

Division 7: Jobs, Tourism, Science and Innovation — Service 1, Defence Issues \$88 898 000 —

Ms L.L. Baker, Chair.

Mr P. Papalia, Minister for Defence Issues.

Mr S. Wood, Director General.

Mr G. Wedgwood, Deputy Director General, Resources Development and Defence.

Mr S. Melville, Director, Corporate Services.

Mr T. Fraser, Chief of Staff, Minister for Defence Issues.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall only be examined in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number.

If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 29 September 2017. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

The member for Churchlands may ask the first question.

Mr S.K. L'ESTRANGE: My question relates to budget paper No 2, volume 1, page 98. I refer the minister to the line item "Office of Defence West". Defence West was announced by the Minister for Defence Issues and the Premier on 26 May this year with its goal to deliver defence contracts and jobs for WA. It was a Labor election commitment. Why is there no funding allocated for this office for the 2017–18 year?

Mr P. PAPALIA: One of the consequences of the machinery of government creation of new departments and compression of the number of agencies has been the interesting changes to the budget presentation and process, as we have observed in previous divisions. In this case that is a spending change identified in the line to which the member refers. It does not refer to the funding allocation for the Office of Defence West; it refers to an allocation that would enable representation of the WA defence sector at trade expos, shows and the like. The actual allocation is to the greater Department of Jobs, Tourism, Science and Innovation, and it is in the order of \$3.45 million over the next two years.

Mr S.K. L'ESTRANGE: Is that \$3.45 million just for Defence West?

[9.40 pm]

Mr P. PAPALIA: Yes, the office of Defence West.

Mr S.K. L'ESTRANGE: Therefore, with regard to the spending changes, I note allocations in the out years of \$104 000, \$107 000 and \$109 000. Is that in addition to \$3.45 million?

Mr P. PAPALIA: Yes. Hang on, it is misleading. Apparently it is part of that \$3.45 million. I assumed it was different, but this has all been part of working our way through the new process and the new structures.

Mr S.K. L'ESTRANGE: If there is no change in 2017–18, and the line item does not exist anywhere else as \$3.45 million, how are we to know that it is \$3.45 million from looking at the *Budget Statements*?

Mr P. PAPALIA: I just told the member and recorded it in *Hansard*. I concede, it is not how I would prefer the budget to appear. I give the member an assurance that in future years I will endeavour to have the budget clearly indicated via a line item.

Mr S.K. L'ESTRANGE: Thank you. I have a follow on question. I note that Defence West has a website for people to learn about the agency. Is this website funded out of the \$3.45 million that the minister talked about?

Mr P. PAPALIA: Yes.

Mr S.K. L'ESTRANGE: I note that retired Rear Admiral Raydon Gates, AO, CSM, has been appointed as Western Australia's Defence Advocate, as announced in the minister's media release on 9 August this year. When will his role formally commence?

Mr P. PAPALIA: It commenced in advance of that announcement on 1 August.

Mr S.K. L'ESTRANGE: Thank you. For how long is his appointment?

Mr P. PAPALIA: He is retained on a 12-month tenure, initially.

Mr S.K. L'ESTRANGE: What salary will the new Defence Advocate be receiving?

Mr P. PAPALIA: The level of activity is remunerated at a rate of \$150 per hour excluding travel time, and together with travel expenses it is expected to cost around \$120 000 over a 12-month period. Noting that the advocate resides in Canberra, the intention of his appointment is that he becomes our eyes, ears and voice in Canberra predominantly, and he will travel occasionally to Western Australia as necessary. He will conduct much of his activity in Canberra.

Mr S.K. L'ESTRANGE: Can the minister give us an indication of how many hours or days a week the new Defence Advocate will be spending in Perth, given that he lives in Canberra?

Mr P. PAPALIA: As I indicated, over a 12-month period at \$150 per hour working wherever he is working, excluding travel costs, we anticipate that it will equate to around \$120 000 in the year. Most of his activity will be conducted in Canberra on our behalf. It was an abject failure of the previous government with respect to advocacy on the national stage in Canberra, where much of the decision process on defence expenditure is undertaken, to not have any representation in that field. We were lamentable as a state in the representation of our state defence sector, and that was reflected in some of the outcomes with the allocation of expenditure by the federal government.

Mr S.K. L'ESTRANGE: Bringing it back to the appointment of the Defence Advocate, is he on a retainer of around \$120 000 a year or is it just an hourly rate?

Mr P. PAPALIA: It is a pro rata arrangement.

Mr S.K. L'ESTRANGE: Is there a base retainer as part of this arrangement?

Mr P. PAPALIA: No.

Mr S.K. L'ESTRANGE: Is it purely an hourly rate?

Mr P. PAPALIA: We get what we pay for. Actually, member, we get a pretty good return considering the calibre of the individual representing the state.

Mr S.K. L'ESTRANGE: I hope that the minister is right.

Mr P. PAPALIA: I commend the member to refer to Admiral Gate's curriculum vitae if he is deliberating over whether we are getting value for money.

Mr S.K. L'ESTRANGE: No, I am not judging the minister's Defence Advocate. I am merely trying to ascertain —

Mr P. PAPALIA: He was the member's Defence Advocate too.

Mr S.K. L'ESTRANGE: Correct. I am just trying to ascertain how the arrangements work in the appropriations for this particular position.

Mr P. PAPALIA: The difference to some of the practices in other states whereby they appoint people and pay them a retainer of a significant amount for a period of time, regardless of the rate of the work, is stark. We do not have the luxury of pursuing the model that has been employed by some other states. Actually, this model gets greater return for the taxpayer and offers greater opportunity because we can engage people with specialist knowledge and seek out their services on occasions when we require them and use them as we need them.

Mr S.K. L'ESTRANGE: The Defence Advocate lives in Canberra, as the minister outlined in a previous answer. Will he work for another private or public agency body while he is in Canberra?

Mr P. PAPALIA: He is free to work for other people if he wants to. As I understand it, he currently has a couple of non-executive board positions that are not in conflict with the purposes of our engagement.

Mr S.K. L'ESTRANGE: Sticking with the Defence Advocate and the reporting structure of Defence West, will he and/or Defence West report—I will ask the minister to explain it—to the minister or to the Parliament?

Mr P. PAPALIA: To the minister in the same fashion as Defence West reports to the minister.

Mr S.K. L'ESTRANGE: Can the minister explain how that reporting process will work?

Mr P. PAPALIA: With respect to what?

Mr S.K. L'ESTRANGE: Let us stick with the Defence Advocate for the moment, and then perhaps the minister can elaborate on Defence West as a total, or are they one and the same thing?

Mr P. PAPALIA: Defence West is an agency, just like any other established agency. It reports in much the same way as any other agency of government.

Mr S.K. L'ESTRANGE: Let us stick with the advocate then.

Mr P. PAPALIA: We have engaged the advocate to provide advocacy for us in the national defence field of endeavour, to seek out opportunities for the state and to advise the government about those opportunities, and also to provide us with specific advice where and when it is required. If I need him to report to me about a specific matter, he will do that. As a descriptor of the nature of his role, he provides independent advice and assistance to the Western Australian government in promoting Western Australia's defence industry capability. He provides strategic advice to the Minister for Defence Issues and Defence West to enable Western Australia to secure a greater share of work in naval shipbuilding and other capability streams through actively promoting WA's capability and capacity. He reports directly to the Minister for Defence Issues and receives administrative support from Defence West, including the provision of an office and secretarial support. He is strictly in an advisory role only. The management and leadership roles in the day-to-day operations of Defence West will be undertaken through the Department of Jobs, Tourism, Science and Innovation, and the director general of that department is sitting to my right.

[9.50 pm]

Mr S.K. L'ESTRANGE: Okay. I have a follow-on question. I understood the minister said one of the Defence Advocate's objectives is to get a greater share of defence work for Western Australia. I heard the minister say that, and that is what we all want. Has the minister set for the advocate KPIs for this 12-month contract?

Mr P. PAPALIA: No, I have not.

Mr S.K. L'ESTRANGE: Key performance indicators.

Mr P. PAPALIA: I know what KPIs are.

Mr S.K. L'ESTRANGE: For the benefit of Hansard, minister.

Mr P. PAPALIA: I think Hansard knows too!

I have not set specific KPIs. With respect to the advocate's role right now, our intention is to establish a significant presence on the national stage in the national discussion around defence expenditure by the federal government. Also, the extent and depth of experience brought to the table by our Defence Advocate means that we can seek out his advice further afield; for instance, when we look to engage with some of our regional neighbours with respect to potential defence industry opportunities he can easily provide not only advice, but also, in all likelihood, introductions to individuals who are significant players in those fields in our neighbouring countries and beyond. That includes the United States, where he served as the Australian naval attaché in Washington for a significant period of time.

Mr S.K. L'ESTRANGE: I have a follow-on question. I fully anticipate that Rear Admiral Gates has many contacts throughout the region, and certainly with our defence partners—his contacts would be wide. I suppose what I am looking for here is an answer that relates to the budget and the due diligence of this Parliament with regard to the budget. Without a set of established KPIs by either the minister's office or Defence West for the appointment, regardless of who the person is it is very difficult to hold that appointment to account for \$120 000 of appropriated funds. Can the minister give us an indication of when he thinks the objectives will be set, with KPIs attached to those objectives, for the advocate by the minister?

Mr P. PAPALIA: I will say at the outset that I had this interesting line of questioning put to me before the Senate inquiry into naval shipbuilding when I appeared before it shortly after taking office. Some Western Australian senators who had done very little in the way of advocacy for the Western Australian defence industry in recent times, and certainly have had no success in increasing our share of the federal allocation of funding for shipbuilding, asked me by what measure I would determine my success or failure in the role. I said, in much the same way I will respond to the member's question, that if we achieve any increase in the extent of share for the Western Australian defence industry beyond the appallingly low allocation that we currently receive from the federal Turnbull government, I would measure that as a success. Right now we do not get a fair share. The federal government announced in the shipbuilding program \$89.5 billion worth of ship and submarine construction, and \$86 billion of that will go to South Australia, and it was unashamedly exalting in the distorted allocation of funds to that state. When they came here, they told and assured us and the former government—the government of which the member was a minister—that we should be thankful for that tiny proportion of the ship and submarine construction funding, and that we should be rejoicing in the knowledge that we would ultimately receive the

benefits of ongoing sustainment and maintenance of those future submarine and ship construction activities when the ships and submarines came into service. I pointed out at the time, and continue to, that that is a ridiculous assertion. This state will get sustainment and maintenance benefits commensurate with the number of hulls that are resident in this state. There will not be any great windfall as a consequence of one hull —

Mr S.K. L'ESTRANGE: Can we bring it back to the question, please?

Mr P. PAPALIA: — paying off, and a new hull arriving. There will just be a commensurate level of allocation of expenditure to this state. If we want a greater return, we have to get new activity in the form of construction or allocations from other programs like the integrated investment program.

The CHAIR: Thank you, minister. Further question?

Mr S.K. L'ESTRANGE: I am still looking for the answer. I understand the minister's motivation, and I am pleased to see and hear that he is incredibly keen to get more defence projects for the people of Western Australia, as are we all. We all work to that end.

Mr P. PAPALIA: I am not convinced the member's side is interested; all it does is criticise us. The other side advocates for South Australia.

Mr S.K. L'ESTRANGE: Let us just focus on the question I am about to ask. All I am asking is whether the minister is or will be in a position, maybe by way of supplementary information, to give us the key performance indicators by which the appointment of the Defence Advocate will report to him?

Mr P. PAPALIA: No. The Defence Advocate will be tasked —

Mr S.K. L'ESTRANGE: Okay. "No" is the answer. Thank you. I have a follow-on question.

Mr P. PAPALIA: No; I have not completed my answer. The Defence Advocate will be tasked as required by me or the government. He will perform the tasks that we request of him or he will not. His success will be measured by his ability to perform the tasks we assign to him. I am not going to provide the member with a set of KPIs because, frankly, it is not necessary.

Mr S.K. L'ESTRANGE: Okay. I have a follow-on question. How many staff will be employed by the Office of Defence West?

Mr P. PAPALIA: We have potential to have six full-time equivalents. Currently, three individuals are there.

Mr S.K. L'ESTRANGE: I have a follow-on question. What is the title of each of those three positions, and at what pay scales or levels are they?

Mr P. PAPALIA: I will do that as a supplementary. Can the member refer to some line items?

Mr S.K. L'ESTRANGE: We are still referring to the line item "Office of Defence West".

Mr P. PAPALIA: Page 98?

Mr S.K. L'ESTRANGE: Page 98.

Mr P. PAPALIA: And the "Spending Changes" table?

Mr S.K. L'ESTRANGE: Correct.

Mr P. PAPALIA: And the "Office of Defence West" line item. I will use that as a reference. I undertake to provide the member with the titles of the positions within the Office of Defence West, and the level of public servant that occupies each of those positions.

[*Supplementary Information No A20.*]

Mr S.K. L'ESTRANGE: I have a follow-on question.

The CHAIR: Yes, is it up to you? The member for Vasse had a call, too, but go ahead.

Mr S.K. L'ESTRANGE: Will the three remaining positions the minister mentioned be publicly advertised?

Mr P. PAPALIA: Yes, but there may also in advance of that be internal advertising to get positions filled in the interim period.

Mr S.K. L'ESTRANGE: I have a follow-on question. During the election campaign the government committed to allocating additional funding of \$400 000 to host a biennial Indian Ocean defence trade show in WA, in collaboration with the local defence industry. Can the minister indicate where in the budget the funding for this commitment is allocated?

The CHAIR: Member, is that the same reference point?

Mr S.K. L'ESTRANGE: Yes. It was all in the same media release under Defence West.

The CHAIR: Thank you. Just for *Hansard*.

Mr P. PAPALIA: Yes, member. That commitment was to establish an Indian Ocean defence exposition. The amount to which the member referred is over four years of government. It will be a biennial event and there will be two allocations of \$200 000. It will be within the department's allocation, so the member will not see it in the budget. I agree that the inability to identify those specific line items is probably not what I would have wished, and I will undertake to try to ensure that in future budget processes it is more transparent.

Mr S.K. L'ESTRANGE: Thank you. I have a new question.

The CHAIR: A new question? You have only a few seconds.

Mr S.K. L'ESTRANGE: In the nick of time.

Mr P. PAPALIA: We have to pass the division, member.

The last sentence of the second dot point on page 99 reads —

The 2017–18 Budget reflects the bringing forward of funding so that Defence West can actively pursue defence contracts this financial year.

Is the money that does not show up on this table in that \$3.45 million that the minister mentioned before?

Mr P. PAPALIA: Sorry, member —

Mr S.K. L'ESTRANGE: The second dot point on page 99 —

Mr P. PAPALIA: — we have to get this division passed before the termination of the time. We do not have to answer the question. Just put it on notice.

Mr S.K. L'ESTRANGE: So we have to put that on notice?

Mr P. PAPALIA: It has to be put on notice.

Mr S.K. L'ESTRANGE: I will put it on notice.

The appropriation was recommended.

Committee adjourned at 10.00 pm
