Patrick did want me to flick to him, Chair. We might do that and I will come back to it after the break. I don't understand what you are thinking about the overlap and the minimum level of continued capability and what the parameters are around that, like how long can we keep extending.

Vice Adm. Noonan: I'd like to address that. The Attack class acquisition plan, which was determined in 2016, remains unchanged at this point. It assumes a three-year interval between the delivery of HMAS Attack, the very first of the class and the second hull, with hulls three to 12 commencing at two-year intervals thereafter. Provided that the program continues to be funded to this plan, at least five Collins class submarines are life extended. Using a typical submarine learning curve, that being the industry know-how and efficiencies that we gain through the life of the build, I would expect that the Navy will have a force of eight or more submarines by the late 2030s.

Senator WONG: Can I come back to that after the break? I want to throw to Senator Patrick now, if that's okay.

CHAIR: Yes.
Senator WONG: Thank you for that; I appreciate it.

Senator PATRICK: Thank you, Chair, and thank you, Senator Wong. Just following up on some things that Senator Wong said in relation to submarines: she was asking for details about minimum content. As I pointed out, there is a significant AIC document that DCNS provided. You have provided answers to this committee saying that 873 companies in Australia have a registered interest with Naval Group. Also, on the combat system, there have been 1,623 requests for information. So you should be in a position to be able to at least estimate what a best case may be at this point in time because of that information that has gone out. I appreciate it might not be accurate, but you should at least have some feel for a best case. You will probably have to take that on notice. With that in mind, if you could provide some details to the committee? I'm getting a nod from Mr Johnson, for Hansard. Senator Wong also mentioned a media briefing. Can someone please provide that briefing to the committee—the notes that were used to provide that briefing to the media?

Mr Johnson: What briefing?

Senator PATRICK: Senator Wong was referring to a briefing. She talked about a briefing where Andrew Tillett had—

Senator Payne: That's not the context.

Senator PATRICK: It isn't?

Senator Payne: If you look at the Hansard, Senator Wong asked if Defence had briefed Andrew Tillett, and the answer was no.

Senator PATRICK: Okay. There hasn't been any—

Mr Moriarty: On the SPA.

Senator PATRICK: On the Future Submarine Program. I was approached by a journalist recently that said there had been a briefing from the Future Submarine project. Is that true?

Mr Moriarty: Yes. My understanding is that Admiral Sammut did a media briefing more generally on the Future Submarine Program. Of course, we can give you the notes from that briefing.

Senator PATRICK: Thank you.

Mr Moriarty: But it didn't include the detailed comments about the content of the SPA.

Senator PATRICK: I accept that. Thank you for clearing that up. The next big milestone in a contracting sense is the submarine design contract—is that correct, Mr Johnson?

Mr Johnson: Yes.

Senator PATRICK: When is that likely to be signed?

Mr Johnson: Very soon.

Senator PATRICK: What does that mean? What is your expectation? Is it weeks, months?

Mr Johnson: Within weeks.

Cdre Bourke: We're in the final stages of the negotiation of the submarine design contract right now.

Senator PATRICK: So you think it will be within the next month or two?
Cdre Bourke: Definitely within the next month. All the major issues have now been dealt with.

Senator PATRICK: If I go back to the integrated master schedule—which I don't have a copy of, but you would certainly be familiar with it—when you first signed the initial design and mobilisation contract, there would have been an integrated master schedule. That would have had a date by which you were intending to sign the design contract. Can you provide me with that date, please?

Mr Johnson: Yes, but I would also like to add that it showed a range of dates.

Senator PATRICK: If you could give me—

Mr Johnson: As you know, the design and the strategy from the beginning was to make sure we had constant contract coverage.

Senator PATRICK: I know what a Gantt chart looks like. There would have a date that you had been expecting when you first entered into this arrangement where the design contract would otherwise have been signed. That's really what I was after. Perhaps the Chief of Navy or someone can help out here: just very briefly, I'd like to come back to submarines and sustainment, but I won't have time in two minutes. Regarding the LHD pods, we had an answer from you that basically said that the pods had been repaired. I seem to recall the numbers were of the order of $10 million and $8 million in repair costs for the pods on the LHDs.

Vice Adm. Noonan: I would need to take that on notice and come back. If that's what I provided previously, there'd be no change to that. Since the last Senate estimates, both LHDs have been operating in accordance with our scheduled activities. HMAS Canberra is currently at sea and Adelaide is in planned maintenance at the moment, but nothing to do with the pods.

Senator PATRICK: I have the answer here. I apologise; I was wrong. The total cost was approximately $8 million. For Adelaide it was 7.5 and for HMAS Canberra it was half a million dollars. You explained the difference and then you went on to say, 'The Commonwealth has negotiated a favourable settlement with the OEM'—I presume that was Siemens, not Navantia—

Vice Adm. Noonan: That's correct.

Senator PATRICK: 'to recover costs.' You go on to say, 'It's a confidential agreement,' and I get that. But the starting position would have been you should pay all of the cost if it's a warranty issue. The fact that you didn't do that, or haven't done that, would imply that the Commonwealth accepted some fault in respect of the defect, presumably. I'm just interested in the Commonwealth's side in respect of why you didn't get 100 per cent.

Vice Adm. Noonan: I think there are a few assumptions there. I might pass to Admiral Malcolm to speak to the detail and what she can disclose around the commercial aspects of that settlement.

Senator PATRICK: I'm really drilling down to: if the Commonwealth had done something wrong or there was some fault on the Commonwealth's side, what was that fault? That shouldn't be commercial-in-confidence.
Rear Adm. Malcolm: What I can say is there was no fault admitted on behalf of the Commonwealth. The deed that was put in place was not just around warranty items; it was also around a comprehensive package with all of the industry players to look at how we might better place the pods in the future. There's not a specific requirement for recovery against the companies. There has been redesign work done on the pods. There has been additional work done in terms of looking at parts and labour that will actually be part of the continuing support of the pods into the future. There is not a Commonwealth issue of blame here. The root cause has generally been agreed by the parties. That is actually subject to a final deed. You have the individual parts of that that actually show what that money was in terms of what was applied, but the actual deed is still subject to commercial-in-confidence. It has been negotiated well by the parties. The Commonwealth is satisfied with the outcome and satisfied with the redesign of the pods, which will be applied to the LHDs in 2020 and 2021. It also provides for additional services, labour and parts into the future, which is in agreement by all parties.

CHAIR: Thank you.

Proceedings suspended from 12:32 to 13:30

CHAIR: Thank you, ladies and gentlemen. It being just after 1.30 pm, we will commence proceedings. I will just follow up on the question I put before we broke for lunch in relation to the number of Defence families who are impacted themselves by the natural disaster that's hit north and north-west Queensland.

Ms Greig: I will put some context to the number of people we have in the region. In the Townsville wider region, we have over 6,000 Defence personnel. There were around 2,800 Defence personnel involved in the emergency support at the peak. So in terms of impact on our people and our families, a large number of people were impacted in various ways.

One lens to look at that through is accommodation. So our estimate last week was that accommodation was impacted for over 600 of our Defence people. That might be in terms of Defence Housing Australia housing, those in rental accommodation or those who own a private home. In the work we've been doing to support those families and people, one of the main initiatives was putting in place during 9 to 12 February some community hubs at both RAAF base Townsville and the Lavarack barracks. Some of the services that we put in place there to provide immediate support to our people are counselling and families assistance, if needed; some assistance with pay and allowances to ensure that they have the support they needed during that time; accommodation assistance; and any assistance with relocation and temporary travel for families. Two hundred and forty Defence personnel and their families accessed the hubs during that period. We've continued to provide that sort of support but as more of a customer service centre concept. At the same time, we're very mindful that the impacts on some people will go on for some time, so we have put together a health plan and are looking at any mental health support mechanisms that might be required.

Senator MOORE: Does that also include civilian employees?

Ms Greig: Yes, it does.

Senator MOORE: So it's all people working with Defence?

Ms Greig: Yes.

Senator MOORE: So it's serving personnel and administrative staff?
Ms Greig: And our APS staff.

CHAIR: Thank you for that.

Senator PATRICK: Minister, in the break I did highlight to the PLO that there are a number of questions from the Senate chamber Notice Paper that haven't been answered. Could you give some guidance on when I might receive those answers?

Senator Payne: I don't have details on the specific questions, but I'm really happy to take that up with the minister's office and get some advice on that.

Senator PATRICK: Thank you very much.

CHAIR: I might jump in here. Secretary, I think you wish to make an announcement?

Mr Moriarty: Chair, I would be very grateful for the chair's indulgence. Vice Admiral Johnston and myself have been called to an important meeting a bit later on this afternoon. I ask the chair's indulgence if we absent ourselves from the hearing for a short period of time. As soon as that meeting has come back, we will, of course, return immediately.

Senator Payne: To put appropriate officials in the chairs.

Mr Moriarty: We will continue to support the minister through other officials during that time.

CHAIR: The committee is fine with that, thank you.

Senator PATRICK: To aid in terms of witnesses, I want to talk briefly about submarines and sustainment and then move to Woomera and radioactive waste. Could the Chief of Navy help me out with the answer to one of the submarine questions? I see Mr Johnson also turning up. Good afternoon, Admiral. Yesterday there was testimony at the FPA committee. Mr Knox indicated that the navy is considering putting the future submarine construction yard where ASC north is now, or at least a part of that. ASC indicated that they were tasked by Defence to look at three options to shift sustainment to Western Australia for the Collins class submarines. Normally these things would be driven by some sort of requirement from you as the customer. Can you give me some idea? I understand it's a contingency. Can you give me some understanding as to the reasons why the navy might want to shift submarine sustainment across to Western Australia?

Vice Adm. Noonan: I have not provided any advice, direction or requirement to industry or anybody at this point in time. I might ask my colleague Mr Fraser to make any comments about what is actually happening at the submarine construction yard. At the moment, I'm satisfied with where we're at with the current capability. I'm personally looking at placing options for the attack class into the future, but nothing on sustainment at this stage.

Senator PATRICK: So your evidence is that it's not an operational customer requirement to locate sustainment in any particular location, excepting that they do a pretty good job in Western Australia with the intermediate level and the mid-cycle dockings and it's very handy for them to be close for those shorter term activities. Secretary, do you want to add something?

Mr Fraser: We'll continue to look at options within the department as to what it is that we're doing. The minister made some comment yesterday indicating that we were doing it. My colleagues will be able to assist. We've asked to look at some options—an appropriate look at options—as to how we'll best support the current and future submarine fleet. They
have not been taken to government. We'll develop up those options, which will take some
time to do. It's appropriate that we consult with the Australian Submarine Corporation—

Senator PATRICK: My question goes to the reasons why you would commence that
consultation. For example, there's no tasking to look at shifting it to Sydney, where there
might be future submarines based, or somewhere in New South Wales. It sounds to me that it
is not a navy requirement. It might simply be a logistics requirement through lack of space at
Osborne. That has been hinted at before. I'm just trying to understand the motivation for
commissioning a study to do the shifting. That's essentially what I'm after—what the
motivation is.

Mr Johnson: As the Chief of Navy just stated, he's looking at options across the board.
The one option that we can work on now is the one that you just referred to, which is moving
to Western Australia. Even should the Chief of Navy direct us, when his work is done, to
another location, understanding what would be required, how we would do it and what time
frames are all very valuable things. We're better working on that now to better understand the
sequence of events than to wait.

Senator PATRICK: But we have a pretty good arrangement in place now, where we've
got the intermediate level stuff done in Western Australia close to the base and the longer
term stuff done in the place where the deep-level knowledge is that flowed from the build.
There must be a reason why you invoke a task that costs taxpayers' money to option it to WA.
You're trying to solve some sort of problem that you foresee. I'm trying to understand what
that problem is.

Mr Johnson: Again, none of these are decisions.

Senator PATRICK: I understand that.

Mr Johnson: They are contingencies. One concern is the one that I testified to in May,
which is that eventually, somewhere around the 2032 to 2034 time frame, perhaps sooner,
we'll run out of room to do everything in South Australia. So that alone warrants long-term
early work. It's not expensive work. We want to make sure that we don't give time away. As
you also know—and I've testified in the past—because it's long range, important work, we've
stopped and started it. We've restarted it now because we have a bit of capacity with the
engineering workforce that would do that work.

Senator PATRICK: So the submarine project is leading a team to look at how the
construction site will look at Osborne. I presume you've done some background work on that?

Mr Johnson: Background work on?

Senator PATRICK: At some stage, you're going to have to present a solution to
government for the submarine design yard.

Mr Johnson: Yes.

Senator PATRICK: Design and build yard at Osborne. Has that work commenced?

Mr Johnson: We are working to optimise the design of the submarine construction yard
right now.

Senator PATRICK: It sounds as though there's a team in place.

Mr Johnson: We have enough confidence in that design that we started ground work in
one of the greenfield areas.
Senator PATRICK: When do you anticipate that proposal going to government? There clearly are timelines required to start the build of the facility.

Mr Moriarty: Senator, I would hope that that work would be completed by the end of this year or early next.

Senator PATRICK: So it has started. Thank you. I might move now to radioactive waste. I thank Defence. They've tabled a document that gives a broad description of the waste that is inside the Woomera prohibited area. I wonder if the Major-General can give me the context of what we have at Woomera in terms of radioactive waste.

Major Gen. Mulhall: I think it might be helpful for the committee if I perhaps give an overview and I baseline the discussion with some of the terms we might use. I'll keep that short. We have three broad categories of radioactive waste—Defence owned, Defence administered and that which is held by the CSIRO. Defence owned and administered waste is held within a Defence facility within Woomera. It's held on Defence land within the range E complex and it's in a secure area. That waste is held in a closed facility. We are no longer able to take waste into that facility without the special permission of ARPANSA, and we do not move waste out of it without the express authority of the regulator.

Senator PATRICK: It's a bunker style arrangement?

Major Gen. Mulhall: That's a bunker style. That is in the Koolymilka radiation waste storage facility. It's a concrete and brick facility within a secure area. Our source licence with ARPANSA allows us only to hold it on an interim basis. Within that, we manage security enhanced sources. CSIRO sits just outside range E. It sits on Defence land. However, the CSIRO is responsible for the facility. Defence has no regulatory relationship between the CSIRO and ARPANSA. That is a direct relationship between those two entities. The only responsibility that Defence has is due diligence to ensure that none of the radioactive waste product held by CSIRO, if you like, leeches into the surrounding environment. We exercise due diligence over that. Other than that, it's entirely a direct relationship between CSIRO and ARPANSA. Again, their source licence, as we understand it, is holding only.

I'm conscious, Senator, that you have sourced some documents through FOI or otherwise which talks about movement of waste to St Mary's. That's Defence administered waste. A decision was made by the government of the day in 1994 to transfer waste from the St Mary's site. That was moved initially to launch area 5, LA5, which is outside the Defence secure area, which I just spoke about. In 2010, that Defence administered waste was moved from LA5 into the Koolymilka radiation waste storage facility.

Senator PATRICK: I will give some context to my questions. There's clearly a reasonable amount of waste, both low-level and intermediate level, at Woomera. It's there for temporary purposes, although some of these things have half lives of 1,000 years, so I'm not sure what temporary means. There has been a lot of angst in the communities of Kimba and Hawker over the selection process to the point where we've got a minister's brief that shows we know of mental illness problems developing. We've got boycotting of businesses. We've got a situation where the brief to the minister says they won't get above 60 per cent, which may not hit their broad community support. In the selection process, they initially went to Defence. With the indulgence of the chair, I would like to table this two-page email that I've got through FOI from the department of industry, which appears to be the sum total of a
response from Defence in relation to a request to have a site at Woomera. I'm happy for you to correct. You can see the contrast. There is a huge division in the Kimba community over the selection process at their sites. Defence writes a one- or two-page email and that kind of terminates that for consideration.

Major Gen. Mulhall: I will address the email to begin with. I believe we're talking about the same one.

Senator PATRICK: Sure.

Major Gen. Mulhall: Yes. I think it was generated about 6 December 2016.

Senator PATRICK: I have one here—

Major Gen. Mulhall: At the top of the page, it starts on Tuesday, 30 October.

Senator PATRICK: Yes. That is it.

Major Gen. Mulhall: But the portion I think you're referring to is Tuesday, 6 December?

Senator PATRICK: Yes. It addresses across a paragraph a whole range of risks associated with the Woomera test range or siting this material at the Woomera test range. It talks about reasonable bounds of the impact area for missiles. It's down range. There is a risk of damage if it were structural and a malfunctioning missile. It talks about aircraft. It talks about access related problems. But it really is only a couple of paragraphs. Is that the extent of the objection of Defence to the site being located at Woomera?

Major Gen. Mulhall: No. It is not. I will contextualise that email. I might ask Mr Birrer to talk about the response we provided otherwise to the Department of Industry, Innovation and Science, which is far more fulsome. With respect to this particular email, a question was asked of an official within the Department of Defence as to the desirability of placing onto Woomera an intermediate level waste facility. That was a specific question. The official sent this email prior to attending a meeting later on that day and expressing a view. That view is within the email. That does broadly accord with the departmental position. However, that in itself was not defence policy. Indeed, Mr Steve Grzeskowiak, deputy secretary of E&I, subsequently provided the fulsome Defence position upon formal request.

Senator PATRICK: Can that be tabled? I have a bunch of people in Kimba and Hawker who are feeling anxiety about this and looking at a two-page email from Defence as that being their out.

Mr Birrer: This process of selecting sites is not a Defence process. It was led from the Department of Industry, Innovation and Science. They consulted a range of departments across the Commonwealth, including Defence, in relation to Defence land. In mid-2017, we worked with our colleagues in industry, innovation and science looking at whether or not Defence properties were potentially within the scope of what a facility might require. The selection process and the criteria were set by innovation, industry and science, not Defence. So we wrote back to the Department of Industry, Innovation and Science with our perspectives, including that due to the reasons explained this morning about the importance of the Woomera prohibited area, Woomera was not a suitable site for the facility.

CHAIR: Senator Patrick, this will be your final question for the time being. I'll go back to Labor. Thank you.
Senator PATRICK: I'm not sure I can do much in one question. The Woomera area is 13 per cent of South Australia. I do struggle—

Mr Birrer: Not the Defence homeland, though.

Senator PATRICK: Okay. The prohibited area. In your reasoning, you stated those things I talked about before—possible missile strikes, aircraft and so forth—and under FOI I have obtained a list of concerns or potential risks as part of your emergency response. They contain, in effect, the way in which you mitigate against the very reasons you say you can't have a site at Woomera. On the one hand, you're saying, 'We can't do it here', but when it comes to safety, you address a whole bunch of these. I'll read some of them to you: fire, flood or storm; civil protest activity; missile strike. You've got mitigation strategies for all of these, including aircraft strike. You've even got one here that says terrorist activities aimed at assessing the facility for publicity purposes or for removing drums from the facility for use in a dirty bomb. I'm not actually convinced that the people of Hawker or Kimba, who have gone through an extensive briefing process, have been briefed on some of these concerns that you have about the Woomera site. I would argue—

Mr Birrer: That's a question for the Department of Industry, Innovation and Science.

Senator PATRICK: I would argue—

Mr Birrer: But they are also not a direct comparison here. My understanding is the plan that you have relates to the interim storage of the waste that's there now and doesn't relate to the criteria that is required for long-term storage for a national facility.

Senator PATRICK: Has Defence briefed industry and/or the community of Kimba on some of these risks, particularly the terrorist one? That's the first time I've heard of that being raised.

Mr Birrer: Well, we wouldn't brief the community of Kimba because they—

Senator PATRICK: Well, they are going to have a facility enforced upon them, perhaps, by a minister and they're not fully briefed on potential issues associated with the site.

Mr Birrer: But Defence isn't running the selection process.

Senator Payne: It's not the role for Defence, Senator. It's not a role for the department.

Senator PATRICK: It might be relevant to the government.

CHAIR: On this point, we might shift to Labor.

Senator Payne: These officials can't be expected to answer for the other department, Senator.

Senator PATRICK: No. I was asking whether or not Defence had provided a briefing to industry on a terrorist risk.

Senator Payne: The department of industry?

Senator PATRICK: The department of industry. Or indeed had directly provided a briefing to the communities.

Senator Payne: And Mr Birrer has said they haven't directed a briefing because it's managed by the department of industry.

CHAIR: Senator Patrick, we can come back to this later. I will hand over to Labor and Senator Wong.
Senator PATRICK: Thank you, Chair.

Senator WONG: Thank you, Chair. I appreciate it. Before I go back to capability, I want to ask some questions about ministerial arrangements. I think on the last occasion when I asked what Mr Ciobo actually has responsibility for, there was quite a long pause. I think there was a contribution from Senator Payne. Mr Geering said:

What we might do is take it on notice and get you a more detailed split of those responsibilities.

First, there has been quite a delay in the provision of that answer. Can someone explain to me why there was a delay?

Mr Geering: I apologise for the delay in responding to the question. We did, immediately following that estimates hearing on 25 October, put up on the Defence Internet site details of all the ministerial responsibilities for the ministers and the assistant minister.

Senator WONG: I am sorry. Could you repeat the last part of that answer?

Mr Geering: On 25 October 2018, we put up on the Defence Internet site, which is the ministerial component of our Internet site, details of the portfolio responsibilities of the Minister for Defence, the Minister for Defence Industry and, the Minister for Defence Personnel and the assistant minister.

Senator WONG: I'm on your Department of Defence ministers website. You are referring to the dot points?

Mr Geering: The dot points.

Senator WONG: What was the date you did that on?

Mr Geering: On 25 October.

Senator WONG: When was he sworn in as defence industries minister? It was August 2018?

Mr Geering: That would be about right. I'm sorry, but I don't have the date with me.

Senator WONG: I'm reading off your website. Two months and an estimates round before we get dot points on his job description.

Mr Geering: My apologies.

Senator WONG: I don't think it's your problem. He is a cabinet minister. I notice that the Minister for Defence—Mr Pyne is very good at ensuring he gets himself into the right position—has, and I quote:

… oversight of all aspects of the Defence portfolio.

And the verb in Mr Ciobo's is to support the Minister for Defence. But they're both cabinet ministers. Correct?

Mr Geering: Yes.

Senator WONG: But Mr Pyne's the senior minister?

Mr Geering: Yes.

Senator WONG: Can you tell me which government priorities or policies Mr Ciobo has announced or brought forward to cabinet?

Mr Geering: Senator, I would not want to be providing any details of cabinet arrangements.
Senator WONG: What is he in charge of? Tell me something he has done other than wander around behind Mr Pyne.

Mr Geering: As is set out in the statement on the Internet, he has a role in supporting the defence minister for all defence industry activities and he works closely with the minister on those issues. But the minister, as you noted, retains oversight of all portfolio matters.

Senator WONG: So what has Mr Ciobo actually done?

Mr Geering: As I said, if it has to do with a defence industry matter, Mr Ciobo is involved and engaged in all those considerations.

Mr Moriarty: I will add. Without going into the details of what work may or may not come before cabinet, there have been a number of submissions that Mr Ciobo has taken forward on capability acquisitions and on Australian defence industry aspects of major capability acquisitions.

Senator WONG: Is he the person responsible for the negotiation of the SPA, or was that Mr Pyne?

Mr Moriarty: Mr Pyne led the work on the SPA.

Senator WONG: I know we are running a bit behind time. I want to have a brief discussion about contractors. The 2017-18 annual report says the FTE equivalent was 17,407 in that financial year. What is the equivalent figure today? It probably is in your PBS, but perhaps someone can assist me. Is someone going to tell me?

Ms Skinner: Was the question around the APS? I missed a bit.

Senator WONG: Sorry.

Ms Skinner: What was the question in relation to? A comparison?

Senator WONG: How many staff do you have?

Ms Skinner: How many staff we have?

Senator WONG: The annual report said the FTE equivalent was 17,407 for 2017-18. I'd like to know what the equivalent figure is for the next financial year. I was quickly flicking through the PBS because I assume it may actually be in that.

Ms Greig: I've got the year-to-date figures here. So the current ASL—

Senator WONG: You use ASL, don't you?

Ms Greig: Sorry.

Senator WONG: That's fine.

Ms Greig: The current year-to-date at 31 December is 15,925.

Senator WONG: That's a point in time as opposed to year-to-date. Correct?

Ms Greig: That is the point in time at 31 December.

Senator WONG: That's a drop. Why is that a drop?

Ms Greig: There has been a drop in terms of our rebalancing of the workforce.

Senator WONG: What does rebalancing of the workforce mean?
Ms Greig: So in terms of our requirement to grow in some areas, such as in the intelligence area and the shipbuilding area—in terms of trying to develop and recruit that workforce—it's meant that other areas of the department have had to have small reductions.

Senator WONG: But this is a portfolio. That should not lead to a net reduction.

Ms Skinner: Just in relation to the two sets of numbers, one significant change was the establishment of the Australian Signals Directorate and its APS workforce. That would not be then reflected in the Defence numbers from the beginning of this financial year.

Senator WONG: Okay. Let's do the balancing item, then. I'm looking at page 23. Maybe we should do the average full time, which is an ASL number. It is page 23 of the PBS. The number we are discussing is line item 2, civilian employees. Correct? So we're not talking about the ADF at this point. Am I right?

Mr Groves: Yes, that is correct.

Senator WONG: So the number that I was referring to in the annual report is essentially the equivalent of that line item of total civilian employees. Correct?

Mr Groves: Correct. Note that one in the annual report was our actual outcome. This is a budgeted level of staffing numbers, if you like, in the PBS.

Senator WONG: No kidding.

Mr Groves: I thought I would clarify.

Senator WONG: Thank you for letting me know that. Can you tell me why your point in time is lower than your budgeted?

Ms Greig: Some of the reasons that I've just covered. We have been trying to grow particular areas of the APS in the department. In terms of growing and shifting workforce around, we've lost some staff in some areas and it's taking us a period of time to grow staff in others.

Senator WONG: We're talking about total Defence. If you're moving people between areas, they should still appear in your point-in-time figures and they are still assumed in your budget allocation.

Ms Greig: Some of those people are not moving. As part of the first principles review of Defence, we fully recognised that there were areas we needed to, in some ways, reduce. That was some of our corporate overhead. We put more workforce into those areas more directly related to capability.

Senator WONG: There has been a net reduction. Correct?

Ms Skinner: The workforce is smaller now than it is forecast to be.

Senator WONG: Thank you. And it is smaller now than it was in 2017-18?

Ms Skinner: It is smaller now than it was in 2017-18. Partly the number is due to the ASD changes. To pick up Ms Greig's point, we have allowed attrition in some of the areas where we were reducing as part of the first principles review so that we could have the head room to rebalance with new capabilities. Those newer capabilities are things like the cyber workforce, ship building and higher technical capabilities. We have found a slower than expected ability to recruit those high technical skills, hence the APS workforce today in
Defence is less than we would like it to be. But we are working on strategies to build that technical workforce.

**Senator WONG:** What are those strategies?

**Ms Greig:** Perhaps one of the examples is in the ship building area. We are required to grow that APS internal capability, particularly in engineering, project management and program management roles. One of the main initiatives there is to grow from the bottom up. We have put particular emphasis on increasing our graduate intake tailored to maritime construction. We need to bring people in from the grassroots, because it's very hard to laterally recruit for those more complex engineering and program management roles. So the time to grow that workforce will take a bit of time. At the same time, we're trying to focus on retaining those particular skills.

**Senator WONG:** I want to talk about the contractors. What is the umbrella term for people who are engaged not as employees? What is the umbrella term for that? Contractors? Consultants?

**Mr Moriarty:** Contractors and consultants.

**Ms Skinner:** Consultants, service providers—a whole range of different types.

**Senator WONG:** I don't want to do a dance. You don't want to tell me the number. Correct?

**Ms Skinner:** We don't count the number of contractors and consultants.

**Senator WONG:** You must count the number of contracts because you have to supply them all to the Senate under the Senate order and AusTender. So how many separate contracts?

**Ms Skinner:** I've got the data on how much we've spent on contractors.

**Senator WONG:** I'm asking for the number. You must recall that.

**Ms Skinner:** I'll see if the chief financial officer has that.

**Senator WONG:** I think you're required to disclose them.

**Ms Skinner:** Yes. I don't have the data.

**Mr Groves:** This is across all contracts. We had 23,046 contracts with a total contract value of $28.15 billion in 2017-18. They are obviously broader than contractors, if you like—that is, people doing the work. Some of those contracts could be for—

**Senator WONG:** One person having three different contracts?

**Mr Groves:** Supply of product. Yes.

**Senator WONG:** Sorry. Go on.

**Mr Groves:** That was all.

**Senator WONG:** That is 23,000 contracts in the 2017-18 year to the value of $28 billion?

**Mr Groves:** Yes.

**Senator WONG:** What is the analogous figure for 2016-17?

**Mr Groves:** I don't have that with me.

**Senator WONG:** Can I have the analogous figures for 2016-17 and 2015-16, please? What is the year to date figure?
Mr Groves: I don't have a figure for the equivalent for this year. I would just like to point out that what I quoted around the 23,000 contracts is for everything. It could be for fuel; that could be a contract.

Senator WONG: I understand. I'm just asking for the equivalent figure.

Mr Groves: I don't have a year-to-date figure for that.

Senator WONG: Can we obtain that?

Mr Groves: I'm sure we can.

Senator WONG: I assume, if you've given it to me, that your system must be able to be interrogated.

Mr Groves: Yes.

Senator WONG: I'd like it for year-to-date and I'd like the last couple of financial years, if I may. The Canberra Times published an article in 2017 with Mr Richardson, the previous secretary, saying that there were up to 18,000 service providers, consultants and contractors on the books. I assume that's a reference to this?

Mr Groves: That would be a subset of what I just quoted.

Senator WONG: A subset. If the secretary knew it then, why can't you tell me that subset now—the service providers, contractors and consultants?

Mr Groves: I've got figures for how much we have spent for the last three financial years and this financial year on consultancy contracts. I've also got figures for the same period for what we've spent on contractors. The third category, the way that we categorise expenditure, particularly in our sustainment and acquisition program, is around service providers. I don't have figures going back those years.

Senator WONG: As I said, we can stay here and I'll just keep asking questions, or we can just try and get what I need. Mr Richardson gave public statements, and they were confirmed in March 2017 at the estimates as the number of what he described as service providers plus contractors and consultants. So are those categories equivalent to your 23,000 category?

Ms Greig: No.

Senator WONG: People are saying no at the table. Why can't you give me an equivalent figure? If the secretary of the department came to Senate estimates just under two years ago and gave the figure based on those categories, you should be able to give it to me.

Ms Skinner: I think the best way to reconcile the figure provided by Mr Richardson at that point would be to say what in today's terms we've spent year-to-date on consulting and contractors. We no longer collect—

Senator WONG: Well, when did you stop keeping it? If Mr Richardson can come to Senate estimates in March 2017 and give this committee those figures, tell me when your accounting system changed so much that what was provided by the secretary for the purposes of that evidence can no longer be provided to this committee?

Ms Skinner: The accounting system never collected the numbers of contractors and consultants. We would go through a manual process of working it out.

Senator WONG: Service providers, contractors and consultants.

Ms Skinner: They are not part of the contract—
Senator WONG: Okay. Then how did he give the number?

Ms Skinner: He gave the number because the various groups and services would work with the contractors to try to understand the numbers and we would tally them up.

Senator WONG: But you haven't done that since?

Ms Skinner: We haven't done that because—

Senator WONG: Have you done that since the March 2017 estimates?

Ms Skinner: I don't believe we've done that since that estimates or since that next budget year.

Senator WONG: Since the 2018 year?

Ms Skinner: I would have to take that notice to confirm when we went back to the standard practice, similar to other departments, of just maintaining through our accounting system the cost of consultants and contracting arrangements.

Senator WONG: I would like the current number of service providers plus contractors and consultants for the current financial year. I would like the analogous figure to the figure that Mr Groves gave me, which was 23,046 for the last financial year.

Mr Groves: I can certainly give you the analogous figure for the 23,000 figure.

Senator WONG: Okay.

Mr Groves: As the associate secretary outlined, we do not, and have not, tracked the number of contractors, consultants and service providers by number of people. We just can't do it in the systems.

Senator WONG: Well, he did because he gave the evidence two years ago. You don't want to.

Mr Groves: I think it was described as a one-off exercise that we went around.

Senator WONG: So that's not a data set you regard as important now?

Mr Groves: No.

Senator WONG: Interesting. So what is included in the 23,000 that wasn't included in the 17,000?

Mr Groves: Sorry, what was the 17,000?

Senator WONG: It was the figure that the secretary gave us in March 2017.

Mr Groves: I'm providing you the 23,000 as the contracts, not the human beings associated with that.

Senator WONG: Okay. I'm not the secretary of Defence and I'm not the chief financial officer. Why don't you work out over the course of this hearing what the difference is between Mr Richardson's evidence in 2017 and the figure you're giving me now and we'll come back?

Mr Groves: Yes.

Senator WONG: Shall we do that rather than go around in circles?

Mr Moriarty: Certainly, Senator.

Senator WONG: I think Senator Kitching has some questions and then I was going to return to capability.
Senator KITCHING: I want to go to The Morning Show on Channel 7 and its host, Larry Emdur, being allowed onto a military aircraft base and his use of a flight trainer with the Minister for Defence. Who attended the media event?

Air Marshal Davies: I don't have the complete number and names of people who were at the event, but it was an opportunity for the Minister for Defence to be able to characterise the F-35 at RAAF Base Williamtown and the Wedgetail.

Senator KITCHING: Does Defence have the number of who attended from Channel 7 as well?

Air Marshal Davies: I don't have them with me, but I'll get them for you.

Senator KITCHING: Lovely. Where on the base did Mr Emdur and the production staff have access to? Which parts of the base?

Air Marshal Davies: I'm not familiar with the exact locations of where the film team conducted the interviews, but my experience is that during those types of events, it is well-controlled. It allows the film crew to be able to capture it as an air base and allow a reasonable backdrop for that interview.

Senator KITCHING: Is that the first time that's happened? When was the last time it happened?

Air Marshal Davies: An exact date I'll have to take on notice and get back to you. My experience over quite a number of years is that it is infrequent but it has happened a few times where a base has been used to showcase what a minister or a senior official is trying to get across to the public.

Senator KITCHING: What was the total budget for this event?

Air Marshal Davies: I will take that on notice. There was not a budget that I'm aware of for the event per se. It was an opportunity.

Senator KITCHING: How many ADF personnel were involved in organising and delivering this visit for Channel 7?

Air Marshal Davies: Again, Senator, an exact number I'll get for you if you require that. We have a relatively small events team within Air Force headquarters that perform this role many times throughout the year.

Senator Payne: I think you might find that historically the ADF defence organisation has taken every opportunity to promote extraordinary Defence capability and extraordinary Defence people in the public arena. I know that your colleague from my state of New South Wales, when he had ministerial responsibility in the Defence portfolio, was kind enough to put a journalist in a Super Hornet. The journalist came back. It was a matter for Mr Clare, but he did do that. I think you will find that it is a timely way to show the Australian people and the community what we're capable of doing and, hopefully, to interest other young Australian women and men in joining people like Air Marshal Davies and Vice Admiral Johnston in their roles.

Senator KITCHING: Thank you, Minister. When you're finding out the number of peak personnel who were involved, could I also get the number of FTEs, if that's possible?

Air Marshal Davies: Excuse me?
Senator KITCHING: FTEs, or full time employees. An equivalent. A number around that. How many people were involved? Could you do that on an FTE basis as well?

Air Marshal Davies: I'm not sure I understand your question, Senator. I can get you the number of people. If they are in uniform, they will be FTE numbers.

Senator KITCHING: That's good. Thank you. Are you able to calculate the cost for the flight training? Larry Emdur tweeted that he had received flight training as well. I'm just wondering how much that cost.

Air Marshal Davies: There is a standard rate per hour for aircraft. It's around $16,000 an hour for the F-18. Mr Emdur's flight was around 30 minutes. That is an indicative cost, if you like, of the pieces to allow us to manage that. But it was part of the already budgeted F-18 flying hours. It was not an additional cost.

Vice Adm. Johnston: I want to clarify. I'm not sure what Mr Emdur meant, but he would have had some pre-flying exposure to make sure he was safe in an aircraft. He may have called that flight training, but it would have been the normal briefing you would get when you're in any facility, including a military one, to make sure you are able to be safe in that environment.

Senator KITCHING: I appreciate that, yes, thank you. Who made the approach to do it? Did Channel 7 come to the minister's office to say, 'What about this?', or was it the other way around, as Senator Payne has said—perhaps to showcase the expertise and professionalism?

Air Marshal Davies: In this case, I'll have to get that for you. I'll be able to get that today, I would think. The approaches are numerous for opportunities.

Senator KITCHING: I could imagine.

Air Marshal Davies: As the minister has indicated. We take them on a value basis—what is reasonable, what we will get value from and what events are of good value to the Australian people to see. So I will get that sequence for you.

Senator KITCHING: Thank you. I think Senator Wong is going to come back.

Senator Payne: Senator Moore would like to ask questions about the Pacific.

Senator MOORE: I have two questions on the Pacific, Chair, if that's okay.

CHAIR: Certainly.

Senator MOORE: I will go to the general one first, Minister, if that's okay. It's to do with the new Office of the Pacific. We had a briefing with DFAT about the role of the new Office of the Pacific. Part of that was the engagement in Defence in this new process. I was wanting to get on record from Defence's point of view how it will engage with the number of Defence specific programs that are part of the initiatives in the wider process.

Mr Hamilton: We will work very closely indeed with the new Office of the Pacific coordinator. We will, in fact, second a senior executive Defence employee to that centre.

Senator MOORE: Just one?

Mr Hamilton: Just one senior executive. But we will also second other staff should we find staff who are suitable to go across there. This builds on the existing cooperation we have between our international engagement area and the Pacific division in DFAT, which includes regular engagement on a daily basis. This is very early days. My judgement will be that
cooperation will grow and that if we need to do more, we will do more. But it's a sign of how committed we are to that process that we are sending a senior executive officer from Defence to that centre to take on a leadership role.

**Senator MOORE:** Will that officer be working, then, within the Office of the Pacific?

**Mr Hamilton:** Within the office.

**Senator MOORE:** The senior executive and other further employees will be actually—

**Mr Hamilton:** Yes. Defence has taken on the role of finding that person and recruiting the position. They will be seconded and physically they will sit in DFAT as part of that centre.

**Senator MOORE:** And report to people in DFAT in that period of time?

**Mr Hamilton:** Yes. Report to the coordinator in DFAT but will maintain extremely strong linkages back to Defence. That's why we've seconded them across there.

**Senator MOORE:** It's like any secondment. They talked about IDCs continuing to operate between Defence and DFAT and the other agencies. There's an endless list of agencies that are now going to be part of this new process. Is that process going to continue with existing staff in Defence?

**Mr Hamilton:** We are putting more resources towards being able to support our engagement in those IDCs because we will be playing a strong role in rolling out measures under that package. So inside Defence we've also strengthened our ability to implement and take forward all those measures. That means we'll have a stronger participation in that DFAT-led IDC process.

**Senator MOORE:** And the internal budget for Defence will come out of allocations within Defence itself?

**Mr Hamilton:** As we discussed this morning, Senator, yes.

**Senator MOORE:** And then the staffing that goes to the Office of the Pacific will be part of their staffing allocation and budget?

**Mr Hamilton:** That's right. I'm also strengthening within my group the number of people who are dedicated to working on this initiative.

**Senator MOORE:** Thank you. There are some questions here about the relationship with Vanuatu and the announcements that have been made. They are very straightforward. I'll put them and get them on the record. We know that when Prime Minister Salwai came to Canberra he announced that Australia and Vanuatu will continue to deepen our security relationship, including through advancing a bilateral security treaty. Can you tell us whether the idea or proposal for that came from Vanuatu or Australia? Where did it come from? The announcement was made, and I'm wanting to know what led up to that announcement.

**Mr Hamilton:** Treaties are a matter for the Department of Foreign Affairs and Trade.

**Senator MOORE:** Yes. We will be asking the same questions there. Because there's so much of a Defence process with the Vanuatu arrangement and the announcement, I was wondering what Defence's engagement in was in this process.

**Mr Hamilton:** Clearly, we've been working very closely with Vanuatu on the initiatives that have been announced in terms of rolling out our enhanced engagement. We'll just check...
as to whether we've got a record of who came up with the concept. In offering our support to Vanuatu, clearly we will need to work through the arrangements under which that takes place.

**Senator MOORE:** So in terms of the work that was going on, was that Defence minister to Defence minister? In your situation, Minister, you've been in both positions while there was the lead-up. In terms of the interaction among foreign affairs, defence ministers and Prime Ministers, who was talking to whom, or was everyone talking to everybody?

**Mr Hamilton:** Certainly from our perspective, our minister was having direct conversations.

**Senator Payne:** I think from across foreign affairs, Defence, the Prime Minister's personal engagement with Prime Minister Salwai in Vanuatu, my engagement with Foreign Minister Regenvanu on a number of occasions and the defence minister's own engagement, there have been significant discussions of security issues in the Pacific. Apart from anything else, the structure of the Boe declaration from the Pacific Islands Forum last year in Nauru was very much focused on regional security issues and very much raised awareness of the complexity of those regional security issues. Whether they start at the point of climate or IUU fishing, there is a great deal of work to be done. So whether it's the Pacific Maritime Security Program, which Defence is responsible for implementing in terms of the aerial surveillance work it does; the provision of the Guardian class patrol boats, the first of which is being delivered—the *Ted Diro* in Port Moresby—and is well underway; to the work it is going to do to address security in that area, all of those things have been dealt with across Defence, foreign affairs and, of course, with the engagement of the Prime Minister.

**Senator MOORE:** As you would all know, there has been varying reporting going on around the Vanuatu proposal and the treaty proposal. There have been reports in the *Vanuatu Daily Post* in January from the foreign minister raising questions about the need or the idea of a bilateral treaty, including the defence process. In the *Australian* earlier this week, Mr Regenvanu seems to have come around and be more supportive of the idea of the treaty. Were there any changes that Australia had to make to get that change of mind? I know these discussions go on within the Vanuatu parliament about how they feel about it, but was there any change in Australia's position that moved it to more acceptance in Vanuatu? At this point, it's from the Defence position.

**Senator Payne:** I would say not particularly in terms of changes. I was briefly in Vanuatu the week before last.

**Senator MOORE:** Yes. I got your media release, Minister.

**Senator Payne:** I met with Foreign Minister Regenvanu and the Minister of Internal Affairs, Andrew Napuat, on that brief visit. Of course, Foreign Minister Regenvanu was here for an official visit last week, which was a particularly valuable engagement, I think, here in Australia. He met a number of parliamentary leaders on both sides and visited Vanuatu seasonal workers who are here as part of the SWP in my state of New South Wales. So it is an ongoing process. We think we have a constructive position and look forward to progressing that.

**Senator MOORE:** It is my understanding that, in that visit last week, Mr Regenvanu said that his government would look forward to signing the agreement after they complete their national security strategy. That was reported at the time.
Senator Payne: They are in the process of standing up a national security strategy and, ultimately, a national security committee, yes.

Senator MOORE: Was there any indication, Minister, at that time about what kind of time frame was involved? It has been in discussion now for a while.

Senator Payne: No.

Senator MOORE: None at this stage. Thank you.

Senator WONG: I want to quickly finish my questions on the capability gap with submarines. I would like to go to some workforce issues that I was raising last time.

Senator Payne: The secretary and the VCDF have to step out, but they will be backfilled.

Senator WONG: If that's now, I can do something else. It's fine.

Vice Adm. Johnston: I think we're well placed on the submarine questions.

Senator WONG: Why don't we quickly do this? How many are going to need to be extended? I can do the maths. I think you basically set it out for me. How many are you assuming will need to be extended?

Vice Adm. Noonan: In terms of the options, we are looking at a number of options that will provide us with the best possible capability. The planning that we are basing it on is very much dependent upon the technologies that we use and the equipment that we put into the LOT, which we have not yet determined. Ultimately, there will be no capability gap as we transition. The costing that is available through—

Senator WONG: I will interrupt there. It does depend how you define the capability gap. I'm asking questions. We've got an ageing platform. I'm asking questions about numbers. You're avoiding that question, as you're entitled to. We could talk about it. At this stage, you're saying that the government has not made a decision, nor are you going to tell me how many Collins class submarines will need to be extended.

Vice Adm. Noonan: That's correct. The government has not yet made a determination as to how many Collins class will be upgraded. There will be a number that will need to be upgraded. That number could be between three and six depending upon the nature of the capabilities that are available to put into that program as we go through the life-of-type extension.

Senator WONG: Well, what sort of capability do we have, then, if we extend three as at 2035?

Vice Adm. Noonan: That will be very much determined upon the rate in which the government determines that we build the future submarines—

Senator WONG: No. We're not going to be building them faster, are we? No-one at the table has resiled from your evidence of 2032 and plus three years of testing. In fact, if anything, the risks are on the other side, are they not, for a project like this. Correct?

Vice Adm. Noonan: That's correct.

Senator WONG: So it's not as if we're going to be building them faster. Yes, your two-year scenario—each two years we get a new one—might be seen to be pretty optimistic, but let's just assume that. What is the minimum level of capability that has to be not negotiable? That is, how many do we have to extend?
Vice Adm. Noonan: The minimum number that we have to extend is three.

Senator WONG: Which might leave us with only three for a period of time.

Vice Adm. Noonan: It wouldn't leave us with only three. We would still have six submarines in service. But it will be determined by the rate of training. The reason we're upgrading the submarines, Senator, is to ensure that the people who are coming through—

Senator WONG: It's not just that, is it? We're talking about a platform that is older. The Rizzo report referenced 2026. We're now at 2035. We've got a nine-year extension. If you do any of the analysis of the maths and the numbers, you're past the end date, the retirement date, unless they are extended for all six. Therefore, at some point, you've got less, unless you extend them until you've got three additional Attack classes. Correct?

Vice Adm. Noonan: Well, it depends on a number of factors. In terms of the options that are available based on the technologies that we will put into these submarines, decisions are yet to be made about the nature of the modifications and the number of submarines to be modified. But there will be no capability gap. I'm confident of that because—

Senator WONG: You keep saying that. I don't want to be mischievous here, but it depends how you define 'capability gap', doesn't it?

Vice Adm. Noonan: Well, it depends how you determine the capability that is required by government.

Senator WONG: That's an interesting way of answering the question. If government decides it needs fewer than we have now actually available and operational, there isn't actually a technical capability gap.

Vice Adm. Noonan: There will be the capability required for Navy to continue to operate against the current operational requirement. The thing that is driving the number of submarines to be upgraded is the number of platforms that are available for training the future force that will man the Attack class submarine and to grow a force able to operate 12 submarines into the future.

Senator WONG: We may come back to that. The first sub is likely to be delivered, on your evidence, by 2032. Why have we named it already?

Mr Johnson: Why would?

Senator WONG: Why is it named already?

Senator Payne: Because ship classes are named.

Senator WONG: No. You name the first one, not the class.

Senator Payne: It is the class.

Senator WONG: I thought the minister had said he had named the first one.

Senator Payne: It's the Attack class of submarine.

Senator WONG: I know it's the Attack class.

Senator Payne: The first submarine will be called Attack.

Ms Skinner: The first Collins class was named Collins.

Senator WONG: It's a long time ahead, isn't it? I bet Mr Pyne was happy about naming.

Senator Payne: I actually named it, Senator.
Senator WONG: Did you name it? I'm glad about that. I don't think he says that. I think he said that he got to name it.

Senator Payne: Oh, well. I recall writing to the Prime Minister and the Governor-General at the time, so I'm not sure.

Senator WONG: Well, there you go. So when he said—I haven't got the quote here—'I get to name it. I get to announce this before Mr Marles and Mr Marles would have the problem were there to be a change of government'—actually he was taking credit for your work?

Senator Payne: Well, no. I think we work as a team, actually. I took great pleasure with the then Prime Minister in seeking the Governor-General's agreement to class name.

Senator WONG: Okay.

Senator Payne: And, in fact, the former Chief of Navy, Vice Admiral Barrett, engaged in that process as well.

Senator WONG: I have a lot more questions, but I want to get to a different topic. Thank you very much. I appreciate that. Can we do workforce? Commodore, have I missed something that you really wanted me to ask?

Mr Johnson: The submarine workforce.

Senator Payne: That is a rhetorical question and the officials don't need to answer.

Senator WONG: I think on the last occasion, as I'm told here in my brief, I had a long exchange with you about the shipbuilding workforce. I have to say, Mr Johnson, I actually don't recall that. So many questions have been asked since that time. Were you going to get an update from the primes on 29 November?

Mr Johnson: Yes, and we did.

Senator WONG: Can you give me an update of that?

Mr Johnson: And another one in March. I'm sorry.

Senator WONG: Sorry. March last year?

Mr Johnson: Another one this March.

Senator WONG: You're going to have another one. We had an exchange about modelling. You said you had this meeting. Can you tell me who attended the meeting?

Mr Johnson: Broadly, the CEOs of ASC submarines, BAE, Raytheon, Thales. Should I keep going?

Mr Chesworth: All of the primes were present. Off the top of my head, Lockheed Martin Australia was also there. I'm looking at the cameras. Very quickly, we can provide you with a comprehensive list of attendees.

Senator WONG: Where was the meeting held?

Mr Chesworth: It was held in Russell offices.

Senator WONG: What is the current number of Australians employed in the naval shipbuilding workforce? It's a question.

Mr Johnson: How would you like that broken down?

Senator WONG: Why don't you just have a go? You can give me components.
Mr Johnson: On rounded numbers, there are 8,000 in maritime sustainment, 1,500 for submarine sustainment and about 5,000 others. That is round numbers.

Senator Wong: We had a discussion about a 5,200 number.

Mr Johnson: I remember it well, yes.

Senator Wong: I don't, actually. I don't know whether my brain has gone feeble or whether I've just had too many questions I've asked over the last few months.

Mr Chesworth: That's the figure cited in the naval shipbuilding plan.

Senator Wong: I'm trying to work out what the equivalent is in components of this. Can we get apples and apples, please?

Mr Johnson: There are two things in that shipbuilding plan. One is an expected peak in South Australia of 5,200. That was the number I was trying to explain on our last exchange. That's still a pretty good estimate.

Senator Wong: What is the equivalent figure now, then, if 5,200 is the peak that you identified in the white paper?

Mr Chesworth: It was in the naval shipbuilding plan.

Mr Johnson: The naval shipbuilding plan at paragraph 4.17.

Senator Wong: The naval shipbuilding plan. But it was done in the context of the white paper, wasn't it, Mr Chesworth? I think that's what you told me last time.

Mr Johnson: It followed, yes.

Mr Chesworth: It was in the context.

Senator Wong: What is the equivalent actual figure today?

Mr Johnson: The actual figure today in South Australia, right?

Senator Wong: You gave me 5,200. That's your figure, not mine. I want to know what the equivalent of that figure is today—the employees that it covers. What is it today?

Mr Johnson: In South Australia, it's about 2,000 at the moment in round numbers, of which 1,500 are ASC submarines.

Chair: I might break the proceedings. On behalf of the committee, I would like to welcome a parliamentary delegation from Kenya, who are in the gallery to observe the hearing. On behalf of the committee, welcome.

Senator Wong: Good to see you here. We now all have to be on our best behaviour.

Chair: Yes. Back to you, Senator Wong.

Senator Wong: Which means you answer questions, yes?

Senator Payne: Which the officials are doing very well.

Senator Wong: The 5,200 equivalent is actually 2,000 currently?

Mr Johnson: Yes. That is 2,000 in the direct jobs. It's harder to estimate indirect.

Senator Wong: Of course. I'm just trying to work out where you're tracking against the 5,200. But we are comparing like with like with those two figures. You gave me a figure of 1,100 last time. Is the 2,000 the equivalent of 1,100?

Mr Johnson: The 1,100 is the number for the projected direct jobs for the Attack class.
**Senator WONG:** No.

**Mr Johnson:** Eleven hundred?

**Senator WONG:** I asked you, 'What do you say the relevant workforce is now?' It may be that you may not have heard the question correctly. I moved from the objective by 2026, which is 5,200. Then I said, 'What do you say the relevant workforce is now?' You said, 'The ASC submarine number is about 1,100 in round terms.'

**Mr Johnson:** The ASC is actually 1,500 in round numbers.

**Senator WONG:** I'm just trying to understand what the 2,000 is.

**Mr Johnson:** The 2,000 is the direct component that would add toward the peak of 5,200. The indirect jobs are much harder to estimate.

**Senator WONG:** Sure. We're not talking about the indirect jobs now.

**Mr Johnson:** It's about 1,000.

**Senator WONG:** I want to make sure we're doing like with like in terms of figures. On the last occasion we were here, October 2018, when I asked you for the relevant workforce number—whatever the 5,200 equivalent was at that point—you gave me a figure of 1,100.

**Mr Johnson:** That would have been just one component—ASC.

**Senator WONG:** Let's leave that, then. You give me a 2,000 figure today. That is on the same basis, in terms of components, as the 5,200 figure post the context of the white paper, whatever the planned assessment was. What was that equivalent figure this time last year?

**Mr Johnson:** Last year? At our last hearing, it was essentially very close to the same numbers.

**Senator WONG:** Two thousand?

**Mr Johnson:** Two thousand direct and about 1,000 indirect.

**Senator WONG:** In terms of tracking to the 5,200, how many do you expect this time next year?

**Mr Johnson:** Well, we expect to go down some in ASC and probably not bighirings. I expect we'll go down a bit before we go up. We're talking about next year. We're talking about February 2019 to February 2020.

**Senator WONG:** Yes. So you anticipate a further decline before it comes up again?

**Mr Johnson:** Yes. I think it will go down a bit. It could hold steady, but it's a little hard to estimate.

**Senator WONG:** When does it bottom out, and at what level?

**Mr Johnson:** Well, because the prototyping of the Hunter will start in 2020, about one year ahead of that we'll start seeing numbers increase for that work. The start of construction for Hunter is 2022. So we will start seeing cadres in 2020, 2021, 2022 and 2023. They are submarine cadres. Those should be the growth years.

**Senator WONG:** So growing from 2021, we would anticipate a further decline in 2019 and 2020?

**Mr Johnson:** And then from 2020 up it should—

**Senator WONG:** Do you have a figure that you think will be the lowest figure in 2020?
Mr Johnson: No. We don't. Again, the part that is a little hard to estimate is the indirect. But we should have pretty good data at this next meeting. BAE has now had a bit of time to lay out their growth plans in Australia. That's kind of the open question.

Senator WONG: Sure. I'm actually just trying to understand how low it will go. It's at 2,000 now.

Mr Johnson: It's 2,000 plus 1,000 indirect for a total of 3,000. I think it could go down a bit and could stay level and should only go up from 2020 on.

Senator WONG: What are you planning on it being reduced to in 2020? What do you infer or have calculated from your engagement with the primes on the 29th?

Mr Johnson: I think I can't really answer that. Do you want an estimate?

Senator WONG: Yes. You've met with them, I assume in part, to talk about the workforce and what's going to happen. There's been a lot of discussion about that in this estimates. Senator Gallacher, Senator Patrick and others have traversed it. I'm just actually interested in numbers. You've met with them. We know we're at 2,000. We want to get to 5,200. Your evidence is that it's likely to go down before it comes up. I'm trying to work out where you think it will bottom out and at what number.

Mr Johnson: I estimate that we won't go much below 2,700.

Senator WONG: Well, you're below that now. You just gave me—

Mr Johnson: No. We're at 2,000 direct and 1,000 indirect for a total of 3,000.

Senator WONG: I asked you specifically if 5,200—

Mr Johnson: Two thousand.

Senator WONG: Sorry. The 2,000 is equivalent to the 5,200. I thought the 5,200 was direct. No?

Mr Johnson: No. That's a total.

Senator WONG: Okay. So direct and indirect?

Mr Johnson: Three thousand versus 5,200.

Senator WONG: Okay. And you're saying we won't go below what we are now?

Mr Johnson: I don't think we're going to go much below it.

Senator WONG: But you did indicate in an answer previously, Mr Johnson, that you thought we might dip down next year. I wondered where. Are we talking 1,500?

Mr Johnson: I think over the course of 2019 we'll go down and come back up.

Senator WONG: I just want to know where you think we'll go down to.

Mr Johnson: I would guess it wouldn't be more than a couple of hundred.

Senator WONG: Thank you. There have been some further job losses at ASC. Correct?

Mr Johnson: ASC submarines is hiring. Is that what you asked?

Mr Chesworth: There were some recent drop-offs, Senator, just in the last couple of months. That's associated with the finalisation of the Hobart class air warfare destroyers.

Senator WONG: AWDs.
Mr Chesworth: In response to that, there have been some workforce transition programs that have been put in place—one to assist ASC workers transfer to other parts of the business and another one most recently announced in late January, with $3.4 million coming out of the jobs and small business department to assist, again, with worker transition. It is modelled largely on some of the support provided to auto workers in 2016.

Senator WONG: I've seen media reports identifying 420 jobs lost out of Osborne since October 2017. Have you seen those reports?

Mr Chesworth: No. I haven't. There are many figures and reports thrown around. Certainly, as I indicated in the last estimates, the shipbuilding workforce has declined marginally as the projects finish up.

Senator WONG: To mitigate that, the government is building two Arafura class OPVs at Osborne. In addition to that, the net figure is closed because of the number of workers building the Osborne south infrastructure.

Senator WONG: It's different skills, though, isn't it?

Mr Chesworth: Without a doubt.

Senator WONG: People who have worked on Collins sustainment wouldn't build a shed, or whatever.

Mr Chesworth: That's why the approach has been on the transition of shipbuilding workers and, in essence, a bridging element as well. Come 2022 and 2023, we're going to be needing those workers, particularly ramping up on the Hunter class. So, to that end, we have, through the Naval Shipbuilding College, workforce registers and a range of other things to try to assist in that bridging exercise.

Senator WONG: Do you think it's correct to say that the shipbuilding workforce was stabilised as at 2017, given the evidence you've given about drop-offs since that time?

Mr Johnson: It stabilised at what value?

Senator WONG: In 2017.

Mr Johnson: I think we're at the lowest point, I suspect.

Senator Payne: I know this is a figure that you won't particularly want to hear on the record, but, of course, for the record, it's worth noting that this is a government that is commissioning 54 vessels. You, in the entire term of your government, commissioned no Australian naval ships to be made in Australia. Not one. Zero. So really the zero figure, Senator, has a direct correlation to the decline in the workforce that you are referring to. It's about time you accepted responsibility for that.

Senator WONG: The shipyards were full under us. You sent a supply ship—

Senator Payne: Not one single ship.

CHAIR: Order!

Senator Payne: Not one.

Senator WONG: You bought a supply ship offshore. We would have built it here.

Senator Payne: The correlation is not around what this government is doing.
Senator WONG: You went to Spain. Spanish workers were very happy with the election of the Abbott government.

Senator Payne: The correlation is about what your government did not do.

Senator WONG: Spanish workers were very happy.

Senator Payne: If you want to explain to the Australian people how it would be possible to build 54 ships in this country—

Senator WONG: And the icebreaker from Romania. The Romanians were very happy with the election.

Senator Payne: And we built those two supply vessels in Australia as well—

Senator WONG: I know it's embarrassing, but you just keep misleading people.

Senator Payne: It's not possible and you know it because Secretary Richardson explained it to you in words of one syllable.

Senator WONG: Oh, right—because that's all I understand?

Senator Payne: No. Because Secretary Richardson—

Senator WONG: Now you sound like Senator Macdonald.

Senator Payne: Because Secretary Richardson—

Senator WONG: You're sounding like Senator Macdonald.

CHAIR: Order!

Senator Payne: Because Secretary Richardson knew exactly the debate.

CHAIR: Order!

Senator WONG: And we engaged Romania, so they came in.

Senator Payne: You continue to try to pull the wool over people's eyes. But everybody knows you did not commission one ship, Senator. Not one.

Senator WONG: You sent the ships to Spain. That's what you did.

Senator Payne: Because it was not possible.

Senator WONG: There you go.

Senator Payne: Because you had made no decisions on ship building—

Senator WONG: There you go.

Senator Payne: it was not possible to have those ships built in Australia.

Senator WONG: How long have you been in government? Just remind me how long you've been in government.

Senator Payne: And commission and deliver the ships we are delivering.

Senator WONG: Just remind me how long you've been in government.

Senator Payne: You know exactly.

Senator WONG: How long before you take responsibility?

CHAIR: Senators!

Senator WONG: How long before you take responsibility?
Senator Payne: Full responsibility for commissioning 54 ships. I am very proud to take full responsibility for that.

Senator WONG: There you go.

Senator Payne: And you should take responsibility for none.

Senator WONG: Have you finished? Well, that is not correct.

Senator Payne: None.

Senator WONG: And I'll tell you that the yards were full under us.

Senator Payne: How many ships were commissioned in your term of government?

CHAIR: Senators!

Senator Payne: How many?

Senator WONG: The yards were full under us.

Senator Payne: All ships commissioned by the Howard government.

Senator WONG: Which we kept on track.

Senator Payne: Under our sea program.

Senator WONG: Which we got back on track.

CHAIR: Order!

Senator Payne: Even with cars you stuffed it up.

Senator WONG: The AWDs were back on track under us because of your stuff-up.

Senator Payne: Your workers were delivering the AWD program of the Howard government.

Senator WONG: Can we just get back to the questions? I know you're very sensitive about the fact that your people keep telling people things which are not true, but I am entitled to ask questions.

Senator Payne: I actually find your position breathtaking.

CHAIR: Thank you, Senators.

Senator WONG: Can we ask questions or not?

CHAIR: Thank you.

Senator Payne: Thank you, Chair.

Senator WONG: So you just gave evidence that the number was still about to fall. I'm simply putting to you, Mr Johnson, that it was clear that it wasn't stabilised at 2017. Correct? Do you agree with that?

Mr Johnson: Yes.

Senator WONG: Can someone explain to me why Senator Cormann and Mr Pyne said in 2017 that the workforce had stabilised? Were they simply misleading the Australian people again, or were they not advised of the facts that you've identified?

Mr Johnson: No. They were talking about a larger workforce, which included a wider range of jobs, not the least of which is the jobs that go on with building the shipyard.

Senator WONG: So?
Mr Johnson: So it all depends on how we count, which is, of course, why in my earlier work with you, I tried to be quite precise.

Senator Wong: Minister Payne just repeated the position that Minister Johnston, who had to step down, put some five years ago, when the government made a decision or indicated that they would send, I think, the supply ships to Spain. Is that right? In terms of the naval shipbuilding workforce—I don't know who at the table was around when those decisions were made—was there advice provided to government about the impact that determining to build those ships offshore would have on Australian industry and, in particular, our workforce here?

Mr Johnson: I was not present in that time frame.

Senator Wong: Mr Chesworth?

Mr Chesworth: Nor was I.

Senator Wong: Is it demonstrated anywhere? Leaving aside whatever politics the minister wants to play here, there's a consequence in terms of workforce and capability. There's a consequence in terms of workforce of making a decision to construct or develop the capability in Spain. All I'm wondering is whether anyone can tell me whether the government was advised about the impact on the workforce.

Mr Chesworth: I do not know the answer to that question. Could I be indulged for one minute? The purpose of the naval shipbuilding plan is essentially to put some parentheses around the sort of ships that we'll be building. For anything up to 7,000 or 8,000 tonnes or perhaps even a bit bigger, that is what we're going to do. That also involved, for want of a better term, a rationalisation of where we're going to do this work. We are coalescing it around Adelaide, with further work undertaken at Henderson. So for Victoria and Newcastle, those shipyards do not continue to do the work that they once did. One of the underlying fundamentals of this was to have a level and sustained shipbuilding sector so that businesses could make decisions with long lead times and that we got out of the ebb and flow of the workforce as well.

Senator Wong: Essentially, part of the logic of that is trying to give a signal to the employment market on which employers and employees can make a decision about ongoing employment. Correct?

Mr Chesworth: That's part of it.

Senator Wong: Ahead of the certainty of contracts.

Mr Chesworth: To the employment market and to industry, research organisations and educational institutions.

Senator Wong: How many jobs have been lost at Osborne since 2017?

Mr Chesworth: I would have to take that on notice. Are you referring to shipbuilding jobs or at the Osborne site, because there are up to 400 jobs that are going to be involved in the infrastructure build? It's not 400 at the moment. We have Osborne north on the horizon as well. So there's a significant number of construction jobs.

Senator Wong: I know. I think you said that some people might be able to go there and some of the workers say, 'Well, that's not what I was trained for.'

Mr Chesworth: It's square pegs in round holes.
Senator WONG: It's a different industry.

Mr Chesworth: Yes.

Senator WONG: Construction and ship building are not the same industry, are they?

Mr Chesworth: That's right. I just want to go to the point to answer your question precisely, which was the 2017 jobs. Were you referring to shipbuilding jobs or at Osborne generally?

Senator WONG: Sorry. Ship building is fine. But I'm also pointing out that Mr Pyne issued a media release, as he is wont to do, in October 2017 which says:

The valley of death is over and we are now seeing an upturn in employment in naval shipbuilding—

It's actually not true on the evidence today. It's just inconsistent with the facts you've given me.

Mr Chesworth: Certainly in the medium term, with the large projects that have been contracted—the Hunter class coming on, the building of two Arafura class offshore patrol vessels at Osborne, the early work being conducted on the Attack class submarine, to say nothing of the sustainment of Collins and Anzac—significant work has been undertaken to ensure that the baseline skills in employment have been retained. I do acknowledge that there has been a drop, and that's mainly because of the end of the Hobart class construction.

Senator WONG: I understand that. My point is: why was the minister a year and a half ago telling everybody that it is not happening?

Mr Chesworth: That is a question for the minister.

Senator WONG: Fair enough. Senator Gallacher asked questions on the last occasion. I want to see if he wants to follow them up.

Senator GALLACHER: In the naval shipbuilding plans, mature age workers potentially fill vital foreman and middle management roles or supervise the training of future generations of shipbuilding workers. What have we done in respect of that commitment? Are we progressing that?

Mr Chesworth: That, Senator, probably forms one of the fundamental strategies of not only workforce retention but how we're going to grow the workforce for the future. As these shipbuilding contracts come forward, industry comes to us and—I hope I'm not verballing them—often says, 'We're going to need hundreds and hundreds of naval engineers with 10 years experience.' We can't just snap our fingers and provide them because there are shipbuilding programs going on in the UK, the US and many other countries around the world, including Canada. Part of our strategy is to ensure that experienced workers, whether they are in the trades or the professions—schedulers, project managers—essentially form the basis of a core around which capability can be built.

Senator GALLACHER: I think we're all in violent agreement about the project. What has actually happened? Has anybody put a boot on the ground?

Mr Johnson: The single most significant and identifiable effort is the proposal that was made in December and approved in December 2017 to make $29.4 million available over the next three years, which includes today and goes forward, for the targeted retention of key skills. This work was primarily done and the selections primarily done by ASC. What we specifically did was target workers who were going to transition out of the Air Warfare
Destroyer. We have brought 41 full time into the submarine program. We brought 66 over temporarily. Now they are flowing back into one or the other, the two projects. Then we've done 27 people in training.

**Senator GALLACHER:** That's about 102.

**Mr Johnson:** The program intended to target these kind of people with the skill. We could reskill them and then either retain them on the submarine side or pass them back to ship building at the right moment. As Mr Chesworth said, as the primes start ramping up, they'll take over a lot of that growth in training.

**Senator GALLACHER:** I would appreciate this on notice. There was an investment of $29.4 million. You've mentioned some figures there. Are those funds expended, or is that part way in progress?

**Mr Johnson:** So $16.9 million has been tasked and $2.6 million expended as at the end of December.

**Senator GALLACHER:** I understand that people can move wherever they like with their skills. How are you tracking where people are going in this sector?

**Mr Johnson:** ASC does that.

**Senator GALLACHER:** Could we get a map or schematic of that notice?

**Mr Johnson:** I'm sure we can get a map from ASC.

**Senator GALLACHER:** So how do you actually track success? Does someone say, 'The investment is here. This is what has happened,' and report it, and to whom?

**Mr Johnson:** I think we are tracking it the way I explained it, which is—

**Senator GALLACHER:** So do they report to you?

**Mr Johnson:** ASC is selecting the people. We're finding a good home for them. Then we either keep them or flow them back.

**Senator GALLACHER:** Does that get reported to the shareholder, the board or the minister, or do you just throw the money out there and see what happens?

**Mr Johnson:** I think it's primarily reported to the general manager of submarines at this point.

**Senator GALLACHER:** He would get a report about the success of this program?

**Mr Johnson:** I read from the last update I got on that. There is some work in front of us as well. It's not done now, but it's in front of us. We'll start working with the Naval Shipbuilding Institute to develop middle manager level training.

**Senator GALLACHER:** So if we were to ask specifically how many mature age workers have gained employment as foremen or middle managers, you would have that level of detail?

**Mr Johnson:** Most of that is still in front of us, but, yes. ASC will know exactly by name who they did this with.

**Senator GALLACHER:** I'll ask you directly. How many mature age workers have gained employment as foremen and middle managers? If the answer is that it's in progress and people are training, that's fine. We'd like to see if there's any specific reporting there about success. Recruitment activities are conducted on a non-discriminatory basis based on competitive
merit selection processes, which is in accordance with the Age Discrimination Act 2004. Is that a get-out card? Does that affect your positive program here? Despite all the investment, you can still do whatever you like? There's no positive discrimination for these people to be trained and relocated? At the end of the day, you just pick whoever you like?

Mr Fankhauser: Following on from our last discussion in October, we have discussed this issue with ASC in particular, who advised us that their recruitment activities are conducted on merit; that is, the most suitable candidate is selected for the jobs on offer. They don't make any determinations around an individual's age but rather their competency and ability to do the job. That said, as we have also highlighted in that response, our studies indicate that the ship building and sustainment workforce is relatively young. As such, we're not anticipating large numbers of retirements in coming years. However, as you've rightly pointed out, those mature age workers often are a vital source of experience and knowledge and are well suited to fill some of those supervisory roles, such as foremen.

Senator GALLACHER: Am I reading it correctly that that previous statement means that you can't legally do anything about the promise to deliver these jobs to mature age people?

Mr Fankhauser: Well, we can put in place strategies to retain experience in the workforce, which I think Mr Johnson just highlighted, as part of that initiative by the government to retain up to 200 experienced workers from the Air Warfare Destroyer program and redeploy them on to other shipbuilding activities in Osborne.

Senator GALLACHER: So the Naval Shipbuilding College will engage with a national facilitator for the automotive skills and training initiative to ensure automotive workers can also take advantage of the opportunities in naval ship building. Can someone bring us up to date in the two years since the plan has been out what form that engagement has taken? Have you been successful in getting some former automotive workers into this sector of the economy?

Mr Fankhauser: I know anecdotally from my engagements around Osborne that there are some individuals who have come from the automotive sector and are filling roles within some of the shipbuilding firms there. Others note that our projected ramp-up is still a couple of years away and we're really focused on stabilising the current workforce at the moment. The opportunities have been limited. That said, though, there is quite some complementary skill sets, particularly when we start looking at supply chain management, reliability and maintainability, paint and corrosion and things like that.

Senator GALLACHER: Perhaps you could take on notice how many former automotive workers have taken advantage of the opportunities in naval ship building?

Mr Chesworth: We can do that. In doing so, I think we'll have to engage with our colleagues in the education and training portfolio or jobs and small business or both, who are both involved in automotive skills transition.

Senator GALLACHER: The naval shipbuilding plan points out that women are underrepresented in the naval shipbuilding workforce. It says that the government is investigating options to promote greater representation of women, and a national communication strategy to encourage workers into the naval shipbuilding industry will be undertaken. We see lots of women involved in all sectors of the economy, including
roadworks. What is happening here? Are you changing and making it a more attractive place for female workers to go?

**Mr Chesworth:** There's obviously some culture to overcome. Probably the best examples are some of the work that has been undertaken in public awareness campaigns around the new Osborne shipyard and the Civmec shipyard at Henderson, which show naval ship building as being conducted in a modern work environment. There is a focus on not only what might be regarded as traditional male heavy trades—not that that in itself is a barrier—but the science, technology and engineering side as well and how the two work side by side. Certainly at the new facility at Henderson that Civmec put up, you've essentially got the designers and the whole workplace on one side and the ships on the other. The whole thing is under cover with proper air extraction and all the amenities required for a range of workers rather than, I guess, what you might call a traditional workplace. I'll finish by saying that so much of this is driven by the graduates that we're getting through the university sector. Women are excelling in that area. I'm not an expert on that, but that's what I read. There is a focus on TAFE as well. Our Naval Shipbuilding College is engaging with TAFE around Australia to bring those initiatives forward.

**Senator GALLACHER:** Is there a budget to improve and increase the number of women, particularly those coming through the STEM area, and to increase the awareness of the naval shipbuilding enterprise in general? Do you go to universities and promote it as an opportunity?

**Mr Fankhauser:** Absolutely. Part of the Naval Shipbuilding College's budget, part of their statement of work, is a community engagement and awareness component, where they travel nationally to jobs expos, attend high schools and higher education providers to increase awareness and promote opportunities for people looking to enter the naval shipbuilding industry. As further evidence to Mr Chesworth's statement, I'm advised that women generally represent 51 per cent of the community and about 46 per cent of the total workforce. At present, they only represent nine per cent of the naval shipbuilding workforce, which is clearly an area that we need to do better in. So what we're doing at the moment is looking also at successful initiatives that have been trialled across other areas of Defence and adjacent sectors and trying to apply some of those lessons that have specifically been focused on increasing female participation in what have at times been considered non-traditional areas, such as naval ship building. Things like targeted entry pathways, scholarships, flexible work practices are some of the initiatives that we're looking to apply in this sector.

**Senator GALLACHER:** Perhaps you could give us the budget that the Naval Shipbuilding College has expended in a financial year. How many places have they visited? How do they measure whether they are having an effect or success or not? Do you go to that nine per cent and say it is now 15? Is there any thought on how you're going to measure the effect of the expenditure on the attendance of these places?

**Mr Fankhauser:** Yes. I can give you some of that information now, if you like, Senator. Certainly we are capturing metrics about the performance of the Naval Shipbuilding College. One, for instance, is the workforce register that has been established. Keep in mind that it has been less than a year since the Naval Shipbuilding College contract was actually signed. We've grown from three people to 525 on that workforce registry in the last seven or so months. Those applicants are then screened and assigned a case manager, who actively looks...
at opportunities to connect them either with education providers, employment opportunities or other areas in the sector to further promote opportunities for them to transition to full-time employment.

Senator GALLACHER: What is the gender break-up of those 500 people?

Mr Fankhauser: I'll have to get you that on notice. I don't have the gender breakdown.

Senator GALLACHER: Is it nine per cent?

Mr Fankhauser: I'm not aware. I'll get that information for you, though. The nine per cent figure I was quoting was of those in full-time employment in the sector at the moment.

Senator GALLACHER: I appreciate that you have a plan and a budget. I want to know how you measure it and whether you're getting the result that you're seeking.

Mr Fankhauser: Absolutely.

Senator GALLACHER: Just generally, in respect of your communications strategy about the opportunities in the sector, be they automotive workers, mature age workers or female workers, do you have a measured strategy with goals and measurement against those goals? Is it that clinical?

Mr Fankhauser: Yes. I will get you that information. It's primarily being led by the Naval Shipbuilding College on behalf of Defence. They are actively tracking things like the number of hits on websites and social media followers and things along those lines. But I'll endeavour to provide more detail to you.

Senator GALLACHER: So there would be an annual report to, I presume, whoever the naval college is responsible to saying, 'This is what we set out to do. This is how we measured it. This is where we're at?'

Mr Fankhauser: That's right. I'm responsible for the Naval Shipbuilding College. I get quarterly performance reports from them.

Senator GALLACHER: Do you table an annual report?

Mr Fankhauser: Well, as I said, we're just approaching the first year anniversary at the end of this month and we will get annual reports.

Senator GALLACHER: End of calendar year or financial year?

Mr Fankhauser: The contract was signed on 1 March last year, hence we are approaching the one-year anniversary of contract signature.

Senator GALLACHER: Are you going to continue to report on 1 March each year? Is that how it works?

Mr Fankhauser: Yes. We get an annual report from the providers of the Naval Shipbuilding College. I also get updates on a quarterly basis.

Senator GALLACHER: Whatever is in the public domain. If you can point us in the right direction, we can have a look at your progress.

Mr Fankhauser: I'll certainly endeavour to provide that information to you, Senator.

Senator GALLACHER: Jolly good. I had a couple of questions of the chief financial officer. Is he here? They are really interesting questions, too. They are very quick. They'll go on notice. I have a number of documents from AusTender. You would be more familiar with
these documents than me. Basically, they have an original estimate and then they have a contract value. I think anything over $10,000 has to be reported in AusTender.

Mr Groves: That's correct.

Senator GALLACHER: You have a contract for protective services. The supplier is the Australian Federal Police. The original contract was $10,937,000. The contract value to date is $227,030,984. It is for a period from 18 August 2015 to 30 June 2020. Why do you spend $228 million on protective services from the Australian Federal Police?

Mr Groves: I'm not familiar with the actual contract.

Senator GALLACHER: You're the chief financial officer. This is $228 million.

Mr Groves: I am. But we do 23,000 contracts a year.

Senator GALLACHER: This is a $227 million contract.

Ms Skinner: We can get the Estate and Infrastructure Group, which manage this, to talk to this.

Senator GALLACHER: One is $227 million and the original one was $10 million.

Mr Groves: To answer your question, what may have happened was there was an original contract that was let and then there was an extension to that. That extension may be for a number of years.

Senator GALLACHER: Well, it has a defined date of August 2015 to July 2020. It has gone from $10 million to $227 million. I'm surprised that as the chief financial officer you have had a $217 million increase at your fingertips, but I'll take it on notice. There are a number here. I will put some on notice. There's an original quote of $8.5 million for car parking. The figure now is $32,267,655.31. Is that true? Do we spend $32 million on car parking in Canberra for the Department of Defence?

Mr Groves: I'll defer to my colleague. It depends on the period of time that is over.

Senator GALLACHER: It is over a period of time. Can you take on notice how much the FBT is on top of that, if you're providing car parking to employees? How many employees are provided with car parking? It is a cost of $32 million.

Mr Groves: We can provide that information. Just to clarify, all employees make a contribution to car parking.

Senator GALLACHER: And you still spend $32 million?

Mr Groves: We may actually be paying for the access to the carpark, but then employees are making contributions back to us which tend to eliminate any of the FBT requirements.

Senator GALLACHER: Okay.

Mr Groves: But we will clarify your question on notice.

Senator GALLACHER: A three-year expenditure on hotels, motels and inns is $156 million. Would that be correct?

Ms Skinner: For three years, yes.

Mr Groves: For three years, yes.
Senator GALLACHER: Can we get Public Service guidelines about salary versus overnight expenses and what level of motel you can book?

Mr Groves: All of our travel would be booked under the whole-of-government arrangements.

Senator GALLACHER: This is Helloworld, is it?

Mr Groves: It's with the whole-of-government providers—QBT. I think they are affiliated with Helloworld.

Senator GALLACHER: That's Helloworld, isn't it, basically?

Mr Groves: I don't know the relationship.

Ms Skinner: That is the Department of Finance's contract.

Senator GALLACHER: But it's Helloworld. So it's $156 million on hotels, motels and inns. Finally, for creative advertising and digital services, the original contract was $39,270,000. It now stands at a contract value of $101,039,691.51 I look at AusTender and I see an original value and then I see an exponential increase. It's not easy for us to work out what has happened because the term doesn't seem to vary. It's just that if you get a contract with Defence, it seems to be that they grow in value.

Mr Groves: I'm happy to take that on notice. I don't know the detail.

Senator GALLACHER: Excellent. Thanks very much.

CHAIR: I might throw to Senator Patrick to take us to the break, please.

Senator PATRICK: Thank you, Chair. I want to go back to the radioactive waste issue. I want to get a proper picture here. There was an FOI that I did to industry that I believe would have covered the scope of the other document that had been referred to. I want to give everyone the opportunity to clarify that the two pages I've tabled is not the only response to industry in relation to a radioactive waste management facility at Woomera.

Major Gen. Mulhall: I'm aware in broad terms of what you've received from the Department of Industry, Innovation and Science on the FOI. I have in my pack something released under FOI from that department concerning a request from the acting Director-General, Mr Mike Lawson, which was responded to by the department. It provided our answer with respect to the suitability of Woomera for future sites for radiation waste storage.

Senator PATRICK: Is it possible—

Mr Birrer: It wasn't just a one-off process. There were consultations by the Department of Industry, Innovation and Science to a range of agencies, including Defence. The consultation was not the one-off email that you mentioned. I think General Mulhall explained the context of that earlier. There was a consultation process around how that agency selected the proposed sites.

Senator PATRICK: My difficulty—just so the minister is really clear on where my concerns are—is I have a 400-page document that says that Woomera is a good site. It identifies risks that I know had been considered by Defence in its response to industry. This goes to great details, calculating probabilities of a missile strike and probabilities of an air strike. It is a very in-depth document. It then comes to the conclusion that this is the proper place to put a radioactive waste management facility.
Senator Payne: What document is that, Senator, I'm sorry?

Senator PATRICK: It's a Howard government commissioned document entitled *National radioactive waste repository draft EIS*.

Senator Payne: So it predates 2007?

Senator PATRICK: It does. Many of the features won't have changed in the context of the geology, the hydrology and a number of characteristics that we use to consider sites, including transport of waste to and from the facility and so forth. We've got this facility that is in existence at Woomera. We've got two storage areas—one that is effectively CSIRO and one that has Defence and Defence administered waste in it. People reasonably ask the question why, noting the material is already there, that would not be suitable. I'm trying to elicit information from originally Industry but now from Defence to explain to the people of Kimba and Hawker why it's not an option.

Air Marshal McDonald: The pre-2007 report would have been done in the context of the activity at Woomera at that time.

Senator PATRICK: Sure.

Air Marshal McDonald: I might ask the Chief of Air Force to come forward. He can tell you how much that activity has increased at Woomera. With an increase in activity comes an increase in risk that could undermine most definitely your report, which predates 2007.

Senator PATRICK: I have handed to the chair for tabling a map, which comes from this original 2002 report of the Woomera area. Maybe Evetts Field is not the right place, but there are some other sites that are identified on it that may or may not be Defence owned—I'll perhaps ask you to comment on that—where a full study has been done. I appreciate the offer of the Chief of Air Force to provide details as to the activity. Rather than that, I would like something tabled that the people of Kimba can read for themselves to say, 'You know what? The government did fully consider this and it isn't the right place. Nowhere in that prohibited area could we put a facility.' If you would be kind enough to look at the map, you will see that there are three sites near Woomera—52A, which is Evetts Field, 45A and 40A—which have been examined. I don't know whether 45A and 40A are Defence owned. You may be able to inform me of that.

Ms Skinner: Perhaps I could ask Mr Hamilton to give you a broader view of why going forward with this discussion is probably quite mute. There is a lot of planning in place for the future of Woomera.

Senator PATRICK: I'm happy to take that on notice. I have a lot of other questions to ask and I have three minutes in this session.

Mr Hamilton: I can be fairly brief, if you like. What Ms Skinner was referring to was that since 2007, including in the 2016 Defence white paper, we have renewed our investment in Woomera to keep pace with the increased use of Woomera that the Chief of Joint Capabilities has referred to. We are using it for more advanced technologies than we have ever in the past. It's really important for a couple of reasons. One is that the sorts of systems we're using are different to the old style rockets and missiles that we would use in Woomera. Now we're using it to fly around and manoeuvre more. That means that we actually need to use more of the airspace and have access to that very quiet and safe electromagnetic environment that in the past we haven't used as much. To give some evidence around the fact that we are serious
about this, we're investing significantly in Woomera under the white paper over the course of the next decade. It's not quite $1 billion. Mr Birrer might have more detail. It is a significant investment to enable us to use the whole range for Defence capability in a way that we haven't previously used it before.

Senator PATRICK: And I'm aware of the capital works because there is a committee of the parliament that looks at that. Once again, my question goes to this: you have had an increase in tempo there—and I accept that—yet you have a waste management facility there already where you must, as a function of your own duty, be dealing with those risks.

Mr Birrer: It is an interim waste management facility.

Senator PATRICK: Well, that's a word. If I went to Woomera, there would be real drums and there would be real waste. I know there's everything from plutonium all the way back. That has been identified in documents that have been made available to me.

Mr Birrer: Until it can be moved to the permanent location.

Senator PATRICK: Exactly right. So the word 'interim' doesn't really have a concept here when you have real waste sitting in Woomera that has to be managed properly and safely.

Senator Payne: It's sitting there waiting to be removed to the permanent waste facility.

Senator PATRICK: But in the interim you are dealing with it in the context of your current—

Senator Payne: So you've just used 'interim' because it is interim, Senator.

Senator PATRICK: As you are waiting for a decision on that new facility, you are dealing with the risks associated with the activities that you are conducting at Woomera. I'm just trying to get a—

Senator Payne: There's a small quantity of material, relatively speaking, and it would be irresponsible not to be dealing appropriately with those risks. I'm not sure what the—

Senator PATRICK: I'm not challenging that you are dealing with those risks properly. Please don't get me wrong, Minister. The fact that you are tells me that you can deal with these risks. The second question goes to whether or not anywhere within that facility where there might be a more receptive community. I note that Roxby Downs is just up the road. They mine uranium just up the road, and Defence people are very, very tolerant. I'm just trying to work out why there's no possibility of a site being located in that area.

CHAIR: Because it is 3.30 pm and I like to be on time, we're going to break now for 15 minutes. Then we'll come back to you for a short period of time and go to Labor. I remind everybody that at 5.30 pm we will be letting you go and we will go to the Australian Signals Directorate, so that's a hint to people to ask shorter questions and to have shorter answers.

Vice Adm. Noonan: Before Senator Wong leaves, I want to say that, in the morning session, she asked a question of the cost of acquisition of the Ocean Protector. The ship was purchased in November 2015 at a total cost of just over $300 million, which included 10 years sustainment. The actual cost of the vessel was $97 million. That provided the basis for the provisioning for what might be the future large hull vessel.

Senator WONG: Thank you.
CHAIR: Thank you. We will suspend until 3.45 pm.

Proceedings suspended from 15:31 to 15:45

CHAIR: Good afternoon, ladies and gentlemen. It being 3.45 pm, we will reconvene. I will throw to Senator Patrick for 10 minutes.

Senator PATRICK: I don't have much time, so the best option for me is to ask you to table those documents. If you undertake to do that—obviously there may be redactions in some of these documents—then I won't FOI you, which is a much more administratively difficult process for you, not me. I'm trying to find a good way to get there. Does anyone want to comment on that?

Major Gen. Mulhall: Yes. Understood. I'm not trying to play games in any way. We would appreciate clarity on which documents you're actually seeking to table.

Senator PATRICK: I'm just after the more fulsome—

Senator Fawcett: Senator Patrick, I suggest perhaps that you put down in writing exactly what it is you're after.

Senator PATRICK: That's a good idea.

Senator Fawcett: You submit it and then the department can respond.

Senator PATRICK: Thank you. That's very helpful, Minister.

Ms Skinner: I'm concerned about the continuing conversation around the interim nature of a future waste dump. Woomera is an incredibly important national, unique asset. We've got huge amounts of investment. We've got an increasingly complex way in which we propose to use that site. We don't seek to enhance the risk management arrangements at Woomera into the future. I want to spell out—if you want, we can give you some more detail—why the purpose for Woomera will be following up the investments we're making.

Senator PATRICK: I'm mindful of the time that the chair has given me. He is brutal. I trust that you are happy to provide that on notice. I want to be able to get information to the Kimba and the Hawker community that shows that you can fully justify why they should not or haven't been considered as a site. I would rather give that than the two pages I've got.

Ms Skinner: Certainly, Senator. We'll do that.

Senator PATRICK: Thank you very much. I want to move to ship building. Mr Chesworth might want to come back to the table as I heard him say something about it before. In the naval shipbuilding plan, you divide the shipbuilding arrangements into major surface combatants. So the government announced that Osborne naval shipyard in South Australia would host the major surface combatant and submarine continuous build programs and the Henderson maritime precinct in Western Australia would host the minor naval vessel continuous build program. Maybe the Chief of Navy could help define what those terms means—'major combatant' and 'minor naval vessel'. Is that done on weight? Obviously it would tie in with facilities, I would imagine.

Vice Adm. Noonan: I think the general characterisation of a major ship is something of a frigate or a destroyer nature whereas something of a minor ship is typically a patrol boat or a survey vessel in size. I think I'd probably characterise it roughly, but not exclusively, as anything up to, say, 2,000 tonnes would be a minor vessel and anything over that would be a major vessel.
Senator PATRICK: Senator Gallacher asked about the survey vessel. There was an indication in one of the answers that that would go to WA. A survey vessel can be many different things. I have a copy of the RFT on that. Is there any view on the size of that oceanographic vessel? Is it likely to exceed that 2,000-tonne number?

Mr Fitzpatrick: There were a number of options put forward. They are still being worked through.

Senator PATRICK: So if the tonnage were larger, I presume that would indicate that the vessel would most likely be built in South Australia. If it were a smaller vessel, the natural place to build it would be WA?

Mr Fitzpatrick: Correct. And the complexity of the systems on board.

Senator PATRICK: Sure. So that would be survey systems and all the different sensors on board?

Mr Fitzpatrick: Yes.

Senator PATRICK: What about the HADR ship? What size are you looking at for that particular vessel? I did ask some questions on that, and the responses were very vague. You must have at least some idea of the operational requirements which would lead you to a size of some sort.

Vice Adm. Noonan: Again, we are considering a number of options there. As I offered to Senator Wong prior to the break, we are working around the provisioning of the finance that is available for that vessel. There is—

Senator PATRICK: So it is a spec to cost, is it? Is that how it works?

Vice Adm. Noonan: Well, it's capability in terms of being able to sustain it. In terms of defining what that vessel will be able to do and how far we need to operate it, that has not been fully determined yet. Another consideration is how quickly we need to have this vessel available. That will determine where it could be built. It may be that we look at a leasing option while we build something in Australia. There are a number of options still under consideration which we'll bring to government shortly.

Senator PATRICK: I guess we'll see how this plays out in the longer term. Thank you very much, Admiral. I have one further line of questioning. I have some on air force, which we might get to and the Australian Government Security Vetting Agency. This question relates to a news article recently about foreign born directors of security vetting companies. Basically, Ms Perkins, you're the person?

Ms Perkins: That's me.

Senator PATRICK: You would be aware of the article?

Ms Perkins: I am.

Senator PATRICK: Would you care to make a comment?

Ms Perkins: I will. I will start by saying that there were two articles, in fact, in The Canberra Times over the last week. I'd start by making a comment that I think there were a number of inaccuracies in those articles that we will be seeking to address with The Canberra Times. The first one is that the issue remains that there is a perception that vetting is somehow
not delivering clearances at the scale or time frames the government needs. I'm happy to talk in any length of detail about that. I don't think that's the issue you want to deal with today.

**Senator PATRICK:** No, it's not.

**Ms Perkins:** Except to say that that is no longer the case. AGSVA is performing at a very sound level.

**Senator PATRICK:** Are you still contracting out your services?

**Ms Perkins:** Yes. Let me speak to the model we use and the issues canvassed in those articles. Defence in AGSVA has always used contracted services for portions of the vetting process. We have a panel arrangement. We have 22 vetting providers on that panel, and they have specified personnel. We have had iterations of that panel arrangement in place since AGSVA stood up in 2007. Defence used a similar model prior to that. I note that all authorised vetting agencies in Australia also use contract providers. I want to strongly provide the committee with assurances of how we manage the security arrangements for these companies. Obviously, they are contract arrangements. They are mostly longstanding contract arrangements. Every vetting provider must become a member of our defence industry security program. That is the security assurance mechanism we use to do a number of things. Firstly, we use it to require certain security arrangements to be in place by these companies. That is around their people, their facilities and their ICT systems. Every member of our vetting panel right now is a fully accredited member. We then have assurance mechanisms through the life of the contract.

**Senator PATRICK:** I will go to the IT. I note the ANAO released a report that basically stated that, due to concerns about system stability, AGSVA has not been able to provide its contractors with access to PSAMS2, which means clearance records are communicated by both mail and email; this is what the report reveals. As a result, contractors accumulate a considerable volume of hard copy and electronic information over which AGSVA has limited oversight. Are those emails encrypted between your organisation and these subcontractors?

**Ms Perkins:** Let me break that down a bit for you. PSAMS2, which is the ICT system AGSVA currently uses, mostly resides on the Defence network, so it hasn't been an appropriate method to have our contract providers working on it. We provide information to them in a variety of ways. The material that is emailed to them is material emailed by individuals to the vetter. It's not classified information. It's personal information. The companies are required to manage that information in line with both Defence information management security requirements and all the requirements of the Privacy Act. That's part of our assurance process.

**Senator PATRICK:** You would be aware of the cyber breach that occurred with the Office of Personal Management, where a whole range of Defence personnel—90 per cent of all of their personal data—was hacked. In effect, you've got all this information flying around everywhere.

**Ms Perkins:** No. It is not flying around everywhere.

**Senator PATRICK:** If I am emailing one of the subcontractors with all my personal information and someone wants to spy on that particular IP address in terms of receiving it, they could collect this information very easily.
Ms Perkins: Again, I will make the point that this isn't classified information. It's personal information. It's information all of us, in conducting our daily lives, do need to share with a range of providers. We manage that very carefully. There are two things worth saying. We looked very closely after the OPM breach in the United States and used that as a catalyst to review the security of the PSAMS system and undertake a range of upgrades to the security of that system to ensure that we had identified the sorts of risks that that breach presented. PSAMS is not one thing; it's not one vast place with all the information. It's a system of systems. We deliberately do that to disaggregate the data to make it a more difficult environment to access information. The core database there, in fact, resides on the Defence protected network, and we treat the information at that level of security.

All our industry providers are required to meet ICT security guidelines under the ISM. The ISM gives advice based on the level of classification that entities are working at. With our industry vetting providers, we have gone through a process of assurance of their ICT systems. All of our 22 providers are compliant with the ASD top four. We've assured that over the last six months.

Senator PATRICK: When I upload information to the Child Support Agency, I can go on to a portal that is secure end to end to upload personal information. They act to protect that information. Can you give me an assurance that that is the method adopted by all of your subcontractors?

Ms Perkins: I can't. What I can tell you is that the vetting providers—the 22 companies with whom we have panel arrangements—have met our assurances that they are compliant with the ASD top four.

Senator PATRICK: So it's clear that data can be intercepted on the way into those companies?

Ms Perkins: No. It's not.

Senator PATRICK: It's very simple to provide end-to-end encryption. Banks do it all the time.

Ms Perkins: Yes.

Senator PATRICK: It is a very common thing.

Ms Perkins: We are in the process of evaluating the first stage of a tender for the replacement vetting system, which will include all of those upgraded security arrangements. We would anticipate seeking second pass approval for that system in the second half of this year.

Senator PATRICK: But right now we've got—

CHAIR: Senator Patrick, I might just cut you off there and go to Labor. I'm sure that you might—

Senator KITCHING: Could we have one more question?

CHAIR: We've had several one more questions.

Senator PATRICK: Really, my concern here is that there is personal information about Defence Force people who are required to fill in a significant amount of detail into a security vetting form that is actually passing around the Internet in an environment where everyone keeps telling us—
Ms Perkins: Senator, it's not passing around the Internet. I want to be really clear on this point because misinformation continues to be put about.

Senator PATRICK: Well, if I'm emailing my details to a provider.

Ms Perkins: You would not be emailing your details. Let me tell you how the system works. We have a secure portal that does have end-to-end encryption.

Senator PATRICK: I'm talking about your subcontractors.

Ms Perkins: Let me tell you how we do it with the subcontractors so you have confidence that the security of your personal information is assured. The person who is undergoing the clearance does that through a portal that is secure and encrypted. Once we have that information, we undertake vetting either in house, in which case that work happens on the Defence protected network, or it goes to a vetting agency contracted to us. If it goes to a vetting agency, we send them hard copy, because they are not on our current system and because it can't support them. They are couriered by the SafeHand System by an accredited courier, which has all the security protections in the way we envelope the documents. They are barcoded and scanned in and out. As I said, the facilities and the ICT systems of the vetting companies are accredited by my agency as having met the security requirements. When they finish that work, they return them to us. We scan them into the Defence protected network.

Emails would only be if there were a follow-up piece of information that you needed to provide. I'm undergoing my PV revalidation at the moment and I need to send a couple of pieces of information. I have a choice. I am given a choice on how I do it. I could mail it. I could SafeHand it. I could fax it. I can email it. I'm going to email it because that makes sense to me because it's not sensitive information. It's a bill with my address on it, and I'm very comfortable with that.

Senator PATRICK: I'll put further questions on notice.

CHAIR: Thank you. On notice would be fantastic. Labor, please. Thank you.

Senator KITCHING: I want to ask about PFAS. Is the department monitoring the international experience of communities affected by PFAS?

Mr Grzeskowiak: We do have a watch out for what is going on internationally, particularly looking at America and Europe, yes.

Mr Birrer: One of the things that we've been doing quite a lot is working particularly in the United States around the characterisation of PFAS and the work that is being done in terms of the technical knowledge and technical skills behind remediation and long-term management. So we think we're reasonably across what best practice is in Europe and the United States. The United States is the leader on PFAS remediation and management. We continue to engage both with colleagues in the US Department of Defence and with industry and academia internationally.

Senator KITCHING: In terms of industry and academia, you're monitoring what other countries are doing in terms of research and trials on remediation research, methodology and technology?

Mr Birrer: Yes.
Senator KITCHING: Who is monitoring what other jurisdictions are doing in terms of researching and evaluating any potential health impacts?

Mr Grzeskowiak: In the Australian context, within the department of the environment there is a task force that takes the lead in coordinating activities across government in this space. Individual departments are still responsible for those matters that fall within their department or portfolio. For example, the Department of Health would be the department that takes the lead on looking at health effects.

Senator KITCHING: I want to go back to the research and trials on remediation research. Is the department of environment the coordinating department or is it Health?

Mr Grzeskowiak: The government announced last year an investment through the Australian Research Council of, I think, around $13 million, which is available for companies to bid for research proposals. The first round of those grants has been awarded, and the second round is being considered at the moment. So that work is ongoing. Within the Department of Defence, we've been doing some of our own work, working with organisations like CRC Care and other companies that have responded to our requests for information about treatment technologies for either soil or water that they might have. We've done a range of trials, if you like, over time looking for the best technology that's available. We would make all of the information that we get from any trials that we do available to those people who are working in this space to ensure that knowledge about these matters can be progressed as quickly as possible.

Senator Fawcett: It's worth noting that the reality is actually the inverse to your question. CRC Care is often asked to go overseas to present evidence on what we're doing here because internationally Australia is actually leading in a number of areas of understanding PFAS and its implications.

Senator KITCHING: That is very interesting, Senator Fawcett. Who has been given an Australian Research Council grant so far?

Mr Birrer: That is a question that is best referred to the department of industry. That's where the Australian Research Council portfolio sits. Defence provided support, including, as Steve Grzeskowiak mentioned, transferring funding to support that program. But the actual program is administered as part of the Australian Research Council's work.

Senator KITCHING: Thank you. Is the international experience an agenda item for PFAS task force meetings?

Mr Birrer: It does come up at the interdepartmental committees. The department of the environment, as part of their environmental standards work, which is the broader rubric which their leadership of the PFAS task force sits within, does monitor what is happening internationally and does engage. For instance, there's been some engagement internationally with academics who have visited and presented to people from across departments. We also share the experiences that we have with them through our engagement with both companies and government organisations overseas as well.

Senator KITCHING: In QON 34 from the estimates hearing in October last, Defence noted it had assisted communities with a range of services, including community liaison services and mental health services. Could you give me a list of the areas where those services have been deployed?
Mr Grzeskowiak: So the—

Senator KITCHING: I'm happy for you to give it to me on notice, or here if you have it here.

Mr Grzeskowiak: I can quickly talk in the main where we've put in place community liaison officers both from Defence and from Human Services and additional mental health support or counselling. The main areas where we've put that in place is for the community in and around Williamtown, the community in and around Oakey and the community in and around Katherine in the Northern Territory.

Mr Birrer: Again, like the Australian Research Council work, Defence has funded that work but it's delivered, particularly the mental health and counselling certificate services, through the Department of Health, working closely with the primary health networks in each of those locations.

Senator KITCHING: That makes sense. How much is Defence spending on these services?

Mr Grzeskowiak: The government made an announcement last year. In and around Katherine, we provisioned around $5.7 million for a range of services. These also include the cost of the voluntary blood testing program and epidemiological study. In and around Oakey, I think the figures are a bit different. It is probably around $7 million for, again, counselling services and the blood testing program. It would be a similar amount as well around Williamtown. But those figures are estimates. Obviously, we are continuing to provide those services on a needs basis.

Senator KITCHING: Have you transferred from out of the Defence budget to other departments' budgets to provide those services?

Mr Grzeskowiak: Yes. So in all of the announcements that have been made by government over the last few years—the majority anyway—for investment in support in these communities, the funding has come from Defence. In some cases, it has been transferred to the Department of Health, for example, for the epidemiological study; or the Department of Human Services, for example, for their community liaison officers; and, again, the Department of Health for the counselling services in terms of the blood testing program.

Senator KITCHING: Thank you. You've deployed mental health services to those three main areas?

Mr Birrer: We haven't deployed them. We've provided funding to the Department of Health. They use contracted services over the phone and work with primary health networks. As Mr Grzeskowiak said, there is also funding provided for the voluntary blood testing program. That includes a pre-test and post-test consultation with the general practitioners.

Senator KITCHING: You've got those three areas. Is it going to become—

Mr Birrer: Well, that's a recommendation falling out of the parliamentary inquiry by the Joint Standing Committee on Foreign Affairs, Defence and Trade into PFAS. The department of the environment is currently leading the development of the proposed government response to that inquiry.

Senator KITCHING: Are you considering that recommendation from the inquiry?
Mr Grzeskowiak: Defence is looking at those recommendations which are pertinent to the Department of Defence. We'll provide our input into the task force so that a response can be created. We play our part for those recommendations that are relevant to Defence activities.

Senator KITCHING: In other jurisdictions where they've had areas affected by PFAS, are they providing community support services as well?

Mr Grzeskowiak: Are you talking about non-Commonwealth jurisdictions, for example?

Senator KITCHING: Yes.

Mr Grzeskowiak: I think there would be a range of responses ongoing. We're aware of a few places where there is a potential community impact from PFAS contamination from legacy use by other agents, be they industry or firefighting units in a metropolitan or rural sense. We're not across the detail of what support services may or may not be provided. That would obviously be for decision for those organisations in consultation with relevant local governments.

Senator KITCHING: Are you able to comment on any trends coming from those other jurisdictions?

Mr Grzeskowiak: If I were to comment on the broader trend, I think certainly in Australia, and, indeed, globally, people are beginning to understand that these chemicals were quite ubiquitous and they are in more places probably than people were aware of. For example, it's becoming understood now that sewage treatment plants probably are collecting and becoming a source of these chemicals, as are landfills because of things that have been dumped into landfills over decades. I think it's an issue that is becoming more widely appreciated for what needs to be done in the future.

Mr Birrer: In terms of trends, one thing we've seen over the last 18 months is increased work across jurisdictions as a result of PFAS being raised in COAG in late 2017 and then throughout 2018. There is work, particularly around different jurisdictions, on the production of the PFAS and the national environmental management plan, which was led by the department of the environment working with state and territory government, and the intergovernmental agreement that the PFAS task force has been able to negotiate with first ministers departments in the states and territories. So there is a lot more sharing of information and views across jurisdictions and with the Commonwealth than there was initially. But it's still very much an emerging contaminant, so we're still seeing a number of issues, standards and approaches being settled on at the national level. We have been watching it with great interest because of our interest in ensuring that what we do is consistent with any emerging national standards and trends.

Senator KITCHING: Have you observed any actions or programs from other jurisdictions that could be implemented or even trialled in Australia?

Mr Birrer: In terms of what?

Senator KITCHING: Are there any programs that might have been used in the United States, for example, that we could trial here? It could be around community support or frequency of blood testing, for example. Is there anything in that? I take on board Senator Fawcett's comment that we are, in fact, often asked to consult. Are there any programs that we could implement here?
Mr Birrer: In terms of community support and health programs and the like, Defence isn't a health authority. We take advice on those matters from the relevant agencies. The task force is engaged with those agencies, including the Department of Health and the Department of Human Services, and the work that they do with the state and territory jurisdictions as well. They are areas where we can have a view and a view that is informed by the day-to-day contact that we have with members of the community, particularly in those communities where we do have a Defence representative working very actively with the local communities. But that's only one view. That's not an area of Defence expertise, and so we do rely on those agencies to give us advice on the areas where they specialise.

Senator KITCHING: In October, there was mention of a trial soil cleansing plant being established at a Defence base in South Australia to commence early this year. Has that commenced yet?

Mr Grzeskowiak: The plant is at RAAF Edinburgh. The plant is in its final stages of construction. I was talking to the company only last week. They're confident that within March some time they should be in a position to commission that plant. Our plan, then, is to run that for two or three months and test its bona fides and see what results we get. The company is investing a fair bit of their own money in this. They're confident that they've got a good technology that is patentable, so we're hopeful that it will work well. If it does, we'll look at how we can leverage that technology as we start to create our PFAS management area plans for the various sites we're running investigations at so we can start looking at soil remediation.

Mr Birrer: This is important because we went out to market with an RFI, a request for information, from industry around what sorts of PFAS remediation technologies were available. We had some strong responses on water treatment, so we then went out through a procurement process to procure companies to undertake water treatment. What we found through the request for information from industry around soil treatment is that soil treatment technologies weren't as advanced as water treatment, particularly in terms of effectiveness and the ability to treat soil at the sort of scale we would require. This is about keeping ourselves abreast of where developments are in industry in terms of what are commercialised approaches towards soil treatment given that our experience to date has been that the scalability and effectiveness of soil treatment technologies has lagged behind that of water.

Senator KITCHING: Can you tell us the company you are partnering with?

Mr Grzeskowiak: Ventia.

Senator KITCHING: Is that trial funded as part of the ARC?

Mr Grzeskowiak: No. Ventia are funding the majority of the trial. Defence is contributing a bit. Obviously they are trying some technology that they think has great export potential.

Senator KITCHING: Will the results of the trial be made public?

Mr Grzeskowiak: Yes, I think so, unless Ventia have got—

Senator KITCHING: Intellectual property, yes.

Mr Grzeskowiak: intellectual property issues around that, yes. I'm pretty confident, though, that if the trial is very successful, they will be quite keen to boast about it.
Senator KITCHING: Yes. That would make sense. Will you share it with other jurisdictions?

Mr Grzeskowiak: Of course.

Senator KITCHING: I want to ask about the collaborative research program between Defence and the CSIRO. I'm really looking at question on notice 114. There were four specific projects. It was about understanding the release behaviour and transformation of PFAS from impacted soils. Is the CSIRO the lead agency on those projects?

Mr Grzeskowiak: For the projects where we have engaged with CSIRO, yes, I think they are. We're funding a range of research that they will do on those questions that were in the question on notice. It's just one of the organisations we're working with in trying to progress that knowledge around this whole subject.

Mr Birrer: We want to really leverage the knowledge that is within the Australian government. We entered into a three-year arrangement with CSIRO to look at a number of questions and to help us in terms of providing technical advice that can help inform the PFAS management area plans and our remediation and management going forward. Again, CSIRO has been engaged through the task force as well, so they are working across government. We see CSIRO as a good partner in working to ensure that the Commonwealth keeps on top of the technical knowledge that we require to make sure that our remediation and management remains effective going forward.

Senator KITCHING: So who does the CSIRO report to?

Mr Birrer: To the minister for industry and science.

Senator KITCHING: On this project, does it report to Defence?

Mr Birrer: We have an arrangement with them, yes.

Senator KITCHING: And who in Defence does it report to?

Mr Birrer: To our organisation.

Senator KITCHING: Do we have any timelines for those projects or tasks that they are undertaking?

Mr Birrer: I'll take that on notice.

Senator KITCHING: And the costs? Do you want to take that on notice?

Mr Birrer: Again, we've had a cost allowance.

Senator KITCHING: And what is that?

Mr Birrer: It's for the activities that occur within the period of the arrangement. But we'll come back with more details on notice.

Senator KITCHING: Thank you. I want to go to the financial compensation scheme. What is the process after a claim is made and all the relevant documentation is supplied? What is the process then? How is the outcome communicated with the applicant?

Mr Birrer: This is Defence's non-litigated claim?

Senator KITCHING: Yes.

Mr Grzeskowiak: Those claims are handled by the Defence legal department. They are handled in accordance with the Commonwealth government legal services directions, which
sets out how these things should be managed. The AGS, or Australian Government Solicitor, would usually be involved. They progress through a normal sort of government process. I couldn't describe that to you in detail. We could perhaps take that on notice if you understand the detail of how that works. There are a range of claims going through that process at the moment.

**Senator KITCHING:** But it wouldn't be very different from other non-litigated claims?

**Mr Birrer:** No. It's the same process.

**Mr Grzeskowiak:** Same process. There's no special process put in place for non-litigated claims relating to this subject. It's just the same process that the Commonwealth would use for any non-litigated claim against the Commonwealth.

**Senator KITCHING:** And who decides whether a claim demonstrates that the Department of Defence is liable for any of the losses or harm? Who is making that decision?

**Mr Grzeskowiak:** That would be made within the legal framework. The Australian Government Solicitor would be involved in that.

**Senator KITCHING:** What is the average time frame from a claim being submitted to a decision being made?

**Mr Grzeskowiak:** In the case of these claims, there is no average. We have had some of these claims on hand for quite a long time, measuring in a couple of years in some cases. Obviously, we would hope that they would be settled promptly but subject to due diligence and due process.

**Senator KITCHING:** Have any claims been rejected?

**Mr Grzeskowiak:** I'm not aware of any claims having been rejected. I'm aware of two claims that have essentially been settled because of actions that Defence was taking, for example, in the provision of town water connections or whatever. They have essentially resolved the claim through that process and through policy initiatives that we've put in place.

**Senator KITCHING:** Did you say town water?

**Mr Grzeskowiak:** That is an example. Of the claims we have had, two of them have been not settled in a legal sense, but the claim was for something where, through a policy initiative that Defence has run, whatever it was that was being claimed has been delivered.

**Senator KITCHING:** So were they both businesses rather than individuals?

**Mr Grzeskowiak:** I don't have that detail.

**Senator KITCHING:** Are you able to provide it on notice?

**Mr Grzeskowiak:** We're not able to provide it at that level of detail.

**Senator KITCHING:** That's fine. I don't need to know any other personal details. Has the Department of Defence received any claims for financial compensation from individuals or businesses affected by PFAS contamination?

**Mr Grzeskowiak:** Yes.

**Senator KITCHING:** How many claims?
Mr Grzeskowiak: There have been 46 claims. As I've just mentioned, two of them are essentially now settled. That is not through legal process but through policy actions that the department has taken.

Senator KITCHING: Has financial compensation been made? Have you actually given compensation already?

Mr Grzeskowiak: No. The nature of the settlements of the two claims would have been, for example, about a connection to town water supply.

Senator KITCHING: There has been nothing else?

Mr Grzeskowiak: No.

Senator KITCHING: And you are assessing 44 currently?

Mr Grzeskowiak: Yes. There are 44 claims still on hand.

Senator KITCHING: How much funding has been allocated by the government to compensate those who have applied and who have been granted financial compensation? Have you got a pool of money?

Mr Grzeskowiak: There's no set aside pool of money. In the sense of compensation payments, you're obviously aware that three class actions are before the courts at the moment. No payments have been made by way of compensation.

Senator KITCHING: How many class actions do you have on foot?

Mr Grzeskowiak: Three.

Senator KITCHING: What contaminated areas do they represent?

Mr Grzeskowiak: They are representing residents around Williamtown, residents around Oakey and residents around Katherine.

Senator GALLACHER: Is it the same legal team?

Mr Grzeskowiak: There are different legal firms.

Senator GALLACHER: In each case?

Mr Grzeskowiak: There are at least two different legal firms involved.

Senator KITCHING: Are you handling those claims separately? So for each area, is there a separate legal claim?

Mr Grzeskowiak: Those class actions are being handled by the government legal process.

Senator KITCHING: Are you dealing with those claims, though, in toto or are you dealing with the three class actions separately?

Mr Grzeskowiak: The class actions are dealt with separately to the non-litigated claims.

Senator KITCHING: I mean separately from each other. I guess what I'm trying to understand is that if you were negotiating, perhaps, settlement of a class action, you might reach a different result in one class action because there might be different factors that might be lesser or greater than another class action, even though it may be of the same subject.

Mr Grzeskowiak: The presiding judge is trying to bring the three claims together. The Williamtown and Oakey claims are essentially already together. The claim for Katherine is catching up, which is obviously a non-legal term. I think the judge's aspiration is that if these three claims go to the courts, which is scheduled for August-September this year, they should
go together. Obviously, each claim would have its own arguments. But they will be dealt with together. That is the aspiration of the hearing judge.

Senator KITCHING: Are the Williamtown and Oakey claims being handled by the same law firm from the applicants?

Mr Grzeskowiak: No. I think they are different law firms.

Senator KITCHING: But there are two law firms.

Mr Grzeskowiak: Yes.

Senator KITCHING: And Katherine is?

Mr Grzeskowiak: For Katherine and Oakey, it's the same law firm—Shine Lawyers. I think Williamtown is Gadens or Dentons.

Mr Birrer: Gadens or Dentons. They changed names. I can't remember what is current.

Senator KITCHING: Yes. Law firms do that. Are you engaging in mediation?

Mr Grzeskowiak: The government did engage in mediation. There was a mediation before Christmas, which was managed through the process that the judge asked to be undertaken, yes.

Senator KITCHING: Have you completed the mediation part?

Mr Grzeskowiak: The mediations concluded with no outcome.

Senator KITCHING: And you are expecting it to go to court?

Mr Grzeskowiak: I believe that's the next step in the process.

Senator KITCHING: And the trial date is 4 September, is it?

Mr Grzeskowiak: My understanding is that it is set for August. I'm not sure of the exact dates.

Senator KITCHING: Are you going to hear them together?

Mr Grzeskowiak: That's a matter for the judge. My understanding is that the judge is trying to bring the cases together so that they would be heard with each other.

Senator KITCHING: What is the total amount of financial compensation each case is seeking?

Mr Grzeskowiak: As these matters are before the courts, I wouldn't be able to go into any detail of the individual class actions.

Senator KITCHING: Is there any individual who is part of the class action who you're also negotiating with separately?

Mr Grzeskowiak: I'm not aware of the individuals who are listed on the class action.

Senator KITCHING: I want to move to RAAF Base Pearce in the Bullsbrook community. What is the current status of the PFAS investigation and remediation activities at RAAF base Pearce and in the surrounding community?

Mr Grzeskowiak: The investigation is essentially concluded. We are doing some additional testing, particularly of the properties that we're still providing cask water to, just to ensure that decisions we'll make about whether to continue that water supply are based on absolutely up-to-date testing information rather than tests that might have been done last year.
Senator KITCHING: So the outcome of that review isn't complete yet?

Mr Grzeskowiak: It's essentially finalised, I think, in terms of the human health risk assessment. We're just doing some final testing and starting to put in place our PFAS management area plan, which will explain how we'll continue to monitor for the long term and what we might do on the base in terms of remediation. That's the next stage we look into—what a remediation plan would look like.

Mr Birrer: So we're commencing a second round of residential bore sampling for the people that Mr Grzeskowiak mentioned who have been receiving alternative water support from Defence. Those rounds of bore sampling, together with the testing that we've done up to now and the conclusion of the formal environmental investigations would then be used to make decisions around ongoing water supply or whether or not people require alternative water as a result of the sampling showing detections above the health based guidance values. For those below the health based guidance values, there's not that continued need for alternative water.

Senator KITCHING: Do you have an idea whether the area you're covering might change—reduce or become larger?

Mr Grzeskowiak: When we've done investigations, we've always taken a flexible approach to where we would investigate as we run an investigation. If we go back to the start of an investigation, we'll make an assessment informed by expertise about where we should look. But as we do sampling, if that sampling program shows that we've got to the edge of our investigation area and we're still seeing detects and there are still streams or whatever, we'll expand the investigation zone if necessary. I don't think we're in the ballpark of expanding the zone around Bullsbrook. I think it's fairly well understood there now. The final sampling we're doing is simply to ensure that we can, with confidence, go to a resident and say, 'We've tested your water again. There is no PFAS in it,' or 'The PFAS is below whatever the health based guidance value is, so we can cease providing bottled water.' So before we cease supplying water, we just want to give people that reassurance that we're not doing that based on evidence from a year ago.

Mr Birrer: We've also given the residents the assurance that this isn't the end of our involvement in PFAS. It's the end of the formal environmental investigation, but we remain committed to working with them on PFAS. That includes releasing the draft PFAS management area plan, which we expect to finalise in the next couple of months as part of that ongoing commitment to do ongoing monitoring of PFAS and what we're going to be doing in terms of longer term management strategies.

Senator KITCHING: Thank you. I want to move to RAAF base Richmond. Is Defence testing properties for PFAS in the investigation area around Richmond RAAF base?

Mr Grzeskowiak: There is an investigation area. We have been doing sampling in and around the base and in waterways in the area.

Senator KITCHING: What is being tested on properties? Just water?

Mr Grzeskowiak: Normally we test any surface water. If groundwater is being used, we'll test groundwater. We'll do soil samples. If gardens are being watered with groundwater, we'll test vegetables or produce from the gardens. We'll test water in rivers. We'll test silt. It is a full range of tests.
Senator KITCHING: Does that include livestock?

Mr Grzeskowiak: It certainly would include chooks or the like if they've been watered or fed water that might contain PFAS, yes.

Senator KITCHING: You might have said this in the list of things you said before, but are you doing voluntary blood testing as well?

Mr Grzeskowiak: No. Not at Richmond. At the moment, the Department of Health is only rolling out the voluntary blood testing program in Williamtown, Oakey and Katherine. That's based on the evidence we see from site investigation reports and then the evidence from the human health risk assessment, which is really all about looking for exposure pathways and whether they are credible and endured for a period of time. Then a decision is made, informed by the Department of Health, on whether or not a blood testing program would be recommended to government.

Mr Birrer: In November last year, we released the human health and ecological risk assessment for Richmond and undertook a community engagement session that was quite well attended. Overall, the way our consultants characterise PFAS at Richmond is that generally the levels are quite low and acceptable in terms of exposure risk except for a small number of people who either use as a large part of their diet locally grown livestock or eggs or who have multiple exposure pathways—people who do a number of things where they get exposed to PFAS. So we're continuing to work with people in the Richmond community. We have a couple of staff who are based at RAAF base Williamtown who have experience engaging with the community members at Williamtown one on one who we've now been using at Richmond to reach out and to work with people in the Richmond community and the community around Richmond as part of the ongoing management there. That ensures that we give those people a public face that there is somebody in Defence they can engage with on these issues.

Senator KITCHING: Has there been any PFAS found outside the study area? Have you gone to do, I guess, base—

Mr Grzeskowiak: By some form of definition, we generally only find PFAS where we look. But we are aware that, in the Hawkesbury River nearby, PFAS exists in that river upstream of the Defence base as well as downstream of the Defence base. So it's fairly clear that there are other sources of PFAS coming into that river from upstream.

Senator KITCHING: Are you going to expand testing because of that?

Mr Grzeskowiak: We wouldn't expand testing upstream. We would talk with, in this case, the New South Wales environmental protection agency about what we've done and make sure that they're comfortable with the amount of testing we've done. If there's PFAS further upstream—and if everybody agrees that it can't have come from the Defence property because of the way water tends to flow downhill—that's for others to investigate. In this case, that would be the New South Wales environmental protection agency.

Mr Birrer: We've been working very closely with the New South Wales environmental protection agency around the sampling that has been done in the Hawkesbury River and Rickerbys Creek and fish sampling. They have their own sampling program that they also undertake, which is separate to ours. It could well, but it's really an issue for them to talk to, include looking at potential sources upstream of the base.
Senator KITCHING: Are you planning to dispose of the PFAS contaminated soil from Richmond?

Mr Grzeskowiak: We wouldn't have developed in detail yet our PFAS management plan for remediation for Richmond. As a generic plan, what we see on the Defence bases where a lot of firefighting was undertaken and firefighting training was undertaken is hot spots on the base, usually around the firefighting training areas. One of the things we tend to look to do is to excavate soil that still contains high levels of PFAS so that it can be at some point in the future treated. At the moment, where we're excavating soil with high levels of PFAS, we're generally storing it. In some places, we've excavated soil from drains which has been at a fairly low level, and we've been able to dispose of that soil offsite in consultation with the relevant environmental protection agency. They have limits about what can and cannot be disposed of. As long as we're within those limits, we can dispose offsite to appropriate facilities. This is why, to go back to your earlier questions, the trial we're running in South Australia with the soil cleaning process is so important for us. Cleaning soil has proved much more challenging than cleaning water. Cleaning water is expensive. Cleaning soil is looking, thus far, very expensive. If the technology that we're going to trial proves that it can do it and can do it cost effectively, that will give us an opportunity to start looking at how we roll out that technology in different parts of the country and how we start to address this problem. But it would be remiss of me not to just remind everybody that we're looking for very low levels of this chemical in the environment, when you look at the regulated limits. The remediation process is going to take a long time—many, many years.

Senator KITCHING: I understand that there's only a single point of contact for the Richmond community. Is that correct?

Mr Birrer: No. We have community liaison officers there now who have been working with the community. What you might be referring to—

Senator KITCHING: You have appointed a community liaison officer?

Mr Birrer: We have two people who cover Richmond and have been reaching out to members of the community there. What you might be talking about is the environmental investigation project, which does have an email address, like an inbox. It also has a telephone line that our lead contractor runs for each site. Each site around Australia—each of the 27 sites—has one of them.

Senator KITCHING: Thank you. I want to ask some questions about Larrakeyah. There was a first pass approval process—

Senator Fawcett: Is this the Larrakeyah redevelopment project?

Senator KITCHING: Yes.

Senator Gallacher: If we could go to the Hawkeye project, there is some pressing matter that has arisen very recently. Has anybody got a rep on the Hawkeye project in Bendigo?

Senator KITCHING: Thank you.

Senator Gallacher: Are we experiencing some difficulties on this project as we speak?
Major Gen. Bottrell: Yes, we are with regards to reliability. We should have entered by now our production reliability assessment test. We are probably close to 12 months behind that. What we've done is move through a series of reliability growth trials to get the vehicle to a steady build state.

Senator GALLACHER: We are short of time. Maybe we'll run it this way. The Hawkeye is a $1.6 billion federal government contract. Is that correct?

Major Gen. Bottrell: The budget is $1.5 billion.

Senator GALLACHER: I stand corrected. It is a $1.5 billion. Steyr is an Austrian based company. They have been manufacturing the engines for Hawkeye. Is that correct?


Senator GALLACHER: There is a reported problem with the supply of engines. It appears that they are related to possibly a design fault.

Major Gen. Bottrell: No. That's not my understanding. Steyr engines is an Austrian company that is a subsidiary of a Chinese owned company.

Senator GALLACHER: There is a problem with the engine, though, isn't there?

Major Gen. Bottrell: It is the engine, yes. As far as I am aware, there is no issue with the actual design of the engine. The company has gone into voluntary receivership and Thales has joined as part of a consortium to look to bail the company out. We're waiting for information in terms of the success of that.

Senator GALLACHER: We had a $1.5 billion contract and we've managed to contract a company that is now unable to complete its service obligations and is in receivership?

Major Gen. Bottrell: No. That's not correct. Thales is the prime for the project. Steyr is one of their sub primes. Thales is also investigating some alternative options for the provision of engines—and I should say if, because it's not confirmed yet whether Steyr will not be able to continue to provide the engines—if Steyr isn't able to.

Senator GALLACHER: How would you characterise this? Is this alarming?

Major Gen. Bottrell: It's safe to say that we are managing this intensively in terms of where we are. Yes, we are not on the schedule that we'd like to be. We note that this is a developmental vehicle. Some of these reliability issues could have been foreseen. So the reliability growth trial that has been put in place similar to what was used for Bushmaster has looked to work through some of them. We're not where we want to be, but the important point is that we don't want to go to the next stage, which is the production reliability assessment test, until we know that we've got a reliable build state that we can then go into full rate production from.

Senator GALLACHER: Are you aware that up to 150 production workers at the Bendigo Thales facility have been told they'll be stood down without pay for the month of April as work at the facility apparently cannot continue with a lack of engine supply?

Major Gen. Bottrell: I'm not across that piece of information. I have had a very recent conversation with the strategic relationship board of Thales in in the last week. We have discussed what work they could continue to do at Bendigo to keep their workforce employed, recognising that it is the importance of retaining them for the future. They've not given me any indication of a need to stand those workers down.
Senator GALLACHER: I think it's quite alarming that we've entered into a $1.5 billion contract. We've got workers employed and now there has been a failure on someone's part. Can you confirm whether that's correct? Is there someone who can make a phone call? Have 150 workers been told, 'You can take the month of April off without pay because there's no work for you?'

Major Gen. Bottrell: We'll certainly follow up with Thales. In fact, we're meeting with them again in two weeks to make sure that we are on the same baseline. I can take that on notice and follow up with Thales to run that to ground.

Senator GALLACHER: We would like to know, if the shutdown is proposed, how long it would last. Are you able to fix the issue with Steyr and Thales in a month, or is this a colossal stuff-up?

Major Gen. Bottrell: There have been a number of stages that we have worked through on this. The acquisition essentially has been driven in three stages. The first is the engineering and manufacturing development, which proved the vehicle to a certain state before we entered the next stage, which essentially was the low rate initial production and further testing. That's where we've been working through the growth trials because of the lessons that we learned with Bushmaster.

Senator GALLACHER: I understand that this is supposedly an area of success for Defence. What we've got here is a company that's on the verge of administration—I think that's clear—and we have no engines at the production line, and I think that's clear.

Major Gen. Bottrell: Thales is not on the verge of administration. This is a subgroup. There are other options that Thales is investigating on this road as well.

Senator GALLACHER: So Thales and other companies that Steyr supplied to have launched a bid to try to save the company from receivership?


Senator GALLACHER: They are the ones that are supplying the engine?

Major Gen. Bottrell: Steyr company are, yes, that's correct.

Senator GALLACHER: This is not copybook as-you-go procurement. This is a disaster for the 150 workers who have been told to have a month off and that we'll work it out later.

Major Gen. Bottrell: We can't tell yet where we are with Steyr. We don't know yet because the announcement by the administrator, I believe, is later this month in Austria. We are waiting, along with Thales, as to what the answer is here.

Senator GALLACHER: I am looking for some comfort. Are the problems with Steyr directly related to the supply of this engine, or is it a broader problem?

Major Gen. Bottrell: As far as I am aware—and I will clarify this for you—it's not to do with the design of the engine; it is to do with the broader administration and management of Steyr itself. So the engine itself is quite stable. That's my firm belief. The broader issue here, noting that supply chains are often interrupted, is how Thales keeps that workforce, which is important for the future of the vehicle. So there is some work that we have done. I am certain that there is additional work we can do to see what options are available to work with Thales to make sure that they don't lose that workforce which is required for the future.
Senator GALLACHER: The Bushmaster story is a great story. The Hawkeye was to go on and replicate that. I would like to put two questions on notice. Hopefully, you will not wait until the last minute to answer us. One is: when are the engines going to be back into the pipeline so the workforce can be given the surety of not facing intermittent stand-down without pay?

Major Gen. Bottrell: That is a fair question. It's one that we are obviously interested in as well. I wouldn't have that answer until later this month.

Senator GALLACHER: This month?

Major Gen. Bottrell: We can certainly come back to you. I want to put on record—and I believe the Chief of Army has already done so—that what we've seen of the vehicle already, notwithstanding that we're not at the stage that we would like to be, indicates that it is going to give us the capability that Army needs. There is a strong belief that the quality of the vehicle will deliver a capability that Army is certainly after.

Senator GALLACHER: I have no doubt that the Australian National Audit Office and other entities around the place will be looking at this contract very carefully to see where it went pear-shaped. When are the engines going to be back in the pipeline? When is certainty going to be given to the workforce? If we can get answers to those questions, the committee would much appreciate that.


Senator KITCHING: I want to talk about Larrakeyah. In October 2018, there were some questions around a delay in the redevelopment project after a review in 2012. This is at Larrakeyah. There were some project approval timelines outlined in the QON. It said:

First past approval to develop the project was received in April 2015, with second pass approval received in November 2017 and subsequent referral to the Parliamentary Standing Committee on Public Works in March 2018.

Was there a reason why it took so long for the first pass approval process to be undertaken?

Mr Grzeskowiak: The Larrakeyah development project is now approved. It has been through the public works committee. Construction commenced in November 2018. It is a large project—close to $500 million—because it also includes the building of a new wharf to support future naval operations in the north. So it is a significant project for us. We have had Laing O'Rourke on contract as the managing contractor for a while now.

Senator KITCHING: So with the redevelopment project, there was a review in 2012. The first pass approval was received in April 2015. That is a three-year period, let's say. Is there a reason it took so long?
Mr Grzeskowiak: To get into the final detail of that, I would need to take that on notice. I do recall that around that time there were some budgetary adjustments within the broader Defence portfolio. It's likely that this was one of the projects that was reprogrammed as a consequence of those government directed budgetary adjustments around that time.

Senator KITCHING: Will you give some more detail?

Mr Grzeskowiak: I can take it on notice and see if there's any more detail than that, yes.

Senator KITCHING: I want to ask some questions about the estate divestment process. I can list these. You can take it on notice. You might have the information there.

Senator GALLACHER: We're waiting with bated breath to know what is happening with 310 St Kilda Road since the Channel 7 announcement a couple of years ago that it was going to go.

Mr Grzeskowiak: I will probably take St Kilda Road.

Senator KITCHING: We'll start with that.

Mr Grzeskowiak: You will recall that government had written to the government of Victoria inviting them to submit a bid for that following their expression a year or more ago that they were interested in acquiring that site. You may recall that there was a bid received last year which was non-compliant with government procurement rules. Senator Fawcett did write to the Victorian government last year inviting them to supply a compliant bid. Last week, we received a letter from the Victorian government explaining to us the type of bid that they are prepared to make. We are assessing that at the moment. Shortly, we will be providing advice to government on whether the bid that we've got from the Victorian government meets the Commonwealth property disposal regulations or not. I can't tell you the outcome of that right now.

Senator KITCHING: The Maribyrnong Defence site?

Mr Grzeskowiak: The Maribyrnong divestment is proceeding apace. We have the registration of interest phase running through last year. That concluded late last year in November. We had a very strong field of companies that have registered interest and given us the details that we requested. We'll move to the next phase in April, which is the expression of interest phase. That phase will likely run through the majority of 2019. In that phase of the project, we will see the companies submitting an initial bid, if you like, for their plans for the site and their initial offer. As we go through that process, we will be giving extensive briefings to the shortlisted companies so that they can do their due diligence. We'll make available all of the information we have on the site, particularly around existing contamination. You may recall that Defence is funding a project that is in flight at the moment to decontaminate the old Defence Science and Technology Organisation site. The bulk of the site where the contaminants are fairly well understood by industry these days—hydrocarbons, asbestos and the like—will be decontaminated by the ultimate owner of the site.

Senator GALLACHER: Is that particular valuation completed? You spent a considerable amount of money; I think it was over $40 million.

Mr Grzeskowiak: No. We've set aside around $55 million for that work. It has been going now for about eight months. We always thought that was at least a couple of years
worth of work, so it's working through very methodically looking at whether there are any contaminants of concern. If there are, they are being dealt with as and when they are being found.

Senator GALLACHER: I remember that project well because it didn't come before the public works committee. Only a minor component of it did. Are you saying that, at the end of that evaluation, each tenderer will be given access to information about what has been found and what is remediable?

Mr Grzeskowiak: Yes.

Senator GALLACHER: You're not actually doing the remediation. It's just what there is and how you'd fix it?

Mr Grzeskowiak: Yes. The site that we're remediating—the old DSTO, or Defence Science and Technology Organisation, site—will have been remediaged, and we'll make that evidence available. We'll essentially be saying that that site is fully remediaged. The rest of the acreage on the site will not have been remediaged apart from a small area that we did a trial remediation on a few years ago. We will make available to the shortlisted bidders all of the information we've got about the contaminants that we have found on the rest of the site so they can do their due diligence and make assessments about what they wish to propose in their expression of interest—their first bid to us. As well as that, of course—

Senator GALLACHER: It's all surety at the end of the day. If I'm going to buy a house on a block of land at Maribyrnong, are all of the contaminants identified, remediated and out of the way?

Mr Grzeskowiak: That will be the case. Ultimately, when people are buying property there—blocks of land, and if they've got houses—the Victorian environmental protection agency will oversee all of the decontamination process. It will be completed to their standards and their requirements, whether that's the decontamination that we are doing now or that the eventual purchaser will do as part of their redevelopment of the site. So there will be all of the usual local government planning assurances and local environmental protection agency assurances that the site has been properly decontaminated prior to that development process.

Mr Birrer: We've been working very closely with—

Senator GALLACHER: Sorry, Mr Birrer, but I don't have the time. I'm asking the questions.

Mr Birrer: I was just going to explain the planning process.

Senator GALLACHER: I don't need your explanation. I just want to get this question on the table. Given that it's a $55 million examination of potential contaminants, how does that stack up in terms of projects you've done of a similar nature? Is this very unusual? Is it high, middle or low range?

Mr Grzeskowiak: This is an expensive project in terms of its examination and decontamination of the old Defence Science and Technology Organisation site. So we are examining and decontaminating. The reason why it's expensive is that there may be remnants of what I would call exotic chemicals that may have been used for research purposes. We just need to be very cautious as we go through that process.
Senator GALLACHER: So we would take comfort from the fact that you are spending this amount of money to get it right?

Mr Grzeskowiak: You should. I have been down and had a look at these works. Whole buildings are literally wrapped in plastic. Air pressure is reduced so that if anything leaks, it can't leak out of the building. There are specialists who we have brought in from America who are going through that building literally with a fine tooth comb, taking it apart piece by piece and checking every piece.

Senator GALLACHER: Thank you.

Mr Fraser: Chair, I want to add something to the question regarding Thales employees, if I might?

CHAIR: Yes.

Mr Fraser: Senator Gallacher raised it. We've just checked with Thales. There is an extended period over Easter that they are looking to increase the workers' time away. We'll work with Thales because we've set in principle here an engagement with industry to maximise Australian jobs and look after the employees and the workers. So thank you for raising it with us. The staff have made a call and will check exactly what the details are. Rather than discussing how many days it is over Easter, we'll work with Thales and find a way to maximise the time that the employees are at work and doing what they believe is the right thing that they do with the vehicle. It's a good vehicle, but it does need some work. We need to make sure that we protect the Commonwealth rights in what it is that we are engaging with Thales. We will get Thales at the same time to continue to mature what is a good vehicle.

Senator GALLACHER: Thanks, Mr Fraser.

Senator MOORE: Can you report back to the committee when that has been finalised?

Mr Fraser: Shall do, Senator.

Senator KITCHING: The Bulimba barracks?

Mr Grzeskowiak: The Bulimba barracks? The sale is proceeding. We've done the necessary work with the council, so the planning scheme is understood. I think it is out in the market at the moment. I would anticipate that that would be sold some time this year. It depends on how well the process goes.

Senator KITCHING: The Frenchville rifle range?

Mr Grzeskowiak: That is ongoing. I think that's one of the ranges where we're looking at a divestment to the local council, so that's an ongoing conversation.

Senator KITCHING: Mt Vince rifle range?

Mr Grzeskowiak: Sold to the local council.

Senator KITCHING: Kalgoorlie rifle range?

Mr Grzeskowiak: Ongoing conversations on that one with the local council.

Mr Birrer: The WA state government.

Senator KITCHING: Leeuwin barracks?

Mr Grzeskowiak: Leeuwin barracks, as you are well aware, was announced a few years ago. That process is in train. The reason that is taking longer than we thought it might is that
we have decided that we will need to build accommodation for the people who are at Leeuwin barracks and do that first. When the original decision was made, we still hadn't made that decision about how we would do this because there was a range of options. We take advice from strategic property advising professionals in how we should do this. As we worked through that, the view was that, with market conditions and the like, it was better for us to bide our time and relocate our staff. We've worked very closely with the local authorities there to create a planning schema that will cover not just Leeuwin barracks but also some adjacent lands, which are sports lands and the like, so that that maximises the value to a developer as and when we go to market.

Senator KITCHING: Thank you. Paterson barracks?

Mr Grzeskowiak: Paterson barracks has been agreed for disposal as part of the Launceston City Deal. So that's a process that is in train.

Senator KITCHING: Stokes Hill fuel installation?

Mr Grzeskowiak: Again, Stokes Hill was agreed as part of the Darwin City Deal for disposal. One of the things we're having to do at Stokes Hill, which we're doing jointly with the Northern Territory government, is to look at contamination on that site. You'd be aware that it's been there for more than 70 years. There's a lot of hydrocarbon contamination. There's likely PFAS contamination. So we're running a joint piece of work with the Northern Territory government. That's simply around the due diligence for that eventual transfer.

Senator KITCHING: I might pass to my colleague Senator Watt.

Senator WATT: Thanks, Senator Kitching. I understand that earlier in the day there were a few questions, I think, from Senator Macdonald regarding the proposed expansion of the Defence land activities around the Townsville region and possibly Shoalwater Bay—is that correct?

Mr Birrer: Yes.

Senator WATT: I was of the understanding that now was the appropriate time to ask a few questions. Is it okay if I ask a few here, particularly about the Shoalwater Bay project? Have we got the right people?

Mr Grzeskowiak: Yes. You have the right people.

Senator WATT: Great. Thanks. My primary focus is the proposed Shoalwater extension. You would be aware of the land acquisition process to acquire land to expand the base for the purpose of Singaporean army training exercises. That land acquisition process is still underway, isn't it?

Mr Birrer: It is. Where we're at now is we're undertaking expansion of the Shoalwater Bay training area to the west of the existing Shoalwater Bay training area. It's funded by the Singaporeans under the Australia-Singapore military training initiative. It will also be of benefit to the Australian Defence Force for training. In undertaking that expansion, we're engaging only with willing sellers. We're engaging with those willing sellers now and going through a process that is quite dynamic, given the number of properties in that area.

Senator WATT: How many properties are there all up in that area?

Mr Birrer: We're not divulging the details of what we're doing. We're engaging with the land owners who come forward to be willing sellers. We're engaging in an open and
transparent way. We realise that they have to make decisions around their businesses, properties and, in many cases, their homes, so we're respecting their confidentiality. It's a dynamic process at the moment and we are continuing to engage very positively with land owners.

Senator WATT: So the original decision to compulsorily acquire some properties was backed down from. There's still no intention to compulsorily acquire any properties?

Mr Birrer: No. The government announced that it would be undertaking property acquisitions as part of the Australian military training initiative only with willing sellers.

Senator WATT: Okay.

Mr Birrer: In both locations. That's Townsville as well as Shoalwater Bay.

Senator WATT: How many properties have been acquired to date?

Mr Birrer: We've concluded the purchase of two properties that were done prior to the current negotiations that we're undertaking with land owners.

Senator WATT: So you've purchased two properties?

Mr Birrer: Yes. Because they were available on the open market. Those property owners—one a private person and one a company—had sought to sell their properties through the open market, and we bid through that market. That is unlike the current process, where we're engaging with people in a process specifically around this initiative.

Senator WATT: What is the total price that you paid for those two properties so far?

Mr Birrer: I'll take that on notice.

Senator WATT: What is the total land area of those properties that you've purchased to date?

Mr Birrer: I'll take that on notice to get you the exact hectares.

Senator WATT: Okay. You're currently negotiating with a number of other potential sellers?

Mr Birrer: Yes.

Senator WATT: Are you able to say the total land area that you're seeking to acquire?

Mr Birrer: No, because we're buying from willing sellers. We're engaging with people in that process. We are looking at having a feasible training area, but we didn't have any set size because it does depend on the willing sellers coming forward.

Senator WATT: What is the total budget that has been allocated for purchases for the expansion?

Mr Birrer: We haven't got a firm budget there. What is important to note here is that this is fully funded by the Singapore government. It will see an investment in the Queensland economy of over $2 billion during the life of the initiative, about $1 billion each at Shoalwater Bay training area and $1 billion at the Greenvale training area north-west of Townsville.

Senator WATT: But you haven't got a cap on how much can be paid?
Mr Birrer: Well, we're negotiating with purchasers and so we wouldn't be talking about any particular cap. But there's not a single cap anyway. The key cap is the $2.25 billion over the life of the initiative.

Senator WATT: Is there a completion deadline for acquiring the properties?

Mr Birrer: We've committed to complete the acquisition and to commence construction activities at both locations in 2019.

Senator WATT: This year?

Mr Birrer: This year.

Senator WATT: So you've got to acquire the remaining properties this year to meet the deadline?

Mr Birrer: Well, we've committed to undertake the initial construction works at both locations in 2019. We will be in a position to do that.

Senator WATT: You expect you will meet that deadline?

Mr Birrer: Yes.

Senator WATT: Is it possible that you wouldn't have acquired all the properties that you need for the overall expansion by the time you commence work?

Mr Birrer: We're confident that we'll be commencing construction in both locations in 2019.

Senator WATT: Even if you haven't acquired all the properties needed for the expansion?

Mr Birrer: We're engaging with willing sellers now.

Senator WATT: That's not really an answer, is it? Are you aware of some media coverage in the Rockhampton Morning Bulletin in February around the proposed acquisition of state government land for the Shoalwater Bay expansion?

Mr Birrer: I've seen media reporting on that, yes.

Senator WATT: Is it correct that you are seeking to compulsorily acquire state government land?

Mr Birrer: No, it's not.

Senator WATT: So those media reports are wrong?

Mr Birrer: I don't have the media reports in front of me, but I can tell you that we are not purchasing state government parks.

Senator WATT: You're not purchasing state government parks. Are you compulsorily acquiring them or planning to do so?

Mr Birrer: No. We are only buying from willing sellers under this process. But we're not looking to close or purchase any national parks.

Senator WATT: So the claims from the Queensland government that Defence is seeking to acquire state land aren't true?

Mr Birrer: Well, we are seeking to acquire state land. We are talking to the Queensland government officials around state interests in various parcels of land, but we're not looking to acquire or close any national parks.
Senator WATT: So you're not seeking to acquire compulsorily state government land or national parks, but you are seeking to purchase voluntarily state land?

Mr Birrer: We are seeking a transfer of land interests held by the state government as part of the process, yes.

Senator WATT: Voluntarily?

Mr Birrer: Well, we are engaging with the Queensland government on this. The Queensland government's been very cooperative on this. It's consistent with them wanting to seek to build a smart, modern defence industry sector. So we've been talking to them throughout this process and will continue to.

Senator WATT: Has there been any advice provided to federal ministers about the potential to compulsorily acquire state land as part of this expansion?

Mr Grzeskowiak: I might come in and clarify. We're not compulsorily acquiring anything from anybody. We're not buying a national park. We're not being given a national park. We have no interest in the national parks.

Senator WATT: But there is other state land and state interests that you clearly do have an interest in acquiring in some way?

Mr Birrer: We're speaking to the Queensland government about that.

Senator WATT: I understand that. But my question is whether you have provided advice to federal ministers about the option of compulsorily acquiring if those negotiations aren't successful.

Mr Birrer: We provide advice that we are engaging with willing sellers in the initiative.

Senator WATT: And you haven't canvassed anything other than willing sellers with ministers?

Mr Birrer: All of our public comments have been that we are engaging only with willing sellers.

Senator WATT: I know what your public comments are. I'm asking you what the advice to government is.

Mr Birrer: The advice to government is the same on this.

Senator WATT: I understand that the Queensland minister for the environment recently wrote to federal ministers about her concerns around the acquisition of state land. Has there been any further communication with the Queensland government since that letter was received?

Mr Birrer: Well, we continue to engage with Queensland government officials on a continual basis on various aspects of the initiative.

Senator WATT: I'm not sure if this was canvassed earlier, but I know senators Gallacher and Moore were very involved in a Senate inquiry last year, I think, about the impact of Defence training facilities on regional communities. There were a range of recommendations made there. Can you tell me the number of businesses in the Marlborough district where a lot of the expansion for Shoalwater is proposed to occur? What contracts and what benefits have flowed to businesses based in Marlborough as a result of this expansion?
Mr Birrer: Well, I think there are two aspects in answer to that question. One is that we've undertaken a socioeconomic study and had KPMG undertake that—

Senator WATT: Yes. I'm aware of that.

Mr Birrer: to look at it in terms of the transition away from an agricultural economy and the very significant economic opportunities that will arise from the Australia-Singapore military training initiative.

Senator WATT: Yes. I'm aware of the general. I'm asking about Marlborough.

Mr Birrer: I will take that on notice.

CHAIR: Senator, I said I will go to Senator Patrick. If you have one quick question, ask it. Otherwise I will go to Senator Patrick now.

Senator WATT: I probably need about five more minutes, so I'm happy to stop. I'm flagging that.

CHAIR: Excellent.

Senator KITCHING: I want to ask a quick question. I will start with Senator Fawcett. There's a story in the Herald Sun today about social media influencers being paid $50,000, with hashtags like 'six-pack guys', 'hot guys' and 'hot boys'. They were ordered to stop paying those social media influencers. Is that a decision you can live with, Senator Fawcett?

Senator Fawcett: I'm going to have to ask the department to answer that because it has not come across my desk, Senator Kitching.

Senator KITCHING: I'm happy to table the article.

Ms Greig: Defence was using social media influencers some time back. Defence no longer uses social media influencers.

Senator KITCHING: When did you stop?

Ms Greig: We stopped at the time that we were made aware that two of the social media influencers that we were using in Defence Force Recruiting were not aligned to the values of Defence. It was also a government decision to stop the use of social media influencers.

Senator KITCHING: I think the Department of Health spent $600,000.

Mr Geering: It was in the August time frame last year.

Ms Greig: In terms of Defence expenditure, our expenditure for Defence Force Recruiting was $52,000.

Senator KITCHING: And it was to promote the Young Endeavour program?

Ms Greig: No. That was a different scheme. The $52,000 was part of an Air Force air traffic controller campaign.

Senator KITCHING: And what about the Young Endeavour one?

Ms Greig: That was $700.

Senator KITCHING: That was to the amateur swimmer?

Ms Greig: That was Navy's Young Endeavour youth campaign.

Senator KITCHING: Thank you for your indulgence.
Senator PATRICK: My questions are to the Chief of Air Force and probably CASG, I guess; they are air force related questions.

CHAIR: We will be switching over at 5.30 pm sharp from Defence to the Defence Signals Directorate, so everyone get their folders ready.

Senator PATRICK: Air Marshal Davies, we have talked in the past about the Growler aircraft and the incident at Nellis Air Force Base, where we lost one of our 12 aircraft. I want an update on the total cost of the accident.

Air Marshal Davies: We're still going through the process. Yes, we did receive the report, as we advised last year. The Growler is a foreign military sale. It is really now backed through the United States Navy. So as we go through that process, we are still working with the US navy to get a final number and outcome.

Senator PATRICK: Thank you. Has a decision been made as to whether that aircraft will be replaced?

Air Marshal Davies: I have decreed the aircraft beyond economical repair.

Senator PATRICK: I recall that.

Air Marshal Davies: So we have lost the aircraft. We are still going through that process of what we would get in terms of compensation and what we would be able to get in terms of replacement in that work with the United States Navy. So it's still a little premature to determine whether we would go down a path of replacement with new or acquisition of a conversion of one of our existing F models to G.

Senator PATRICK: Thank you. I will switch now to F-35. I occasionally read DOT&E reports when they come out. There's been an issue raised in the latest DOT&E report—the Director, Operational Test and Evaluation—in the US about the initial F-35Bs operated by the US marine corps. They were supposed to have an expected service life of 8,000 fleet hours but that may be as low as 2,100 hours. I know we have a different variant, but obviously there's commonality between the two. Have you got any concerns relating to the life expectation of the F-35A being acquired by Australia? Do those F-35B issues have any bearing on what will happen here?

Air Marshal Davies: There were 11 elements of the DOT&E report that relate directly to our A models. We have agreed with all of those outcomes and agreed to work through them as being beneficial to our long-term ownership. The work that is done on our A models has
been an international program to extend the testing of the airframe and the parts of the F-35 to twice life. I might ask Air Vice Marshal Leigh Gordon to expand on that. At the moment, I have no concerns because the testing is going beyond the current single life expectation of 8,000 hours.

Senator PATRICK: I guess the burden of my question goes to whether those defects on the B or the fatigue related issues on the B will extend to the A in some way. There must be some information you get from the B that informs you of the expected life of the A.

Air Marshal Davies: That is correct. I'll go to Air Vice Marshal Gordon, who can answer that.

Air Vice Marshal Gordon: The F-35B has structural differences to the F-35A that we have purchased. We've already tested the aircraft to two lifetimes and we're taking it out to the third lifetime. I have no concerns about the structural life of the F-35A.

Senator PATRICK: Okay. That's pretty definitive. There were some issues raised by the Pentagon test office reports concerning cyber security vulnerabilities of automatic logistic information systems that support the F-35s. Are you aware of those reports? How might they affect our logistic support and ground support equipment?

Air Vice Marshal Gordon: Yes. I am aware of those reports. We have Australians embedded within the joint program office working on all aspects of the F-35, including the autonomic logistics information system, or ALIS. With respect to cyber security, we're expecting the next upgrade of ALIS to be delivered sometime this year. We'll include what we call the sovereign data gateway, which will allow us to provide additional cyber protection to the information that transfers across ALIS and provide protection to the network from external attack. We're developing our sovereign data gateway in partnership with the United Kingdom. I'm quite confident that we'll achieve a successful outcome of that endeavour very shortly. There will be a number of follow-on upgrades to ALIS. Each one of them will increase the cyber protection of the system. Of course, I'm sure you are aware that you've got to keep working in this space; you can't just settle on what you've achieved.

Senator PATRICK: Sure.

Air Vice Marshal Gordon: I expect across the life of the platform that the cyber security will be continual refined.

Senator PATRICK: My final question in relation to the F-35 is this: the last Pentagon review also raised questions about the accuracy of the internal gun of the F-35A. Are you fully satisfied that we are at a point or will be at a point where we can shoot straight?

Air Vice Marshal Gordon: There are a number of hardware and software modifications that are being introduced to the aircraft. Some of the hardware modifications were introduced as part of production into lot 10, so that's the eight aircraft that we got delivered in 2018. The next production software load that we expect to be delivered sometime in the first half of this year will include also some changes to address the accuracy. They are also looking at some changes with the way that the gun is, I guess, calibrated and maintained at the flight line. So I'm quite confident that with these changes in train, we'll have the gun accuracy issue solved well before our IOC in December 2020.

Senator PATRICK: And we don't pay for that, do we? That's a warranty?
Air Vice Marshal Gordon: That's right. It's part of the global program addressing issues.

Senator PATRICK: Are you going to showcase the F-35s around Australia, because they are now here? It's normally an Air Force tradition to show off their toys when they arrive. Are we going to see an F-35 at Clipsal?

Air Marshal Davies: Eventually, Senator.

Senator PATRICK: I take that as a no for this year.

Air Marshal Davies: Eventually. We'll have our F-35s at Avalon. At the moment, our focus is on the verification and validation program to allow us to get to an IOC of 2020. So there will be some showcasing and there will be a lot of people, of course, who want to see. We'll do that to the maximum extent. A lot of that will be in conjunction with the verification and validation we do. If we go to Edinburgh to do some flying, we'll showcase it where we can.

Senator PATRICK: Minister Fawcett might be able to twist your arm behind the scenes for Clipsal. I'm not getting a good response with the body language. I guess I'm finished.

CHAIR: Thank you, Senator Patrick. This concludes the committee's examination of the Department of Defence. I thank everybody for their attendance today. The committee will now move to its examination of the Australian Signals Directorate.

Mr Fitzpatrick: Senator Patrick had questions earlier. Unfortunately, I missed the first part of his question. He asked about the hydrographic ships. I wanted to clarify that the hydrographic ships will be built in the west. I missed the initial part of Senator Patrick's question.

CHAIR: Excellent. Thank you. Cheers.

Senator PATRICK: I don't have to look happy about that. Thank you.

Australian Signals Directorate

CHAIR: I welcome back senator the Hon. David Fawcett and senior officers of the Australian Signals Directorate. I think you wish to make an opening statement about something?

Lt Gen. Frewen: I'm the principal deputy Director-General at the Australian Signals Directorate. Our Director-General Mike Burgess sends his apologies. He will join us if he can. In the meantime, me and Hazel Bennett, our director of corporate and capability at ASD, will be delighted to take your questions.

CHAIR: Certainly.

Senator GALLACHER: Is the Director-General defending us somewhere on urgent business or something?

Senator Fawcett: Always defending the nation.

Senator KITCHING: This year is an election year. Do you feel that the AEC is complying with the ASD's mandatory top four mitigation strategies?

Lt Gen. Frewen: Sorry, Senator?
Senator KITCHING: That the AEC, the Australian Electoral Commission, is compliant? I asked Mr MacGibbon some questions on 24 October last year. I’m just seeking reassurance that the AEC is complying with the top four mitigation strategies.

Lt Gen. Frewen: You would probably need to refer that question directly to the AEC. I can tell you that we work very closely with them in collaboration about cyber security. I’m not aware specifically of where they are with their own compliance to their essential four strategies.

Senator KITCHING: I want to ask you about a number of departments, including DPS. If it’s possible, maybe we can step through the process where we do know whether departments or agencies are compliant. How do we know whether they are compliant or not? Is that a self-regulating function of each department and agency? If it is, is that sufficient?

Ms Bennett: Yes. It would be for any industry, business or government department to make their own arrangements and take their own views on their compliance—how they conduct it and to what standard.

Senator KITCHING: Whether they are compliant and to what standard?

Ms Bennett: Yes.

Senator KITCHING: That's self-regulating?

Ms Bennett: There is no regulation, if I can use a very formal term. The ACSC provides advice. It provides assistance. It provides training. It is for any individual entity, government or otherwise, to actually conduct their own affairs in regard to cyber security.

Senator KITCHING: My understanding is that with the top four mitigation strategies, you seek compliance departments?

Ms Bennett: There is no regulatory regime. We advise, we assist, we train. There's no regulatory regime. We put that guidance out. We strongly recommend it. But there is no regulatory regime behind the cyber security, the top four and essential eight.

Senator KITCHING: If you advise and assist, do you have a view that you are able to share with the committee around the AEC’s ability to protect itself?

Ms Bennett: I wouldn't have a view on your specific question. I can say that the ACSC, through ASD, has been working with agencies, electoral commissions, in the states and the AEC supporting their own work to ensure that the electoral systems are resilient to cyber threats. There was a communique from the Council of Australian Governments on 12 December 2018 to that effect.

Senator KITCHING: Sorry?

Ms Bennett: There was a communique, I understand, from COAG, on 12 December 2018 outlining initiatives supporting electoral Commissions to ensure that Australia's systems are resilient to cyber threats.

Senator KITCHING: Okay.

Senator Fawcett: There was actually a task force in 2018 around electoral integrity assurance. That was, again, part of that whole of Australia COAG initiative. ASD is not necessarily the right people to ask about that because it's not their responsibility.
Senator KITCHING: Because it is possible, obviously, to ask. On Monday, we asked DPS about their ability to withstand a cyber security attack. Sometimes it is good to assure one's self perhaps from the other end, and that is what I'm seeking to do. Do you think the ASD is able to assure Australian voters that the AEC is cyber resilient?

Ms Bennett: Senator, we have not been asked to undertake the role to assure. We are undertaking our role, which is to protect, to provide advice, to provide training, to provide assistance. In that, any entity, including a government entity, would increase potentially and certainly have confidence in their own ability to defend against any cyber attack.

Senator KITCHING: Have you spent some resources recently in assisting and advising and training the AEC?

Ms Bennett: I couldn't again answer specifically. I am aware that we have been working with them. But to the specifics of whether we have done resourcing and training, I couldn't answer. But I can give you certainly an assurance that we have been working with them. As to the nature of that work, I do not have the information.

Senator KITCHING: Is someone within the ASD able to give that information?

Ms Bennett: Potentially. We can take that on notice.

Lt Gen. Frewen: We can take it on notice and give you the details of what work has been done with the AEC, yes.

Senator KITCHING: That would be fantastic. Thank you. In terms of the role that you have with government departments and agencies, and given that it is a self-assessment—let's take the AEC as an example. It's a self-assessment they do. Is that correct?

Ms Bennett: It would be for their management, yes.

Senator KITCHING: Do you have knowledge of when they might do that? I can imagine that, given cyber security, people are endlessly ingenious. I imagine that if you are a hacker, technology changes quite rapidly. Are you aware that those self-assessments—let's take the AEC for a start—are recent? I imagine that a self-assessment 12 months ago is not going to have the same currency per se as one done in December or January.

Ms Bennett: I'm not aware of how they are conducting their internal processes. That would be a question to refer to the AEC. I note the senator's comments that this is a matter of interest at the COAG table.

Senator Fawcett: In fact, the COAG communique that Ms Bennett referenced was actually around the establishment of a group to, on an ongoing basis, look at the cyber resilience and the risks to foreign interference that face bilateral commissions, both federal and state. That is an ongoing process. That federally has been coordinated by Home Affairs. So if you want more detail on that, Home Affairs is where you'll need to go to understand that. That communique set up the structure whereby there is an ongoing review with agencies of the Commonwealth working with the states and territories.

Senator KITCHING: I will put in some QONs to them. Does the ASD conduct any audits of any departments or agencies?

Ms Bennett: It's not within the work that we do that we conduct audits. As I said, we may go in and assist an entity, if they so ask to do some work to assess their systems, to help them
protect themselves. Again, I come back to the regulatory function. There is no regulatory function that gives ASD the imprimatur to audit.

Senator KITCHING: Are you able to give evidence around whether departments or agencies are complying with the ASD's mandatory top four mitigation strategies?

Ms Bennett: No. I think that would be a question you should address to the departments in question.

Senator KITCHING: There has certainly been publicity this week around the DPS cyber security hack. The Prime Minister gave a statement this week. We understand that the ASD is working with DPS. But you're not able to tell me whether there is compliance with the top four mitigation strategies by DPS? You must know.

Ms Bennett: That is correct.

Senator KITCHING: You must know whether they do comply or not.

Ms Bennett: Senator, that's not a matter I would discuss.

Senator KITCHING: Can we get a private briefing?

Ms Bennett: I would have to take that on notice given it is around operational matters that relate to national security.

Senator KITCHING: I want to ask about the Australian Digital Health Agency. It holds highly sensitive and personal health information on the Australian people. Is that another lot of questions that we would have to address to them personally rather than through the ASD?

Lt Gen. Frewen: Those questions really need to be directed directly to those agencies.

Senator KITCHING: Are there any departments you go into where you think, 'They are not up to date and they're not really on top of their game?' Are you able to give any evidence as to those departments? They are departments that are not complying, if I can take it from that tack.

Ms Bennett: Senator, no. We would not be able to give you that information.

Senator KITCHING: Do you actually hold any of this information? If you are assisting and advising and mentoring and training, you must have a view around whether departments or agencies do comply with the mandatory top four mitigation strategies, because they are mandatory. So you must keep some records of whether government departments and agencies do comply with them.

Ms Bennett: I will slightly reframe that. When we're asked to support an entity, it's very rarely that we're asked to determine whether they are compliant. They are able to determine that from the information available from the centre. In general, when we go and support any entity, it's often because they have a particular incident or issue. So our focus is on understanding what particular events have led up to that—what malware. As I've indicated before, it's not our role to conduct an audit. Therefore, we wouldn't be keeping records that are in any way an audit. So as to your question about whether we keep records, I would hesitate to say I don't think so because we don't undertake this audit role that I think you are asking about.

Senator GALLACHER: What happens at estimates, though, is we ask a question of what we think is the relevant area and we get pointed to the one that has just left. I could ask on
notice all of the agencies that Senator Kitching has indicated, 'Are you compliant with the five or four mandatory standards of cyber security?' If one of them came back and said no, to whom do we ask the next question?

Lt Gen. Frewen: Well, that agency is responsible, then, for making its own decisions around risk mitigation in regard to cyber security.

Senator GALLACHER: So there's no point asking you questions about anybody other than your own entity? Is that the case?

Ms Bennett: I think the question is—no point in asking us questions. We can answer some of your questions. I think—

Senator GALLACHER: I'm not hearing many answers today.

Ms Bennett: If your question does go to the level of compliance or otherwise—if it goes to what activities an entity is putting in place—as we've indicated, those questions would need to go to the particular department or agency.

Senator GALLACHER: The 2016-17 compliance report was released in September 2018. When is the next 2017-18 report going to be released?

Ms Bennett: I would have to take that on notice.

Senator GALLACHER: There's no regular time? Is it a shot in the dark—'We've done it and we'll let it go when we feel like it?'

Ms Bennett: No. I'm sure there is a process behind it. I just can't answer you. I don't have that date.

Senator KITCHING: Given that's quite a process question, do you think we could get that answer? Are you able to speak with someone now?

Ms Bennett: We could try. We have our officers outside. They are watching this. I'm sure if they can get the answer, they will.

Senator KITCHING: That would be very helpful.

Senator Fawcett: I will go to the broader point that you've both raised. Go back to that communique from COAG and look at the electoral risk assurance task force that was set up specifically to report to the various electoral commissions. It is confidential because it is their responsibility to seek expert advice but then to deal with the risk. It's not ASD's role to broadcast to the world their assessment. They are helping. They give a report. It's the responsibility of that agency, electoral commission or whichever department you're talking about to address it. If you have questions about whether they are compliant with the top four, that would need to go to the AEC or whichever group you want to ask.

Senator GALLACHER: But where do we actually find out whether ASD is doing its job? Is there a report that says 'We're on top of stuff' somewhere?

Lt Gen. Frewen: We answer to the Minister for Defence, who is fully across all of our operational matters. We are subject to close oversight through the Inspector-General of the intelligence services. We have quarterly meetings with her that go through all of our compliance matters. She forms a view on our compliance and reports that in her annual report. We also prepare an annual report ourselves which, until recent times, has been a
classified report. We answer to the Parliamentary Joint Committee on Intelligence and Security for matters of our administration and management but not to our operational details.

**Senator GALLACHER:** So you do have an annual report.

**Lt Gen. Frewen:** Yes.

**Senator GALLACHER:** So we can get a declassified annual report.

**Lt Gen. Frewen:** It's our intention this year to issue a declassified version of the annual report in that this is our first year as a statutory entity.

**Senator Fawcett:** I will add that the scrutiny by the PJCIS does in fact go to not only the agency but also the IG. So that committee gets an independent view on the efficacy and compliance of ASD and the work that they do. So that is the parliament's quality control. It is going through the intelligence and security committee.

**Senator KITCHING:** I think ASD is exceptional and we are very lucky to have the professionalism of the people there. I asked a question last October about the AEC and its cyber resilience. The question was put on notice. I don't have a response, not even, 'Well, you should direct this question to the agency.' I guess it's difficult if we're not told that it is better to go to each department. I would have put to DPS, obviously, on Monday whether it is compliant with the mandatory top four mitigation strategies. But now we will go back to each department that is relevant and each agency and ask them. If I receive something back saying we should speak to the ASD, we will be back here in the next lot of estimates and I will be deeply unhappy. I say that so it's understood.

**Senator Fawcett:** You would expect nothing less from ASD.

**Senator KITCHING:** So am I going to get a response to that question from October last year? Obviously, it's well outside the response period.

**Ms Bennett:** Yes. I apologise. I have not received any briefing coming into here that there was a question outstanding so we will certainly attend to that.

**Senator KITCHING:** Do you think I could have that more quickly than the 30 days?

**Ms Bennett:** I have no background, but I understand your desire. We'll do our very best.

**Senator KITCHING:** Is someone able to tell you now about the process question about the report? The 2016-17 report was, I think, tabled in 2018.

**Ms Bennett:** I'm being advised that we are in communication and we are following it up to try to give you the answer in the hearing.

**Senator KITCHING:** I don't have any more questions here.

**CHAIR:** Well, I'm sure we can let ASD go early in that case.

**Senator KITCHING:** I'm suggesting that, given they are scheduled for 5.30 pm to 6.00 pm, that perhaps the 10 minutes remaining could be used to find the answer to when a report might be released.

**Ms Bennett:** We are doing that. The officers behind are in communication. We're trying to find you the answer, Senator.

**CHAIR:** If you have no more questions, I'm sure we could let them go.

**Senator GALLACHER:** And come back for two minutes.
CHAIR: And come back for two minutes to give a response to your specific request.
Senator KITCHING: That would be very helpful.
Ms Bennett: Certainly. We'll remain.
CHAIR: ASD, thank you very much for coming along today. We'll see you at some point in the near future in relation to that outstanding question. Thank you very much. We will get Defence Housing Australia to come on early.

Defence Housing Australia

[17:50]
CHAIR: I welcome back senator the Hon. David Fawcett, Assistant Minister for Defence, and welcome Mr Brett Jorgensen, Acting Managing Director, and senior officers of Defence Housing Australia. Minister, do you wish to make an opening statement? No. Mr Jorgensen, do you wish to make an opening statement?
Mr Jorgensen: Thank you, Senator. I want to make the committee aware of two significant matters since our last estimates hearing. Firstly, I would like to advise the committee that Ms Jan Mason has resigned as DHA's managing director with effect from 4 January 2019. Ms Mason has been our managing director for the past three years. On behalf of DHA, I would like to formally acknowledge the significant contribution, commitment and professionalism from Ms Mason over that time. Ms Mason resigned from DHA for purely personal reasons. DHA is currently in the process of selecting a new managing director.
I would also ask that you note the work that has been undertaken in Townsville in response to the floods by Defence Housing Australia. This has been one of the most significant emergency events that DHA has been involved in for some time. We've worked very closely with the Department of Defence in supporting ADF members and their families, and we continue to assist those families affected by the floods. I acknowledge the commitment and the work done by our staff and the high level of cooperation with the Department of Defence. Thanks very much.
CHAIR: Thank you.
Senator GALLACHER: I have a couple of questions. Ms Mason's tenure was probably a shorter term than expected. The previous CEO was around for a while. There were personal reasons for her leaving. Is that right?
Mr Jorgensen: I will ask our general manager of governance, Mr Jordan, to address the aspects around the managing director and any questions on the application process.
Senator GALLACHER: I want to get this straight. Is it CEO or managing director?
Mr Jordan: The term under the act is managing director, although people do use the term 'CEO' interchangeably.
Senator GALLACHER: Then, as part of that, there's a managing director, not a CEO?
Mr Jordan: Yes. The term under the act is managing director, although people do use the term 'CEO' interchangeably.
Senator GALLACHER: Have there been any particular changes on the board with the chairman and deputy chairman?
Mr Jordan: No. No changes of late.

Senator GALLACHER: In the last 12 months, no changes?

Mr Jordan: No.

Senator GALLACHER: On notice, could we have the current members of the board and their term of office?

Mr Jordan: Certainly.

Senator GALLACHER: The search goes on for a new managing director. How does that happen? Is there a committee of the board, a subcommittee, that is formed to oversee the recruitment of a new managing director?

Mr Jordan: I'm happy to take you through the process at the high level. Under the Defence Housing Australia Act, the board is responsible for the appointment of the managing director. A subcommittee of the board forms a selection committee with a representative from the APSC. That committee runs a process and sends advice to government on their preferred candidate.

Senator GALLACHER: So it would be the chair of the board plus who?

Mr Jordan: Correct. It's three directors of the DHA board.

Senator GALLACHER: Including the chair?

Mr Jordan: Correct, including the chair and a representative of the Australian Public Service Commissioner.

Senator GALLACHER: Is there a remuneration committee of the board?

Mr Jordan: Indeed. The three directors on the selection committee are also the nomination and remuneration committee of the board. So that committee plus an APSC representative forms the selection committee.

Senator GALLACHER: And you outsource to a recruitment specialist?

Mr Jordan: On this occasion, the board did seek the services of an external provider.

Senator GALLACHER: But it doesn't always?

Mr Jorgensen: Since I've been at DHA it has. It is the usual practice for positions of this seniority.

Senator GALLACHER: Perhaps on notice, what are the representatives in that process? What fee do you pay to find a suitable managing director for DHA?

Mr Jordan: Sure. I can tell you the members of the selection committee now, if you like, Senator, to save time. So the chair of the DHA board is the Hon. Sandy Macdonald. It is two other members of the DHA board—in this case, Mr Martin Brady and Ms Jan Williams. The representative of the Australian Public Service commissioner was Ms Katherine Campbell.

Senator GALLACHER: And the timing of the process? Is it generally like a three-month process?

Mr Jordan: It depends. There are a number of variables over which DHA has limited control. Broadly speaking, the process started before Christmas in early December. It is still underway. The board has sent a recommendation of their preferred candidate to government for consideration.
Senator GALLACHER: Is it unusual for the managing director to leave prior to the appointment of a new one, or is that just circumstances?

Mr Jordan: I think in this case it's just circumstances. Mr Jorgensen has given a statement regarding the reasons for resigning.

Senator GALLACHER: Fair enough. She resigned for personal business. Are you a candidate, Mr Jorgensen?

Mr Jorgensen: I did participate in the process.

Senator GALLACHER: You've applied for the job?

Mr Jorgensen: Yes. I did.

Mr Jordan: Which is why I am answering some of the questions.

Senator GALLACHER: And you're a live candidate.

Mr Jorgensen: I understand that the process is still continuing.

Senator GALLACHER: That's all been completed? That process is all finalised?

Mr Jorgensen: Are you referring to the land at Bringelly?

Senator GALLACHER: There was an estimated value of $118 million and a transfer price much less than that by the instruction of the Minister for Defence—is anybody qualified to talk about that?

Mr Jorgensen: Yes. I think we can address your questions.

Senator GALLACHER: That's all been completed? That process is all finalised?

Mr Jorgensen: Are you referring to the land at Bringelly?

Senator GALLACHER: There was an estimated value of $118 million and a transfer price much less than that by the instruction of the Minister for Defence.

Mr Jorgensen: Yes. The transfer has been completed.

Senator GALLACHER: So is Defence Housing Australia able to quantify what your valuation for that land was and what you've actually received for it?

Mr Jorgensen: Yes. Defence Housing Australia sought valuation information on the Bringelly site at two points in time that I think are relevant to what you've asked. The first is in March 2015. That valuation was associated with the acquisition of the site from the Department of Defence. That value was $10.35 million. A second valuation that is relevant was undertaken in October 2017. That valuation showed the as-is value of the site at $21.8 million. DHA transferred the site back to the Department of Defence in November 2017, under a direction from the Minister for Defence, at a value of $11.59 million.

Senator GALLACHER: I think Ms Mason in Hansard gave evidence that there was a much higher valuation than $21.8 million. Irrespective of that, the effect on DHA is that you basically lost an opportunity. Even at the $21.8 million and the $11.59 million, you're out of pocket.

Senator Fawcett: Well, not out of pocket, Senator Gallacher.

Senator GALLACHER: But DHA is.

Senator Fawcett: The indications from Ms Mason, I believe, related to a couple of offers or indications of interest. They weren't formal offers from people. That's very different to an actual decision. The other factor is that the expectation in 2015, when the land was vested,
was that it would be rezoned to be suitable for housing. It became clear by 2017 that that rezoning was not going to happen. It's not in the act for DHA to hold land for the purpose of speculation, hence, as part of the broader government priority, it came back to Defence in the context of the Western Sydney airport.

Senator GALLACHER: I thought that's what DHA did; they bought the land on the outside. I've been to DHA sites in Western Sydney, where they bought subdivisions, built defence housing loans and made lots of money selling the land. Are you saying that they don't hold land for sale?

Senator Fawcett: For housing. This land was not going to be zoned for housing.

Senator GALLACHER: Irrespective of that, those valuations indicate that there is a difference between $21.8 million and $11.59 million. How does the board deal with that?

Mr Jorgensen: Maybe I can comment and pass over to Mr Jordan.

Senator GALLACHER: How do you actually deal with that? That's just a transactional thing. With twenty-twenty hindsight, the figures don't line up. You didn't make any money. How do you do it in an accounting way?

Mr Jorgensen: I think the broader issue is how we go about provisioning housing in support of the Holsworthy base in that region. We have an extensive process there of looking through either the market, constructing on our land—

Senator GALLACHER: You might misunderstand my question. From a totally fiscal point of view, the board must produce a report of its finances. If you had a valuation at $21.8 million in October 2017 and in November 2017 you got $11.59 million, how does the board deal with that? Where in the annual report is it reported that the instruction of the minister had the effect of reducing you by $10 million?

Mr Jorgensen: I think Mr Groenewegen can assist you. He is our acting CFO. I think we can advise how that's reflected in our books.

Mr Groenewegen: On acquisition, the land would have been brought into our books at the cost of the land, so $10.30 million, as advised by Mr Jorgensen. The land under direction was disposed of—and we sought advice around the proper tax and accounting treatment of that disposal—for $11.5 million. So it would have shown in the accounts as being a profit on the disposal of the land.

Senator GALLACHER: So what is the point of the valuation in October 2017? What was the point of it? Presumably, you had to pay someone to give you that valuation. Why did you have a valuation then?

Mr Groenewegen: That's not something that I can inform you of.

Mr Jorgensen: That's part of DHA's process in terms of understanding the value of the property and providing advice to government.

Senator GALLACHER: I'm curious now about your books. I can understand exactly what you're saying. It was $10.3 million, and $11.5 million is more. What is the point of valuing it at $21.8 million in October 2017 if the financial treatment of it is such that you took $11.59 million? What was the point of that valuation? More importantly, where does that go into your accounts, because it looks like a loss?
Mr Groenewegen: In 2004-05, DHA determined that it would prepare its financial accounts on a for-profit basis. For whole-of-government accounts, we still prepare on a not-for-profit basis so that we can be consolidated on a consistent basis. Each year, we go through a process of valuing our assets. I will be happy to check for you the basis of the valuation, but I believe it is in order to form or to identify an appropriate value for our not-for-profit accounts.

Senator GALLACHER: I'm not an accountant. I barely finished high school. That sounds a bit confusing to me. Are there any other occasions when a ministerial directive has been used which has impacted on your accounts like this? Is this the only one in recent memory?

Mr Jorgensen: I'm not aware of any previous directions. I'll just check with Mr Jordan.

Mr Jordan: Thank you, Mr Jorgensen. Ministerial directions are a mechanism under the DHA Act which have been used a number of times since DHA's existence. They are used for varying reasons. From my memory, I think this is the only occasion that the minister has used the direction to acquire land.

Senator GALLACHER: Perhaps you could confirm that on notice.

Mr Jordan: Yes. I'm happy to do so.

Senator GALLACHER: Minister, you're saying that the Bringelly site will not be used for housing?

Senator Fawcett: It became obvious in 2017 that the zoning wouldn't eventuate for housing.

Senator GALLACHER: What is the site going to be used for?

Senator Fawcett: Then Prime Minister Turnbull in March 2018 announced that land owned by the Commonwealth north of Bringelly would be part of the Western Sydney City Deal.

Senator GALLACHER: Does that mean it will be housing under the city deal?

Senator Fawcett: No. I think it's actually more commercial uses.

Senator GALLACHER: Even more valuable. Commercial use. This is the Commonwealth contribution—

Senator Fawcett: To the city deal.

Senator GALLACHER: To the city deal at Badgerys Creek or something?

Senator Fawcett: Yes.

Senator GALLACHER: Would that absolve the Commonwealth from adding more money, because it's obviously extremely valuable?

Senator Fawcett: It's part of the calculation they made around the city deal. It's part of the government's commitment to actually release more land to allow the states and territories to—

Senator GALLACHER: If only if we had this before we let Infrastructure go on Tuesday. Now we're going to have to wait another three months. That would be the department we had on Monday. Is Infrastructure Australia involved in that city deal?

Senator Fawcett: I'd have to take that on notice.
Senator GALLACHER: All my questions now should be directed to another entity. That's what you're saying, aren't you?

Senator Fawcett: You're a quick learner, Senator Gallacher.

Senator GALLACHER: I will ponder that while Senator Moore tears a strip off you.

Senator MOORE: That won't happen. I have a couple of questions. One is to add our acknowledgement of the previous managing director's service. Many times she attended estimates and gave very effective information through briefings. I will put on the record that we share in the acknowledgement of her time. I have a couple of questions around the Mount Lofty Toowoomba development. I've been asking questions about this for a while. I want to get an update on a couple of things and have particular questions about what is happening.

Mr Jorgensen: No problems.

Mr Cummins: Would you like to start off with a bit of an update?

Senator MOORE: Yes. At our last meeting over 12 months ago, at that stage, the process had been mainly left in the hands of the council because it was at that stage of getting approvals and so on. The community consultative groups were continuing to meet. There had been a lot of effort invested in ensuring that the community had access to the site and had full opportunity to discuss what was happening. That is where it was. Subsequently, I received some information that there has now been an environmental issue raised with the land and that DHA's ecologist had advised that the development site includes 38 hectares of critical koala habitat that will need to be cleared. This advice has necessitated the deferral of this development to the federal department of the environment under the Environment Protection and Biodiversity Conservation Act. I want to see whether that information is accurate. Can we have an update on what we do now?

Mr Jorgensen: Yes. I think we can certainly give you an update. Mr Cummins will help me expand on that. We are still in the process with the council. The application has gone to council for review. We have had a public notification period. We're now in a period of time where the Toowoomba regional council is coming back to DHA with questions around the development and the master plan and the documentation that we put in for the application. We anticipate that that process will occur over the next couple of months until the council makes a determination on the development application.

Senator MOORE: Is there any set time frame under the Toowoomba regional council process?

Mr Jorgensen: Mr Cummins may be able to help us there.

Mr Cummins: We expect to go beyond the set time and are expecting a response from the Toowoomba regional council in mid-2019.

Senator MOORE: My question is whether they have to respond in a certain time. I understand that the referral process has happened and there is a public consultation. I should be, but I'm not aware, of the actual rules of the Toowoomba regional council as to whether they have to respond within a certain period of time. Again, this was the thing we were working on before about having a time point as to what each of the stages would happen. At this stage, you're expecting mid-2019?

Mr Cummins: Yes.
Senator MOORE: And that's looking at all the issues around access roads and all that stuff we've talked about in the past?

Mr Cummins: Yes, it is.

Senator MOORE: What about the koalas, because that was not on the table 12 months ago when we were talking? There was no discussion around an environmental sensitivity regarding koalas. We had concerns about heritage trees but not koalas. When did the koalas pop up?

Mr Jorgensen: Mr Cummins can expand on this. I am under the understanding that DHA's reports around the flora and fauna had identified the koala habitat and has taken that into account in the master plan that has been developed, including how the large surrounding area of the site is, which we're not proposing to develop—

Senator MOORE: The one you're maintaining in terms of green space? That is the area that you're maintaining as green space, which was an evolution of that? When we first started talking about this, there was a great deal of fear that all the land would be built on. There was evolution in the program. The last I heard was that you had identified clearly an area of construction and also very clearly an area that was going to remain green space and public access.

Mr Jorgensen: That's right. Of the 379 hectares for the total site, the master plan at the moment looks to develop within a 53-hectare area. Of that 53 hectares, there is a considerable amount of open space as well. We've tried to take into account those environmental aspects. Ultimately, we need support from the department of environment around those environmental aspects as well. Is there anything you would like to add there, Mr Cummins?

Mr Cummins: I would just add that, within that 53 hectares, approximately 24 per cent of that will be retained for open space and green space. You mentioned the critical area for the koalas.

Senator MOORE: What I have been told is that it is 38 hectares of critical environment for the koalas.

Mr Cummins: That's a term from the federal Environment Protection and Biodiversity Conservation Act, or the EPBC Act.

Senator MOORE: Right.

Mr Cummins: Where there are two or more koala trees growing, it's referred to by that term. That means that, to have that classification, we have two or more koala trees growing. I support Mr Jorgensen's position that we had identified that a koala had been spotted and identified by our environmental ecologist as they've gone out.

Senator MOORE: It just wasn't in our last briefing so it may have happened in between the last briefing I had. That's fine. Where have the trees been identified? In the place where you want to construct or in the other part? It's a very large piece of land, as you know. Where have these sensitive areas been identified?

Mr Cummins: There has been one koala spotted within the area nominated for future development.

Senator MOORE: Right. So they've actually seen a koala?

Mr Cummins: Yes.
Senator MOORE: It's not just a tree. Did that automatically stimulate a referral to the environment protection act?

Mr Cummins: There are a number of things which cause us to make referral to the environmental EPBC. Particularly as we are representing Commonwealth land, we operate to a higher bar, so that referral occurred.

Senator MOORE: Did you make the referral or did the Toowoomba regional council make the referral to the environment protection people?

Mr Cummins: We make the referral. That is happening in parallel with our application to Toowoomba regional council.

Senator MOORE: We've got the process and the public consultation. I know there's signage up. We're advising people that they have this much time to get engaged. My understanding is that that time has concluded for public comment. Is that correct?

Mr Cummins: Yes. I can give you the dates when it was.

Senator MOORE: If you could put that on notice, that would be lovely, Mr Cummins. I'm wanting to know what is happening with the environmental protection referral.

Mr Jorgensen: The council referral period closed in December 2018. We will take on notice—

Senator MOORE: It's not your referral process. I want to put on record that I am always really sceptical about processes that end in December 2018 and processes that have important dates in that December and January period. I think it causes confusion in the community when there's so much more happening in December and January. It's just a standard comment. I know that's a Toowoomba regional council process, not yours, but I want to put that on the record. That closed then. What happens next?

Mr Jorgensen: We'll take on notice to give advice on when we'll refer to the Department of the Environment.

Senator MOORE: So have you not already referred?

Mr Cummins: We have.

Senator MOORE: You have. I thought so. Can you give us on notice the expectation of what happens now? I'll ask Environment from their point of view. It's really to understand your expectation of how this environmental process will operate. From your understanding, will that freeze what is happening with the Toowoomba regional council? Are they able to continue their process while this is still going on? Can they operate in concert?

Mr Jorgensen: Yes. They can operate separately. If the process went ahead, the Toowoomba regional council could approve or make a conditional approval or reject. Separately, the department of the environment would assess the environmental aspects.

Senator MOORE: So they can approve without condition, despite the fact that the environmental process has not been concluded?

Mr Jorgensen: Yes. I understand that they are two separate processes. Is that correct, Mr Cummins?
Mr Cummins: They are. The federal Department of the Environment and Energy has oversight across the stages of the environmental process. They will provide approval or otherwise.

Mr Jorgensen: DHA will have to secure approval from both bodies.

Senator MOORE: Sure. In this case, you are the common claimant. It's not the council that is getting this information; it's DHA, is it?

Mr Jorgensen: It's DHA, as the owner of the land.

Senator MOORE: In terms of your project plan, what are the dates that you are still working towards? Allowing that these things are going through in the overall DHA plan, when were you hoping to have this project in place?

Mr Cummins: We are anticipating a council decision in mid-2019. We are equally working with the federal department EPBC to get our approval through them. Both parties will put the rules of operation on how we develop the land. Then we'll have to respond to that with our engineering works. That will be resubmitted for approval.

Senator MOORE: Back to council?

Mr Cummins: Yes. That needs to go to the council or a certifier.

Senator MOORE: Thank you. It would be really useful to get a dot point response about that. My overall point is that you were hoping to have this before. You knew you had a process to go through. When were you hoping to have this particular process in place in Toowoomba for construction? I know that has been discussed and part of the community consultation. Was it 2020, 2021 or 2021-22? What did you talk to the people of that Mount Lofty region about?

Mr Jorgensen: We'll just find that date. From DHA's perspective, one of the things we would have been aiming for is to support defence housing in the area and housing for ADF members. Note that we still have to go through the project time frame.

Senator MOORE: You can just put that on notice. I know Senator Gallacher has some questions. If we didn't get it, can we also get an update of what is happening in Townsville in terms of the number of buildings impacted and all those kinds of things? We had some information earlier from Defence about the number of Defence personnel who were impacted. It would be useful from DHA's perspective to get an update. Can we get that on notice because of time?

Mr Jorgensen: We can either take that on notice or—

Senator MOORE: Take it on notice because we've got only 10 more minutes.

Mr Jorgensen: We're happy to provide information.

Senator MOORE: I can feel Senator Gallacher vibrating. Thank you very much for the update on Mount Lofty. If we can get that information, it will be very useful.

Senator GALLACHER: I have a broader question. You own and lease houses. Is that correct?

Mr Jorgensen: That's correct.

Senator GALLACHER: Is the volume of owned and leased houses going up or down over the next three years? Do you plan out that far?
Mr Jorgensen: Over the next three years?

Senator GALLACHER: Yes.

Mr Jorgensen: I do have that information. I think, by the quantum, it would be safe to say the volume of owned and leased houses is reducing over the next three years.

Senator GALLACHER: Is that because there's a lower requirement from Defence for houses? What is happening there?

Mr Jorgensen: At a high level, yes, you're right. We've assessed the need for housing. Under our processes, there is a lower need across those three years. I'm happy to explain further if you would like.

Senator GALLACHER: So if there is a lower need for defence housing under the system that you operate in, does that mean that people are just being paid a rent subsidy to go out in the community and rent a house? Where do they go? If you reduce your stock, and if I get posted to Darwin, there's no defence housing option and I rent in the community. Is that what happens?

Mr Jorgensen: Essentially, there are three different ways that Defence Housing provides assistance to Defence members in terms of housing. It is either through their own home, through a Defence Housing property or on the private market with an allowance. From that perspective you're right. The numbers are changing a bit in terms of the requirement; they sometimes increase and decrease. There is a process we use with Defence to seek that information. You're essentially right; if the numbers in one area go down, they go up in another area if the requirement stays the same.

Senator GALLACHER: Once again, we should have asked Defence whether there was an increase or a decrease in requirement for defence housing. Gee, we've let them go at 5.30 pm.

Mr Jorgensen: We can answer some of those questions.

Senator GALLACHER: Give us that picture on notice. I just want to understand why there is a decrease in your role in providing valuable ongoing housing solutions for Defence. If you can give us a paper on notice, I would really appreciate that.

Mr Jorgensen: We can do that. There is a minor decrease. It is driven by demographics and Defence policy. We will be happy to provide you with some explanation on notice.

Senator GALLACHER: Excellent. Thanks very much.

Senator MOORE: Senator Kitching was waiting to see whether there is an update from ASD.

CHAIR: ASD aren't ready. I'll get them to come back at 7.30 pm.

Senator KITCHING: Are they not ready?

CHAIR: That was my advice before, unless someone comes rushing through those doors.

Senator MOORE: On that basis, given we have five whole minutes, I would really hate to not have some information about Townsville. If we have five minutes, we can get more. It is such a pressing issue that it would be useful to get some data.
Mr Jorgensen: We can certainly give you an update on Townsville. DHA moved quite quickly to set up a cross-functional team within our head office in support of our regional office.

Senator MOORE: Is there a regional office in Townsville?

Mr Jorgensen: We do have an office in Townsville.

Senator MOORE: You have actually got a base in Townsville that is on site?

Mr Jorgensen: Correct. There are a number of Defence bases in Townsville. There is a Defence Housing Australia office in Townsville. It's one of our key offices. It has property staff as well as one of our contact centres. So it's a very key location. We set up support straight away for the Townsville office. The Townsville office itself worked very closely with Defence in the support processes. Early on, some of our priorities were to identify just how widespread the damage was to Defence owned houses, leased houses and members that are in their own home or in the private rental area receiving rent allowance. That initially gave us a feel for how many members might need housing in the short to medium term.

We also did quite a bit of work on how many houses we could make available for the recovery phase. We worked very closely with Defence around the needs of those members who were displaced and to help them move into housing as soon as we could. It was quite an arduous task. I think a lot of Defence members and their families are in extremely difficult situations because of the floods. I would like to ask Ms Steele to go into some of the detail.

Ms Steele is our acting general manager for property and tenancy services and led some of the recovery activity from our head office. Me and Ms Steele visited the Townsville office and saw some of the damage first-hand.

Senator MOORE: Thank you, Ms Steele.

Ms Steele: In terms of the damage to properties in Townsville, 288 properties were affected. Of those, 97 were inundated and uninhabitable as a result of the floods caused by the monsoon. These were largely in the affected areas of Idalia, Annandale, Oonoonba and Rosslea. One hundred and ninety-one properties require maintenance but are still habitable. In terms of the process of allocating houses, we have 107 properties that we have been able to make available over the past three weeks since the initial emergency occurred. We've been working with Defence through establishing a triage process with a priority list of displaced families. Through that process, we've currently allocated 51 houses to displaced members and their families. We are currently working through that. We have 33 houses that we are currently making available to families to look at and make decisions about. From next week through until early April, we're expecting to have another 36 properties come online. This is a very fluid situation. As we are working with families, they are making—

Senator MOORE: Unfortunate adjective.

Ms Steele: At this point in time, we are looking at the total number of members who we think are remaining with unallocated properties. It is around 83. Twelve of them are members with dependants. The remainder are singles—members without dependants.

Senator MOORE: Easier to house.

Ms Steele: We are working with Defence around a range of solutions to house those people.
Senator MOORE: Thank you. Are you intending to put some report up on your website giving indications about what is happening in this space?

Ms Steele: We have been communicating directly with members in Townsville. We have had quite an intensive communication program, with letters directly to members and to our investors. We also have been updating members on social media through our Facebook page and so on.

Senator MOORE: Thank you.

Mr Jorgensen: I would like to acknowledge the amazing staff work in the Townsville office. Four of the staff were impacted by the floods personally, with a number of those in the office working very soon after.

Senator MOORE: I am sure the chair wishes to send the committee's appreciation.

CHAIR: I think the whole committee would like to send best wishes and thank everybody for their work in Townsville. I think the whole Senate does, too, in relation to that. What has happened up north is beyond comprehension for a lot of people who haven't directly experienced it. If you don't have any further questions—

Senator Fawcett: Before you speak further, I will correct something. I mentioned informal offers. There was one formal offer for that Bringelly site.

CHAIR: Thank you, Senator Fawcett. I'd like to thank officers of Defence Housing Australia for coming along. I wish you a safe journey home. We will suspend until 7.30 pm, when the Australian War Memorial is coming in. At 7.30 pm sharp, hopefully, the Australian Signals Directorate will be able to give an answer to Senator Kitching.

Proceedings suspended from 18:30 to 19:30

CHAIR: We'll now reconvene the estimates hearing. I welcome back officers from the Australian Signals Directorate.

Lt Gen. Frewen: In response to Senator Kitching's question about the outstanding question on notice—we don't have any outstanding questions on notice. The answer was provided to the minister's office on 16 November and tabled on 6 February, so that is available. I will now pass to Hazel Bennett.

Senator KITCHING: Just one moment—essentially what did that answer say? Did it say: go to the AEC?

Lt Gen. Frewen: No, it said that we had had a look at the AEC's compliance with the top four.

Senator KITCHING: And were they compliant?

Lt Gen. Frewen: I don't have the answer to that.

Senator KITCHING: Have you got a copy of the response to the QON?

Lt Gen. Frewen: I have a copy of the QON here, but it doesn't include that detail.

Senator FAWCETT: Which is consistent with the position we've taken—that's an issue for the agency to deal with.

Senator KITCHING: I'm going to put some of that on notice, just so you're aware. Sorry, Ms Bennett, I didn't mean to interrupt.
Ms Bennett: In response to your second question, which I think follows on—

Senator KITCHING: Sorry, Ms Bennett. I do want to make the point, though, that I asked that question on 24 October and the response was on 6 February.

Lt Gen. Frewen: It was tabled on 6 February.

Senator KITCHING: I think that's well outside the reporting deadline.

Ms Bennett: The Protective Security Policy Framework, which is the responsibility of the Attorney-General's Department, requires government entities to self-assess their compliance against the framework. The self-assessment report each year is required to go to the relevant portfolio minister, the secretary of the Attorney-General's Department and the Auditor-General. ASD receives copies of the noncompliance reports against a particular part of the PSPF which relates to technology. ASD does not produce a consolidated report. When we receive the self-assessed noncompliance reports, we respond directly to those agencies and departments to offer support, noting that the agencies remain responsible for their own security arrangements. We also use the overall picture of noncompliance to inform our broader advice and support programs.

Senator KITCHING: So the 2016-17 compliance report was tabled in 2018?

Ms Bennett: I can advise—and this is from the website; you may wish to follow up with the Auditor-General—that, as I've indicated, the Auditor-General receives a copy of the self-assessment that entities make against the PSPF. In October 2017 the Auditor-General published a report called 'Cybersecurity compliance 2016-17'. So it's the Auditor-General publishing a report, not the ASD.

Senator KITCHING: I understand that. When did you give the Auditor-General the 2016-17 report?

Ms Bennett: We're not involved in it.

Senator KITCHING: You must compile your own report?

Ms Bennett: No, we're not required to.

Senator KITCHING: You don't do any report compiling?

Ms Bennett: No.

Senator KITCHING: Just so I'm clear: it's the ASD compliance report, but in fact you don't do it?

Ms Bennett: It's not an ASD compliance report. The information I have from the Auditor-General's website is that the report is 'Cybersecurity compliance 2016-17'. It was published in October 2017, and it's the report that the Auditor-General publishes, based off the information that they receive following the self-assessments against the PSPF.

Senator KITCHING: I have here that it's actually the Attorney-General's Department which publishes, and in fact that's where it has the rather startling figure that only 60.2 per cent of non-corporate Commonwealth entities were fully compliant. We can check to see who publishes.

CHAIR: What we might do is put further questions on notice.

Senator KITCHING: Just one moment, Chair.
CHAIR: No, we brought them back just to answer those quick questions. We've got to move on to the Australian War Memorial, who are due here at 7.30, and I can see Dr Nelson at the back. You've had five minutes, which is more than—

Senator KITCHING: In fact I lost 10 minutes, remember, because we couldn't have the discussion before dinner.

CHAIR: Well we're moving on. We've got a schedule to stick to here. I don't want to get into talking about how much time Labor has had.

Senator KITCHING: No, it wasn't on a party basis; it was on the agency.

Senator MOORE: To be clear, Chair, no-one has raised that.

Senator KITCHING: Anyway, I might seek a private briefing.

CHAIR: I will let you take any further questions on notice. We thank the officers of the Australian Signals Directorate for coming along this evening and for coming back. Thank you very much.

Australian War Memorial

[19:36]

CHAIR: I welcome Dr Brendan Nelson and officers from the Australian War Memorial. Dr Nelson, do you wish to make an opening statement?

Dr Nelson: Thank you very much, Senator McGrath. Since we last met and had the opportunity to speak to the committee, the government, supported by the opposition, has announced a generational investment in the Australian War Memorial. On behalf of the Invictus generation of these young veterans and their families, I say thank you.

CHAIR: Thank you. I will hand over to Labor.

Senator GALLACHER: Senator Moore is going to take charge here, so be prepared!

Mr Moore: Thank you, Dr Nelson. These questions are really similar to what we asked last time, because it was prior to the stage of getting the formal approval. You already had the proposal and were considering some of the issues that were going to be involved in that proposal. Now the funding has been agreed, can you detail the works by stage, including cost and expected completion date? Have you got to that level of detail in the plan?

Dr Nelson: We have. Broadly speaking, the government invested $16.4 million in the initial and detailed business case. We delivered that on time at a cost of $8 million. The $8 million that was not spent through that process the government has agreed to us investing in the project and getting on with it.

Senator MOORE: So that money flowed over?

Dr Nelson: Yes. The minister for finance agreed to that, and that, as we speak, is working on progressing the project as quickly as possible. We have, as has been announced, $498.7 million over nine years committed to the project. That is $232 million over the forward estimates. The breakdown on that is $38.3 million for this year. For 2019-20, it's $53.5 million, $46.5 million and then $93.7 million. That's $232 million over the forward estimates. That includes escalation and contingency funding. Of the total $498.7 million for the project, $57 million is for contingency and $82 million is for escalation costs.
In terms of the design, the Council of the Australian War Memorial was presented with four designs on 3 July last year, which it considered. Those four designs had been distilled from two initial options presented to government and chosen by council out of the initial business case. Of those four designs, the Council of the War Memorial unanimously settled on one design, which is the preferred design for the redevelopment of the memorial, and that was chosen on the basis of minimum complexity, maximum efficiency, minimum threat to the integrity of the existing heritage building and best value for money for the Australian taxpayer. The government considered the matter formally, I understand, at its Expenditure Review Committee in October last year, and an announcement was made on 1 November. I should also add that, along with our chairman, Mr Kerr Stokes, AC, I briefed the Leader of the Opposition on this, the costings, in particular, and the preferred design, on 14 August last year. And he and his advisers were quite comfortable with what we were doing, for which I give him much credit and thanks.

In terms of the process that we are at now, we are on the cusp of jointly announcing with the minister the executive director for the project—the overall project management. We are just finalising the paperwork, but I would hope you would see an announcement of that appointment in the next few days. We have already gone to the marketplace to find a project manager and we also have issued an expression of interest for architects for the design of this, and we'll be holding a first meeting with those interested parties this week. We also have—again; using the money which we had saved from the budget for the detailed business case—GHD Pty Ltd, the company we contracted, which is a multidisciplinary company that specialises in these kinds of projects. We've tasked them with preparation of the heritage assessment under the EPBC Act and we will certainly have that lodged by the deadline, by 31 March this year. Also, through our project manager, Mr Tim Wise—whom we contracted and appointed from Xact Pty Ltd early last year, in January—we've had preliminary discussions with the secretariat of the Public Works Committee to see if we might get some consent to us proceeding with preliminary works on the site toward the end of this year for the building of facilities for the construction teams that will obviously come in.

If things do go according to plan, we would expect the first elements of the construction to be occurring in the last quarter of the next calendar year and that will be the demolition of Anzac Hall, and then in the first quarter of 2021, the rebuilding of Anzac Hall, which will be wider, deeper, two levels, and with an atrium in the centre. Simultaneously, we will have the extension of the Bean building, which is out on the eastern side of the memorial, into which will be decanted the back-end operations of the memorial, when we get to that stage of the project, and from 26 April 2021, the day after Anzac Day, commence works underground, with a new underground entrance and entrance hall at the front of the memorial. That's broadly the way things are proceeding.

The model that we are going to pursue with this is that, instead of appointing a single company—I won't name them, but a single company to manage the whole thing, which would end up gouging the Australian taxpayer—we are going to have, as I say, an executive director and a project manager, and we will then have a manager who specialises in procurements and contracts, and then—we will choose through a tender process—we will have a select group of individuals and/or companies that will work on various elements of the project and we will treat the elements of the redevelopment—which are the demolition and reconstruction of
Anzac Hall; the extension of the Bean building; the construction of the Bean Research Centre, which will be contiguous with the poppies; the underground development at the front of the memorial; and then the redevelopment inside the memorial—as separate projects. We will tender for them separately, but we will end up having an integrated outcome.

We are going with, as I say, basically three major works happening simultaneously early in 2021: there are two reasons for that. Firstly, and there are some of them sitting behind me—veterans. They need the memorial to be back and fully operational as soon as we possibly can. Even though we'll operate through the entire project, the least amount of time that it's a construction site, the better for these veterans and their families. And the second thing is that we save a considerable amount of money on escalation costs if we do elements of the project simultaneously.

Senator MOORE: Right, but all of those elements will be working under the executive project manager?

Dr Nelson: They most certainly will, and the line of command there will be that the executive project manager will report to me, and I will report to our council and to our minister. And on various elements the minister will obviously have to report to the Department of Finance and to the parliament.

Senator MOORE: When is the project going to public works?

Dr Nelson: We would like to think, if it's possible before the balloon goes up shortly, that we would be able to get some of the small stuff. What we want to do is to start this year. We started negotiations with the ACT government. The land that is immediately behind Treloar Crescent, behind the existing Anzac Hall, just across the road, we need to acquire that land. We don't anticipate that will be a problem. The ACT government has been very supportive with this project. We want to acquire that land and build the facilities for the construction teams that will be coming in next year to work on the project.

Senator MOORE: So that would be site management in that location?

Dr Nelson: Exactly. The other thing is that in the longer term there will be 118 new car parks that will be built on that land across the road, on Treloar Crescent behind Anzac Hall.

Senator MOORE: Post construction that will still be your property and you will use it as a car park?

Dr Nelson: Yes.

Senator MOORE: I'm impressed, Dr Nelson, that you did all that without looking at notes. I can't believe that you ran through all that—

Senator GALLACHER: I'm going to ask that you tender those copious notes!

Senator MOORE: and could just do those figures. In terms of the staged plans, is that document available? You've given us the allocation per year. You've given us key construction points and milestones. Is there a detailed plan with all of that that could be given to the committee?

Dr Nelson: There is a detailed business case.

Senator MOORE: You told me earlier that has been completed?
Dr Nelson: Yes. That was fully delivered to the government on time on 21 December last year. As I understand it, that is a part of the cabinet-in-confidence process. That’s a government document. It’s a matter for the government to make a decision about it. Obviously what I just said is on the public record, but in terms of the designs on our website, we actually have the renders, we have the designs. What I will do is take your question on notice, and I will be certainly very happy to personally brief your shadow minister or anyone else in the opposition that is seeking more information in relation to the project.

Senator MOORE: It could be well be a point, Chair, where we seek a briefing for the committee. Minister, could we put on record, for the ministers that we would be seeking, is it possible to consider making the business case public? I know that's an unusual request. It is a government decision, but could we put that on record?

Senator Fawcett: I'm happy for you to ask the question, but I can't guarantee the outcome.

Senator MOORE: Of course. Dr Nelson, you referred to the answers last time about the sensitivity of the existing structures and the particular soils and rock formations on the site. That would come up with people asking questions publicly about what the safety elements would be. Can you give us any indication about the process for protecting the existing structures and the wide range of memorabilia and exhibits that you have there? Who is going to be in charge of looking at the protection of those through this whole process? Will that be another specialist task, or will it be part of the ongoing construction? Because, as you would know better than anyone, you have quite a unique situation, and also the commitment to maintain services as much as possible so that people can still attend the memorial and visit. Is the actual protection of the existing collection—what are the processes for that and is that going to be a specialist task?

Dr Nelson: Ultimately I'm responsible for everything that happens.

Senator MOORE: At least we know who to go to!

Dr Nelson: To give you some perspective, early in my tenure I realised we needed to acquire more properties at our storage facility at Mitchell on the outskirts of Canberra. Progressively, with the support of our ministers, we acquired those properties. We own all of them in the precinct out at Mitchell. Over a number of years, particularly from our non-government fundraising, we accumulated enough money in our capital fund to build a new building on one of those properties. We have just completed that building at a cost of $16 million. It is 5½ thousand square metres of exhibition space.

Senator MOORE: Exhibition, as opposed to storage space?

Dr Nelson: Storage, I beg your pardon. You will understand in a moment why I said 'exhibition' instead of 'storage'. Major General Brian Dawson Retired at the end there, who is the assistant director responsible for the national collection, will oversee this particular project with his professional staff. We will decant out of Anzac Hall G for George, our Lancaster, the miniature submarine, the First World War planes, everything that's in there—the Mark 4 tank, the Ha-Go 95 tank, the Milne Bay—everything that is in there will be decanted out next year into the new storage facility that we have built, in addition to large objects which we have been acquiring from Defence that have been decommissioned, such as the CH-47 Chinook and so on.

Senator MOORE: Where are they now?
Dr Nelson: The CH-47 is currently in a very cramped storage space—but safe, everything is good—out at our Mitchell storage facility.

Senator MOORE: It is not on site at the moment, but at another storage facility?

Dr Nelson: It's at our storage facility at Mitchell, but in an existing building. You more or less have to walk sideways to get through everything. There is a lot out there. I will take delivery of a P-3 Orion at the Avalon air show next month. We will get that before the end of June. We also have an F-111 coming in. What we are intending to do—I think you in particular will have an interest in this—as we go through this redevelopment, we are going to continue to operate, but we will be downscaled, so Anzac Hall of course will not be available until it's rebuilt and reopened. But through that period, those things in Anzac Hall and these other objects, we'll get them into the new storage facility, and whereas at the moment we are not open to the public, so the public can't access that, what we want to do is have that open to the public so that that will be a facility that people can go and visit. There will be minimum curation done out there, but it also means that our staff who are currently looking after our visitors on the floor in areas that will be progressively closed will continue to have employment helping visitors out at the storage facility. In terms of the concern about the collection, the staff who are professionally trained in the conservation and protection of our collection are absolutely first-rate. I can guarantee you, as much as I possibly can, that these people treat the collection, which belongs to the nation, with more care, respect and professionalism than I suspect they treat their own cars and personal possessions, in fact sometimes to the extent that I have to remind them that they don't belong to us—they belong to the nation. General Dawson might like to add something.

Major Gen. Dawson: My staff, which is around 117, consists of curators and also what we term collection services, which involves both registration staff—if you think about the people who move these items, from Victoria crosses up to whole aeroplanes—and also the conservation staff which will do the detailed work. If we look at Anzac Hall, when we decant it, probably in the later part of 2020, it will be a very carefully planned process. Some of the large objects, like G for George, will need to be disassembled. The British, when they built the Lancaster, designed it so that it would come apart in modules and could be moved in railway-truck size components, so it is actually relatively straightforward to disassemble it. I still have staff at the memorial who were involved in the detailed restoration of the aircraft in the early 2000s. The remaining objects—there are Wilbur I biplanes, the two pieces of the two midget submarines which attacked Sydney Harbour in 1942, and a range of other objects—will come out. That will be quite a detailed process, through some form of renovation, refurbishment process, depending on what's required for the particular objects. Then, as the Director indicated, our broad concept is to have them available—I'm really thinking of the larger objects—having most of them available for some form of public display so the public can see them. They won't be curated as they are in Anzac Hall, but there will be enough information so that people can get up to them and see them. As the Director indicated, we will also have additional aircraft which we really haven't been able to accept yet—the P-3 Orion which will come in late June this year, and the RF-111, which requires quite complex disassembly. The aircraft is sitting in the South Australian Aviation Museum currently, and with a lot of help from Air Force technical reservists, they will disassemble that aeroplane and it will be transported across the Hay plain and then re-assembled in our new facility at
Treloar. There are several other Fleet Air Arm aircraft—a Fairey Firefly from the Korean War era and a Wessex helicopter, which conducted antisubmarine operations as well as a number of other operations. So it is a long and deliberate process. We need to be thinking first about the decanting, but when the new spaces are constructed there is a whole cycle of exhibition development to put most of them back in.

**Senator MOORE:** Sure. You actually have to redesign the whole space, don't you?

**Major Gen. Dawson:** Yes. There is a whole process of exhibition development.

**Senator MOORE:** That's really helpful. Dr Nelson, is all of that extra cost of movement and transport covered in those costings?

**Dr Nelson:** That is all part of it. A detailed business case has been just that.

**Senator MOORE:** Have any concerns been raised with you or your council about any parts of the current memorial in order to complete the work? Have people raised concerns with you about how it will happen and whether things will be damaged? Are members of the public concerned about the process?

**Dr Nelson:** To my knowledge or recollection I have not received a single piece of correspondence from a member of the public with concern about risk of damage to artefacts or relics. That's a reflection of the fact that they understand what I just said—our professional staff are just that: whatever happens, they will lie down in front of anything to stop any damage to our artefacts or our collection in any way.

**Senator MOORE:** Also in this project, because so much of the War Memorial has been recorded, is there an strategy for recording this whole process?

**Dr Nelson:** It is interesting you say that. The problem the professional staff at the War Memorial have with me is that I come in every day and say, 'I've had an idea.' This morning, when I was riding my bicycle, I got an idea. It is exactly what you said—time lapse photography of the entire project: to set some cameras up in different strategic parts of the memorial to record the project from start to finish, so that a decade from now we will be able to see the whole project.

**Senator MOORE:** As another display.

**Dr Nelson:** Yes. I would have to ask the assistant director responsible for corporate and finance if there will be money in the budget to help us do that.

**Senator MOORE:** To an element, this building has had that. There is that kind of process. Now we're 20-odd years on, with technology it seems like a reasonable part of the whole project.

**Dr Nelson:** Of course. An important point that I should reinforce to the committee is that, because some of the architects are opposed to demolishing Anzac Hall, some members of the public have a false idea that in some way we're going to demolish the original part of the building.

**Senator MOORE:** Yes, there is confusion.

**Dr Nelson:** Of course under no circumstances is that going to happen at all.

**Senator MOORE:** Is there anything that can't be moved—any pieces that are unable to be moved completely?
Dr Nelson: Well, I'm hesitating. I think the Lone Pine diorama, which we don't have to move, but—


Dr Nelson: Yes, the Shellal mosaic. The very small amount of items in the Australian War Memorial that cannot be moved—the mosaic is one—are nowhere near where the construction is going to happen. What's going to happen is there will be an underground entrance at the front with an underground entrance hall. I would expect there would be some impact on the temporary exhibition space downstairs, where we currently have After The War, and the colonial commitments. I suspect there will be some impact on our existing Afghanistan exhibition when we are doing the redevelopment at the back of the building with the research centre, but by and large most of what we're currently doing will continue to operate throughout the redevelopment, plus what happens at Mitchell.

Senator MOORE: And the proposed completion date? It's over nine years.

Dr Nelson: We expect to have everyone who is here in the committee there watching or cutting the ribbons in 2028.

Senator MOORE: There won't be a lot of ribbons to cut!

Dr Nelson: There will be a few. But, seriously, we've all been around long enough to know that, even with the best intentions, there can be unexpected delays. We may have people deliberately try to frustrate the process in some way; you just don't know what's going to happen. But we're reasonably confident, certainly in terms of costing, that the first thing you will see in the last quarter of next year is the demolition of Anzac Hall, and the rebuilding commencing early 2021, with the extension to the Bean Building, and then, as I said, the underground just after Anzac Day. And we expect the major construction to be finished on site by the end of 2025 because then you've got the gallery fit-out. So what's really important is that the galleries themselves need some effort. I can assure you where the stress is going to be in this budget—that's our problem—and that is in fitting out the galleries.

Senator MOORE: Thank you.

Senator GALLACHER: I have two quick points, Dr Nelson. There are always detractors from any project. How are you handling that side of this project? Do you have public consultation or have people raised an issue, like the former architects? How do you handle that, and is that all going well?

Dr Nelson: Personally, I think it is going well. You are professional representatives of the Australian people and you know when you've got a problem. There have, to date, been 16 letters or emails to members of parliament, including our minister, critical of the project. We have received two form letters, produced by the National Institute of Architects, that were critical of elements of the project. In terms of opposition to it, overwhelmingly, most people I have encountered are either supportive of it—and I travel a lot throughout the country in my role—or they are sanguine about it. Then you'll have those who have a view—a legitimate one—which is: 'Well, if the government is going to invest this sort of money in the War Memorial, they shouldn't do it. They should spend it on veterans themselves.' Of course, I'm constantly reinforcing the point that our nation will invest $200 billion over the next decade in acquiring defence materiel and we will invest close to $120 billion in our veterans, as we should, and not a cent of this is coming from either of those budgets. This is in addition to it.
I also explain to those people that this Australian War Memorial is an essential part of what I call the therapeutic milieu for these men and women who come back to a country that has no idea what they've done. It's an essential part of them coming to terms with the impact on them of what they've done. It's hard for them to tell their families, let alone the rest of the country; we have a responsibility to do it now. I think some of the men and women sitting behind me in the gallery appreciate it when I say, if we've had a broader, deeper story of the Vietnam War, certainly by the late seventies, then perhaps some of those veterans might not have suffered quite as much. Most people respond favourably to that.

Then you've got people who, I must say, are not supportive of the War Memorial generally. They have false ideas about it. Some people think, falsely, that it is a glorification of war—in fact, it's quite the opposite. But generally it has been well received. I've got to say—and everyone knows where I'm coming from—one of the reasons is that the government believes in it and has been very supportive of this from the outset, and the opposition is also supportive of it. In fact, I don't think I can think of any members of parliament—even those with a philosophical view of the world that's perhaps not quite as centrist as those that are sitting in front of me—who don't seem to be reasonably accepting of it.

Senator GALLACHER: There's probably no easy way of asking this question: are you going to see the project through? It's a decade-long project. You've championed it up to now.

Dr Nelson: I'm not yet sure. I've been reappointed until the end of this year, and—

Senator GALLACHER: Yes, but you will manage that in this project if you decide to go and do other things?

Dr Nelson: This is a matter to discuss with my wife. You did ask me at the last meeting if there was anyone that said no to me, and I should say that she says no to me in relation to getting another Jack Russell terrier; I should have clarified that. But, if I do seek to be appointed again, it will be to see the project through. It's a personal decision I have to make.

Senator GALLACHER: Thank you very much.

CHAIR: Senator Fierravanti-Wells.

Senator FIERRAVANTI-WELLS: Thank you, Dr Nelson. Can I just say that the service the other evening was just marvellous, as it always is. I have two questions. Firstly, you have a program by which you accept donations from the public in relation to memorabilia or items, do you?

Dr Nelson: We most certainly do, yes.

Senator FIERRAVANTI-WELLS: The other thing is, in an increasingly culturally diverse Australia, from a War Memorial perspective—it's our history—and I just wonder how the War Memorial projects that across the diversity of what is, today, contemporary Australia and how important that understanding is of what the War Memorial is and what it does across that diversity. You know how involved I've been in this area and I think it's really important that the War Memorial does that. I'm sure you're doing things, but I'd be happy to lend additional support to that.

Dr Nelson: Yes. Firstly, in terms of our visitation—and you have been to the War Memorial, of course—you immediately—in fact, the Sydney broadcaster Mr Alan Jones spent nearly a whole day with me at the memorial three years ago. He said to me just before the
Last Post ceremony started, 'Brendan, the thing that surprised me most about today is the multicultural nature of the visitors.' And I said to him, 'Alan, there's a lot of things happening in our world and our country that give you reason for concern but you just have to spend some time here to be reassured. You see these people here from all different cultural backgrounds—people who certainly don't look like me—with a voracious appetite for understanding. You see these young children wearing the symbols of their religious faith, proudly singing our national anthem, and it's reassuring.' As I said at an earlier meeting, one of my experiences is of two women in full burqas with young children in the First World War galleries. I introduced myself. I asked, 'Where are you from?' 'We are from Auburn. We came from Pakistan eight years ago. We're now Australians.' I said, 'Thank you for coming here.' One of them said, 'No, we love it. It's our third visit. This is where we learn to be Aussie.'

In terms of what we collect, obviously we collect from Australians objects, artefacts, diaries, emails, personal effects, things that relate to us telling the Australian experience of war. Those Australians come from all sorts of diverse ethnic backgrounds. This is an institution which is fiercely and proudly free of party politics, race and religion. It's an extraordinarily egalitarian institution. As you all know—I think you've all cleaned it—the Tomb of the Unknown Soldier is almost certainly of the lowest ranks; it could be an Aboriginal Australian. That's us and it's who we revere.

Tomorrow I'm meeting a Serbian delegation. I had the Estonian ambassador in to see me today. I constantly have advocates coming to say, 'Can you please have in the War Memorial an exhibition that tells something about what our people have done?' And I have to politely say to them: 'We're not a place that's going to sectionalise our displays and exhibitions, and compartmentalise them into people from whatever ethnic background that they may be. Our priority is to tell the stories of what Australians have done, irrespective of their ethnic background.' Having said that, we have funded, and we've done a lot of research on, for example, Chinese Australians who have served and Italian Australians who have served. We're very open to—and in fact we do conduct ceremonies built into our Last Post ceremony—where we will find an Austrian-born Australian who fought and died or someone who might be Scandinavian or Asian.

There was a young woman who made very unfortunate remarks a couple of years ago on Anzac Day about Nauru and Manus Island. Rather than criticising her publicly, I wrote to her and invited her to come to the Australian War Memorial. I said, 'Look, I've made some mistakes in my life—I don't think yours is one I've made—but, if you come, I'll explain to you why people were so upset.' And to her immense credit she came. I showed her the name of the Muslim Australians on the Roll of Honour, including out of M Special. She was concerned that people would criticise and attack her in coming to the War Memorial. I said, 'By the time you leave, you'll understand why that's not going to happen.' Anyway, I'm going on a bit, but we're on to it, yes.

CHAIR: In terms of the collection, are you missing anything, like a piece of a big helicopter, or a part of Australia's history in terms of the War Memorial, like diaries from a certain conflict or something like that? Is there anything, if you had your wish list, if you wanted to put a call out to Australians to look in their back cupboard, to send to you?

Dr Nelson: There are some Victoria Crosses we'd like to get. Today I had a highly decorated Australian officer come to me with his diary, which he had kept diligently during
his nine months in Afghanistan, which included an action for which he was awarded a bravery medal. To me, it's gold, because it documents the mundane of the everyday—the life of the soldiers and the officers deployed, the contacts with home, the contacts with one another, the contacts with the enemy and then the adrenalin charged incidents.

I'm sure there is a very large audience of people who listen to Senate estimates and read the Hansard. To the extent that any of you and your colleagues can, encourage young servicemen and women and young veterans to understand that what they think isn't of much value—the emails that they've sent home or the notes they've written or anything like that—is really important. In investing in this Australian War Memorial and its extension, this new space is not for more First World War guns. We're going to do a bit more on the bombing of Darwin, the Catalinas and Coral-Balmoral, but almost all of this space is for these young men and women over the last 30 to 40 years and the operations that are going on right now. In order for us to fill the spaces, we need stuff. Whether they are peacekeepers, humanitarians, disaster relief or war-like operations, any of those objects that they have—artefacts, relics, as I say, diaries, letters, emails, anything like that—are what we really need. There are things that come up. This is a serious issue, which I think the next government is going to have to consider; it's not unique to us at the War Memorial. We are provided with a budget to actually buy things—it's called the collection development acquisition budget—and every year the amount of money we have to buy things is going down, because the efficiency dividend is applied to our acquisition budget. Our staffing has to come out of that budget.

A very, very important medal collection came up recently, and we didn't know how much it was going to go for. I asked General Dawson, 'How much money have we got to acquire things?' I think General Dawson told me the budget for the whole year was $400,000.

**Major Gen. Dawson:** Yes, it's $400,000.

**Dr Nelson:** So $400,000 is what this nation's memorial has to actually go and buy something. If it wasn't for Mr Kerry Stokes, there are a few very important things to this country that would not be in this national collection. I'll leave it at that. It's not a criticism of government, but the Department of Finance made a decision some years ago and it affects all the cultural institutions. At some point people will be demanding me: 'Nelson, you've got to get in there. You've got to buy this thing. It's absolutely essential for the country.' And I will have to say to the government of the day, 'We'd love to, if you gave us the money.'

**CHAIR:** Thank you, Dr Nelson, for that. Thank you to the staff who've come along this evening and also to Mr Stokes, the council and the servicemen and women who are at the back of the room. Thank you to all the volunteers, and to everyone who's at the War Memorial, for the work you do to protect such an important part of our history. Thank you very much. Safe travels home. We will suspend for 30 seconds while the Department of Veterans' Affairs comes in.

**Department of Veterans' Affairs**

[20:16]

**CHAIR:** I welcome Ms Liz Cosson and the officers of the Department of Veterans' Affairs. The committee understands that Dr Ian Gardner, the Chief Health Officer, will be retiring shortly. I would like to take this opportunity to acknowledge Dr Gardner's service to
veterans' health and welfare and thank him for his assistance to this committee throughout estimates and other inquiries. We wish him well in his retirement.

Would you like to make an opening statement, Ms Cosson?

Ms Cosson: I would. Chair and members, thank you for the opportunity for me to offer an update on some important reports, achievements and changes since the last estimates hearing. As you'd be aware, a recommendation from the Senate inquiry into suicide in the Australian Defence Force and veteran community, The constant battle, recommended the Productivity Commission conduct an independent inquiry into Australia's system of compensation and rehabilitation for veterans. The commission has now released the draft report and is conducting further hearings around Australia and seeking feedback on this draft report. It is a candid report and it is critical of some areas of DVA. However, I was pleased to see the commission note that the complexities and unique nature of military service should be recognised. It also demonstrated support for DVA's transformation under the Veteran Centric Reform program.

Veteran Centric Reform is a multi-year journey and is changing almost every aspect of DVA. As we approach the end of the second year of Veteran Centric Reform I am pleased to report the department continues to deliver better outcomes for veterans and their families. Last month we passed a significant milestone: the number of veterans using MyService, which is our online platform, passed 50,000 veterans and families. They are experiencing faster and easier access to DVA's services and support. We've also provided over 2,025 veterans provisional access to medical treatment for 20 known conditions. Through the transformation process, DVA is putting veterans and their families first, delivering faster, easier and better-quality services, where and when our veterans need them, but I still acknowledge that there remains some work to do.

Through our Veteran Centric Reform program, we are addressing many of the commission's criticisms, and there is no doubt we have made some improvements to our services since the program began. I appeared before the Productivity Commission on 13 February, and advised that DVA fully supports the wellness model articulated in the draft report. We are undertaking work to understand options and to determine resourcing against key parts of the draft report. The department sees the report as an opportunity to be the best we can be for our veterans and families, and we are preparing a joint submission with Defence in response to this draft report.

Last week, the Australian Veterans' Recognition (Putting Veterans and their Families First) Bill 2019 was introduced into the House of Representatives. This bill, if enacted, will be a watershed moment for recognition of veterans in Australia. This is because the bill introduces into Australian law the concept of an Australian Defence veterans covenant. If it is passed, Australia will be enshrining in law a promise made by the parliament on behalf of the Australian people to recognise and acknowledge the unique nature of military service and the sacrifice made by veterans and their families to service to our nation.

A significant achievement last year was the rebranding of the Veterans and Veterans Family Counselling Service, VVCS, to Open Arms—Veterans and Families Counselling. The rebranding was achieved with the assistance of the Open Arms advisory committee and our veteran community, especially our Vietnam veterans. Open Arms is an important legacy of our Vietnam veterans, and it today provides mental health support, counselling and suicide
prevention initiatives for both serving and ex-serving personnel and their families. The rebranding has been successful, with the number of veterans and families using the service continuing to increase nationally. The rebrand has also resulted in a 73 per cent increase in first-time visitors to Open Arms. Open Arms has also been included as a resource at the end of media stories focusing on veterans.

Last week also saw the introduction of legislation that will enable members of the Australian civilian surgical and medical teams that provided medical training and treatment to local Vietnamese people during the Vietnam War to become eligible for the DVA gold card. The Military Rehabilitation and Compensation Amendment (Single Treatment Pathway) Bill 2019 was also introduced into the House of Representatives. The bill amends the Military Rehabilitation and Compensation Act to simplify medical treatment pathways.

Finally, since supplementary estimates in October, there have been a number of changes to the department's senior executive. As already referenced by the chair, with the departure of Dr Ian Gardner, I would like to acknowledge, in what is his final estimates appearance before he retires, that he has made an outstanding contribution not only to DVA but, importantly, to veterans and their families. I'm pleased to also announce that Dr Jenny Firman will join us to assume that role of chief health officer. Jenny is a Navy veteran and a rear admiral in the reserves. Army legal officer Brigadier Bronwyn Worswick began in the role of general counsel in December, and in January Navy veteran and former Department of Human Services acting chief information officer Charles McHardie joined DVA as the deputy secretary for business transformation. Army veterans Paul Nothard and Don Spinks were appointed as Director of the Office of Australian War Graves and a member of the Repatriation Commission respectively. I would also like to take this opportunity to thank our former director of war graves, Ken Corke, for his outstanding work. Thank you.

Senator GALLACHER: Could I just add the opposition's best wishes to Dr Gardner and note that his expert evidence not only at estimates but throughout a number of inquiries conducted over the last four years has been instrumental in getting good recommendations. His expert advice is much appreciated.

Senator MOORE: My first series of questions is about the veteran card. Can you advise what date you were contacted by the government about the introduction of the new veteran card?

Ms Cosson: We actually commenced this conversation last year when we were looking at the covenant with our ex-service community. We looked at the covenant and what would flow from that covenant in making that commitment and that recognition for our veterans. As to the actual date that we discussed the card, that's been ongoing for a few months now. I couldn't give you the exact date.

Senator MOORE: Was the veteran card an actual recommendation in the development of the covenant?

Ms Cosson: It flowed from the covenant.

Senator MOORE: Was it particularly mentioned?

Ms Cosson: During the conversations with the veteran community, we did talk about a recognition card. Certainly, during Five Eyes and veterans' ministers roundtables, we were aware that in Canada and the UK they were rolling out a veterans' identification card, so we
were looking, as part of that covenant, at what a card would look like here in Australia. We identified that, as we already have a veterans' health card, there was potential to use that as a form of recognition or identification for our veteran community.

**Senator MOORE:** Was the department—through you, Secretary—consulted by the government for your views prior to the story appearing in the Sunday papers on 28 October, which was the first public announcement of a veteran card?

**Ms Cosson:** Yes, we were engaged with the minister, certainly, in building up what the covenant, the card and the pin would actually look like. So we were aware of that, yes.

**Senator MOORE:** We talked about the covenant at the last estimates. Can you give me some idea of the time frame of that community consultation around the covenant?

**Ms Cosson:** Through the Ex-Service Organisation Round Table, maybe at the beginning of last year, we formed a little subgroup.

**Senator MOORE:** January 2018.

**Ms Cosson:** It would have been about February or March 2018. We formed a working group of members volunteered by the Ex-Service Organisation Round Table, of which there were about six members, who then joined with myself, and we had a representative from the War Memorial to talk about what the covenant looks like. We did our research into the UK covenant, and we recognised that Australia is quite unique and different to the UK in that we have a department who looks after our veterans. The UK doesn't. Then we started to look at what we are trying to achieve with this. We then discussed it with the minister, that the covenant would be more than just the government making a commitment to veterans—it would be about all Australians making that commitment in recognition and respect of those that volunteer to serve the nation, particularly those that leave service and return to a community. How can they feel welcome and connected to their community, but also recognising their families and the role that families make? That's why our covenant is slightly different, where it's saying to all Australians, 'Welcome veterans and families into your community and help them re-establish in their new communities.' It has been worked up over a number of months. At the last estimates we talked about myself, the department, providing a brief to the minister by Remembrance Day. We did that, and we looked at how it would evolve and how we could implement the covenant with the card and the PIN.

**Senator MOORE:** And preparation of particular advice on the specifics of a new veterans discount card—when was there a particular recommendation on how that would look?

**Ms Cosson:** There was no specific brief just on the card. It was always around the covenant. We talked about the identification card for veterans. It was interesting that a lot of organisations came forward and said they would like to be able to provide a discount for veterans. As you may be aware, when you are in the Australian Defence Force, there is an organisation that's called DefCom.

**Senator MOORE:** It has been going for years.

**Ms Cosson:** Yes. This was an extension for those that have left and how they may be recognised. I was approached by Virgin many years ago, probably three years ago, asking how they could offer their service to the veteran community. At that time it was difficult for Virgin to recognise a veteran because we didn't have an identification card for those men and women who had left full-time service. So it has been considered for quite a while.
Senator MOORE: You said that businesses came to you. What written communication or meetings were had with businesses prior to the announcement on 28 October? What formal communication had taken place with the business community?

Ms Cosson: There was no formal communication with the business community from the department. There were informal approaches, as I mentioned with Virgin. That was a meeting I had with their government business manager.

Senator MOORE: Can you advise how many businesses had confirmed their involvement in the scheme at the time of the announcement on 28 October?

Ms Cosson: At the time of the announcement? No, I couldn't. I don't have that figure.

Senator MOORE: Is there a figure?

Ms Cosson: There is a figure now. I think there are about 39 businesses that have contacted us, or through the minister's office, to say that they would like to be considered. We're now working with those different businesses.

Senator MOORE: And that evolves, in terms of businesses coming forward—you are not actually seeking businesses?

Ms Cosson: Not at this stage, no.

Senator MOORE: At 28 October, when the concept was publicly announced that there was going to be a business card, you didn't have anyone formally saying, 'I want to be involved.'

Ms Cosson: Not to the department. They hadn't approached the department, no.

Senator MOORE: In terms of discussions with ex-service organisations prior to 28 October, had the department specifically discussed the idea of this type of card with the ex-service organisations before 28 October?

Ms Cosson: We had discussed the concept of the card, but the discount card hadn't been discussed with the ex-service organisations.

Senator MOORE: So this concept of having an ID card that indicated—

Ms Cosson: Yes, that's certainly been—

Senator MOORE: That was there, but this particular link looking at discounts, which was announced—there hadn't been a formal discussion with ex-service organisations prior to 28 October?

Ms Cosson: Not a formal discussion, no.

Senator MOORE: Has there been since?

Ms Cosson: Certainly I have discussed it very widely with the Ex-Service Organisation Round Table, and we've convened a number of workshops where I have had the opportunity. I attended the Ringwood RSL, where I talked about the card. It has been well received by those that I've had the opportunity to brief.

Senator MOORE: You mentioned Ringwood RSL. Has there been a formal communication process through the RSL network? It's often seen as a network where you can talk about things that are of interest to veterans. Has there been that process, such as we've had with some other things where the department is seeking consultation, for this particular issue of a discount card?
Ms Cosson: We consult through the Ex-Service Organisation Round Table, in which the RSL's appointed national president participates. So, yes, we've had formal engagement through the Ex-Service Organisation Round Table but also with the other fora, like the Younger Veterans Forum and the Female Veterans Policy Forum. I visited Ringwood RSL and an RSL up in Queensland. To be honest, Senator, I'll talk to anybody that will listen.

Senator MOORE: Well, I know that's part of the gig—having a high profile as DVA—and it always has been. But I'm asking whether there's been a particular communication strategy by the department in terms of issues around this discount card?

Ms Cosson: A communication strategy—the first step was to get approval through the government process and then to look at—

Senator MOORE: It was a two-step process: first of all seeing whether people want it—

Ms Cosson: Yes.

Senator MOORE: And then secondly, once the government has made it public that it's going to do it, informing people, to get more engagement in it. So it's actually a double step.

Ms Cosson: Certainly the process leading up to the recommendation to the minister was very positive—

Senator MOORE: When was the recommendation to the minister?

Ms Cosson: It would've been around Armistice Day that we talked about the covenant, the card and the pin. It was always one package.

Senator MOORE: And we talked about that—it was such an important date in everyone's mind and such a clear beacon. But the announcement about this particular card was actually 28 October.

Ms Cosson: And there had been a lot of conversations, prior to announcements, about what it would look like. At Invictus we talked about it. And certainly, talking to the veteran community about the covenant, the card and the pin, they were very keen to have that. One of the key questions I was always asked was, 'Will this be in legislation? Will it be in law?' because they were very keen to have that. And then, as you'd appreciate, it was a very lengthy process to have that delivered and tabled.

Senator MOORE: So if you could take on notice the formal recommendations from the department to the minister in terms of what was involved and the particular issues which you've identified—the legislation, the pin and the card—that would be really useful.

Ms Cosson: We can give you a bit of chronology around that.
Senator MOORE: Is the department aware of any other discount cards or offers currently available for veterans? I'm not talking about Defcom, which is for serving personnel.

Ms Cosson: Yes. A lovely lady called Rebecca contacted me from South Australia, where she had set up her own business of providing to veterans and, I believe, their families a discount card arrangement. She had engaged with a number of businesses. There was a small fee that was applied to that card. She contacted us straightaway when she heard about it, because naturally she was quite concerned about her business. We're now engaged with her, and I'll look at Mr McHardie there to make sure that I'm correct. Our plan was to engage her, bring her in and talk to her about how she established that business and what she learnt when she started to get interest from other businesses. We wanted to work with her. So that's underway now.

Senator MOORE: That was South Australia. Are there any others through the same process? Once there was an announcement that there was going to be a national one. Have you been contacted by other forms of discount services that are available to veterans?

Ms Cosson: Not that I'm aware of, Senator. They certainly haven't approached us at this stage, no.

Senator MOORE: So, at this stage, the only organisation that offers discounts is this one in South Australia—

Ms Cosson: That I'm aware of.

Senator MOORE: and you're looking to identify how it operates—

Ms Cosson: Yes.

Senator MOORE: what discounts it offers and how it would differ? Or work with?

Ms Cosson: Or work with.

Senator MOORE: Or just how it operates?

Ms Cosson: Yes.

Senator MOORE: Is the secretary aware of discounts offered through the gold card in some states?

Ms Cosson: I'm aware of some concessions that some states and territories offer to our veterans, particularly our gold card veterans. Absolutely.

Senator MOORE: And are they also part of the discussion on whether this would be a transferred process from this proposed new card to what's offered for gold card?

Ms Cosson: No, Senator. The concessions across the states and territories do actually differ.

Senator MOORE: We've been fighting that battle for a long time, about the variation when you cross over the border.

Ms Cosson: I know. Through the Veterans' Ministers' Round Table, the ACT government offered to do an audit on the concessions that were available. We will be taking it back to the veterans' ministers' roundtable to talk about how we harmonise some of those concessions, but it will always be a little bit of a challenge.

Senator MOORE: When it that proposed to happen?
Ms Cosson: It will be this year when we hold our next Veterans' Ministers' Round Table.

Senator MOORE: Which is scheduled for?

Ms Cosson: I'll take that on notice. I'm not too sure of the date at this stage. This card, the veterans' card, won't have any impact on those concessions for the gold card, but veterans with the gold card will be able to then access these additional discounts as well.

Senator MOORE: You've told me that there are 39 businesses at the moment who've expressed interest in being involved.

Ms Cosson: That's correct.

Senator MOORE: At this stage, how they would be involved and all those things are still under discussion—is that right?

Ms Cosson: That's correct, Senator. We're still in discussions with the businesses. I don't know if you have anything else to add.

Mr McHardie: I might.

Senator MOORE: You're at a different table.

Mr McHardie: Yes, very much so. Good evening, Senator. There is a fair bit of active discussion happening with those businesses at the moment, as you could understand, for those businesses to make sure they've got the right communications out to their employees and they've got the right systems in place so that when veterans do come forward with their cards they are serviced correctly. That business transformation in those respective commercial organisations takes some time.

Senator MOORE: Have you got a time frame in mind as a department in terms of when this will actually be active?

Mr McHardie: The cards will start rolling out from the middle of March, is what we're aiming for, depending on the passing of the bill et cetera.

Senator MOORE: Passing the bill, of course, is the determining factor.

Mr McHardie: Correct.

Senator MOORE: With your plan at the moment, the expectation would be that you want to get started from March this year?

Mr McHardie: Yes. From the middle of March, we aim to be in a position to start dispatching physical cards. At the moment, veterans can have virtual cards on their smartphones, which they can get through the MyService operation. You can apply for that. Through that application, you can end up with a card on your mobile phone. But obviously you can't leverage any services with commercial organisations as yet.

Senator MOORE: Right. In terms of the range of businesses, is it too soon to get any idea generally, without identifying businesses, of what kinds of businesses you have already been contacted by?

Mr McHardie: It's a very broad range, from very large ASX 100 organisations all the way down to very small—one single trader in a small town.

Senator MOORE: Is there someone in the department who's responsible for this in terms of building the business? Is there a segment of the department? This is quite a different work.
Ms Cosson: It is.

Senator MOORE: DVA has not been involved in this kind of marketing before. Can you tell me who is actually doing this work?

Ms Cosson: It's through Mr McHardie's area in our business transformation, where we do have a small team working on this particular program. What we don't intend to do is go out to approach businesses ourselves. We will accept businesses approaching us and then building this database that veterans can access to identify which businesses do offer the discounts. So we see our role more as receiving the information from businesses and then having a portal of some sort on our website so that veterans and families can access that information.

Senator MOORE: Certainly this whole discount area is fraught, and a few of us have been involved with it over the years. There are all kinds of organisations that run these, and they have whole organisations dedicated to actively seeking businesses and then maintaining them, keeping them online, and acting on appeals and grievances and problems for all those things. Is there any discussion with the department of working with pre-existing groups that already have this expertise to share knowledge?

Ms Cosson: Yes, and that's why it was very important to catch up with Rebecca in South Australia but also to work with other agencies that have had a similar arrangement. I spoke with the UK recently, because they had something very similar but different to us, just to learn those lessons.

Senator MOORE: And it's still going?

Ms Cosson: Yes. We do a little bit of due diligence as well when businesses approach us so that we appreciate what it is they may be offering our veteran community. So we're just growing that little bit of capability at the moment in Mr McHardie's area.

Senator MOORE: How many resources are working on it, Mr McHardie?

Mr McHardie: At the moment I've got some of my transformation team working on it. They're all public servants at the moment. There are three people dedicated at the moment as we put this together.

Senator MOORE: Three ASL?

Mr McHardie: Yes, public servants.

Senator MOORE: You've given a wide range, but at the moment we won't talk about whether they're grocers, tyres or insurance.

Mr McHardie: It's too premature at the moment.

Senator MOORE: Okay. You don't have any detail of exactly what form the discounts will take? Is it a percentage discount? You aren't controlling that.

Mr McHardie: That's correct.

Senator MOORE: Businesses can self-identify: 'We're prepared to give a 10 per cent discount.' Whatever it is, they come forward and put it up.

Mr McHardie: That's correct. Most of them are percentage discounts that have been offered up, so they're quite simple to understand.

Senator MOORE: Who's vetting the quality and integrity of the businesses coming forward?
Mr McHardie: We're doing that in house at the moment, so we need to build up our cell, as the secretary said, to do our own appropriate due diligence.

Senator MOORE: And make sure that they're established businesses and all those things?

Mr McHardie: Correct.

Senator MOORE: Is the secretary aware that, when the card was announced, it was stated that the card would be separate from the DVA health cards?

Ms Cosson: No, it was always intended that our health card will be used in the first instance as the veteran card.

Senator MOORE: So it was always intended from your point of view that the health card would be the discount card?

Ms Cosson: That's correct. We were very keen to have this roll out as soon as we could, because we were keen to have the covenant, card and pin in place. We already have legislation to cover our health card, so what we wanted to do was use that health card, and that was our recommendation in the first instance to use it as our veteran card.

Senator MOORE: That was the recommendation about which you're going to tell us exactly what it was and when it was made?

Ms Cosson: That's correct.

Senator MOORE: In the minister's announcement on 28 October, was any statement made about the health card and the discount card in that statement?

Ms Cosson: I would have to check that. I'll take that on notice. I'm not too sure exactly what was said in that statement.

Senator MOORE: We've got those pivotal dates of when there was public awareness, and it's the link between the health card and the discount card. From DVA's point of view, it was always the recommendation of DVA that they be the same card?

Ms Cosson: Yes, in the first instance, absolutely.

Senator MOORE: What do you mean by 'the first instance'?

Ms Cosson: In the longer term, we may look at what the card looks like and particularly if it has a photo identification picture on it. It takes a lot longer to roll out a new card, whereas, if we could just change our health card, we could roll it out a lot quicker, which was always our hope.

Senator MOORE: The health card doesn't have a photo on it, though, does it?

Ms Cosson: No, it doesn't.

Senator MOORE: So this issue around photo ID gets very complex?

Ms Cosson: It does, so we needed more time to do that.

Senator MOORE: So this is the first step?

Ms Cosson: That's correct.

Senator MOORE: Clearly, this could change. It may not, but it could.

Ms Cosson: Absolutely.

Senator MOORE: And that's going to be the promotion to the people, because these are all new health cards that are being sent out, starting this month for March?
Ms Cosson: That's correct.

Mr McHardie: Just to clarify, those folks that currently hold health cards will keep those health cards and will indeed be able to use them as their recognition card until we do—

Senator MOORE: So anyone who has a pre-existing health card will not be getting a new health card?

Mr McHardie: They will in the next global refresh. Next fiscal year, we'll do a global refresh of cards. As the secretary said, we'll be looking at further design implications as we move forward. We could at that stage, during the global refresh—

Senator MOORE: The global refresh is due when?

Mr McHardie: Next fiscal year.

Senator MOORE: That would be after July this year?

Mr McHardie: Correct.

Senator GALLACHER: It's going so swimmingly well, but is Helloworld one of the businesses that's going to advertise on this card?

Mr McHardie: It doesn't ring a bell, from what I remember.

Senator GALLACHER: Could you take that on notice.

Ms Cosson: Absolutely.

Senator MOORE: Who is getting the new ones that are being mailed out from this March?

Mr McHardie: Those are for people who have gone onto the MyService website and have requested a card.

Senator MOORE: And they are the people who haven't had a card before?

Mr McHardie: Correct. For the folks who already hold a health card, that will remain valid until the global refresh.

Senator MOORE: Is the budget of $11 million for the ones that are being issued newly or for the ones going in the next global refresh?

Mr McHardie: We believe that this fiscal year we'll spend approximately $5.2 million of the $11.1 million in the initial rollout.

Senator MOORE: But what was the $11 million allocated to do?

Mr McHardie: To do the whole program.

Senator MOORE: Including next year's global refresh?

Mr McHardie: Correct.

Senator MOORE: Wouldn't that have already been budgeted for?

Mr McHardie: Yes. There will be some of that, but, if you think we are going to do some design changes in the global refresh, we do need additional funding.

Senator MOORE: So that's new. Even in terms of the future, these proposed design changes could be made between now and May?

Mr McHardie: It would depend on how substantial the changes are.

Senator MOORE: Right
Mr McHardie: At this stage we're not looking at fundamental changes like chips, biometrics or anything like that. One of the problems you do have from a technical perspective is that the health cards, in the point of transaction in the health clinics, doctors' surgeries and hospital et cetera, have no ability in the point of transaction terminals to use a chip. If you think about your Medicare card, it has a magnetic stripe on the back. You would need a global refresh of every one of those point of transaction terminals throughout Australia to take a chip.

Ms Cosson: But that doesn't mean we don't want to be there.

Senator MOORE: No. I'm already thinking of other agencies that have gone through similar discussions about creation of cards and then what has to match up with cards. Just to clarify, what was the $11 million budgeted to do?

Mr McHardie: The whole program.

Senator MOORE: It's for the full global refresh from next financial year, and it is also to fund any new cards that are sent out under the current design between now and the end of June?

Mr McHardie: That's right. We were appropriated for funding over a four-year period to roll out the program and administer it.

Ms Cosson: And also to roll out the pins as well as the card.

Senator MOORE: They're the little pins?

Ms Cosson: Yes.

Senator MOORE: They're next. How much was the cost over the four years?

Mr McHardie: It was $11.1 million.

Senator MOORE: Does $11.1 million have to fund all of that?

Mr McHardie: Yes.

Senator MOORE: I didn't ask you to table the list of businesses. You told me you got 39 businesses. Can you tell us who they are? Don't give the 39 tonight, but can you tell us on notice who they are?

Ms Cosson: What we'd like to do is keep working with them, because some of them haven't actually locked in. They're just looking at how they might provide the discount.

Senator MOORE: So 39 have expressed interest. They're expressions of interest.

Ms Cosson: That's correct.

Senator MOORE: Seeing as you're rolling out these new cards in March, when are you hoping to get the first announcement that Acme Travel will be giving you a 10 per cent discount?

Ms Cosson: Hopefully mid-March. That would be our aim.

Senator MOORE: Mr McHardie, would you be able to give us a breakdown of the $11 million? You've given us a global of what it is going to cover. Can we get that broken down into what that—

Mr McHardie: On notice?

Senator MOORE: On notice, yes.
Mr McHardie: Yes.

Senator MOORE: Can you tell us how much has been spent on consultants and communication? This is very much going to be a communication process. It's no good having them if people don't know about them. Can you tell us how much has been budgeted for consultants and communications?

Mr McHardie: At the moment it is all in-house. We're using our own strategic communications team that we have within DHS—sorry, within DVA. We're not bringing on any other contractors.

Senator MOORE: You're not getting it from DHS!

Mr McHardie: We are for some things, but not this.

Senator MOORE: So you're using your pre-existing team?

Mr McHardie: That's correct.

Senator MOORE: How many are in that team?

Mr McHardie: I will turn around to one of my colleagues who might be able to tell me.

Senator MOORE: That's fine. We'll keep going.

Ms Cosson: Someone will be able to tell us.

Senator MOORE: So that is not part of the 11, because that's in terms of it.

Mr McHardie: No, they're already on the books.

Senator MOORE: When we get the 11 spelt out, could you just make a note, because some of my previous questions have indicated that communication has always been an issue—getting the communication right.

Ms Cosson: Certainly you're correct, Senator. We know that we don't know all of our veterans out there as well. We have MyService, where we've had over 50,000 now registered for that, but also we're giving cards to every member of the Australian Defence Force on their transition, their separation, and a lot of people are hearing about it just through other veterans talking about it. We're very keen to make sure that veterans are aware that this is available to them. It serves a couple of purposes. One is the importance of the non-liability health care. You will appreciate that, if a veteran out there hasn't connected with services and they need it, they may approach us to get this card for the discount but then be able to access some medical treatment. So that's why I'm very keen on getting this out.

Ms Cosson: There could be some residual benefit there.

Ms Cosson: Absolutely.

Senator MOORE: It could be another way of getting people in.

Ms Cosson: That's correct. We probably only know 170,000 of our veterans at the moment, and the estimate from the Australian Institute of Health and Welfare is that there are another 500,000 veterans out there. It doesn't mean that they all need support, but I'm very keen to communicate the card so that they may then come forward and at least register with us through MyService and, if they need it, have the health treatment and the discount as well.
Senator MOORE: You said earlier that you do not have a strategy of communicating with businesses and that you don't see it as your job to go out and get businesses to be involved.

Ms Cosson: At this point, we don't plan to actively seek business engagement, but we are finding that businesses are now approaching us in different ways to see how they can express an interest. We're just working through that process in the first instance to work out how we're going to put in place that capability for businesses and the due diligence, as I said.

Senator MOORE: So you're not working with business organisations or organisations that look after particular industry groups? You aren't contacting them and saying, 'Do you want to be involved?'

Ms Cosson: Not at this point, no.

Senator MOORE: Do you know whether any approach has been made by the minister?

Ms Cosson: No, I don't know.

Senator MOORE: Minister, can we get any information on whether there has been any direct encouragement from either the minister's office or the Prime Minister's office with business in getting people to become involved.

Senator Fawcett: I'll take it on notice.

Senator MOORE: But the department are unaware of that.

Senator Fawcett: I do know from the brief here that on about 8 November the Prime Minister wrote to the ASX 100 businesses.

Senator MOORE: You were unaware that the minister had done that, Ms Cosson?

Ms Cosson: I've got the same brief as the minister, so I should be aware of that, yes.

Senator MOORE: But, to the best of your knowledge, that wasn't something you actively knew—that the minister had done that on 8 November?

Senator Fawcett: In fact, that was the Prime Minister.

Senator MOORE: The Prime Minister had done that. You weren't aware?

Ms Cosson: I do recall now that it has been mentioned to me.

Senator MOORE: You do recall that on 8 November you had seen a copy of the Prime Minister's letter?

Ms Cosson: No, I didn't see it. No, I haven't personally seen a copy.

Senator MOORE: Can we get a copy of the Prime Minister's letter?

Senator Fawcett: I'll take that on notice.

Senator MOORE: That's fine.

Senator Fawcett: I assume you can if it's gone out to all those companies, but I'll ask.

Senator MOORE: I would think so. I don't think any of us are members of the ASX! Anyway, if we can get a copy of the letter, that would be really useful. Is there any other correspondence you're aware of, Minister?

Senator Fawcett: I'll take that on notice.

Senator GALLACHER: That was the first bit of aggression all night, Senator Moore!
Senator MOORE: That wasn't aggression! In terms of negotiation around the terms, you're not aware, Ms Cosson, of working out at this stage exactly what form the discounts are likely to take.

Ms Cosson: Not at this stage, no.

Senator MOORE: Were there any targets set in regard to how many businesses sign up to the card?

Ms Cosson: No, and we certainly aren't working to a target.

Senator MOORE: One of the things we talk about with every new project is what the evaluation strategy is and whether it is written into the business plan. Do you have one?

Ms Cosson: A business plan?

Senator MOORE: Both—a business plan and an evaluation strategy for how you're going to measure whether this is a success or not.

Ms Cosson: One of the key measures for me is that veterans actually do register with us to say, 'We are keen to get this card.'

Senator MOORE: You have 170,000 now.

Ms Cosson: Yes.

Senator MOORE: You're going to take a point in time and see how many people have now registered for the new card?

Ms Cosson: That's correct.

Mr McHardie: Indeed, we've seen an uplift already. Since the soft launch on 21 January, we've seen, via MyService, that 41,000 virtual cards have been issued, and we are averaging about 100 new applications per day.

Senator MOORE: In terms of working out whether that's because of the link with the discount card or because, as you've already said, Ms Cosson, people are adapting to their MyService system and going in via technology, are you not quite sure what you can attribute that increase to?

Mr McHardie: About 20 per cent of them are new clients that we have not dealt with before.

Senator MOORE: It could be either, again—we're talking about my—

Mr McHardie: That's right.

Senator MOORE: Nonetheless, you've seen an actual increase and one of the things that has changed since 21 January is you've got a discount card.

Mr McHardie: Yes.

Senator MOORE: You said that the ex-service organisations were consulted about the card through the roundtable process and through the general discussions around the covenant, beforehand—

Ms Cosson: That's correct.

Senator MOORE: And they're the standard ex-service organisations that are always involved in those discussions.
**Ms Cosson:** In addition to other—for example, at Ringwood, there's a group of organisations there that don't sit on the Ex-Service Organisation Round Table. Similarly, there is our female veterans' forum and a roundtable that I convene with members who are not part of an organisation. They are individuals I engage with. So it was a mix of the traditional and some other veteran community that I talk to about the covenant and the card and the pin.

**Senator MOORE:** Can we get a list of those, Ms Cosson, just, particularly, on the discount card? I think the initiative to have the women veterans, and bringing in people who are not members of the traditional ex-service organisations, is something you've talked about with us over the years, but if we can get a list of those people you've identified—you've talked about this particular process—

**Ms Cosson:** Absolutely, I can take that on notice, yes.

**Senator MOORE:** And leading up and then since.

**Ms Cosson:** Certainly.

**Senator GALLACHER:** Given the department has confirmed that the businesses won't be online until mid-March, does this contradict the launch of the card today?

**Ms Cosson:** Not that I would—if I could, the card is more than just about discounts. The card is about veterans having an opportunity to be recognised.

**Senator GALLACHER:** Okay. So there's no contradiction.

**Ms Cosson:** No.

**Senator GALLACHER:** All right, thank you.

**Mr McHardie:** Senator Moore, just to answer your question on numbers of resources in our strategic communications team—

**Senator MOORE:** In your existing strategic communications, yes.

**Mr McHardie:** Yes. There are 33 folks within that team and two of them are dedicated resources to this project.

**Senator MOORE:** So you've got two dedicated but you can draw upon the others as needed with the project. That involves social media, the standard magazines and things that you have and media release, general media. So that's all covered in that space. Has there been social media promoting this particular—

**Mr McHardie:** Not actively.

**Ms Cosson:** I think the minister, yesterday, as part of the launch, did a social media—the department would now pick that up, if we haven't already done so. That would be our—

**Senator MOORE:** So the minister's office generated its own. It wasn't DVA providing communication to the minister.

**Ms Cosson:** We were certainly part of it, yes. There's a photo of the card.

**Senator MOORE:** Can we get some indication on notice about what promotion has happened up until now around the card—

**Ms Cosson:** Absolutely.

**Senator MOORE:** around social media and what's happened?

**Ms Cosson:** Yes, I can take that on notice. That would be useful.
Senator MOORE: I've got similar questions—although there won't be quite as many, you'll be pleased to know—around the veterans' lapel pin.

Ms Cosson: Yes, I'm happy to talk about that.

Senator MOORE: They seem to be talked about in the same discussion. We asked about when the secretary became aware of the idea of the lapel pin for veterans and when it was generated. Is that the same as the card—

Ms Cosson: It is.

Senator MOORE: through the covenant discussions?

Ms Cosson: Through the covenant discussions we talked about the pin and the card as a form of recognition and respect, yes.

Senator MOORE: Was this something presented to the discussions through the minister's office or did it come up the other way? Can you remember whether this was an idea that was generated from the minister?

Ms Cosson: It was generated from the ex-service community as well—

Senator MOORE: As well or—

Ms Cosson: As well as talking about the covenant and the card, and the pin was always part of that conversation. I had the opportunity to brief the minister on different ideas that were being put forward. It was one of our members in the Ex-Service Organisation Round Table. His son designed the first pin and drew up some sketches, and that's how it started. So I have taken different iterations of that design to the minister to get his thoughts on it before formally briefing.

Senator MOORE: Do other countries have pins? I mean, they have pins in the UK; they have pins in Sweden.

Ms Cosson: I have seen some different pins. In the UK they have the legion pin that they wear—it's quite a large pin—so I looked at that, and also in the Netherlands they have a little pin. So, we have looked at other nations. The purpose behind the pin was: for a lot of veterans, other than commemorative services, you can't identify a veteran if they are not wearing their medals.

Senator MOORE: If they're not wearing service medals, you don't know?

Ms Cosson: Correct. If veterans feel a bit isolated in their new communities or if they are starting new employment, they could pin this on to identify themselves as someone who had served in the Australian Defence Force or as reservist. They could put the pin on to generate that conversation. I know there has been a little bit of criticism from some veterans, who have made the observation that they can wear their Returned from Active Service Badge. But there was a long period of peace for our Australian Defence Force. A lot of our veterans don't have a Returned from Active Service Badge, so they were very comfortable with this. As I said to the veteran community, if someone wants to wear it, don't be critical; let them wear it. It's to help veterans recognise each other when they're in their new communities.

CHAIR: Thank you. We will take a break until quarter past nine.

Proceedings suspended from 21:01 to 21:15

CHAIR: We will reconvene, and I will hand over to Senator Molan.
Senator MOLAN: Thank you very much, Chair. Minister and Secretary, if I could ask a couple of questions, please, as I know that we've got a lot of people in the room who are very interested in the answers. I've certainly had these conversations with the minister before, and not yet with you, but they're very, very important issues. I see the work that DVA does every day of the week. I'm a great supporter of DVA and a great supporter of the changes that you've made. It's my view that the issue I want to raise is probably the most deserving issue that I see among the veteran community. Minister, shall I direct that to the—

Senator Fawcett: Please.

Senator MOLAN: Thank you. Secretary, the issue that I'd like to raise is the TPI issue. Before I get into any detail, could you give us an update of where you are on the TPI issue, please?

Ms Cosson: Absolutely, Senator. As we know, I've had many conversations with the president of our TPI Federation. At the last hearing I mentioned it was extremely complex for me to try to understand what the key issues were that the federation was seeking. I certainly now have a far better understanding after three years and working through a number of conversations with the federation.

So the crux of the matter is this: our TPI veterans are keen to seek an increase to the economic loss component of their TPI compensation pension. That economic loss component, when you look at it, is actually 63 per cent of the national minimum wage. Our TPI veterans have an impairment that is as a result of their military service, which prevents them from working like other veterans who are not TPI to build up their wealth, their superannuation, their nest egg because of the factor that they can only work eight hours per week.

As a result of that, the TPI Federation has been seeking an increase to the tax adjusted national minimum wage, which the Parliamentary Budget Office costed a while ago at about $240 million in the first year. That might then progressively come down, but it's about $240 million per year. I engaged KPMG to do some analysis with me, and also with the TPI Federation. They are yet to conclude that report, and I apologise to the committee: I suggest that it may have been available for these hearings, but we then had the Productivity Commission deliver its report just before Christmas.

Senator MOLAN: And that was a draft report, wasn't it?

Ms Cosson: Sorry, yes, correct; the draft report. In this draft report, the Productivity Commission suggested that there wasn't a good case to increase the TPI pension.

Senator MOLAN: But there was a lot of confusion amongst that I thought.

Ms Cosson: There was. As KPMG have now reported to me, the Productivity Commission was not only looking at the economic loss, but also the service pension. You can conflate the whole issue if you start to do that, and that's where the federation has been very clear with me over the last three years: don't package, don't bundle, don't use any words that might be similar to that.

What I asked KPMG to do was to try and understand where the Productivity Commission was coming from, so they've been doing a little research. There have been a number of reviews into the TPI pension over many years, and some have argued for an increase. There were a couple of top-ups to the pension previously—one was about $50 and another one was a little bit less than that, about $16 I think it was.
**Senator MOLAN:** Per fortnight?

**Ms Cosson:** Per fortnight; yes, that's correct. To just understand all of that, KPMG are now putting it into a report, which I will share with the federation as a draft before it's finalised.

**Senator MOLAN:** Do you have a possible time when that may be available?

**Ms Cosson:** They've offered to have the draft of the draft to me at the end of next week.

**Senator MOLAN:** Okay.

**Ms Cosson:** But one of the other things in meeting with the president yesterday, we talked in some little detail about the fact—what's important to me is understanding within the TPI community our most vulnerable veterans. As we know, a lot of our effort is trying to identify our most vulnerable veterans, to make sure that we are providing them all the support and service they need.

**Senator MOLAN:** Is this within the TPI community or outside?

**Ms Cosson:** In the TPI community, but we're doing it more broadly as well by understanding the different cohorts within our veteran community. But I was specifically focusing on our TPI community. I have asked KPMG to have a look at the data that we have on the number of our TPI veterans and where there may be some that are really quite vulnerable and struggling with what they receive in their pension. So that's the next piece of work they're going to give me on Tuesday to inform the draft of the draft report for next Friday.

**Senator MOLAN:** Thank you, Secretary. I'm sure you do know that the inconsistency with the concept of looking at the TPI remuneration as a package or bundle is a deeply felt issue. My understanding is that although, by aggregating certain other things as well, you can get their income to $80,000 or something, not everyone—few—receive that.

**Ms Cosson:** That's correct.

**Senator MOLAN:** Is that part of what you will be looking at? You spoke about the bundle.

**Ms Cosson:** Yes. Certainly that has been what has been presented at previous hearings, and also what was presented with the Productivity Commission—that is, when you looked at the different components of the TPI compensation and looked at the legislation, that if you bring all that together then you could see that figure of $83,000 per annum. This was detracting from what the TPI Federation was putting forward. They are very keen for us to just focus in on that economic loss component. So if you look at the legislation, my understanding of that is it doesn't actually mention economic loss, but it does talk about the general rate and the special rate, and you could take that gap between the general rate and the special rate to be an economic loss component. That's how the TPI Federation has asked us to look at that.

**Senator MOLAN:** And there was also 'pain and suffering', wasn't there, as one of the parts of the component?

**Ms Cosson:** That's correct.

**Senator MOLAN:** Do you anticipate any change, any review? Is that part of the KPMG review?
**Ms Cosson:** KPMG are looking at all of the different elements of the TPI compensation pension. What will emerge from that is where I would then provide advice to government, noting that it is in legislation, it is current policy, for government then to make a decision on how we could adjust.

**Senator MOLAN:** And your expectation is that it's something in the order of—if you brought that up from 63 per cent to maybe the general rate that you might see in a comparative US situation?

**Ms Cosson:** I haven't looked at the comparison with the US, but if you were to adjust it as the TPI Federation is seeking to adjust to the tax adjusted national minimum wage then, yes, it is an increase and it would equal about $240 million.

**Senator MOLAN:** Okay. How many TPIs do we have?

**Ms Cosson:** About 27,600.

**Senator MOLAN:** Could I just check my notes here to see that we've discussed the things we wanted to discuss? The other aspects that sometimes are referred to as 'a package' and 'a bundle' are the compensation payment that you're talking about, means-tested welfare—do you still see that as an important part of it?

**Ms Cosson:** At the moment it's not means tested, income tested for the pension that the TPI receive, but the service pension, if the TPI veterans—

**Senator MOLAN:** The partial pension.

**Ms Cosson:** are receiving that, then that is. But the compensation for the disability is not counted for offsetting the service pension. And it goes for life, so it doesn't stop at 65.

**Senator MOLAN:** Excuse my ignorance, but is it passed on to a spouse?

**Ms Cosson:** No, it's not, but if a TPI with a gold card were to pass away as a result of their impairment that is recognised, then that gold card would be passed on to a spouse.

**Senator MOLAN:** Is it your judgement at this early stage, before the KPMG report comes in—I think you intimated this before, but I was just trying to clarify it—that there is what I would call an inequity or something which has to be addressed, but you're just not sure how to address it at the moment?

**Ms Cosson:** From my analysis of it, if you just look at economic loss, which is what the federation has been seeking for a period of time, then the evidence that they provide is that there is a case to look at that economic loss component. If the Productivity Commission or other reviews start to look at other components of the TPI pension, that's where the recommendation is that there isn't a case. That's not my recommendation; that's what the Productivity Commission is saying. As part of the Productivity Commission review, there are a number of different benefits and eligibility that they reference throughout their draft report, which is currently under some analysis through hearings and other evidence. I know that the TPI Federation has put forward further evidence to the Productivity Commission.

**Senator MOLAN:** If you take where we are on the political calendar at the moment out of it, what would be your expectation of a time line when you may be in a situation to go to government and put your view to the minister?

**Ms Cosson:** To be honest, the minister is well engaged with the TPI Federation. He's actually meeting with them tomorrow.
Senator MOLAN: The Expenditure Review Committee might be the place to go.

Ms Cosson: There has been a lot of conversation. We will continue to have that with this government and, whatever happens, with the returned government or an incoming government. We would provide them a brief on the TPI Federation.

Senator MOLAN: I think that's as far as I can take this. Thank you very much for that. Before I finish, I might go on for a minute to report to you that we had the CEO of ComSuper speak to us at another estimates hearing. He expressed himself as being very keen to speak to the veteran community, particularly those who are interested in the commutation argument which is running at the moment. I won't ask you to express a view on that at the moment. I have my own view and he certainly had his own view. But if a group of veterans wishes to run an argument on that, he is very keen to get together with them and to provide them with the historical background and data for making that argument. I suspect that argument will be based not on a legal argument, which would be comparatively easy, but on an argument for an act of grace or some other inequity-type argument. But he was most happy to provide the support to veterans in relation to that—and that the Minister for Finance was happy—we've done this once before—to receive from a group of senators an argument which addressed the issue of someone receiving a disability pension who goes through a Family Court settlement, and that is part of the asset split, and they then lose that pension because they get better, but the ex-spouse does not lose it. That's something which we have got to take to the Family Court in some way, shape or form. I don't know how to do that at the moment, but that's where we stand at the moment.

CHAIR: I will hand back to Labor.

Senator MOORE: Can we do a couple on the TPI to cover that one off first? You said the KPMG report is probably going to be available by the end of next week.

Ms Cosson: A draft draft.

Senator MOORE: The draft of a draft, yes. That will be available to the department?

Ms Cosson: That's correct.

Senator MOORE: At the end of next week. And you've also asked them to do some supplementary work, and they're going to give you some further information on the Tuesday, if all goes to plan?

Ms Cosson: Yes.

Senator MOORE: And that will be the preliminary aspects to provide to the minister. As per usual, Minister, we're putting on record that we would ask if at some stage in the future that KPMG report can be made public. It's just to make the request. It is a ministerial decision. Can you give us any amount of how much the KPMG contract was worth to do this work?

Ms Cosson: I'll have to take that on notice. KPMG did some preliminary work without any cost, because they are actually our internal audit providers. But I will check how much it is for this particular piece.

Senator MOORE: Are you aware that at the September TPI Federation conference it was reported that the minister agreed that in principle a step up to the payment is required? My understanding, according to a Facebook post following their conference in September—that's
the TPI Federation—is that the minister acknowledged 'in principle agreeing that a step is
required'.

Ms Cosson: The minister may have. I don't think I was present at that federation, but I
certainly know that in principle—and I talk about the economic loss component as well—
when you do look at that, you can understand what the TPI Federation is seeking as an
increase. When you look at the history, that may have been the reference, but I can't speak for
whether the minister actually did say that.

Senator MOORE: But you did say the minister is deeply engaged in this process?

Ms Cosson: Absolutely.

Senator MOORE: Did the minister ask you to do this particular work around the KPMG
report?

Ms Cosson: I offered to do that.

Senator MOORE: Rather than the minister saying, 'Do it,' you suggested to the minister
that this would be a worthwhile exercise?

Ms Cosson: That's correct. As we know, as the President points out to me regularly, she
has been fighting for this for six years.

Senator MOORE: The President points things out to many people very regularly. It is a
very strong group and a very effective lobbying group, and their views are always respected.

Senator GALLACHER: I'd like to go to improved dental and allied
health, where you
are projecting a budget saving of $40.7 million—I think that's correct. That's your paperwork
there. I have some questions on that.

Ms Cosson: That's correct, yes.

Senator GALLACHER: The government has committed to requiring veterans to return
to their GPs every 12 sessions for a new referral for psychologists, physiologists, occupational
therapists, exercise physiologists and other allied health professionals. Can the department
detail whether there is any flexibility built into the system for people with chronic conditions?
Or is it one size fits all?

Ms Cosson: At this stage it hasn't been implemented. It was a budget measure with the
intent to commence the change from 1 July this year, and then after the implementation of
those changes we would work with the veteran community and do that evaluation of the
program to determine whether there would be any need to change that program. As you
appreciate, it's 12 visits, go back to your GP, but then the GP can then say you can go back for
12 visits. So it isn't capped. They can keep going back to their allied health people.

Senator GALLACHER: I understand that, but I also understand that where it's used in
aged care or other sectors of the health industry it's basically about reducing people's visits to
those specialists. Usually with aged care, you get 12 visits subsidised and after that you pay
more, and what old people do is they choose not to go.

Ms Cosson: In the broader Australian community, yes, they are capped at the 12 visits,
but our veterans will not be capped at 12 visits. It's really to ensure that we have that GP at the
centre and also to ensure that they are getting the right services from their allied health
providers. Once we've implemented that from 1 July this year, we will work with the veteran
community to determine whether it is effective, whether there is any need to make changes. It is something we are keen to work on with the community.

Senator GALLACHER: So where do the $40 million worth of savings come from then, if you continue to allow people to do exactly what they are doing now?

Ms Cosson: We are aware that in some instances some providers may be encouraging veterans to come back more regularly.

Senator GALLACHER: So you are going to curtail the number of visits?

Ms Cosson: Not if it's recommended by the GP, absolutely not.

Senator GALLACHER: You can't walk both sides of street with this argument. If you are saving $40 million, it must be on reduced services.

Ms Cosson: It's on better services rather than reduced services. That's how I prefer to describe it.

Senator GALLACHER: Do you expect the number of referrals to decline?

Ms Cosson: If it's not actually serving the veteran well, then yes, it will. As you would appreciate, that was an assessment of the savings. That's why we need to evaluate it once we've implemented it.

Senator GALLACHER: Has there been any modelling on the use of allied health services by veterans conducted by PricewaterhouseCoopers?

Ms Cosson: I would have to take that on notice.

Senator GALLACHER: You don't know?

Ms Cosson: No, I don't.

Senator GALLACHER: A $40 million budget saving?

Ms Cosson: I know that in designing the program—

Senator GALLACHER: I know I have bad eyesight, but I reckon that says 'secretary' under your name?

Ms Cosson: I know that when we were designing that program, we worked closely with our allied health providers and we consulted on what it would look like. I assume that they may have done some modelling on that process.

Senator GALLACHER: So specifically PricewaterhouseCoopers, and if so, will this modelling be released?

Ms Cosson: I will take on notice if it was PricewaterhouseCoopers, and I will take on notice if they did that modelling.

Senator GALLACHER: You don't have anybody here to help you? Usually there a million people in the background putting their hand up by now saying, 'I know.'

Ms Cosson: No.

Senator MOLAN: I will help you, Secretary.

Senator GALLACHER: Can the department advise if any such modelling has been completed which would indicate how many people are returning to their GP? Do you have the raw numbers, the detailed numbers?

Ms Cosson: Not on me, no, noting that we haven't actually implemented it.
Senator GALLACHER: 1 July 2019 is fine, I understand that. And people have got 12 visits before they get it in the neck, I suppose.

Ms Cosson: It's 12 visits to before they return to their GP to determine whether they are getting the best support and services they should be receiving.

Senator GALLACHER: But there is no modelling which would indicate how often people are returning to their GP?

Ms Cosson: I will take on notice what the modelling was. I may be able to come back before the end of the evening with that advice for you.

Senator GALLACHER: But right at the outset, there was no ability for people with identified chronic conditions to escape this catch-all provision?

Ms Cosson: Not at the moment, but once we implement it and work in with the community, we will be able to determine if there should be an approach for those with chronic conditions.

Senator GALLACHER: Is the department aware of which allied health professionals veterans see multiple times a week? Do you have a cohort of physiotherapists or occupational therapists? Who is in the firing line here?

Ms Cosson: It is not a firing line.

Senator GALLACHER: Who are you targeting? Where are you trying to reduce the visits?

Ms Cosson: What we are trying to do is ensure that any veterinary that is seeing an allied health provider is returning to their GP to make sure they are getting the best support and service for their condition. We are not targeting any particular cohort.

Senator GALLACHER: You did mention that some allied health professionals are encouraging people to do that. How do you know that?

Ms Cosson: We can tell from our own data in relation to some of our providers.

Senator GALLACHER: From your data, which ones—

Ms Cosson: I will take that on notice. I can't tell you off the top of my head which particular providers.

Senator GALLACHER: Why not? You have a $40 million budget saving planned to start on 1 July this year. You've done the detailed analysis to get these savings and put them in the budget paper. And you are telling estimates now that you are unsure which allied health professionals appear to be overservicing?

Ms Cosson: No. I said I would take that on notice for you and hopefully by the end of the evening I will be able to give you an answer.

Senator GALLACHER: That will be which allied health professionals veterans are seeing multiple times in a week. Is there the department aware of any providers who have expressed concerns to the department about the new model?

Ms Cosson: I am aware that we consulted with the allied health providers and we wrote to them. I am not aware of any correspondence that we have received from allied health providers, but if I find out that we have then I will correct the record and let you know before the end of the evening.
Senator GALLACHER: So there's no-one in the room and no-one in the department present tonight who has any knowledge of that?

Ms Cosson: Not at this stage.

Senator GALLACHER: How many people have you brought here?

Ms Cosson: The TPI Federation is with me. All the state and territory—

Senator GALLACHER: How many departmental officials have you got?

Ms Cosson: I'm not too sure how many are here.

Senator GALLACHER: But you've chosen to be here on your own, carry all the information on your own, and take on notice every question—

Ms Cosson: Where I can, yes, at the moment on this allied health provider—

Senator GALLACHER: Normally we get people coming to the table in their area of expertise and giving us the answers. Why are we not operating that way?

Ms Cosson: I would rather take them on notice for allied health—for this particular one—because I'm aware we had these questions previously and we did answer a lot of them on notice. I just want to make sure that we're giving you the right advice in response to these questions.

Senator GALLACHER: I'll ask it again. Is the department aware of any providers who expressed concerns to the department about the new model. And the answer from the secretary of the department is?

Ms Cosson: Not at this point. I'm not aware of any allied health provider that has expressed any concern.

Senator GALLACHER: Okay. How would you become aware of concerns if there were any? Do you have a working group or a forum? How do people tell you?

Ms Cosson: Yes, certainly our business area does have a forum with allied health providers, and they would discuss it at that forum.

Senator GALLACHER: And your evidence tonight is that it hasn't been discussed at that forum?

Ms Cosson: My evidence tonight is I am not aware of any allied health provider raising a concern.

Senator GALLACHER: Is there anybody who goes to those forums who can confirm?

Ms Cosson: I will find that out tonight.

Senator GALLACHER: On notice, how many complaints have been captured? Is there any awareness in the department of ex-service organisations having raised concerns?

Ms Cosson: Yes, I am aware of quite a few of our ex-service organisations raising concerns with the saving measure.

Senator GALLACHER: How many?

Ms Cosson: I can't tell you exactly how many, but I could tell you that I've had the TPI Federation express concerns regarding the measure, as have war widows and partners of veterans. They have all expressed concern with the measure, and I have offered to them at the meetings that we will continue to work with them once it is implemented on 1 July.
Senator GALLACHER: And how did you become aware of those concerns? Is that through forums, letter-writing or—

Ms Cosson: Both.

Senator GALLACHER: You touched on it. How do you intend to resolve those issues?

Ms Cosson: We will work with them from 1 July and we will also work with them in the lead-up on what those concerns are to see if we need to adjust any of the program.

Senator GALLACHER: Do you have any awareness of individual veterans or their families raising concerns?

Ms Cosson: Those veterans that have approached me on behalf of their organisations would also be discussing their own personal circumstance, so certainly it has been both.

Senator GALLACHER: Okay. Outside of the more formal path of the veteran ex-service organisations, have individual veterans who have chronic ill health, who require chronic ill health to be treated more than 12 times, come to your department with concerns?

Ms Cosson: I am aware that there have been individual veterans that have written and expressed their concerns in relation to the 12 visits—

Senator GALLACHER: Can you get a number as to how many and who—

Ms Cosson: I will take the number on notice.

Senator GALLACHER: And that would be by writing, email or phone call?

Ms Cosson: That's correct—either to the department or to the minister. I will take it on notice.

Senator GALLACHER: People may be in a state of ill health. They may be extremely concerned. How do you resolve those issues in the first instance? What do you say to people?

Ms Cosson: I sit down and talk to them, if they've approached me personally, to reinforce the point that it is not suggesting that they will not be able to access their allied health provider. What it is saying is that, after 12 visits, we would like you to go back to your GP, as you probably would to get a repeat in your prescriptions or your medications, just to make sure that that allied health provider is giving you the best service and support that you need for your condition. It is not saying that you will cease getting that support at that 12-week point, but just check in with your GP.

Senator GALLACHER: Given that you are capturing complaints, do you have enough data to indicate that you might have to do some work on this model?

Ms Cosson: I've always acknowledged that we need to do some work and work with the veteran community to design a model that best serves them but also makes sure they are getting the best service that they need from allied health providers and that we will continue to work with the allied health professionals to make sure it is a well-designed model.

Senator GALLACHER: Okay. If someone is on track to exceed their 12 visits in a relatively short space of time from 1 July 2019, what comfort is it for them to be told, 'We are working on it'? I don't know the frequency, because you haven't shared it with us and you haven't shared the allied health professionals they may be visiting, but what if someone is on track to go past 12 visits in the first two months of this fiscal year? What comfort is it to them if they have a chronic health issue to be told, 'Oh, we're going to work on it'? 
Ms Cosson: Hopefully, they will contact their GP to actually engage with their GP about the requirements for the allied health professional that's providing them that service. There is the importance of the communication as we are doing and we do with our ex-service community that it will come into effect on 1 July.

Senator GALLACHER: So you're saying to them that, if they've got a schedule which is more than 12 visits in a reasonably short space of time, the only thing they need to do is make a repeat visit to their GP and get a referral for another 12?

Ms Cosson: Visit their GP, absolutely.

Senator GALLACHER: Okay. And, when someone contacts Veterans' Affairs, that's what operators tell them?

Ms Cosson: We would work with the veteran. We've built a very good face-to-face connection with our veteran community that they can actually call us and talk to us about what their concerns may be. We've always had a by-exception or case-by-case arrangement in special circumstances, and that would still apply.

Senator GALLACHER: Finally: Minister, there are well-documented issues with the gap between the repatriation medical fee schedule and what private providers charge. Is the government trying to reduce access to services for veterans with this measure?

Senator Fawcett: No.

Senator GALLACHER: I will move straight onto the Medicare freeze impact on repatriation medical fee schedule. You're not calling any assistance to the table, Ms Cosson?

Ms Cosson: I will see where you go first, and if I need to I will.

Senator GALLACHER: Basically, Secretary, with regard to the repatriation medical fee schedule, the department is obviously aware of the gap between what DVA pays and what private providers charge for specialists?

Ms Cosson: In some instances, we actually pay above the Medicare rate for providers. Some we pay at the Medicare rate for providers, so veterans do not have to pay a gap, as you appreciate. In most instances we're either above or at the Medicare rate for our fees with providers.

Senator GALLACHER: I'm not sure what I'm asking for here, but is that schedule 10 pages, 10 feet of pages or what?

Ms Cosson: The Medicare schedule?

Senator GALLACHER: You're saying you're paying above. I'd like to know how many you pay above, how many you are paying at and how many you are paying less.

Ms Cosson: I do have the fees, so I can grab that for you shortly. I do have, for example, outpatient clinical services. For fees, I am aware that, for out-of-hospital consultations, we pay 135 per cent of the Medicare rate. For out-of-hospital procedures, we pay 140 per cent of the Medicare rate. For optometry, we pay around 106 per cent of the Medicare rate. For pathology and diagnostic images, it is 100 per cent. For GPs, it is 115 per cent.

Senator GALLACHER: Okay. The kicker there, I suppose, is the Medicare rate. I think I've got full private cover for everything I can, but, when my wife or I go see a specialist, we
usually end up $500 out of pocket. The Medicare freeze, the repatriation medical fee schedule and what's happening at the marketplace are three different things, aren't they?

If you are paying 106 per cent of the Medicare rate, what does that mean? Does that mean they're paying a $30 gap if they go to a private provider?

**Mr Cormack:** The vast majority—almost all—of the service delivery that is undertaken for our veterans does not require any out-of-pocket fee at all. So let's clarify that. In terms of GP consultations, that is at 115 per cent of the MBS. When you look at the non-veteran utilisation of GP items, the current bulk billing rate is around 87 per cent of all items.

**Senator GALLACHER:** You've hit the nail on the head. We wanted to see whether veterans are paying over the odds.

**Mr Cormack:** They are clearly not, in that case. They are having a 100 per cent—

**Senator GALLACHER:** Can we get that on notice. That would be useful.

**Mr Cormack:** I can tell you now. For GP consultations, there is no out-of-pocket fee and the doctors are getting paid more than GP servicing non-veterans. Those are the facts. It is the same with diagnostic imaging and pathology. The bulk-billing rates are well below 100 per cent. For veterans, they are getting access with no out-of-pocket fees and the doctor is accepting 100 per cent of the MBS fees.

**Senator GALLACHER:** We've clarified that section; that's fine. What about specialists, though? What do you pay and what do private providers charge for special services? Is that where the disparity is?

**Mr Cormack:** To recap what the secretary said: out-of-hospital specialist consultations are at around 135 per cent of the MBS fee; for consultations and procedures it is 140 per cent and for in hospital it is 140 per cent. As far as I'm aware, there are no instances where veterans are paying an out-of-pocket fee in those circumstances. We also have very few situations where veterans are unable to access health care in a timely fashion due to the fee arrangements that we've got in place. That is the reality of the way it is working at the moment.

**Senator GALLACHER:** Can the department confirm how much they would pay for a standard psychologist's appointment and how long would that appointment be?

**Mr Cormack:** We can certainly get that information for you.

**Senator MOORE:** Can I just clarify that you are saying no veterans are paying a gap fee for special services?

**Mr Cormack:** Pretty much.

**Senator GALLACHER:** Has the department received any complaints from providers or veterans about the freeze and its impact on access to services?

**Ms Cosson:** I cannot recall, but I know I had a meeting with the AMA that expressed some concerns.

**Senator GALLACHER:** What did the AMA express concern about—the rate they were able to charge or the rate you were paying?

**Ms Cosson:** Probably both.
Senator GALLACHER: It is only the AMA? Have veterans associations and individuals approached you?

Ms Cosson: I am aware that some psychiatrists may have expressed some concern in relation to our paperwork that is required to be completed for our veterans. We are very focused on reducing the burden on our psychiatrists. That is an area where we are concentrating on better engagement with, in particular, peak bodies to understand the impact of them providing services to our veteran community. On the psychiatrists and psychologists: we have seen a growth in the number of psychiatrists that are seeing veterans and also what we spend in relation to those services for our veteran community.

Senator GALLACHER: Can the department itemise how many applications have been made requesting additional funding to cover gaps?

Mr Cormack: We can take that on notice

Ms Cosson: Absolutely.

Senator GALLACHER: And can you provide a breakdown of that application by state and territory?

Mr Cormack: We can take that on notice.

Senator GALLACHER: What is the RMFS? It's an acronym I'm not familiar with.

Ms Cosson: No, neither am I.

Senator GALLACHER: Has the department been contacted by specialists about the gap with regard to the RMFS?

Ms Cosson: Sorry, I'm not aware of RMFS.

Senator GALLACHER: Is there such a thing?

Ms Cosson: Sorry, I'm not aware of that acronym or that fee schedule.

Senator GALLACHER: All right. We'll stick it on notice and see if we can find something that matches it. Given your evidence tonight, I presume you haven't made representations to the government requesting the fee schedule be reviewed?

Ms Cosson: No. We certainly are looking at our fee schedules, working very closely with Department of Health with fee schedules and also working very closely with the Department of Defence.

Senator GALLACHER: Are you aware of feedback from the Prime Ministerial Advisory Council on Veterans' Mental Health and the Veterans and Veterans Counselling Service National Advisory Committee that the gap is resulting in veterans being turned away from services?

Ms Cosson: I wasn't aware of the Prime Ministerial Advisory Council on Veterans' Mental Health advice there, but I am aware that if a provider is not accepting a veteran to provide a service to, then the veteran is able to contact us and we will connect them with a provider that will see them. If that means that they travel, we'll pay for their travel to see that clinician. Also, if the clinician is seeking above the rate that we would pay, then that's where we have taken on notice, if we are able to provide it to you, where we will pay extra if there aren't other providers available to the veteran in their location.
Senator GALLACHER: So if someone is turned away, it's a call to you and you'll link them up with a provider?

Ms Cosson: That's correct.

Senator GALLACHER: Have any providers contacted the department in the last 12 months seeking a top-up on their payment?

Ms Cosson: That's what we'll take on notice, because, if they have, they would be seeking from us a prior approval for that increase to their fee.

Senator GALLACHER: Take that on notice. Have any veterans contacted the department in the last 12 months seeking a top-up on their payment to see a specialist?

Ms Cosson: A veteran may have contacted us to seek a referral to another provider in their location or transport to a provider, so we can take that on notice as to how many may have contacted us.

Senator GALLACHER: That's a slightly different question. Our question is have any veterans contacted the department in the last 12 months seeking a top-up on their payment to see a specialist? I took your answer to say, if that was a problem, you would send them to somebody else. Has anybody asked you for some—

Ms Cosson: We can find out if a veteran has approached us to ask us a question like that.

Senator GALLACHER: Back to you, Senator Moore.

Senator MOORE: Thank you. I've just got a couple of questions about the Productivity Commission report, because it has been mentioned a few times. The interim report has been released for consultation, is that right?

Ms Cosson: That's correct.

Senator MOORE: So now it's out for six months or a period and they have to go out and gather more evidence around what's in there.

Ms Cosson: They released it just prior to Christmas and they have started taking evidence at hearings, with submissions due around the end of February for our ex-service community. Some have already submitted additional evidence, with the time line for the commission to provide a final report to government by the end of June, and for the government to then consider its response to that commission's final report.

Senator MOORE: Has DVA made a submission?

Ms Cosson: We have. We provided an initial submission to the Productivity Commission, and I provided evidence last week.

Senator MOORE: So you've done your second round of commentary?

Ms Cosson: Yes, but we are also providing a supplementary submission, which is a joint submission with Defence.

Senator MOORE: Right. Minister, one of the recommendations in the Productivity Commission report—and I know there are many—that has received some media is the recommendation to dismantle Veterans' Affairs. Has the minister made any comment about that?

Senator Fawcett: The only comment indicates that it's not on our agenda.
Senator MOORE: Another one that's received some commentary related to the gold cards. It recommended no further expansion of the gold card.

Senator Fawcett: I'd have to take that on notice.

Senator MOORE: It is one. It's clear from other questions about the gold card expansion that the minister is moving ahead with legislation which is expanding the gold card. So it's very a clear decision that they're rejecting that particular recommendation. We'd say that if they could reject that one then it's possible to reject the dismantling of DVA. I know you can't speak for the minister—

Senator Fawcett: Sure.

Senator MOORE: but the formal response is that it is not on the agenda. That's correct?

Senator Fawcett: Yes, that is correct.

Senator MOORE: Just following up on that: one of the Productivity Commission's recommendations is that there shouldn't be an expansion of the gold card. But we have legislation and, again, Minister, this is difficult for you to speak on, but it's clear. The legislation has gone before the House, but the implementation date is 1 July this year. Are you aware of what the government is doing to negotiate and ensure that the bill is actually brought forward for debate?

Senator Fawcett: I'd have to take that on notice.

Senator MOORE: Given the sitting dates, it's very difficult, but it's important that it has come forward. So we don't know what's going to happen there. Are you aware if there's any contingency plan if it doesn't come before both houses for approval?

Senator Fawcett: Again, I'd have to check with the minister. It's not my area.

Senator MOORE: I know. Has the minister had discussions with the department about the process at this stage?

Ms Cosson: Are you referring to the—

Senator MOORE: To the gold card expansion to civilian, surgical and medical teams, which is particularly about expanding gold cards—

Ms Cosson: That's correct; that is going forward.

Senator MOORE: It was actually put to the House last week.

Ms Cosson: That's correct.

Senator MOORE: It needs Senate approval.

Ms Cosson: That's correct.

Senator MOORE: Has the minister had a discussion with the department about the process for that proceeding? And if it doesn't, about looking at contingency plans?

Ms Cosson: At this stage, my understanding is that the bill will proceed as it is currently—it's in the House at the moment—potentially, going to the Senate during budget week. That's my understanding.

Senator MOORE: 'Potentially'. So that would go back to putting a priority process in place?

Ms Cosson: That's right—
Senator MOORE: Which, of course, no-one has any control over. Is the department aware of the recommendation from the PC review which indicated the gold card should not be expanded to any more groups of people?

Ms Cosson: Yes.

Senator MOORE: Of course you are! How does the announcement sit with the recommendation and the legislation that is before the House?

Ms Cosson: The Productivity Commission's report is still a draft, and that was one of their recommendations. Of course, that was then discussed in relation to the surgical and medical team from Vietnam. The Productivity Commission is receiving a lot of feedback on that particular issue—

Senator MOORE: I'm sure they are.

Ms Cosson: as you'd expect. I'm not too sure where they'll land with their final report or recommendations, but, then it really will be for government to determine whether it will be expanded to other cohorts.

Senator Fawcett: Perhaps to address your questions around the government's actions versus the Productivity Commission report: the Prime Minister has made a statement, saying:

... the Productivity Commission will make recommendations from time to time, but what is most important to me is that veterans get the support and the benefits and respect they deserve.

Senator MOORE: That's the Prime Minister's statement?

Senator Fawcett: Yes.

Senator MOORE: When was that made, Minister?

Senator Fawcett: I will have to get back to you with the date, but that's a quote from him—

Senator MOORE: Sure. You'll have to take this on notice: in terms of the development of the legislation for the civilian, surgical and medical teams, can you provide us with when the work was done to present that for legislation—to bring it into the House—as opposed to when the Productivity Commission investigation was going? I'm just trying to get an idea of the time frame there. That bill was in development for a long time. It finally came into the House last week. I'm trying to see when the recommendation to bring that came forward.

Mr Cormack: You're also getting into very specific deliberations of government process.

Senator MOORE: I'm asking for what recommendation came from the department to the department. And then it was government's decision about when it came into the House. It's quite clearly a differentiation between the role of the department and the role of government. If you could take that on notice.

Ms Cosson: Certainly.

Senator MOORE: Thank you. The Prime Minister's Veterans' Employment Program.

Ms Cosson: Yes.

Senator MOORE: We talked about this in the past. Can we find out how many nominations were received in the category of Veteran Employee of the Year and how many finalists there are?
Ms Cosson: I'll invite Mr Orme to the table just to give us the facts and figures around that one, if possible.

Senator MOORE: These are straightforward questions about each of the categories, so I'm sure you've got them all in front of you.

Ms Cosson: I'm sorry, we don't have the actual numbers of the nominees with us but we can get those numbers for you. We can take that on notice.

Senator MOORE: That will be fine. I'll just run through the categories and, if you give me any answers, fine. How many nominations for Veteran Employee of the Year and how many finalists?

Mr Orme: There were in the order of 20 finalists for the employee of the year and there were three finalists.

Senator MOORE: 20 nominations?

Mr Orme: Yes.

Senator MOORE: That gives me a sense, and you can tell me the exact number on notice. This is going to be held on 5 March—is that right?

Mr Orme: Yes, 5 March, here in the Great Hall.

Senator MOORE: A big event?

Mr Orme: A big event.

Senator MOORE: Good. How many nominations were received in the category of Veteran Employee of the Year last year and how many finalists were there?

Mr Orme: There were in the order of 22 to 23. I was a judge on both of those panels.

Senator MOORE: You've been a judge, so you know them intimately.

Mr Orme: I was the chair of both panels. Again, last year there were three finalists. The winner was a lady by the name of Rachel Ranton. Rachel has done a remarkable job over the last 12 months, as the other finalists have as well. Rachel's been a wonderful ambassador both for the veteran community and for women servicepeople. She's also demonstrated quite clearly the value that veterans bring to employers. She was an employee of a bank and demonstrated that her skills from the ADF were highly transportable into an area that was not traditionally seen to be related to Defence service. She was involved with signals and had significant operational experience, and she's translated that into great relationships, great team building and great communication. She's been a wonderful ambassador for the program.

Senator MOORE: That's the expectation—that is, when you promote the skills and the individuals, they act as ambassadors in the following 12 months; is that right?

Mr Orme: That's right.

Senator MOORE: Are you building up an alumni group, similar to some of the other awards programs? It's not just the person who was the immediate past winner but you build up a group of people.

Mr Orme: That's correct. In fact, the momentum is growing. I've spoken to Rachel about this, and she's going to be acting as a mentor to the winner for this year. She's going to indicate the sorts of things that she has done and how she might help the winner—the finalists
to be announced—in how they might carry out their duties, notwithstanding the fact that they still have a day job to do for their employer.

Senator MOORE: Good. Veteran Entrepreneur of the Year for this year?

Mr Orme: That's a new category this year as a result of our learning from last year. We found that we had a series of categories, particularly employee of the year, in which it kept emerging that we had veterans who'd founded new companies—they'd started new businesses in all sorts of places—but that we didn't have a category for them. In response to our learning from last year's experience, we created the new category of Veteran Entrepreneur of the Year. I don't have the exact number of people involved in that, but, again, there'll be three finalists. Across the board, they've demonstrated that veterans have been involved in all sorts of things, in some cases with other veterans and, in other cases, moving into entirely new spaces.

Senator MOORE: Can you give me any idea of the vicinity in terms of the number of nominees? No, just take it on notice.

Mr Orme: Yes, Senator.

Senator MOORE: Veterans' Employer of the Year Small: how many nominations and finalists? I take it that's for small business.

Mr Orme: I will take that on notice to give you the exact numbers.

Senator MOORE: Can you give me Veterans' Employer of the Year Small last year, Veterans' Employer of the Year Medium last year, Veterans' Employer of the Year Large last year and Excellence in Supporting Veterans' Employment? How many finalists are there?

Mr Orme: Again, there will probably be three finalists in that category.

Senator MOORE: The three finalists seems to be standard.

Mr Orme: As you go to the businesses clearly the numbers drop to the bigger businesses supporting veterans. We will have those numbers in detail for you.

Senator MOORE: Same for supporting spouse employment and how many finalists—I particularly like that one—in both cases? It's also to get a sense of whether it's growing and—

Mr Orme: It is growing. The whole purpose of the Prime Minister's employment program is to begin a dialogue, which started in Defence in the Defence Reserve Support Council—which has done remarkable work promoting the value that our Defence reserves provide to their employers and the value of reserve service, but then also now into the corporate sector for the value of veterans who are going in to work for corporates and other businesses. Largely, there were different views out there of the value of veterans. There was sort of a dominant narrative potentially around veterans having troubles from their service, but of course the reality is that with our veterans—the young men and women—the average length of service is in the order of sort of eight to 10 years. They leave their communities as young men and women. They join the ADF across the three services. They have a broad range of experiences and particularly in the last decade, or the last 15 years or so, significant operational service. They learn to build teams. They learn to communicate. They learn to cooperate. They learn to manage. Those skills are the sorts of skills people are looking for, particularly with the changing nature of work and particularly with the need to shift away from some of the traditional hard vocational skills into relationships and those sorts of things. The corporate sector weren't looking at veterans and seeing the skills that they were offering.
to our communities, and so through this dialogue and through this process that knowledge is growing and being shared.

The industry advisory committee, as well, has engaged significant corporates under George Fraser's leadership to build this dialogue and this communication, which is backed up by hard evidence and demonstrated performance by our veterans who are working and doing remarkable work around the country and finally getting the recognition for it, and employers are seeing that value and they're starting to take it up. What we don't have, in terms of the evaluation you might move to, is exact numbers of how many jobs the program has turned into but it's a phased program. The first phase is raising awareness, the second phase is effective engagement and the third phase is employment. Depending on which industry you look at, the Defence industry has already had its awareness aroused, it is engaged and it is employing. But it is in the non-traditional defence sectors that we're seeing the biggest growth and the biggest impact of this particular program.

Senator MOORE: And over this staged process you'll develop ways of monitoring what the evaluation is going to be?

Mr Orme: Yes. In simple terms it's—

Senator MOORE: You have to let it settle first?

Mr Orme: It has to build. This is a new program. It is a strategic program. It is a strategic engagement across the community and in many ways it is engaging on a narrative that hasn't been strong really since the end of the major wars when we've repatriated our veterans from major wars back into the community and back into the workforce. This is more of an ongoing enduring factor that we're working with. In that, if I might add, we're working very closely with defence to ensure that there are no gaps. I'd like to say it's seamless—it's still not there yet—but it's very much linked in the preparation during service, the advice and preparation during the transition period in the latter months of service and then during that transition period into the first months of becoming a civilian back in the community, so that that continuum is understood for not only the veteran but also their family.

Senator MOORE: Yes. In terms of the cost of the awards, which is always a question, was there a particular advertising budget for the awards this year?

Mr Orme: I'll take that on notice in the detail, but it is a costed event—

Senator MOORE: Always.

Mr Orme: You're also involved with sponsorship with corporate partners as well to subsidise the events.

Senator MOORE: On notice: what's the cost of this year's event, who are the sponsors of this year's event, how it is working and how many people have been invited?

Mr Orme: We will take that on notice but we can provide that for last year as you've asked for, 2018—

Senator MOORE: That would be in terms of a comparator.

Mr Orme: We're still, obviously, in progress. March 5 is when the event occurs so by the next estimates we will have a cost breakdown.

Senator MOORE: Fine. Thank you. Good luck for the week after next.
Mr Orme: Thank you.

Senator GALLACHER: Is it self-nomination or two people nominating?

Mr Orme: Generally the organisation employing the veteran will nominate the veteran. Some of them have been self-nominated around different components.

Senator GALLACHER: What about the companies?

Mr Orme: The companies are self-nominated. They put in their proposal, and the selection committee will then determine the outcome. It's much the same across any number of awards in Australia around work health and safety and other sorts of business awards.

Senator GALLACHER: I was just curious.

Senator MOORE: We've got a range of questions around the mefloquine protest. We know that the Senate inquiry report was tabled on 4 December 2018 and we're waiting for the government response. We're got some specific questions about some of the actions that were recommended and whether any action has been taken.

Ms Cosson: I can try, as a start.

Senator GALLACHER: Or you could give Dr Gardner a go before he leaves.

Senator MOORE: They are detailed, so I will understand if you need to take them on notice. We're just wanting to see what's happening.

Ms Cosson: Certainly, Senator.

Senator MOORE: Because there was considerable investment in that inquiry.

Ms Cosson: Absolutely, and we've accepted that report. We're currently providing the advice to government, to the minister, in relation to the recommendations. I'll take your questions and answer them as best I can.

Senator MOORE: In relation to mefloquine, can the department advise whether they've updated the terms of reference for the Veterans' Affairs Human Research Ethics Committee to include consideration that prospective research participants may be vulnerable to perceived coercion to participate? That was one of the key recommendations.

Ms Cosson: I think the challenge there—and Dr Gardner may be able to help me with this one—is that it's not our ethics committee.

Senator MOORE: So if it's a Defence and Veterans' Affairs independent committee, you could only recommend to it that they change it?

Ms Cosson: I will need to take that on notice and have a good look at that. But I am aware that that was a recommendation, and there were some challenges around how we might do that.

Senator MOORE: Any time frame on that, Ms Cosson?

Ms Cosson: The plan is to provide the minister the brief on the recommendations, and of course the government has to table its response by 4 March.
Senator MOORE: Yes. We will be hoping! Can the department advise what action has been taken to expedite the investigation on antimalarial claims lodged since September 2016. That's not something that needs to wait for a response. It was trying to expedite existing claims.

Ms Cosson: We did provide a response to a question on notice to the inquiry on the number of claims that we had and we have been actively working through those claims. I do have a breakdown of the numbers if you want me to go through them.

Senator MOORE: Put it on notice. But it was accepted that there was a significant backlog—at the time?

Ms Cosson: Yes, there were some. I wouldn't say it was a huge number, but there were some that were still pending. I think it was maybe around 12. We have been actively looking at those claims.

Senator MOORE: Can the department advise what assistance is being provided to encourage those contacting about mefloquine to lodge their claims and source advocates if required?

Ms Cosson: As you may be aware, we have had a lot of consultation around Australian cities. I think we've had roughly 110 participants at those consultative fora.

Senator MOORE: How many of those have happened so far? One had happened before the inquiry; one was happening during the inquiry, and my understanding was that there was an expectation that more would happen.

Ms Cosson: We've concluded all of them.

Senator MOORE: Can you tell us how many have happened. They were in different geographic locations.

Ms Cosson: In every state and territory.

Senator MOORE: Every state and territory has now had one?

Ms Cosson: Yes. I will check that it was territories as well, but it was certainly every state.

Senator MOORE: What information has been provided to the complex case team in reference to mefloquine?

Ms Cosson: We set up that dedicated number for them and we have communicated with the team. It's not a dedicated team for mefloquine. We don't actually receive a lot of inquiries.

Senator MOORE: But what you do get are usually complex?

Ms Cosson: That's correct.

Senator MOORE: Do you have an information kit on mefloquine? One of the issues, which we discussed at length during the inquiry—and Senator Gallacher was asking questions consistently on this point—was the preparedness of people on the end of the phone to respond when someone came forward with a mefloquine inquiry and all the consequences that could come out of that. Has there been any material provided for the people on that line specifically around this mefloquine issue?

Ms Cosson: I will take that on notice.
Senator MOORE: If there has been—and I think there would have been—can we get a copy of it?

Ms Cosson: Yes, absolutely.

Senator MOORE: Can we get a summary of the concerns raised at those consultative fora that you described? Were outcomes kept of those?

Ms Cosson: Yes.

Senator MOORE: Can we get a copy of what was raised?

Ms Cosson: We can show you what the general themes were that were emerging from those.

Senator MOORE: That would be useful. Also can we have the plan that was put in place to follow up, because you were talking about that during the inquiry as well. There was concern at the Townsville one, which was the first one, that there wasn't such clear transparency about what was discussed and what happened. I know that the department was putting something in place on that.

Ms Cosson: Absolutely. Certainly through Open Arms we have been doing a lot of work to follow up, yes.

Senator MOORE: You said you had a number for how many people had attended in total.

Ms Cosson: Yes, 110.

Senator MOORE: That was veterans and families?

Ms Cosson: Yes, that's correct.

Senator MOORE: Can we get a list on notice about how many attended each forum?

Ms Cosson: I have that breakdown here somewhere, but I can take it on notice.

Senator MOORE: That would be lovely. Can the department advise if the material circulated at these fora are now available online?

Ms Cosson: I will have to take that on notice.

Senator MOORE: Can the department advise if representatives of the Department of Defence attended each session?

Ms Cosson: I will take that on notice.

Senator MOORE: If they did miss any, which ones were they and was there a reason? As per recommendation 8 of the Senate inquiry—I'm not going to ask you whether you know which one was recommendation 8—can the department advise if they have undertaken a targeted awareness-raising campaign? Or are you preparing a targeted awareness-raising campaign?

Ms Cosson: I would have to take that on notice.

Senator MOORE: Has there been any discussion with the Royal Australian College of General Practitioners and other health professionals to review and uptake clinical guidelines?

Ms Cosson: Certainly that would be something that the RMA would have a look at for us. I know that they have looked at their range of statements of principles. I believe there are 16
statements of principles that do pick up conditions that may be related to the mefloquine. I will take that on notice.

**Senator MOORE:** Has the department engaged with the Royal Australian College of General Practitioners about whether to undertake briefings with GPs about mefloquine similar to the session run in Townsville in 2016?

**Ms Cosson:** I am aware that Dr Gardner wrote to GPs earlier in the piece, a couple of years ago, but I'll follow up on whether there is going to be further engagement as a result of the inquiry.

**Senator MOORE:** There was a particular issue raised consistently about the awareness levels of GPs and their importance in the whole process, so that would be good.

**Ms Cosson:** Absolutely.

**Senator MOORE:** Has the department received the research findings from the University of Queensland which were expected late last year?

**Ms Cosson:** Yes, we have received that.

**Senator MOORE:** Is that research available publicly?

**Ms Cosson:** No, we are doing some analysis. We had a presentation from the author of the report and we were a little bit concerned about the sample size of the findings. So we've been doing some analysis and working with Defence on that. The report should be available shortly.

**Senator MOORE:** Okay. It may well be useful—and we will discuss this, Ms Cosson—when that is available for us as a committee to get a briefing on the process and that research, because it was highly anticipated. It was really key to some of the concerns, so that would be useful.

**Ms Cosson:** Okay, but we will be undertaking further research as well.

**Senator MOORE:** And can you give me any indication what 'shortly' means—in the next three months?

**Ms Cosson:** Absolutely.

**Senator MOORE:** Did the department contribute any funding to the University of Queensland for the research?

**Ms Cosson:** I believe so, but—

**Senator MOORE:** Can we find out, on notice—

**Ms Cosson:** I will notify you if I am wrong.

**Senator MOORE:** Can we find out the amount and whether there was any in-kind support as well?

**Ms Cosson:** I will take that on notice.

**Senator MOORE:** Can the department detail the neurocognitive health program and provide an update on development.

**Ms Cosson:** I'm sure Dr Hodson would love to do that, if she's in the room. In relation to the themes from the forums, I can let you know that we have published them on our web page, which is dva.gov.au/mefloquine.
**Senator MOORE:** And they're the themes?

**Ms Cosson:** They're the themes that are already listed on the website.

**Dr Hodson:** We've continued to develop with our reference group the actual program. On 15 January, we had a workshop in Townsville. The workshop involved two phases. The first phase was actually with young impacted individuals in Townsville, with some of our Vietnam veterans and with a number of key stakeholders, because the neurocognitive program is not just about acquired brain injury through toxic exposure; it's more broadly a screening program for anyone who's worried about brain injury. It was a very successful day. What we're actually doing at the moment is mapping the client journey. We're using Townsville as a trial site. Unfortunately, in the next month, we've needed to slow down a little bit as we allow the Townsville community—

**Senator MOORE:** I can imagine.

**Dr Hodson:** to catch up. But, really importantly, it was a very productive day because we were able to, with our local community, test whether this would work for them. We had everyone from Vietnam veterans, who were worried more about Alzheimer's, through to some of our young impacted Townsville people who were worried about acquired brain injury and how they would fit into the pathway that we're looking at. Basically, we want to be able to screen and baseline people's brain function; where necessary, make sure we have the right referral pathways; and then get them to the right specialists. That actually does require having GPs trained. So in the afternoon we had present with us rehab specialists, neuropsych specialists, and we had some of the GP practices come along. So we're at the stage of the process where we're testing: how would this process look? Our next step is to work within the department to find out how we actually make the back of house happen seamlessly. We're on a time line to, by the middle of the year, try and start to bring some veterans through the process.

**Senator MOORE:** Did you have anyone involved in that program who identified as being involved in the mefloquine process?

**Dr Hodson:** We have a number of reference people, so definitely. Stuart McCarthy is one of our key—we have a group which includes a whole range of key stakeholders.

**Senator MOORE:** The reference group that you identified during the process of the inquiry?

**Dr Hodson:** Yes. We have a steering group, but we also then had community members, and they were invited to select in. I'd need to take on notice exactly how many.

**Senator MOORE:** Sure, yes.

**Dr Hodson:** But, yes, we met a number of people who were involved in the trials.

**Senator MOORE:** This was by invitation only, I would expect?

**Dr Hodson:** Yes, it was really done through the local network. Locally, we put a little notice out that we were going to run the workshop. It went on from what we'd done. We'd done the mefloquine consultation in Townsville; we'd met a number of key people and, through that network, then let them know that we were doing the workshop.
Senator MOORE: There were significant concerns raised about how that original consultation process operated in Townsville, so I trust that the problems that were identified there were actually put in place?

Dr Hodson: Yes, we learnt some real lessons.

Senator MOORE: Well, it was very early in the process.

Dr Hodson: Yes. Then the second consultation was: what do you need? With the workshop, based on what we'd been told, we started to map, to co-design with them, what a pathway that would work for them would look like. Importantly—and I think Townsville is a good place to do this; it is a rural community—how do you make sure that, in somewhere like Townsville, you would have the service network that you need to actually provide that? There were some key lessons. We will actually need to do some skills training. We'll need to do skills training with the GPs, with the local neuropsychs. I think we'll end up nationally with some key people who have been really upskilled to be able to support this network. So, when someone identifies with this problem, we then need to link them to that network.

Senator MOORE: Sure. How many people were in attendance?

Dr Hodson: I'll take that one on notice. I was fortunate to be there—it was a really positive day. We probably had about 20 people in the room in the morning and then again in the afternoon.

Senator MOORE: Same people or different people?

Dr Hodson: The morning focused on the pathway of participants. It was co-designing how a veteran potentially worried about Alzheimer's or how someone who had been in the mefloquine trials would work through the process and whether it made sense to them. In the afternoon we had the rehab providers and the medical specialists to try and work through the practicalities: is this pathway going to work and do we have the resources in this community to make it work?

Senator MOORE: Have you done a report—I know it was only in January—about how that went?

Dr Hodson: We did, actually. We had a facilitator come with us and she provided me with a report.

Senator MOORE: And is that public? It's not for the website, but is it something the committee can see?

Ms Cosson: It's currently being briefed to the minister, and he may decide to publish that.

Senator MOORE: Sure. Minister, we'll put the same request in for consideration for that to be shared with the committee. Also, did the department contact the people or did they have to contact you?

Dr Hodson: We were working through Operation Compass and Ray Martin, who's up there. We used our local network—Open Arms is very embedded in the community up there—to let people know that the work was occurring, and we pretty much let anyone who wanted to come, come. So people volunteered to come along. In the afternoon, we targeted providers that we work with regularly, but really anyone could have come along. We didn't want it to get so large that you can't actually do a co-design.
Senator MOORE: It's very difficult, and also, because it's much wider than with mefloquine, it is touching on a wider group. When we had our inquiry in Townsville there were a large number of people—many more than 20—wanting to come along and participate.

Dr Hodson: Asking people to take a day to do co-design activities—

Senator MOORE: It's very hard.

Dr Hodson: I must admit when I got there I was worried about how many we would have. It shows the level of interest that we had 20 young people—and I'm only giving you a rough number; I'm happy to give you the exact number—who came along and gave up their time. We had families, a number of young people who had obviously taken the morning off work to be there, to be part of it.

Senator MOORE: When you say 'young', what does that mean? 'Young' is subjective.

Dr Hodson: Yes, I know.

Senator MOORE: But in terms of when you describe your client group?

Dr Hodson: So we had everyone there, actually—

Senator MOORE: Thirty?

Dr Hodson: Yes, I consider 30 to be young, to be honest.

Senator MOORE: Okay, younger veterans?

Dr Hodson: Yes, some younger veterans in the room. We had a young veteran who himself had had more of an IED exposure, so his brain injury was a result of an IED. We had people who were worried about the mefloquine exposure. And what was wonderful to see was a real feeling of a handing over of legacy, with some of our Vietnam veterans saying, 'The whole reason we have this service is to make sure we have a specialised service that meets the needs of veterans.' So that was our Vietnam veterans saying, 'The service is still there for us, and we're now tailoring it to this particular problem.'

Senator MOORE: How is the program going to be formally evaluated? Have you worked out an evaluation strategy?

Dr Hodson: We will actually put that out to a tender process. We will call for an expression of interest, because we'll develop the program, but we will need to evaluate it. There are a number of people who could do that, and we want to do that competitively.

Senator MOORE: Has the department given any thought to the collaborative working group who would consider outcomes of pilot and how best to roll out the larger program?

Dr Hodson: We do have a collaborative oversight committee at the moment.

Senator MOORE: So the one you've already developed would be the one you would take forward?

Dr Hodson: Yes.

Senator MOORE: It makes sense.

Dr Hodson: They've been with us the whole time. We're adding Brain Injury Australia, but we'd include at the moment mefloquine exposed individuals, Vietnam veterans—we've got a broad section and we're slowly adding as we need specialist advice coming in. We have
Professor Ian Baguley from Westmead Hospital, who specialises—I'm happy to provide you with the list of who is currently taking part.

Senator MOORE: That would be great, very useful. I would imagine this question is particularly around the mefloquine process: could the department advise how many people have contacted the department seeking assistance in the last three, six and 12 months? That can go on notice.

Dr Hodson: Yes.

Senator MOORE: Does the department now refer individuals to specialists?

Dr Hodson: What I would say is we've always referred people to specialists. What we are doing at the moment, because we know this is a more specialised area, is we've put on a permanent neuropsych, who is working with the program.

Senator MOORE: It's also the appropriate specialist.

Dr Hodson: Yes, appropriate specialist.

Senator MOORE: It was contested space.

Dr Hodson: Probably the most valuable part of the lived experience journeys that we've heard is having now a better understanding of what works so that, when we identify a more complex individual, we have the specialist referral pathways that are recommended that we can start to tap these people into.

Senator MOORE: This will be on notice: how many applications for acquired brain injury treatment has the department received since the expansion of non-liability health care? My last question is about the response to a Senate inquiry. You told me earlier that you are working on preparing that to go to the minister.

Ms Cosson: We're finalising that brief, yes.

Senator MOORE: Thank you very much.

Senator GALLACHER: I have a couple of questions on DVA transport bookings? Has the department received any complaints about the transport booking service in the last six months?

Ms Cosson: Yes.

Senator GALLACHER: What has the nature of the complaints been?

Ms Cosson: Complaints can range from the vehicle being late, the driver potentially not doing everything they would like the driver to do—for example, not escorting the veteran or family member to the appointment and just dropping them off at the kerb—to not liking the vehicle. We've moved to different contractor arrangements, so, whereas in the past they may have received a hire car, now it's a taxi. There are a range of complaints. But, for the number of bookings we take, the number of complaints is about 0.06 per cent.

Senator GALLACHER: But the nature of the complaints is recorded?

Ms Cosson: Yes, it is.

Senator GALLACHER: Do any relate to the drivers not showing up at all?

Ms Cosson: Yes.

Senator GALLACHER: What would happen there?
Ms Cosson: They would call us and then we would try to find another car to pick them up.

Senator GALLACHER: Why don't the drivers show up? That's their job, isn't it? That's how they make their money.

Ms Cosson: It is their job, yes. We do have—

Senator GALLACHER: I don't have a problem with an Uber or a cab. They all show up.

Ms Cosson: We do take it up with the contracted provider if their drivers do not turn up.

Senator GALLACHER: On notice, could we get a summary of the issues that have been discussed or complained about and what the feedback process is for when drivers fail to show up when booked—is the company made aware, how you fix that issue. Have there been any changes in the transport booking contract in the last six months?

Ms Cosson: Not in the last six months, no, but in 2016 we had a request for tender and we changed our transport arrangements.

Senator GALLACHER: Is that transport arrangement the same in every state?

Ms Cosson: I'll need to take that on notice. I know we do have different providers, depending on the state, but they're all run through a central booking arrangement.

Senator GALLACHER: On notice, could you advise if there have been changes in each state and the reason for those changes.

Ms Cosson: We can provide a breakdown of the providers by state.

Senator GALLACHER: Excellent. Thank you. I want to go to the Sir John Monash Centre. Is the department aware of reports that the Sir John Monash Centre's visitor numbers are much lower than expected?

Ms Cosson: Yes, we are. The business case estimated there would be 90,000 visitors to the Sir John Monash Centre in the first year, but from April, when it opened, to December, there were 48,000 visitors to the Sir John Monash Centre. The 90,000 estimate was based on a growth in visitors to the western front and also a projected increase in Australian visitors to France, where they'd estimated three per cent per year growth and a doubling of visitors to the western front. But some have suggested that the 2015 terrorist attacks might have been the reason the numbers have not been as high as what they estimated. But certainly the visitors who attend stay in the centre for about three to four hours and report a very positive experience from their visit.

Senator GALLACHER: I don't want to sound unpatriotic, but I think there was a discussion about the projected numbers when this project first came before the committee. How much does it cost to run the centre?

Ms Cosson: I'll need to take on notice how much it's costing to run. I do know that we spent $88.6 million in capital out of the $99.5 million that was provided, so part of that total would be on the running—but I'm not too sure about the operating costs.

Senator GALLACHER: Do you have a program or a plan to encourage high levels of visitation?

Ms Cosson: Certainly with our Remembrance Trail, which is a virtual remembrance trail, we do talk about the Sir John Monash Centre to encourage people to visit. Similarly, with
Anzac Day services and tour operators, we talk about the Sir John Monash Centre to encourage visitors.

Senator GALLACHER: How many FTEs are employed at the centre?

Ms Cosson: We have one permanent Australian based staff member who manages the centre, but we have a range of contractors and locally engaged staff who actually run the centre. I don't have the number, but Mr Fely might have that number.

Senator GALLACHER: Could we get the employment costs and the number of contracted casuals or locally engaged people.

Ms Cosson: Would you like that now or on notice?

Senator GALLACHER: Fire away now, if you can do it.

Mr Fely: I would have to take on notice the number of locally engaged staff. The secretary was correct in that we have one director, who is Australian based, and a number of locally engaged staff engaged through the embassy.

Senator GALLACHER: What is the target number of visitors for 2019?

Mr Fely: We don't have a target. The aim of the Sir John Monash Centre is to increase the understanding of Australians' service on the western front. That was the main purpose of the business case. The numbers that were estimated were an estimate. We are seeing an average of—

Senator GALLACHER: We are running out of time. So, we had 90,000 in the plan. We got 48,000, which is just over half. How many visitors did the centre have in January and February this year?

Mr Fely: In January, the centre was only open for—

Senator GALLACHER: Do you know?

Mr Fely: I think it was around 1½ thousand for January this year. It was only open for half the month, like most museums in Europe at that time, because it is winter and snowing.

Senator GALLACHER: Okay. We're running out of time, so I'll leave it there.

Senator PATRICK: The Australian Veterans' Recognition (Putting Veterans and their Families First) Bill 2019 had some money set aside to provide a framework for government, businesses and individuals to recognise the service of veterans and their families, and it includes the provision for the distribution of lapel pins. How many pins has the department budgeted for? I think you got $11 million—

Mr McHardie: Lapel pins—we've budgeted for 200,000 in the initial batch.

Senator PATRICK: And you'll end up covering the cost of those in terms of distribution and so forth?

Mr McHardie: That's correct.

Senator PATRICK: And that's also included in the budget?

Mr McHardie: Yes, that's correct. You will see the lapel pins, the covenant and the card all delivered together as a package.

Senator PATRICK: That's the discount card?

Ms Cosson: The veteran card.
Senator PATRICK: I'd be remiss if I didn't ask this question: are the lapel pins going to be made in Australia?

Ms Cosson: Yes, they are. They're being made by the same provider that makes the pins for the Governor-General's office.

Senator PATRICK: Thank you very much.

CHAIR: Senator Patrick, that was brilliantly short. Thank you.

Senator PATRICK: I'm here to please, Chair.

CHAIR: Back to Labor.

Senator GALLACHER: What time is dawn in France this year?

Ms Cosson: It depends on the time of year, but for Anzac Day this year we will not be having a dawn service in France. We have moved our service to mid-morning rather than a dawn service.

Senator GALLACHER: That's an interesting decision. Why was the decision made to move the commemorative service in France from the traditional dawn service to a 10 am starting time?

Ms Cosson: The dawn service only commenced in France in 2008. Prior to that, the service in France was at 10 o'clock on the Saturday prior to Anzac Day. So, in some instances, it wasn't even on Anzac Day. We introduced the dawn service, as I mentioned, in 2008. Moving forward, now that the Anzac centenary is over, we had a look at encouraging that mid-morning service so that it allows visitors to go to the site at a reasonable hour and not in the early hours of the morning, and also to visit other communities, such as Bullecourt, and services in the town of Villers-Bretonneux. We undertook some engagement with the local mayors and authorities and communities, and they were very pleased with that change of arrangement. We did engage with some tour operators, the majority of which were very comfortable with the change. There were a couple, of course, who expressed some concern and posted those concerns on social media.

Senator GALLACHER: So you've had broad consultation—is that what I've just heard?

Ms Cosson: Absolutely, Senator.

Senator GALLACHER: How many people registered to attend the service last year?

Ms Cosson: Mr Fely might have those figures.

Mr Fely: Just over 8,000 turned up for the service.

Senator GALLACHER: And how many have you registered for this year's service?

Mr Fely: The last I saw was around 1,200, but that number usually builds through the coming months.

Senator GALLACHER: So you're saying there's nothing unusual about that?

Mr Fely: It's a bit difficult because we now go into a period that we are not familiar with. We've just had the Centenary of Anzac, and while we had numbers of 3,000, 4,000 or 6,000, we are anticipating about 3½ thousand—I should say we're planning for 3½ thousand.
Senator GALLACHER: I should get my colleague Senator Sterle to come and ask these questions because he has been there a number of times with groups of schoolchildren. Is there a fair travel from wherever you are to the ceremony?

Ms Cosson: It depends on where you're staying.

Senator GALLACHER: Is there a village handy close by?

Mr Fely: Amiens, which is the major city close by, is normally about 25 minutes. But people come from everywhere. The opportunity provided by the mid-morning service means that it's a decent day trip from Paris, to give you an idea. It's about a one- or two-hour bus trip from Paris.

Senator GALLACHER: So you are basically trying to maximise the attendance. You're trying to make it attractive to the crowd there.

Mr Fely: Absolutely. After the conversation we had with the mayor of Villers-Bretonneux, he is keen to talk to district education leaders into trying to get more schoolchildren out because it actually suits the date.

Senator GALLACHER: You have received negative commentary on social media—is that correct?

Mr Fely: A small number, yes.

Senator GALLACHER: Have you received any formal complaints addressed to you?

Mr Fely: There have been letters to the minister which have been responded to or are in the process of being responded to.

Senator GALLACHER: Do you know how many?

Mr Fely: Around 10, I think, but it's difficult because I don't see them until they come through and it's time to clear them.

Senator GALLACHER: What would be the nature of those comments or complaints?

Ms Cosson: Similar to what you're suggesting, Senator—that people think that we've always had the dawn service there, that it's been a tradition and we are moving from a traditional dawn service. As I mentioned, prior to 2008 we didn't have a dawn service there. A dawn service is relevant for Turkey, for Gallipoli, but not for the western front. The concern of the community is that we've changed our tradition.

Senator GALLACHER: Just to refresh those numbers, it was 8,000 last year and 1,200 registered this year.

Mr Fely: Correct.

Senator GALLACHER: And we have a number of weeks to go. Thank you for that. Now for the veteran advocacy and support study. What date was the veteran advocacy and support study received by the department?

Ms Cosson: It was just before Christmas. I can't give you the exact date.

Senator GALLACHER: I'm not sure that is actually a date, but I suppose you are saying December somewhere?

Ms Cosson: I'll find the date. It was December, yes.
Senator GALLACHER: December 2018. What date was the study provided to the minister?

Ms Cosson: Mr Cornell met with the minister around about that time to brief him into the report, but the actual report wasn't provided to the minister because at the same time we had the Productivity Commission report being released. The Productivity Commission came and briefed the minister as well, and they highlighted to him that they were waiting for that advocacy report to inform their findings because they touched on advocacy throughout the commissioner's report. So the minister asked the department to have a look at Mr Cornell's scoping study to make an assessment of the recommendations that were provided, to do some costings and to engage with some close stakeholders to assess, because the report is making some significant recommendations. So I have engaged with some of our stakeholders and I am just now finalising a brief to the minister, but I have provided to the Productivity Commission a copy of Mr Cornell's report, so it can then inform their report.

Senator GALLACHER: So the short answer is that the minister hasn't been provided the study yet?

Ms Cosson: Not the final report with our observations and the recommendations.

Senator GALLACHER: Clearly, the study would be released after the minister has authorised it.

Ms Cosson: That's correct, and that's not too far away, I don't think.

Senator GALLACHER: Is it premature to ask about recommendations?

Ms Cosson: I can give you a bit of a sense, if you like. Certainly, as we all know, our ex-service community is a wonderful resource. They do an incredible job and are predominantly volunteers, but they're an ageing community. Our younger veterans are not taking up the mantle for advocacy and potentially that model isn't sustainable. That was one of the key areas, but also the department needs to do more in making better decisions in helping veterans in their claims and not relying on pension advocates, which would allow our ex-service community to focus a little bit more on welfare and wellbeing advocacy services. So it is actually looking at the future.

Senator GALLACHER: Would you characterise the recommendations as a significant departure from how the system currently operates?

Ms Cosson: Not a significant departure; it's more a connected arrangement between the ex-service community and having a greater focus on wellbeing, which is where the Productivity Commission is going as well, and on ensuring that it is sustainable for the next generation of veterans.

Senator GALLACHER: Would it require increased cost?

Ms Cosson: Certainly the minister asked us to do some analysis of the costs.

Senator GALLACHER: Will that result in budget bids?

Ms Cosson: That is depending on the minister's acceptance of the recommendations.

Senator GALLACHER: What is the process for implementing the recommendations once the minister has had a gander at them?
Ms Cosson: Having the analysis of those recommendations, we would be providing some thoughts to the minister on whether we agree or not with those recommendations and whether they can be implemented but, importantly, also considering the stakeholder community. Our ex-service community will have an interest in what those outcomes may be for themselves and their organisations, so the minister would consider those to then provide a government response.

Senator GALLACHER: So you have been contacted by ex-serving organisations requesting information?

Ms Cosson: I have been engaging with the ex-service organisations just to test some of those recommendations, and I have briefed a few of the ex-service organisations.

Senator GALLACHER: Have you had any complaints about the length of time the process is taking?

Ms Cosson: No.

Senator GALLACHER: Is the department aware of any ex-service organisations who are not conducting training for advocates as they are not certain what the recommendations from this report will be?

Ms Cosson: Certainly our Advocacy Training and Development Program is referenced in Mr Cornell's report, and we do need to have a look at that ADTP—the Advocacy Training and Development Program. A few advocates over time have expressed their concerns with that program, particularly recognition of prior learning. As they point out to me, they're ageing—they don't want to have to learn about a new piece of legislation—and Mr Cornell does make reference to that in his report.

Senator GALLACHER: I think at a previous estimates or inquiry you indicated that you were going to South Australia to do some increased advocacy training. Is that correct?

Ms Cosson: I believe we have. We've had 600 now trained and accredited under the new training and development program, we do have mentors and we've got others that are undergoing training, but I will take that on notice and give you an answer about—

Senator GALLACHER: All right, thank you. How is the advocacy study feeding into the Productivity Commission's broader review of DVA?

Ms Cosson: We provided that copy to the Productivity Commission and they put some placeholders in their draft report, pending Mr Cornell's report, and he has certainly been talking to them and I have been as well.

Senator GALLACHER: Will there be a feedback process? Will that be available for the scoping study? Will a draft be released for comment?

Ms Cosson: The draft advocacy report will be released, yes.

Senator GALLACHER: Finally, what is the cost of the study?

Ms Cosson: I haven't got that available.

Senator GALLACHER: You have no idea what it cost?

Ms Cosson: Not at this stage—

Senator GALLACHER: You've got all these people here. I'm sure one of them has their finger on a button that would say how much it cost.
Ms Cosson: It would depend on the different recommendations that the minister may or may not accept, so that would be for the minister to consider.

Senator GALLACHER: No, what was the cost for this study?

Ms Cosson: Oh, for it to be undertaken—$1.7 million was allocated. And that was the result of the Senate inquiry.

Senator PATRICK: The government made a commitment to participate in a US scheme to put a Vietnam veterans education centre next to the Vietnam Veterans Memorial in Washington DC. I think you allocated something along the lines of $3 million. They have decided not to proceed with a physical building and now want to go online. Has that money been paid to the US? Can you give me the status of that?

Mr Nothard: The then Prime Minister Julia Gillard committed US$3.3 million. That was transferred to that program in 2013 for construction of a physical centre. The decision was made by that fund last year that they didn't have the funding to build a physical centre. They are now looking to go to an education based digital platform. We are waiting for formal word to come back to determine what our contribution might be.

Senator PATRICK: So we haven't made the contribution yet?

Mr Nothard: We have.

Senator PATRICK: $3.3 million has been paid to them?

Mr Nothard: It was paid five years ago. It is being held in trust. We will be looking to recover that, less whatever we may contribute to the new project.

Senator PATRICK: I think a bunch of videos were made for the education centre. What has happened to those videos and how will they now be used?

Mr Nothard: We are already using those on our own website. We have uncovered a lot of really great stories as part of this process and done a lot of work that we were going to feed into that centre. I think we have around 30 video stories with veterans and we have also captured images of the 531 killed in action in Vietnam.

Senator PATRICK: When do you think you will know what is going to happen in the US and what funds need to be committed from our side?

Mr Nothard: We have asked for that information. We are hoping to get that within the next few weeks so that we can pass that information on to the minister and confirm what our commitment will be going forward.

Senator PATRICK: It is still advertised on your website under the current projects of the Office of Australian War Graves.

Mr Nothard: We haven't made that change yet because we don't know exactly where we're heading.

Senator PATRICK: You will upgrade that as soon as you have an idea?

Mr Nothard: Yes, that's right.

Committee adjourned at 22:58