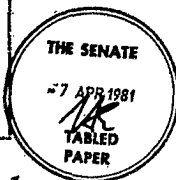


DEPARTMENT OF THE SENATE
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**The Reports of
the Auditor-General
— Financial Year
1978-79**

Report

187

Joint Committee of
Public Accounts

JOINT COMMITTEE OF PUBLIC ACCOUNTS

THIRTEENTH COMMITTEE

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* Ex-officio member being Chairman,
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Committee on Expenditure.

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DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

- 8.(1) Subject to sub-section (2), the duties of the Committee are:
- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
 - (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
 - (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
 - (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
 - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
 - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

P R E F A C E

1. In accordance with its duties the Committee has conducted a series of inquiries related specifically to matters raised by the Auditor-General in his Reports for the year ended 30 June 1979, tabled in Parliament on 18 September 1979 and on 13 November 1979.

2. The Twelfth Committee sought written submissions from fourteen departments. After a selection of submissions had been made the Committee heard evidence from four departments at public hearings in Parliament House, Canberra, as follows:-

| <u>Date</u> | <u>Inquiry</u> |
|------------------|--------------------------------|
| 28 February 1980 | Department of Social Security |
| 4 March 1980 | Department of Defence |
| 18 March 1980 | Department of Transport |
| 19 March 1980 | Department of Transport |
| 25 March 1980 | Department of Defence |
| 25 March 1980 | Department of Social Security |
| 21 May 1980 | Department of Primary Industry |
| 22 May 1980 | Department of Primary Industry |

Matters arising from the evidence received during the inquiry into the purchase of Ultra Large Fire Tenders by the Department of Transport have not as yet been satisfactorily resolved and a separate Report will be prepared on this matter.

3. The Committee was concerned that the Auditor-General's Supplementary Report again recorded substantial delays by statutory authorities, Government owned companies and other activities in submitting financial statements formally to the Auditor-General for auditing; some thirty one Government activities are referred to by the Auditor-General in Section 1 of his Supplementary Report and a further twenty five were referred to as having submitted financial statements which were still under Audit examination.

4. While the Committee has decided not to pursue its proposal to table a separate report on this subject because of the inquiries already being made by the Senate Standing Committee on Finance and Government Operations, it is intended to retain an interest in this area and to continue to call for explanations from departments and authorities in appropriate cases.

6. The Committee has noted the further comments of the Auditor-General in relation to Offshore Petroleum Royalties and will be tabling a separate report on this matter during the current session of Parliament.

For and on behalf of the Committee

David M. Connolly, M.P.,
CHAIRMAN.

M. J. Talberg,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
CANBERRA.

5 March, 1981.

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CHAPTER 1

DEPARTMENT OF DEFENCE

Repair and Overhaul of Aircraft

Introduction

1.1 This chapter is concerned not only with the practice of removing serviceable components from certain aircraft to remedy defects and supply spares to other aircraft, but also the effect of current repair, maintenance and stock holding procedures on the availability of aircraft, the organisational arrangements for repair and maintenance of aircraft, and the procurement of spare parts. The Committee also addressed the related issues of local industry participation in aircraft maintenance and manpower exigencies within the RAAF. The Committee views the aforementioned practice as a symptom of the more complex problems of the RAAF maintenance system.

Auditor-General's Reports

1.2 Reports of the Auditor-General record instances of the removal of serviceable parts from aircraft to make up for shortages of spare parts, and to remedy defects of other aircraft at a higher priority stage in the repair process. The Auditor-General has said:

"An audit conducted during the year at a RAAF base included examination of aircraft repair operations. Workshop activities at the base include planned cyclical maintenance and repair of defects arising from aircraft use.

The audit disclosed a practice had been adopted, to minimise aircraft time out of service for repair, of removing serviceable components from certain aircraft to remedy defects and supply spares to other aircraft at a higher priority stage in the repair process.

Audit observations to the Department included the following:

- the procedure leads to the use of additional resources in the repair process, particularly labour;
- removal of operating parts involved the provision of extra parts because of stripping;

- the practice suggested present arrangements do not provide adequate stocks of spare parts for maintenance at the units responsible for repair and overhaul; and
- bearing in mind the cyclical nature of maintaining aircraft, the problems observed reflect on the routine management of aircraft maintenance. *
- My 1977-78 Report referred at paragraph 3.7.5 to Audit observations concerning the removal and substitution of servicable spare parts from aircraft to make up for shortages in spare parts stocks, and suggested the present arrangements do not provide adequate stocks of spare parts at units responsible for aircraft repair and overhaul. The problems observed were seen as a reflection on the routine management of aircraft maintenance." **

Background

1.3 In order to maintain and improve the operational effectiveness of the Defence Force the Government has directed that priority be given to:

- maintaining a high level of investment in capital equipment and weapons systems;
- increasing stock levels of maintenance and support equipment and increased funds for a wide range of other equipment acquisitions that will enable the effectiveness and reliability of equipment in service to be enhanced;
- easing restraints to enable more realistic training and exercising of the Defence Force; and
- restraining growth in manpower. ***

Responsibilities of the Defence Supply System

1.4 The supply system has three basic aims, namely:

* Report of the Auditor-General 1977-78 para 3.7.5
 ** Report of the Auditor-General 1978-79 para 2.5.6
 *** Defence Report 1979 P.P. No. 413/1979, p. 5

- The support of plans and policies determined by higher authority;
- To be responsive to user demands, and provide support within acceptable time limits;
- Efficiency and economy in the provisioning and procurement of spare. *

1.5 Supplies must be controlled to ensure that the quality and quantity of resources provided for a unit, and the time within which they are provided, will permit the unit to successfully fulfil its commitments. The effective management of the supply system requires that the inventory, despite its complexity, must be capable of controls which provide for:

- Effective Support. The establishment of optimal stock levels to meet likely demands with a minimum of delay.
- Economy. The achievement of the lowest purchase and holding costs together with minimum investment.

1.6 The Department claims that Defence supply systems in common with those of other Services are considerably more difficult to control than most commercial supply systems because of their diverse nature, world wide sources of supply and extensive distribution requirements. The RAAF for example currently maintains about 20 aircraft types supplied by seven different countries.

RAAF Aircraft Maintenance Structure

1.7 In common with most Air Forces and airlines throughout the world, the RAAF has several levels of maintenance. In some instances the RAAF has centralised its maintenance and in these cases both operating level and intermediate level maintenance are performed by the one organisation. The levels of maintenance normally used within the RAAF are as follows:

- a) Operating Level Maintenance - is concerned directly with the aircraft on the flight line, carrying out routine tasks such as isolating faults to more or less self-contained maintenance supply items, and replacing unserviceable items. This level of maintenance is normally performed by the operating squadrons. (A maintenance supply item is a

* Committee File 1979/7

technical item for which normal usage is met by the process of repair or overhaul of existing items).

- b) Intermediate Level Maintenance - provides support to operating level maintenance by repairing maintenance supply items for flight line use. This is normally performed by a maintenance squadron which can also incorporate a centralised maintenance concept.
- c) Depot Level Maintenance - provides deeper level of support by repairing modules from maintenance supply items, or in some cases repairing those requiring special facilities beyond intermediate level maintenance standards. The majority of depot level maintenance is provided both by RAAF Aircraft Depots and by Australian contractors, who share the workload according to which facility is best suited and equipped for particular work. *

RAAF Aircraft Maintenance Policy

1.8 The prime objective of RAAF maintenance policy is to effectively plan and control maintenance to meet the requirements of training and operational objectives in peacetime, and to do this at minimal cost and optimal use of resources. The planning and control systems vary to some extent with the level of maintenance.

1.9 The maintenance policies for aircraft are documented and authorised in the Technical Maintenance Plans. They define the scheduled maintenance needed for each item. The Technical Maintenance Plan states the ultimately desired maintenance program and will often be at variance with reality, particularly where facilities are developing their capabilities, or are unable temporarily to carry out their commitments. Technical Maintenance Plans provide the authority for the maintenance facilities to seek the resources to carry out the maintenance work. They include information on maintenance responsibilities and the associated degree of maintenance to be performed at those facilities. **

1.10 Operating Level Maintenance is generally managed at the Flying Unit, but for some squadrons operating the same type of aircraft it is centralised at a common Maintenance Squadron. Whichever organisation is used, the Operating Level Maintenance management system directly controls the planning and implementation of day-to-day activities while

relying on external sources for the supply of serviceable maintenance supply items and other spares to meet demands.

1.11 Intermediate Level Maintenance is generally provided by a Maintenance Squadron on the same RAAF Base as the Flying Unit. Close liaison and co-operation with Operating Level Maintenance management allows Intermediate Level Maintenance management to plan workloads or to react quickly to unexpected workloads resulting from planned flying. Many maintenance supply items receive their major repair or overhaul at Maintenance Squadrons and therefore never go to Depot Level Maintenance facilities.

1.12 Aircraft Depots and contractors providing Depot Level Maintenance are usually geographically separated from the Intermediate Level and Operating Level Maintenance operations which they support. They provide similar support for a number of Bases. The Staff Officer, Repair and Overhauls Division, Headquarters Support Command is responsible for all Depot Level Maintenance of RAAF technical equipment. There are five RAAF depot maintenance facilities utilized to meet this task together with numerous civilian companies throughout Australia and overseas.

1.13 During 1978/79, \$39 million was expended in civilian industry exclusive of the cost of RAAF supplied spares, technical data and support equipment. In addition over 1,000,000 manhours were spent at the five RAAF Depot Level Maintenance facilities. This expenditure covered 3,094 types of equipment involving 48,035 separate items.

1.14 Under the existing system the basis of management of RAAF Depot Level Maintenance is the Annual Maintenance Programme which specifies those items intended to be committed for maintenance during the following financial year. This is an important document forecasting the probable workloads for Aircraft Depots and contractors. The information in the Annual Maintenance Programme is used by the Depot Level Maintenance facility managers to forecast their general requirements and to take long term actions to arrange to have the resources to do the work as and when it arrives. The forecasts are largely derived from policies laid down in the Technical Maintenance Programmes. Known shortcomings in planned capabilities specified in the Technical Maintenance Programmes are taken into account but even so the Annual Maintenance Programme is still based on advance expectations that may not eventuate and the programme therefore can only be regarded as a guide. *

* Minutes of Evidence pp. 99, 100, 160
** Minutes of Evidence p. 100, 101

* Minutes of Evidence pp. 104-107, 317

Availability of Aircraft

1.15 Cannibalisation of equipment is normally understood to mean the permanent destruction of one item to obtain parts necessary to repair another. Within the context of this Inquiry the Committee does not agree with the use of the term and has taken it to mean the practice of removing parts from one aircraft for use in another as a temporary expedient necessary to overcome periodic spares shortages. The Department explained that in the RAAF, parts are only taken from aircraft that are already unserviceable for some unrelated reason. A judgement or expectation that the wanted parts will become available for the cannibalised aircraft within the time expected to be needed to rectify its other faults is a necessary condition before parts are removed.

1.16 The Department stated that temporary removal of a serviceable part from one aircraft in comparatively long term maintenance, for repair of another aircraft requiring that part to achieve complete serviceability for a comparatively short term operational need, is a common practice in Air Forces, airlines and many other large scale operators of complex technical equipment. The alternatives are acquisition of stocks of 'buffer' spares, or the acceptance of the unavailability of a larger number of aircraft because of individual and different component unserviceability in each aircraft. The practice is therefore, a management method used to optimise aircraft availability given fixed resources at a given time and in fact increases aircraft availability. In addition, the Department stated that it is simply an indirect symptom of other shortcomings in the logistics support system. *

1.17 Occasions have arisen when the replacement parts have not arrived when expected, and aircraft availability has been delayed. No detailed records are available to determine how often this happens, but opinion at the F111 base at Amberley is that such occurrences are not normal and would not affect more than one aircraft at any time. **

1.18 As the F111Cs comprise only a small proportion of the RAAF fleet of aircraft and probably suffer spares shortages more than any other type, the Department considers that it would be reasonable to conclude that aircraft unavailability due solely to cannibalisation actions does not significantly affect total RAAF operations. *

1.19 The Committee was informed that over a period of four months - February 1979 to June 1979 - 194 instances of

cannibalisation were noted for F111C aircraft. The cost of items used was \$852,450. Total man hours worked, including removal, installation and testing were 2100. In addition, between March 1979 and February 1980, 73 instances were noted in Caribou aircraft involving 436 total man hours. The cost of items used was \$39,533. *

1.20 It is clear however that the costs of items used, apart from items such as nuts, bolts, electrical connectors, gaskets and seals which once disturbed need to be replaced, would have been incurred in any event, the additional cost being the removal of a serviceable part from one aircraft and the installation and testing of its replacement once the part becomes available. Although no costings are available, any additional costs incurred through the practice of cannibalisation would need to be assessed against the benefits of an increased availability of aircraft.

1.21 The Committee was also told that a decision to cannibalise is not taken lightly and is taken at a high level. Delays to aircraft availability caused by cannibalisation in the past have now been eliminated by applying rigid guidelines.

1.22 During the course of the Inquiry the Committee was told that maintenance schedules are planned so as not to have a large number of aircraft on the workshop floor. But with schedules and unscheduled maintenance which has to be carried out to ensure that the aircraft remain in service for an extended period only 50 percent of the F111 aircraft are ready to fly on a mission at any one time. In a war situation this figure would be increased considerably as non-essential maintenance would be postponed. This figure is better than that for the F111As flown by the United States Air Force where the relevant figures are 30 to 40 percent. The Committee was informed that no figures were available to form a comparison between the F111 and F16 and F18 aircraft, but it was expected that the systems in the latter two aircraft would be much more reliable. The percentage of Mirages available to fly on a mission at any one time is approximately 60 percent.

Shortages of Aircraft Maintenance Spares

1.23 The transfer of serviceable components from aircraft to aircraft to meet management requirements and flying commitments arises from long or short-term shortages of maintenance spares which occur for a variety of reasons including:

* Minutes of Evidence pp. 108, 109
** Committee File 1979/7

* Committee File 1979/7

- errors arising from lack of or inadequate information from manufacturers and users during the spares assessment process;
- administrative problems, overall control and management of maintenance support;
- transportation delays;
- unusually high demands arising from unpredicted defects or changes of role;
- procurement difficulties; and
- financial restrictions. *

1.24 Concerning errors in assessment of spare part requirements, the Committee was informed that the assessing process is based on predicted operating hours (related to flying hours) and predicted or experienced 'mean times between failures' of the repairable items. **

1.25 However, unforeseen design faults, harsh operational usage and climatic conditions, or other factors often invalidate initial manufacturers estimates and result in temporary shortages of particular spares. When a new aircraft is introduced, estimates of possible consumption of spare parts are based on statistical data provided by the contractor and from overseas users of that aircraft or similar type of aircraft. Very often little data is available. A witness stated that after an aircraft had been in operation from three to five years, the Department would be reasonably aware of spare part requirements. He pointed out however that it can happen that later in the life of the aircraft consumption of spares may rise due to age and use. ***

1.26 In its submission the Department stated that other users experience similar problems and consequently re-supply is slow due to sharing output from a manufacturer's facilities. In some instances the original manufacturer may have ceased production and further delays and cost increases are caused in restarting production. It was claimed that to procure more spares than justified by predicted usage rates to insure against these possibilities can be costly and inefficient. The additional factor of potential redundancy of spares as a result of equipment modification also dictates

* Report of the Auditor-General 1977/78 p.178
 ** Minutes of Evidence p.102, 118
 *** Minutes of Evidence p. 118

the need for informed judgement in both range and quantity of spares acquisition. *

1.27 The Committee was informed that frequently there are misinterpretations of Technical Orders. RAAF Technical Orders are usually adapted from those of the major user, usually one of the United States Services, as this is much less expensive than having special versions written. However, the major user often has small and subtle differences in language, particularly technical language, that may cause misunderstandings or even errors in interpretation at the workbench. The major users' Technical Orders may refer to test procedures related to their more broadly established facilities, and in such cases there is a need to amend the Technical Orders to reflect procedures relating to the capabilities of the RAAF Ground Support Equipment. Also, in some cases the major users' Technical Orders have proved to be inaccurate or incorrect. Finally, because some Depot Level Maintenance is infrequent such deficiencies in Technical Orders may not be discovered until first usage some years after introduction of equipment into the RAAF. All of these factors contribute to a degree of inadequacy in some Technical Orders at the workbench. The Department stated that when deficiencies are discovered, action is taken to effect correction, if necessary, with the major user. **

Management Information Systems

1.28 The Committee examined the administrative problems associated with the provision of management information and was advised that the Department was very much dependent on computer based systems, designed some 10 to 15 years ago primarily to control and account for inventory parts moving between Bases and major facilities. The Department stated that while the current ADP facilities are still generally adequate for the purpose for which they were designed, the equipment is aged and at full capacity. Consequently it has not been possible to improve the RAAF inventory management techniques over the last four or five years and from time to time problems are encountered in the production of reviews of stock holdings. In some cases it has been necessary for these ADP systems to remain parallel with manual accounting machine operations. It is understood that the older computer equipment is currently being updated. ***

* Minutes of Evidence p. 103
 ** Minutes of Evidence pp. 102, 135, 136
 *** Minutes of Evidence pp. 107, 119, 349, 358

1.29 The RAAF has been aware of the potential for improved computer based logistics management information systems for some time, and a number of systems are now at various stages of development to improve logistics support.*

1.30 Two such systems are the Computer Aided Maintenance Management (CMM) and Defence Supply Retail Management System (DSRMS) intended to provide Base level management with better information on availability and status of maintenance supply items by serial number, and on availability of other spares in quantity detail, at Unit workshops and stores. Both of these systems are under prototype evaluation at RAAF Bases.

1.31 In addition, a Repair and Overhaul Automated Management (ROAM) system is currently being developed to assist in the task of managing maintenance supply items through Depot Level Maintenance facilities. Other systems are also under consideration in associated areas of logistics management, with the aim of fulfilling needs foreseen by the RAAF. **

1.32 Details of existing and proposed ADP systems for the support of maintenance and supply functions in the RAAF are set out in Appendix 1.

Transportation Delays

1.33 The movement of the majority of unserviceable items to Depot Level Maintenance facilities is directed by an Australia-wide computer link within 48 hours of each item being declared unserviceable. The physical packing and transportation of these items takes longer, but most items reach their destination within about 14 days. However, some items are not directed automatically because special conditions apply. In some circumstances consideration must be given to either waiting for the Depot Level Maintenance facilities to develop a new capability, or to using an alternative facility such as the overseas manufacturer or other major user. The Department stated that in these situations, delays may well be in the order of months, but the situations themselves are rare and are given detailed management attention at Headquarters Support Command when they arise. ***

1.34 The Department informed the Committee that at times there are delays in despatching items for contractor repair. The Department sets target times for turn-around for items

* Minutes of Evidence pp. 107, 108
** Committee File 1979/7
*** Minutes of Evidence pp. 106, 107

sent to contractors for repair. Contractors do not always meet the turn around times as there could be a lack of adequate data modifications, industrial problems or other factors. *

Unusually High Demands Arising From Unpredicted Defects or Changes of Role

1.35 The Department stated that defects in RAAF aircraft normally occur at about the same time as they occur in the aircraft of other users. This can cause a world shortage for particular items. The Department normally holds sufficient spares to meet estimated requirements for 12 months. It has also a co-operative logistics arrangement with the USA for support and with many aircraft Australia is given virtually the same priority as the USA gives its own bases and aircraft types, even during periods of tension. **

1.36 The Department also claimed that harsh environmental conditions experienced in Australia (eg extremes of temperature, dust etc), changes in the operational role of particular aircraft and the rates of activity of flying squadrons can cause significant differences between planned consumption patterns and the actual usage of spares in the short term. Similarly, manufacturers expectations of equipment performance are not always born out by experience in service.

Procurement Difficulties

1.37 The Department advised that one of the difficulties faced in the procurement of spare parts is the long delay between ordering and delivery. Actual requirements over this period can vary for reasons which can not reasonably be foreseen. ***

1.38 Some defects in aircraft accelerate the usage of, and hence competition for, spare parts. Increased demands by other Air Forces which use the same aircraft can affect the lead times for delivery. Difficulties have arisen also because the RAAF, in keeping a particular type of aircraft longer than other users found that manufacturers may have smaller production runs of the parts required and at longer intervals between runs. Also, manufacturers may have ceased production and alternative sources may have to be found. This often increases the lead times. ****

* Minutes of Evidence p. 317
** Minutes of Evidence p. 130
*** Minutes of Evidence pp. 151, 359
**** Minutes of Evidence p. 120, 121

Financial Restraints

1.39 Financial restraints which have been in operation for a number of years have made the task of providing adequate stocks of spares more difficult. According to Departmental advice to the Auditor-General, "the funds allocation to maintenance spares is the major factor contributing to current shortages and is likely to remain for some time given the relevant priorities of competing demands." *

1.40 The Department's position has been exacerbated because of a decision taken in 1973, as an economy measure, to delete a six months 'buffer' stock holding or supply margin from the forward ordering period. This six months supply of items was intended as a special reserve to cope with surges in demand and unforeseen delays in the supply of items from overseas contractors. However, as the Department, through its ADP system, knew which items of equipment were held down to the bench level, it was decided to do away with the buffer stocks. The Department now concedes that this was a mistake as the system became too finely tuned and financial restraints applied between 1973 and 1977 posed very difficult support problems. Advice from the Department indicates that the cost of re-establishing a 'buffer' stock of certain priority items would be a once off cost of about \$20m.

1.41 These problems were compounded by other factors such as inflation, industrial unrest overseas, shortages of raw materials and the energy crisis. The complexity of the RAAF system in having 20 aircraft types from seven different countries in only relatively small numbers, further compounds the problem in that economies of scale are denied.

Local Industry Participation

1.42 The Committee was informed that the RAAF's overall policy is to develop total repair facilities in Australia, either at RAAF establishments or through civilian contractors. However, this development of highly technical equipment is a complex process involving ground support equipment, technical orders, adequate spares and skilled manpower. As an example the F111 contains over 550 different technical items needing repair and maintenance as a result of normal usage. Over 95% of these items are currently supported in Australia. Facilities are still being developed for some twelve items, while a further twelve will continue to be returned to the US because full maintenance facilities

* Report of the Auditor-General 1977-78 p. 178, Minutes of Evidence p. 113

in Australia are considered to be prohibitively expensive at the present time. *

1.43 The Joint Parliamentary Committee on Foreign Affairs and Defence has recommended, inter alia, that:

"Australia's indigenous defence-related industries should be developed to make us as free as possible from reliance on overseas sources of supply, should the strategic outlook deteriorate in circumstances when an overseas supplier would be unable - or unwilling - to provide us with the equipments vital to our survival as an independent nation." **

Shortage of Manpower

1.44 The Department stated that there are difficulties in achieving satisfactory manning levels within the RAAF particularly in the skilled trades area. This problem, together with the demands of field training, has meant that the manpower available at the "work face" in the technical areas is only about 85% of established entitlement. This shortfall requires the use of special measures, such as working overtime and puts considerable strain on the development of maintenance and support capabilities. ***

1.45 The Department advised the Committee that overtime and leave-in-lieu represent a legitimate means by which management can control available manpower to meet changing work-load peaks occurring outside the '8 a.m. to 5 p.m. Monday to Friday' standard working week. By working outside these hours in periods of high activity, and then granting compensating leave-in-lieu at time of less activity, management optimises the productivity of the work force. However, the Department's present manpower levels and consequent undermanning relative to workloads, has led to a degree of uncompensated overtime and a restricted ability to grant leave-in-lieu.

1.46 During the inspection of Richmond airbase the Committee was told that no overtime payments were made but time off in lieu was given when the opportunity arose.

* Minutes of Evidence pp. 110, 128, 129, 341-345, and 362
** Joint Committee on Foreign Affairs and Defence - Australian Defence Procurement - November, 1979. Parliamentary Paper 260/1979 p. 70
*** Minutes of Evidence p. 103, 104

However, because of shortages of particular types of staff there were difficulties in granting leave in lieu. At the same time in order to cope with the workload it was necessary to work additional hours. As a result morale in certain areas was affected. *

1.47 The Committee was advised that some difficulties have been experienced in recruiting suitable trainees and retaining trained personnel. Generally sufficient numbers of apprentices are available but adult entrant trainees have been difficult to obtain. Re-engagement rates for technicians and apprentices after the expiry of their initial contract have only been of the order of 50 to 60 percent. The retention of flight engineers was identified as a particular problem because of the substantially higher remuneration available to them in outside employment. *

Conclusions and Recommendations

1.48 From the evidence presented to the Committee it is clear that the practice of removing serviceable components from certain aircraft to remedy defects in others can be justified by the RAAF in terms of increased operational availability of aircraft. It is clear also that under the circumstances outlined by the Department, it is at times a necessary management method to achieve this end. Nevertheless, the Committee is concerned that since the practice involves double handling of spare parts with the consequent additional strain on limited resources, it represents an additional and, to an extent, avoidable cost to the Commonwealth.

1.49 The Committee is particularly concerned with the serious shortcomings in the RAAF logistic supply system which have become apparent through this inquiry. In this regard, the Committee, whilst recognising the difficulties and complexities involved in replacing machine accounting systems with computers and updating existing ADP facilities, is disturbed by the substantial delays incurred in bringing up to date systems into operation. The Committee regards it as essential that a supply system must keep pace with the sophistication of the equipment being handled. Accordingly, the Committee recommends that the Department pursue the updating of logistic supply systems as a matter of urgency.

1.50 Regarding the long lead times being experienced in the acquisition of necessary Maintenance Technical Items and spare parts the Committee recommends the Department reintroduce a 6 months 'buffer' stock or supply margin of

spares, thus minimising the effects of periodic delays in supply.

1.51 Similarly, the Committee recommends that the Department pursue with vigour all options open to it to develop a more accurate and timely mechanism for assessing future spare parts requirements. The Committee further recommends that the Department give priority to the development of more effective procedures for estimating the real costs of procuring additional spares.

1.52 The Committee is disturbed at the apparent long delays being experienced in the development of new repair and maintenance facilities at the Depot level and the consequent delays in the repair and overhaul of certain major items. Whilst the Committee recognises that such instances are relatively rare and when they do occur, they attract detailed management attention from Headquarters Support Command, it recommends that the Department give priority to the development of the required facilities.

1.53 Regarding the issue of local participation in aircraft maintenance, the Committee supports the conclusions and recommendations of the Joint Parliamentary Committee on Foreign Affairs and Defence relating to freedom from reliance on overseas sources of supply. The Committee recommends that as far as is possible within the current financial limitations, continued priority be given to this issue, particularly in the context of major defence equipment purchases.

1.54 The Committee is disturbed by the low retention rates in some skilled categories caused by the demand for these skills outside the Service. Excessive wastage of skilled personnel is disruptive and represents the loss of considerable expenditure by the Commonwealth in their training. It is recommended that the Department explore all possible options, including a closer liaison with secondary and tertiary education institutions, to ensure the availability of suitably qualified personnel in these categories. It is further recommended that particular consideration be given to increased remuneration by way of better margins for skills, length of service or other methods; the possibility of recruitment of already qualified personnel overseas; and increased re-enlistment bonuses.

1.55 The Committee believes that all Service establishments should be at a level adequate to discharge all the duties laid upon them and that strenuous efforts should be made to keep morale high. The Committee, therefore, recommends that the Department re-examine the allocation of additional staff to those areas where the 'time-in-lieu' procedure has not proved to be satisfactory.

* Committee File 1979/7

CHAPTER 2

DEPARTMENT OF PRIMARY INDUSTRY

Apprehension of Foreign Fishing Vessels

Introduction

2.1 This chapter is concerned with the problems associated with the apprehension and disposal of foreign vessels fishing illegally in Australian waters.

2.2 Once a vessel is apprehended the associated costs and problems escalate. It is the responsibility of the Department of Primary Industry to accommodate and sustain the crew while in Australia and to pay their repatriation costs and the costs associated with the security and maintenance of forfeited vessels to the point of disposal.

2.3 The 1978/79 Auditor General's Report pointed to a number of serious problems in the departmental procedures relating to the management and care of apprehended vessels. As a result the Committee held a public inquiry into this matter in May and June 1980.

2.4 During the course of the inquiry there were many allegations by local authorities at the various ports of difficulty in getting the Department to respond in situations where apprehended vessels posed considerable inconvenience and danger to harbour operations. Additionally it was alleged by local authorities that the lack of prompt action by the Department led to increased costs in maintaining the vessels prior to their disposal. As part of the Inquiry the Committee visited Cairns, Weipa, Thursday Island and Mackay to inspect forfeited vessels and also discussed the problem of the care and disposal of these vessels with local authorities.

Auditor-General's Report

2.5 At paragraph 2.16.2 of his 1978/79 Report, the Auditor-General stated:

"The Fisheries Act 1952 and the Continental Shelf (Living Natural Resources) Act 1968 empower the Commonwealth to prosecute persons operating foreign boats seized in an area of proclaimed waters comprised in a declared fishing zone. Any boat or other property ordered by the courts to be forfeited becomes the property of Australia.

The procedures of the Department of Primary Industry for management and disposal of property forfeited following the apprehension of foreign fishing boats were examined

during the year. As a result my Office made representations to the Department on 23 July 1979 concerning a number of unsatisfactory matters including the following:

- absence of approved procedures prescribing the accounting for and management and control of forfeited equipment;
- inadequate control over the loan of forfeited equipment;
- absence of required approvals for and proper controls over the disposal of boats and equipment;
- sale of equipment and boats by means other than those prescribed for the sale of Commonwealth property;
- forfeited property issued as gifts and sold at nominal values without proper authority; and
- thefts of forfeited property."

Background

2.6 The Department of Primary Industry, amongst its other functions, has responsibilities under the Fisheries Act 1952 and the Continental Shelf (Living Natural Resources) Act 1968. The sections of these Acts which are of major relevance to this inquiry are detailed in the following paragraphs.

2.7 Section 13 C(2) of the Fisheries Act 1952 vests in a court convicting a person of an offence in the commission of which a foreign boat was used, a discretionary power to order the forfeiture of:

- the boat in relation to which the offence was committed;
- net, trap or equipment on board that boat at the time of the offence;
- fish on board at that time or in relation to which the offence is committed; or
- the proceeds of the sale of any such fish.

2.8 Sub-section 18(5) of the Continental Shelf (Living Natural Resources) Act 1968 vests in a court convicting a person for an offence against section 15 (licensing matters) or section 16 (breach of a Ministerial prohibition), a discretionary power to order the forfeiture of any ship used or otherwise involved in the commission of the offence, its equipment and contents (other than crew-members personal effects), any sedentary organisms found on the ship or the proceeds of the sale of any such sedentary organisms.

2.9 Section 13D of the Fisheries Act 1952 and sub-section 18(6) of the Continental Shelf (Living Natural

Resources) Act 1968 each provide that a vessel, goods or property which a court orders forfeit becomes the property of the Commonwealth and shall be dealt with or disposed of in accordance with the directions of the Secretary (to the Department of Primary Industry).

2.10 Provisions have also been made for penalties, by proceedings on indictment, of up to \$250,000 in the case of the owner of the vessel and \$50,000 in the case of individuals. These severe penalties are designed to discourage the entry of foreign fishing vessels into Australian waters to ensure that Australia's ocean resources are not over-exploited to the long-term detriment of the ecosystem and the domestic fishing industry.

2.11 The Industry Division No. 5 (Fisheries) is one of the eight Divisions of the Department of Primary Industry. The Division has three Branches: the Administration Branch; the Management and Development Branch, which embraces activities such as the biological sciences, fishing technology, economic analysis, marketing and publications; and the External Relations Branch which is concerned with both multilateral and bilateral international relations. * The Northern Fisheries Unit is part of the Operations Section of the Administration Branch. This Unit, the majority of the staff of which are situated in Cairns, is largely responsible for the day to day management of apprehended vessels.

2.12 Following the audit-review, the Auditor-General, in a memorandum dated 23 July 1979, indicated a number of unsatisfactory and unusual features of the accounting arrangements covering forfeited stores. **

The memorandum disclosed that the Department had failed to comply with Section 32 (now Section 26) of the Finance Directions in relation to the following matters:

- the issue of departmental stores accounting directions;
- accounting for stores taken on charge;
- recording the disposal of stores or damage to stores;
- control over loans of forfeited stores;
- issue of directions relating to the sale of stores;

* Minutes of evidence p.482

** Submission by Dept. of Primary Industry Attachment A
Minutes of Evidence pp. 424-427

- requirements for payment on sale of stores;
- gifts of stores.

Other criticisms from the Auditor-General indicated a general lack of written procedures and breakdowns in the application of basic internal controls concerning stores forfeited to the Commonwealth.

Applicability of Finance Directions

2.13 In its response to the Auditor-General and subsequently at the inquiry the Department put forward its view that Finance Directions do not apply to the management and disposal of stores forfeited under the relevant sections of the Acts mentioned above. Legal opinion from the Attorney-General's Department dated 9 April 1980 (see Appendix 2) supports that view. It additionally goes on to state:

"it would be open to the Secretary to the Department of Primary Industry to direct that actions should be taken as if the provisions of some or all of the relevant Finance Directions applied."

Coastal Surveillance

2.14 Responsibility for civil coastal surveillance falls within the portfolio of the Minister for Transport and is co-ordinated by the Australian Coastal Surveillance Organisation (ACSO) which is situated in Canberra. Primary requirements for civil coastal surveillance are associated with fisheries, customs, and quarantine. Secondary elements of interest include shipping, navigational aids, search and rescue, marine pollution, marine research and mapping.

2.15 Major surveillance is also undertaken by the Department of Defence which utilises long range patrol aircraft and RAM patrol boats, augmented by regular patrols of charter aircraft, Customs launches and Nomad aircraft dedicated to the customs effort. The program is supplemented by reports from secondary sources which include:

- Australian coastal trading vessels
- Defence aircraft on training missions
- Australian fishing vessels
- Pleasure craft operators
- Lighthouse keepers
- Coastwatchers
- State police, harbour and marine authorities
- Research vessels
- Civil aircraft.

2.16 One of the functions of the Coastal Surveillance program is the protection of the living marine resources of the Australian Fishing Zone declared on 1 November 1979. This is an area of waters extending 200 miles from the Australian coastline and its offshore island territories and the Australian Antarctic Territory but excluding the 3 mile territorial waters which come under the jurisdiction of the States. In the Antarctic waters the legislation is operative only on Australian registered vessels. Previously a 12 mile fishing zone applied.

2.17 Apprehensions of foreign fishing vessels operating illegally are generally carried out by the Royal Australian Navy although in some areas apprehensions have been carried out by Fisheries Officers in conjunction with Commonwealth or State Police using locally chartered vessels. * Apprehended vessels are boarded and escorted to the nearest suitable port.

Co-ordination

2.18 The apprehension of a foreign vessel leads to the involvement of a multitude of authorities, Federal, State and local. These include the Attorney General's Department, Bureau of Customs, Departments of Administrative Services, Foreign Affairs, Health, Immigration and Ethnic Affairs, Prime Minister and Cabinet, Transport, Federal and State Police, State Fisheries and local Harbour Authorities.

2.19 In the past there has been considerable confusion among these authorities as to their respective roles in relation to the apprehension of foreign fishing vessels, their subsequent disposal and the welfare of the crew. Several meetings by authorities most concerned have been held to discuss the co-ordination of their activities, and agreement has been reached as to each of their respective roles. As a result, much of this prior confusion has been overcome. However, it was evident to the Committee that confusion still existed at harbours designated to receive foreign fishing boats as to the final responsibility for the storage and disposal of the vessels.

Expenses and Revenues Associated with Forfeited Fishing Vessels

2.20 There are considerable costs and comparatively small revenues associated with the apprehension of these vessels.

* Minutes of Evidence pp. 455, 456 and Committee File 1979/7

Table 1 below details the direct expenses of the Department of Primary Industry with respect to foreign fishing vessels while Table 2 gives costs and revenues which have been identified with respect to individual vessels.

TABLE 1

Foreign Fishing Vessels - Direct Expenses of
Department of Primary Industry *

| | 1978/79 | 1979/80 (to 30 Apr 80) |
|-------------------------|-----------------|---------------------------|
| | \$ | \$ |
| Accommodation for crews | 13587 | 552 |
| Caretaker's Fees | 5662 | 7210 |
| Court costs | 5380 | - |
| Fares - Australia | 26825 | 8769 |
| Fares - Overseas | 58371 | 1745 |
| Hire of Launches/Planes | 94308 | 45636 |
| Interpreters' Fees | 6453 | 3730 |
| Security of Boats | 4391 | 1280 |
| Disposal of Boats | - | 15595 |
| Towing | 1185 | 2407 |
| Salvaging of Boat | - | 52361 |
| Other** | 38537 | 26901 |
| Total | \$255329 | \$196186 |

* It should be noted that there are considerable additional costs to those shown in the above table, but they are borne by many other Federal, State and Local authorities and are not readily identifiable.

** "Other" includes: Supply of food and water for crews, cyclone moorings, splicing ropes, anchors, pumping out of vessels, fumigation, disposal of oil spill, removal of gear, signwriting, incineration of garbage, travelling allowance costs and fares for interpreters, storage costs of boats, overtime for customs officers.

Source: Department of Primary Industry

2.21 The Department would have only marginal control over some of these expenses, for example the accommodation and subsistence of crews, court costs, repatriation costs. It would have a greater degree of control over the others, particularly those related to the management of the boats and their contents once the statutory appeal period provided for in the legislation has expired.

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TABLE 2

Foreign Fishing Vessels - Summary of Costs Incurred
and Revenue Received for Individual Vessels

January 1979 - May 1980

| Name of Vessel | Date of Apprehension | Date Legal Action Ended | Date of Disposal | Total Costs See Table 1 | Total Revenue | Surplus (Deficit) |
|------------------|----------------------|-------------------------|------------------|-------------------------|-----------------|-------------------|
| Yu Cheng Li | 28.12.78 | 21.2.79 | 2.2.81 | \$21100+ | \$3500 | (\$17600)+ |
| San Yeong Fa | 17.1.79 | 22.1.79 | 5.12.79 | \$16200 | \$700 | (\$15500) |
| Wan Lii No 28 | 25.1.79 | 27.1.79 | 5.12.79 | \$16487 | \$700 | (\$15787) |
| Ming Feng | 16.2.79 | 19.2.79 | 2.7.79 | \$21829 | \$3400 | (\$18429) |
| Ying Kai No 5 | 18.3.79 | 23.3.79 | 15.6.79 | \$101124 | \$9000 | (\$92124) |
| Kao Cheng No 21 | 18.4.79 | 19.7.80 | 26.5.79 | \$20892 | \$97300 | \$76,408 |
| Hui Ju Hup | 21.4.79 | 27.4.79 | 5.5.79 | \$17058+ | Nil* | (\$17058) |
| Hae Weng Sheng | 3.5.79 | 7.5.79 | 1.10.79 | \$19159 | \$1675 | (\$17484) |
| Yi Mang Chai | 8.5.79 | 15.5.79 | 2.2.81 | \$31428+ | \$400* | (\$31028)+ |
| Ying Kai No 2*** | 9.5.79 | 25.5.79 | 20.11.79 | \$14496 | \$300 | (\$14196) |
| Chi Hung | 7.6.79 | 11.6.79 | 5.12.79 | \$18398 | \$100* | (\$18298) |
| Tai Sheng No 1 | 3.11.79 | 27.11.79** | 30.11.79 | No Account Received | \$8350 | \$8350 |
| | | | | \$245446 | \$125425 | (\$120021) |

* Fines Imposed : Defendants unable to pay and imprisoned.
+ Costs still being incurred.
++ Vessel sunk while under escort to port.
** Vessel not forfeited.
*** 2 dories only, mother ship not located.

Source: Department of Primary Industry Submission

2.22 The Commonwealth receives revenue from the sale of forfeited stores i.e. boats, equipment and catches and from fines imposed on the master and crew of the vessels. Revenue from these sources in 1977/78 was \$183,902 compared to expenditure of \$229,672. In 1978/79 the revenue was \$86,210 while expenditure was \$255,329. *

Total revenues vary according to the type of vessel sold. Wooden clam boats generally fetch only a nominal amount while trawlers have been sold for up to \$97,000.

2.23 Costs associated with the management of individual vessels prior to disposal normally amount to several thousand dollars, with one case of the Ying Kai No. 5, incurring costs of over \$100,000. The major part of this expenditure was for salvaging (\$52,000) as the vessel twice sank in the harbour. It has been inferred ** that the shorter the period between forfeiture and disposal the less the management costs. Reference to Table 2 shows, however, that a lapse of six months between forfeiture and disposal is common with some disposals approaching or exceeding 12 months.

2.24 Besides incurring unnecessary costs the prolonged presence of the vessels prior to disposal accentuate other problems. The ports generally do not have facilities that can be dedicated to these vessels. Consequently they occupy moorings or a wharf which would normally be used for commercial harbour operations. In other cases, especially where the vessels are likely to take on water, they are grounded at the tidal high water mark in various creeks or estuaries. In both cases harbour authorities strongly maintain there is a danger that in the event of a cyclone they could break loose and damage facilities or other vessels. Prolonged grounding of the vessels not only makes their future removal more difficult but also increases the possibility of vermin reaching the shore. Although the vessels are fumigated, quarantine officers have stated that it is virtually impossible to guarantee that all organisms have been destroyed because the general construction of the boats allows for unreachable voids and the thick timbers give protection to organisms living within.

2.25 There is equipment of value in a forfeited fishing boat. Some is readily portable and tempting to thieves. Other equipment like the engine is bulky, heavy and difficult to remove. While the Department has now adopted the practice of storing those items which can readily be removed when suitable on shore facilities are available, evidence was

given to the Committee that substantial amounts of equipment were stolen on a number of occasions. *

In some cases the goods were stolen before the due process of the law had fully taken its course. In such cases the Commonwealth may have been liable for any stores and equipment found missing if charges had been dismissed.

2.26 Forfeited catches also present special problems. ** Evidence was given to the Committee that foreign crews, when they learn the vessel and catch have been forfeited, have been known, to sabotage refrigeration equipment so that the catch thaws, rots and becomes impossible to remove as well as rendering the vessel uninhabitable, unsuitable for further use and obnoxious to the local community.

2.27 In order to avoid the consequences of sabotage to onboard refrigeration machinery by foreign crews before leaving the vessel, the department, where enquiries reveal no other practical catch disposal method, has required the foreign crew to unload the catch, under supervision, into the sea at a point designated by local maritime authorities.

2.28 The Committee also inspected a number of the forfeited vessels. It was plain to the Committee that the standard of refrigeration and the method of storage was such as to render any confiscated catch unsuitable for sale in Australia except perhaps as pet food. Furthermore, if a catch is to be stored in the fishing vessel pending a possible sale the refrigeration machinery on board requires constant supervision. Alternatively, suitable freezer space has to be hired and the catch unloaded and transported to cold storage on shore. In either case evidence *** was given that the costs of storage and the transportation of the catch generally exceeded the catch's value.

Agreement for the Reimbursement of Costs incurred by the Commonwealth

2.29 The majority of the confiscated vessels originate from Taiwan. As that country is not represented in Australia all costs associated with the vessels and their crew have been met by the Commonwealth Government. In October 1979, however, the Minister for Primary Industry reached an agreement with the Kailis Kaohsiung Fishing Company Pty Ltd for its operation of licensed vessels in specified areas of the Australian Fishing Zone. That company is a joint venture

* Minutes of Evidence p. 473
** Minutes of Evidence p. 477

* Minutes of Evidence pp. 422, 504-507.
** Minutes of Evidence p. 422.
*** Minutes of Evidence pp. 478 - 479

between M.G. Kailis Gulf Fisheries Pty Ltd and the Kaohsiung Fishing Boat Commercial Guild. * A copy of this Agreement is at Appendix 3.

2.30 The agreement provides, in part, that the Guild bears full responsibility for any unlicensed Taiwanese fishing vessels operating contrary to Australian laws and that the joint venture company will meet costs and expenses of the Commonwealth and State Governments in relation to court and legal proceedings, repatriation of crews and the holding, managing and disposal of forfeited vessels from the time of apprehension. The Guild is also required to promptly pay all fines. The agreement further provides for the surrender of Australian licenses in the event of significant contravention of Australian laws by Taiwanese fishing vessels, whether licensed or unlicensed. **

Ecological Damage by Clam Vessels

2.31 Much comment was received by the Committee on the ecological problems associated with clam fishing on the Great Barrier Reef. Clam meat is regarded as a great delicacy and aphrodisiac in Taiwan and much of South East Asia. Consequently it brings high prices.

2.32 Meat taken from a clam is confined to its muscle and an average clam yields approximately half a kilogram of muscle. Confiscated catches of clam meat individually have amounted to several tonnes with one particular catch being in excess of 11 tonnes which would represent the destruction of over 20,000 clams. The profit realised on the sale of this clam meat in Taiwan cannot be quantified, but is considered to be high as the owners and crews of the vessels take extreme physical and legal risks to obtain the catch.

2.33 The clams of the region have an extremely slow growth rate with some species taking approximately 70 years to reach maximum size. It would however be expected that intensive fishing of clams would seriously deplete their numbers in long term. The clam carries out a vital environmental function by removing some polluting elements from the reef. Additionally, the likelihood of parties from the foreign vessels landing on shore to replenish water supplies or other activities could lead to the introduction of disease and vermin to the mainland.

Methods for Disposal of Clam boats

2.34 During the inquiry there were many suggestions put to the Committee for disposal of the vessels other than by

* Minutes of Evidence p. 461, 520.
** Appendix 3, Paragraph 18

sale. They included:

- . being blown up at sea
- . used for target practice by the Navy or Air Force
- . sunk beyond the continental shelf
- . burnt at sea
- . dismantled on land, carted away and dumped
- . burnt on land and their debris dumped.

2.35 After discussions with local authorities it became evident to the Committee that the disposal of the vessels at sea by any of the various means could be objectionable as the cost of preparation for seaworthiness and towing could be prohibitive and any floating remnants could pose a hazard to navigation. Discussions with contractors and harbour authorities indicated that the cheapest land disposal method would be by beaching, burning and dumping the debris. Any fuel remaining on board at the time of beaching could be used as a catalyst to assist the burning process. At some ports the value of the scrap metal, mostly iron, could be realised by the contractors.

2.36 To minimise costs and hazards, the Committee considers that action should be taken so that disposal of a vessel may begin immediately after any appeal periods concerning forfeiture had lapsed. This indicates a need for local decision making to determine whether a vessel should be maintained in anticipation of a profitable sale or whether it would be in the best interests to destroy it quickly. That decision should be made before the appeal period has expired in anticipation of ultimate forfeiture.

2.37 In this regard the Committee notes the proposal contained in the Department of Primary Industry's manual of procedures * to establish a Board of Inspection in respect of every forfeited foreign fishing boat composed of:

- . a Commonwealth Officer resident in or near the port concerned
- . a fisheries officer
- . a qualified master mariner resident in or near the port where the boat is lying.

2.38 The Board of Inspection will be able to recommend that:

- . a vessel should be sold if in good condition
- . in the case of a vessel unsuitable for use as a sea going vessel it be sold for breaking up or some other static purpose

* Committee File 1979/7

- in the case of a vessel not falling into either of the above, it should be written off and destroyed.

2.39 The Committee, however, believes that a further criterion based on anticipated net realisable value be adopted. That is if the anticipated sale price, after taking into account the cost of disposal, maintenance and other direct and indirect costs, will result in a net loss to the Commonwealth, the vessel should be disposed of forthwith by destruction.

2.40 The Committee has reached this conclusion because of the following:

- a vessel may be seaworthy and in good condition, but is unable to be sold due to a lack of demand
- past experience clearly indicates that clam boats, if and when sold, bring only a nominal amount
- clam boats deteriorate rapidly if extensive maintenance is not carried out
- beached or moored clam boats are a potential hazard to shipping and an environmental eyesore.

2.41 To overcome any delays which may be associated with the calling of tenders in cases where it has been decided to destroy the vessel the Committee believes that the establishing of period contracts at the various ports would be an appropriate method for arranging disposal at short notice. As the sizes of the vessels would be unknown at the time of contracting the disposal pricing may be set on a tonnage basis.

Conclusions and Recommendations

Disposal of Apprehended Fishing Vessels

2.42 The majority of vessels apprehended for operating illegally in the Australian Fishing Zone originate from Taiwan. Most of these are associated with the taking of clam meat and are of the wooden motorised junk type. They are of negligible commercial value in Australia and costs associated with their maintenance and disposal are generally many times their realisable value.

2.43 Although it is anticipated that costs associated with the management of vessels will be recouped under the joint venture agreement, the Committee strongly recommends that they be disposed of as quickly as possible after forfeiture for the following reasons:

- maintenance costs are both significant and unpredictable;
- they occupy valuable port facilities;
- they incur hidden costs by way of involvement by fisheries officers as well as local authorities;

- they are a hazard to navigation if they sink or break up at moorings;
- in the event they break loose during cyclonic weather they may damage port facilities and other vessels;
- they are a potential source of disease and vermin;
- a vessel may be seaworthy and in good condition, but is unable to be sold due to a lack of demand;
- past experience clearly indicates that clam boats, if and when sold, bring only a nominal amount;
- clam boats deteriorate rapidly if extensive maintenance is not carried out; and
- beached or moored clam boats are a potential hazard to shipping and an environmental eyesore.

2.44 The Committee recommends that a further criterion for disposal based on anticipated net realisable value be adopted. That is if the anticipated sale price, after taking into account the cost of disposal, maintenance and other direct and indirect costs, will result in a net loss to the Commonwealth, the vessel should be disposed of forthwith by destruction.

2.45 In cases where it has been decided to destroy the vessel the Committee recommends that the Department of Primary Industry investigate the feasibility of establishing period contracts at the various ports. As the sizes of the vessels would be unknown at the time of contracting it is suggested that the disposal pricing be set on a tonnage basis.

Disposal of Catches

2.46 The Committee agrees with the Department's assertion that forfeited catches are of little if any commercial value in Australia. * Consequently the Committee has concluded that the Department of Primary Industry's first option should be to dump any forfeited catch. Preferably the crew of a forfeited vessel should be compelled to take the vessel to sea under guard and dump the forfeited catch in an area designated by the local authorities.

2.47 The Committee recommends that the Department's Board of Inspection, comprising a Commonwealth Officer resident in the port concerned, a fisheries officer and another person occupying a responsible position in the State service or in industry as the local Authority be given clear and unequivocal power to order the immediate disposal of any forfeited catch if, in its opinion, the fish is unsuitable for human consumption or could not be sold within Australia or overseas without the Commonwealth incurring a net loss.

* Minutes of Evidence p.422.

Evidence given to the Committee by the various authorities involved indicates that in most cases disposal at sea is the only method which will not involve the Commonwealth in heavy financial outlay.

2.48 On those rare occasions where, in the opinion of the Board of Inspection, catches could be sold without a net loss to the Commonwealth, the Committee considers the Department of Primary Industry's procedures will meet the shortcomings raised by the Auditor-General. However the situation should be closely monitored and the catch disposed of quickly if it appears that the Board of Inspection's original decision is not being borne out by events.

Manual of Procedures

2.49 In July 1980 the Department of Primary Industry published a manual of procedures for recording and disposal of fisheries forfeitures. The Committee has examined the manual and is satisfied that it will help to overcome the problems raised with the Committee during the inquiry. However, the Committee considers inclusion of the points raised above will help to streamline disposal procedures and recommends that the Department amend its manual accordingly.

CHAPTER 3

DEPARTMENT OF SOCIAL SECURITY

Payments of Pensions and Benefits Overseas

Introduction

3.1 The Auditor-General drew attention to deficiencies in the procedures for payment and review of pensions and benefits overseas. In view of the rapid expansion in recent years in the number and value of these payments the Committee was concerned that the reported deficiencies might have led to significant payments in excess of entitlement. Accordingly the Committee examined the procedures for payment and review of pensions and other benefits, reciprocal payment arrangements with other governments, staff of overseas offices and the internal audit procedures applying to overseas payment functions.

Auditor-General's Report

3.2 At paragraph 2.20.4 of his Report for 1978-79, the Auditor-General stated:

"Under the provisions of the Social Services Act 1947 persons eligible for certain pensions and benefits may continue to receive payments while living outside Australia. Payment is normally made through an Australian overseas office on the basis of entitlements determined in Australia.

During 1978-79, Audit reviews of procedures for these payments were made in Australia and at selected overseas posts. Resulting from these reviews, representations were made to the Department in regard to the following matters:

- inadequacies in the control of authorisations for payment;
- need for reconciliations between Australian and overseas records of beneficiaries and the possibility of unauthorised payments in the absence of such reconciliations;
- policy for review of continuing eligibility of beneficiaries;

- delays in calculating the extent of over-payments disclosed by pension reviews; and
- delays in adjusting the Australian pension of those pensioners affected by variations in British pension rates and the evident practice of not making retrospective adjustment in these cases.

Departmental replies in July 1979 included the following advice:

- Action was being taken to ensure procedures for separate sequential numbering of authorisations forwarded to each overseas post are followed.
- Reconciliation between overseas and Australian records of beneficiaries has a number of difficulties, one of these being the number of transfers in transit at any time.
- Certain checks are being, or will be, made at the Central Office in respect of payments made from some overseas posts. Arrangements are also being made to conduct sample checks from payment schedules obtained from all overseas offices against the Australian held records.
- The matter of a possible procedural weakness that might facilitate unauthorised payments was under review to ensure procedures cover this aspect.
- Other matters raised by my Office were being reviewed by the Department. Additionally, procedures relating to payment of pensions overseas and to reviews of eligibility of beneficiaries were being reviewed by a senior departmental officer. My Office would be further advised in due course."

Background

3.3 The Social Services Act 1947 makes provision for persons eligible for age, invalid or widows pensions and supporting parents benefits to receive payments while living outside Australia. Under the legislation persons leaving Australia either permanently or temporarily on or after 8 May

1973 are entitled to continue to receive their Australian social service pensions in any country in the world, under substantially the same conditions as if they were residing in Australia. In New Zealand, Australian pensioners are paid by the New Zealand Department of Social Welfare under reciprocal agency arrangements. Elsewhere payment is made either through the Department of Finance Accounting Offices London, Geneva or Washington, or through Department of Foreign Affairs and Department of Trade and Resources posts. *

3.4 The Department of Social Security's procedures for processing overseas pension payments cover the same range of activities as for the payment of pensions in Australia. ** The pensions ADP system provides for the automatic processing for both Australian and overseas pensioners, of such actions as:

- re-assessment of entitlement due to changes in income, marital status, dependent children, health of pensioner, death of spouse etc;
- calculation of rate of pension (and arrears where appropriate);
- Reviews, and follow up, for
 - children turning 6 years of age;
 - children turning 16 years of age;
 - student children turning 25 years of age;
 - statutory age (widows and invalid pensioners);
- processing re-assessments of entitlement where appropriate;
- production of advices to inform pensioners of their entitlement and assessment details; and
- issue of Pension Entitlement Review Forms and control over their return.

3.5 As indicated in the following Table 1, 16,492 pensions and benefits were paid overseas in 1980, this figure representing an increase of 115% over the number of payments in 1975. Expenditure on pensions and other benefits overseas increased by 380% over this period to a level of \$41.0 million in 1979-80.

3.6 Table 2 shows the distribution of pensioners and payments between the major overseas payment centres. The countries served by each of these centres and the numbers of pensions paid as at 30 June 1980 are shown at Table 3.

* Minutes of Evidence p. 3

** Minutes of Evidence pp. 6, 7

TABLE 1

Payment of Pensions and Benefits Overseas

| <u>Expenditure</u> | <u>1974-75</u> | <u>1975-76</u> | <u>1976-77</u> | <u>1977-78</u> | <u>1978-79</u> | <u>1979-80</u> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> |
| Age (a) | 5209 | 8474 | 12127 | 15538 | 19460 | 21040 |
| Invalid (a) | 1759 | 3330 | 5598 | 8632 | 10411 | 12741 |
| Widows | 1465 | 2601 | 3716 | 4545 | 6077 | 6328 |
| Supporting Parents Benefits (b) | 123 | 235 | 338 | 785 | 697 | 966 |
| TOTALS | 8546 | 14640 | 21779 | 29500 | 36645 | 41075 |

| <u>Numbers at</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> | <u>1979</u> | <u>1980</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>30 June</u> | | | | | | |
| Age | 4748 | 5854 | 6915 | 8036 | 8295 | 8555 |
| Invalid | 1225 | 1843 | 2479 | 2966 | 3279 | 3539 |
| Wives | 496 | 774 | 1095 | 1491 | 1651 | 1838 |
| Widows | 1053 | 1349 | 1672 | 1943 | 2145 | 2235 |
| Supporting Parents Benefits (b) | 120 | 188 | 236 | 276 | 300 | 325 |
| TOTALS | 7642 | 10008 | 12397 | 14712 | 15670 | 16492(c) |

- (a) includes Wives Pensions
 (b) Supporting Mothers Benefit prior to 10 November 1977
 (c) Differs from total in Table 2 because of pensions in process of transfer.

Note: No separate record is kept in respect of people overseas whose pensions continue to be paid in Australia (e.g. by credit to a bank account)

Source: Department of Social Security Submissions of 15 February 1980 and 2 March 1981, Committee File 1979/7

TABLE 2

Numbers and Expenditure for Social Services
Pensions and Similar Benefits Paid Overseas - By Place of Payment

| <u>Place of</u> | <u>Number of</u> | <u>Expend.</u> | <u>Number of</u> | <u>Expend.</u> | <u>Number of</u> | <u>Expend.</u> |
|-------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| <u>Payment</u> | <u>Recipients</u> | <u>1973-74</u> | <u>Recipients</u> | <u>1974-75</u> | <u>Recipients</u> | <u>1975-76</u> |
| | <u>30.6.74</u> | | <u>30.6.75</u> | | <u>30.6.76</u> | |
| | | <u>\$000</u> | | <u>\$000</u> | | <u>\$000</u> |
| Geneva | 2754 | 1920 | 3866 | 4743 | 5486 | 8265 |
| London | 2217 | 1980 | 2773 | 3191 | 3230 | 4765 |
| New York/ Washington | 238 | 142 | 334 | 410 | 414 | 711 |
| Wellington | 258 | 44 | 469 | 33 | 626 | 501 |
| Other | 93 | 44 | 200 | 168 | 252 | 398 |
| TOTALS | 5560 | 4130 | 7642 | 8546 | 10008 | 14640 |

| <u>Place of</u> | <u>Number of</u> | <u>Expend.</u> | <u>Number of</u> | <u>Expend.</u> | <u>Number of</u> | <u>Expend.</u> |
|-------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| <u>Payment</u> | <u>Recipients</u> | <u>1976-77</u> | <u>Recipients</u> | <u>1977-78</u> | <u>Recipients</u> | <u>1978-79</u> |
| | <u>30.6.77</u> | | <u>30.3.78</u> | | <u>30.3.79</u> | |
| | | <u>\$000</u> | | <u>\$000</u> | | <u>\$000</u> |
| Geneva | 6977 | 12215 | 7880 | 17315 | 8640 | 21246 |
| London | 3796 | 6296 | 3739 | 8672 | 4168 | 10243 |
| New York/ Washington | 496 | 920 | 509 | 1201 | 590 | 1452 |
| Wellington | 802 | 1922 | 773 | 1639 | 776 | 2701 |
| Other | 326 | 426 | 417 | 674 | 365 | 846 |
| TOTALS | 12397 | 21779 | 13318 | 29501 | 14539 | 36488 |

| <u>Place of</u> | <u>Number of</u> | <u>Expenditure</u> |
|-------------------------|-------------------|--------------------|
| <u>Payment</u> | <u>Recipients</u> | <u>1979-80</u> |
| | <u>30.6.80</u> | |
| | | <u>\$000</u> |
| Geneva | 9423 | 25265 |
| London | 3941 | 10978 |
| New York/ Washington | 647 | 1691 |
| Wellington | 863 | 2046 |
| Other | 440 | 1095 |
| TOTAL | 15314 | 41075 |

Source: Annual Reports, Director-General of Social Security (1975 to 1980)
 Annual Statistics, Department of Social Security (1974)
 Central Finance Ledgers - Department of Finance

TABLE 3

Numbers of Pensions and Benefits Paid Overseasat 31 March 1979

| Country of Residence | Age Pensions | Invalid Pensions | Wives Pensions | Widows Pensions | Supporting Parents Benefits | Totals |
|----------------------------|--------------|------------------|----------------|-----------------|-----------------------------|--------|
| <u>Paid through Geneva</u> | | | | | | |
| Albania | 20 | 1 | - | - | - | 21 |
| Austria | 49 | 16 | 4 | 7 | 2 | 78 |
| Cyprus | 78 | 34 | 15 | 12 | - | 139 |
| Czechoslovakia | 13 | 7 | 3 | 1 | - | 24 |
| Denmark | 14 | 4 | 1 | 4 | 1 | 24 |
| Finland | 17 | 11 | - | 6 | 6 | 40 |
| France | 47 | 17 | 9 | 11 | 3 | 87 |
| Germany (F.R.) | 163 | 40 | 15 | 31 | 6 | 255 |
| Greece | 1210 | 1120 | 686 | 426 | 22 | 3464 |
| Hungary | 55 | 20 | 6 | 7 | 1 | 89 |
| Israel | 93 | 14 | 9 | 19 | 1 | 136 |
| Italy | 1248 | 655 | 360 | 217 | 12 | 2492 |
| Lebanon | 25 | 30 | 16 | 11 | 2 | 84 |
| Malta | 268 | 245 | 102 | 45 | 2 | 662 |
| Netherlands | 196 | 29 | 15 | 41 | 3 | 284 |
| Norway | 11 | 3 | 1 | 2 | 1 | 18 |
| Poland | 63 | 26 | 4 | 9 | - | 102 |
| Portugal | 27 | 22 | 13 | 12 | 2 | 76 |
| Spain | 72 | 51 | 27 | 35 | 3 | 188 |
| Sweden | 12 | 3 | 2 | 1 | 1 | 19 |
| Switzerland | 15 | 6 | - | 5 | 1 | 27 |
| Turkey | 1 | 36 | 24 | 19 | 1 | 81 |
| Yugoslavia | 328 | 389 | 191 | 109 | 6 | 1023 |
| Other Europe | 21 | 8 | 1 | 3 | 1 | 34 |
| SUB TOTAL | 4046 | 2787 | 1504 | 1033 | 77 | 9447 |

TABLE 3 (Continued)

Paid through London

| | | | | | | |
|----------------------|------|-----|-----|-----|----|------|
| United Kingdom /Eire | 2512 | 398 | 172 | 766 | 93 | 3941 |
|----------------------|------|-----|-----|-----|----|------|

Paid through Washington

| | | | | | | |
|--------|-----|----|----|----|---|-----|
| Canada | 187 | 23 | 13 | 34 | 9 | 266 |
| U.S.A. | 269 | 30 | 14 | 60 | 8 | 381 |

Paid through other overseas offices

| | | | | | | |
|------------------|----|----|---|----|---|----|
| Argentina | 4 | 10 | 8 | 2 | 1 | 25 |
| Egypt | 2 | 12 | 4 | 7 | - | 25 |
| Hong Kong | 27 | 3 | 2 | 9 | 1 | 42 |
| India | 13 | 6 | 3 | 7 | 4 | 33 |
| Papua New Guinea | 35 | 2 | - | 4 | 1 | 42 |
| Philippines | 7 | 7 | 3 | 2 | 2 | 21 |
| South Africa | 47 | 4 | 2 | 12 | 4 | 69 |
| U.S.S.R. | 16 | 2 | 1 | 3 | - | 22 |
| Other - | | | | | | |
| Asia | 22 | 11 | 3 | 15 | 1 | 52 |
| Africa | 9 | 5 | 2 | 6 | 1 | 23 |
| America | 6 | 11 | 6 | 13 | 2 | 38 |
| South Pacific | 18 | 2 | 1 | 2 | 1 | 24 |

Paid by New Zealand

| | | | | | | |
|--|-----|-----|----|-----|----|-----|
| | 474 | 105 | 35 | 152 | 97 | 863 |
|--|-----|-----|----|-----|----|-----|

| | | | | | | |
|--------|------|------|------|------|-----|-------|
| TOTALS | 7694 | 3418 | 1773 | 2127 | 302 | 15314 |
|--------|------|------|------|------|-----|-------|

Source: Department of Social Security Annual Report 1979-80

3.7 The heavy case-load carried by Geneva and London (as shown in Tables 2 and 3) has its source in the post-war level of migration to Australia from Europe and the United Kingdom. Many people who came to Australia from these regions in the early 1950's have become qualified to receive an Australian pension and have taken the opportunity given in the portability arrangements to return to their country of birth and continue to receive pensions. *

3.8 Fluctuations occur in the case-load at these offices due to the large number of pensioner tourists who travel to Europe and the United Kingdom, particularly during the Northern Hemisphere summer. The tourist population is a major factor in the London workload because England is the preferred base for most Australian tourists visiting the European region.

Pension Portability System - Payment Procedures

3.9 Under current procedures pension payments outside Australia are initially approved by Portability Liaison Units which operate in each State Office of the Department of Social Security. Each unit arranges the overseas payments originating in its own State by terminating the payments in Australia and despatching a serially numbered authority form to London or Geneva when payments are to be made in the European area or to the Central Office of the Department when payment is required elsewhere. **

3.10 The London and Geneva Offices are provided with specimen signatures of departmental officers authorised to determine and notify entitlements. For those cases payable other than from London and Geneva serial numbers from sequences unique to each post are allocated and the authorities despatched from the Central Office of the Department.

3.11 The London and Geneva Offices generally schedule and control their own pension review systems and advise the result of review action to the appropriate State Portability Liaison Unit. However, information on reviews automatically generated by the State Pension Master File, eg, in relation to children attaining 16 years of age, students, age pension entitlement, is forwarded from Australia for action. All reviews of pensions paid through overseas offices other than London and Geneva are arranged by the State Portability Units, the despatch and receipt of review questionnaires being channelled through the Department's Central Office.

* Minutes of Evidence p.8
** Minutes of Evidence p.3

3.12 The London and Geneva Offices are required to liaise with the State Portability Units on all matters affecting payments and the status of pensioners. Changes in family or financial circumstances whether or not affecting the rate of payment are notified to the Australian Office in order that the Pension Master File record may be kept up to date. Where rate variations do occur, each case is re-assessed individually in London or Geneva and the result advised to the Office in the State of origin of the payment.

3.13 Both the London and Geneva systems support an automatic rate update for Consumer Price Index increases in pension rates. Schedules of increases are also forwarded to these Offices from the State Offices for comparison and validation checks against the local listings. For all other payment centres individual forms are forwarded notifying the new rates.

Proposed Centralisation of Control of Overseas Payments

3.14 The Department advised the Committee that it has accepted proposals for the centralisation in Canberra of the function at present performed by the State Portability Units. In relation to the proposed procedures the department indicated as follows:

"A comprehensive review of the overseas pension payment procedures has recently been completed. The main recommendation, which has been accepted and is in the course of being implemented, is to centralise all overseas payments in the A.C.T. Regional Administration of the Department. This will provide for increased control over overseas payments. Reviews, medical and otherwise, will be controlled from Australia; arrangements to conduct these will be made in conjunction with overseas offices. With the relevant pensioner data being held on one master file in Australia, monitoring of payments etc. to prevent dual payments will be facilitated. In the long term the A.C.T. Regional Administration will take over a number of functions currently being conducted by the overseas offices and these offices should in turn have more time for closer examination and research work which by its nature can be performed more effectively from or at the overseas office."

3.15 The Committee was informed that a working party is examining the ADP arrangements arising from the proposal and issues concerning staffing have been referred to the Committee on Location of Australian Government Employees.

Overseas Offices - Workload and Staffing

3.16 As indicated in Table 2 above the workloads of the two major overseas offices and the other locations through which payments are made increased between 1974 and June 1980 as follows:

TABLE 4

| | <u>Number of Pensions</u> | | <u>Increase %</u> |
|--------|---------------------------|-------------|-------------------|
| | <u>1974</u> | <u>1980</u> | |
| Geneva | 2754 | 9423 | 242% |
| London | 2217 | 3941 | 78% |
| Other | 589 | 1950 | 231% |
| TOTALS | 5560 | 15314 | 175% |

3.17 The Committee was advised that the Department of Social Security's Office in Geneva is staffed by two Australian based officers assisted by four locally engaged staff. * In London the department does not maintain its own office and operations connected with the payment and checking of pensions are performed by eight locally engaged staff of the Department of Foreign Affairs. When pension portability was introduced in 1975 the Department of Social Security proposed the establishment of two Australian based positions in both London and Geneva, however the Public Service Board did not agree that the positions sought in London were justified. **

3.18 The Committee questioned the Department on the adequacy of staffing at the London and Geneva offices and was advised that some difficulties were being experienced in London where only locally engaged staff are employed on social security work. These employees lacked the training, background and experience of Australian based officers. Their output was therefore not as great *** and some arrears of work exist. A review of procedures is being made with the co-operation of the Public Service Board and the Department of Foreign Affairs. ****

* Minutes of Evidence, p. 369
** Minutes of Evidence, p. 393
*** Minutes of Evidence, p. 370
**** Minutes of Evidence, p. 11

3.19 In Geneva where two Australian based officers are located the current work position is satisfactory. The proposals currently being examined by the Department for centralising control of overseas payments in Canberra are expected to improve control, reduce the need for some staff and enable existing staff to pursue some tasks which are not at present being carried out to the extent desired.

Review of Pension Payments

3.20 The payment of pensions overseas raises special difficulties for the conduct of regular entitlement reviews by the Department of Social Security. Payments are made worldwide to approximately 16,500 recipients in more than 30 countries many of which are remote from the payment centres. Individual places of residence are often distant from main centres of population. In those circumstances there is a limited opportunity to arrange regular personal interviews with pensioners to establish such factors as their current position in relation to income, medical condition and marital status. The main check on continuing eligibility is an annual review form which pensioners are required to complete. * This procedure is inadequate because of the difficulty of verifying information provided and of establishing the validity of pensioners' signatures. The Department advised the Committee that it has been attempting to develop proposals for submission to the Government regarding reciprocal arrangements under which certain administrative tasks such as entitlement review might be undertaken by equivalent departments in countries where pensions are being paid. ** For example, if a person was also receiving a pension from another country by virtue of his contributions to a national insurance scheme, and if through its own sources that country learnt of the death of the person, it could pass the information on to Australian authorities, or vice versa. However a number of complex issues are involved in these proposals and the Department does not anticipate any early developments.

Reciprocal Agreements - Britain and New Zealand

3.21 Distinct from the general portability arrangements for the payment of Australian pensions overseas, reciprocal arrangements exist under which beneficiaries who move from Australia to Britain or New Zealand, or vice versa, may be assisted to receive the social security benefits of the country in which they are living. *** People who move from one country to the other for temporary residence generally

* Minutes of Evidence, p. 70
** Minutes of Evidence, p. 49
*** Department of Social Security Annual Report 1979-80

continue to receive the social security benefits of the country in which they are ordinarily resident. Temporary residence generally would be regarded as up to 12 months, after which the persons' intentions would be reviewed.

3.22 For Australian pensioners travelling to Britain or New Zealand for permanent residence, the significance of the reciprocal agreements existing between Australia and those two countries has been reduced, because, as a general rule, pensioners leaving Australia continue to receive their Australian pensions under the general portability provisions introduced in May 1973. Generally, they are not then entitled to corresponding benefits provided in the other countries for which they might have otherwise qualified. In this way, the effective responsibilities of Britain and New Zealand under these agreements are of assistance in ensuring income-security entitlements have been reduced. However, the agreements for former residents who left Australia before May 1973 or who leave before qualifying for Australian pensions.

3.23 The reciprocal agreements with Britain and New Zealand also enable Australian pensions to be granted and paid to Australian residents who are temporarily in either of those countries.

3.24 At 30 June 1980, Australian age, invalid and widows' pensions were being paid in Australia by virtue of the Agreement to 14 463 former residents of Britain. The amount of Australian age and widows' pensions payable under the Agreement, is the amount by which any relevant British pension received is less than the Australian pensions otherwise payable. When former residents of Britain become residentially qualified for Australian pensions the Agreement no longer applies and they may receive Australian pensions in their own right. The British pension is then no longer deducted from the Australian pension but is taken into account as income where an income test applies.

3.25 People claiming Australian invalid pensions who become permanently incapacitated for work, or permanently blind, while in Britain may be granted Australian pensions at rates not exceeding the rate of invalidity benefit that could be paid under British law if the recipient had remained in Britain. 55 pensions were being paid on this basis at 30 June 1980.

3.26 British retirement pensions and widows' benefits paid by virtue of the Agreement to former residents of Australia living permanently in Britain totalled 13 179 at 31 March 1980.

3.27 Under the Agreement with New Zealand 349 Australian age, invalid, wives' and widows' pensions were being paid at

30 June 1980 to former residents of New Zealand living permanently in Australia.

3.28 At 31 March 1980, New Zealand pension-type benefits were being paid to 717 former residents of Australia living permanently in New Zealand.

Suspension of Annual Entitlement Reviews

3.29 The Department advised the Committee that because of overall staffing difficulties the annual entitlement review of pensions paid in Australia and overseas was suspended from 1974 to 1978.

3.30 A significant reduction in overpayments detected during the period of suspension of the annual review is reflected in the percentage of these overpayments to total expenditure, as shown in the following table. It will be seen that with the resumption of the regular review program in 1978, the percentage returned to the pre 1973 level.

TABLE 5

| Year | Total Expenditure Pensions and Benefits Australia and Overseas | Overpayments Detected | % Overpayments Detected to Expenditure |
|-------|--|--------------------------|--|
| | \$ 000 | \$ 000 | % |
| 71/72 | 967 898 | 1 786 | .18 |
| 72/73 | 1 290 485 | 1 540 | .12 |
| 73/74 | 1 700 589 | 1 312 | .08 |
| 74/75 | 2 562 995 | 2 000 | .08 |
| 75/76 | 3 603 027 | 2 913 | .08 |
| 76/77 | 4 267 833 | 3 993 | .09 |
| 77/78 | 5 106 985 | 6 345 | .12 |
| 78/79 | 5 706 334 | 7 187 | .13 |

SOURCE: Committee File 1979/7

3.31 The need for regular review of pensioner entitlements is further demonstrated by the results of the review program carried out in 1978-79. The Department of Social Security Annual Report 1978-79 advised as follows:

"A program of reviews covering the major pension areas, which was reintroduced during the 1977-78 financial year, was maintained and strengthened during 1978-79. Under this program pensioners whose entitlements are liable to vary are contacted at least once a

year. The past year was the first full year of this aspect of the review program since its reintroduction. It was found that payment needed to be adjusted in about one in every four cases reviewed.

In terms of effect on annual pension payments, downward adjustments aggregated \$22.9 million, while pensioners shown to be receiving less than their entitlement were granted increases totalling \$11.7 million per annum. Thus on an annual basis the review yielded a net saving of \$11.2 million. (Committee's emphasis).

3.32 While the savings referred to by the Department relate predominantly to pensions paid in Australia the results of recent reviews of payments made through overseas offices have clearly shown the need for resources to be devoted to this type of examination.

Special Overseas Reviews

3.33 In Geneva special reviews of pensions paid in Continental Europe were introduced between 1975 and 1979 covering the majority of pensioners and a comprehensive review of all pensioners was commenced in October 1979. In the 12 months to March 1980, 8954 entitlements were reviewed, and the annual savings from downward adjustments are estimated at \$685,000. In all 1837 of those cases were found to require re-assessment or more than one in five of the entitlements examined.

3.34 In London during the suspension of the general review, local reviews for Great Britain were limited to new arrivals and special reviews on request from Australia. A general review was re-introduced in January 1979. While overall statistics of pension adjustments following review are not available, in the period of 4 weeks to 13 Feb 1980, downward adjustments yielded savings of \$49,469 on an annual basis, mainly due to re-assessments following a United Kingdom pension increase.

Internal Audit

3.35 The Committee noted that the internal earlier audit procedures of the Department appeared to lack a systematic approach to activities both in Australia and overseas. The Department advised that prior to 1979 the internal audit operations generally comprised periodic checks of the work performed with particular emphasis on the adherence to legislative requirements and the maintenance of control features which formed part of the operating requirements. This approach is being changed to one where the emphasis will

be on the efficiency of the operation, the effectiveness of resource use and the suitability of internal controls.

3.36 The Department indicated that there are three broad elements of the internal auditing of overseas payments. (*) Every six months advices obtained from people seeking to have their pensions paid overseas are checked against files to ensure that the transactions have been completed correctly. Secondly, records of the first payments made overseas are sent to Australia and are verified on a sample basis against departmental records here. Internal audit of overseas posts is also carried out by Department of Foreign Affairs staff and to a lesser extent, the Department of Finance. These audits are not directed specifically at social service payments but cover them in the same way as other payments made from those places.

Conclusions and Recommendations

3.37 The Committee has noted the action taken by the Department to correct the deficiencies identified in the Auditor-General's Report. It is a matter of concern, however, that although provisions for the general portability of pensions were introduced in 1973 it is only recently that serious efforts have been made to establish an efficient system of payments, audit and review. The substantial growth in both numbers and value of pensions paid overseas has markedly increased the scope for improper or excessive payments. The downward adjustments of \$685,000 which resulted from the special review undertaken by the Geneva Office clearly establishes the need for new and efficient control procedures.

3.38 The Committee has noted that of the 9,423 benefits paid through the Geneva Office, 3,464 are paid in Greece and 2,492 in Italy. In the Committee's view the large numbers of beneficiaries in these countries warrants the stationing of an officer in Athens and Rome to carry out continuing entitlement reviews. Having regard to the savings achieved by reviews conducted by the Geneva Office, it could be expected that the cost of employing additional staff for this purpose would be more than offset by the additional savings to be gained.

3.39 The Committee is particularly disturbed that the annual pensioner entitlement review was suspended from 1974 to 1978 resulting in a significant reduction in the number of overpayments detected in Australia and overseas during this period. While the Committee appreciates that staff ceilings have caused difficulties for the Department, it is not

* Minutes of Evidence, p.55

satisfied that, given the level of expenditure on overpayments subsequently detected, the Department made sufficient effort to maintain these essential checks and so limit the level of overpayment and facilitate the prompt adjustment of rates. The Committee also believe that the Public Service Board should be more aware of likely benefits to flow by acceding to such staffing requests.

3.40 The Committee examined the matter raised in the Auditor-General's Report of the need for reconciliation between Australian and overseas records of beneficiaries and the possibility of unauthorised payments occurring in the absence of such reconciliation. The Committee was advised that difficulties are experienced because of the number of pension adjustments in transit between Australia and the overseas offices at any time but that a full reconciliation is made twice a year following pension adjustments following movement in the Consumer Price Index. * The Committee does not accept that this situation is satisfactory and wishes to be informed at an early date of the outcome of the current proposals for centralising control of overseas payments in Canberra and the extent to which the revised procedures will enable regular reconciliation to be achieved. The Committee also wishes to be informed as to why these operations are to be carried out by a regional office instead of central office.

3.41 The Committee recommends that payments to most pensioners overseas should be made from the central office of the Department of Social Security. Cheques should be sent in bulk to overseas posts for mailing locally. A simple reporting system for cheques returned undelivered or unclaimed to the consular office would enhance eligibility checks. Further, for short term visits overseas, pensioners should be actively discouraged from having payments made through the overseas system. In these cases we recommend that payments should be made into bank accounts for transfer overseas using the banking facilities.

3.42 The Committee has noted the reciprocal payment arrangements that exist between Australia, Britain and New Zealand. It has noted also that the Department of Social Security has taken initial steps towards developing agreements with other countries for the performance of administrative tasks such as entitlement review. The Committee recommends that the Department actively pursue the possibility of entering into reciprocal arrangements with overseas Governments under which administrative functions and controls over pension payments would be exercised by the authorities in the countries where payments are being made.

3.43 In relation to internal audit the Committee commends the change advised in the procedures of the Department to give greater emphasis to the examination of efficiency of operations, effectiveness of resource use and suitability of internal controls. The Committee recommends that this change be accelerated and directs the attention of the Department to the Committee's 184th Report on Internal Audit in the Australian Public Service.

3.44 The Committee understands that a Joint Management Review of Consular Services was recently completed by the Public Service Board and the Department of Foreign Affairs. It pointed out that many consular practices could be streamlined and made more efficient. In particular it claimed that payment of Social Security benefits from overseas centres causes inefficiencies and, in many cases, poor service to pensioners. The Committee wishes to be informed of the results of implementing the recommendations of that review, particularly in relation to this subject.

3.45 The Committee has noted that the Department of Veterans' Affairs arranges for the payment of repatriation pensions overseas. The Committee recommends that the Department review its procedures having regard to the conclusions and recommendations of this Report.

* Minutes of Evidence, p.50

APPENDICES

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| 2. Legal Opinion from the Attorney-General's Department regarding the applicability of Finance Directions to the management and disposal of stores forfeited under the Fisheries Act 1952 and the <u>Continental Shelf (Living Natural Resources) Act 1968.</u> | 69 |
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APPENDIX 1

ADP SYSTEMS SUPPORTS FOR RAAF MAINTENANCE AND SUPPLY FUNCTIONS

Attached hereto are Annexures dealing with the ADP systems for the support of the maintenance and supply function in the RAAF.

- Annex A. RAAF Computer Projects
- Annex B. Diagramatic Representation of RAAF Computer Projects
- Annex C. Defence Supply Retail Minicomputer System
- Annex D. Computerised Supply Depot System (CRSDS)
- Annex E. Automated Co-operative Logistics (AUTOCOP) Provisioning
- Annex F. RAAF Computer Aided Maintenance Management (CMM)
- Annex G. System for Computer Production of Technical Planning Data (COMPLAN) for Headquarters Support Command
- Annex H. Repair and Overhaul Automated Management System (ROAMS)

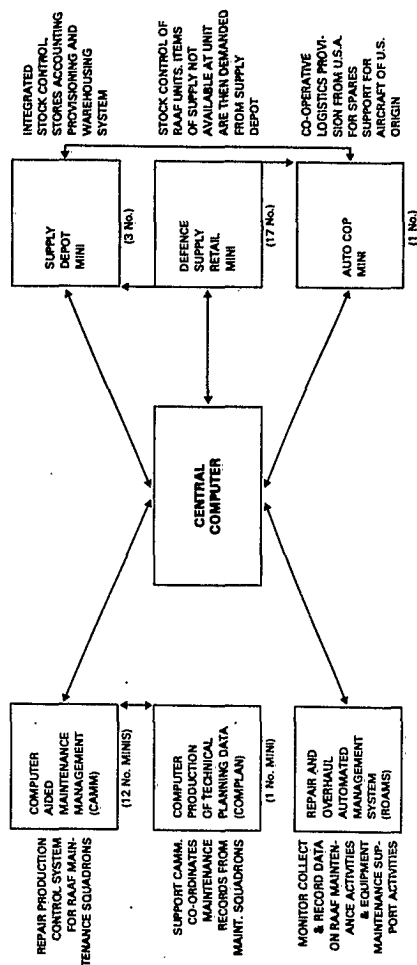
ANNEX A

RAAF COMPUTER PROJECTS

| PROJECT NAME | SIGNIFICANT DATES | FUNCTION |
|--|---|--|
| Defence Supply Retail Minicomputer Systems and Data Transcription Facility (17 Minicomputers at RAAF Establishments) | 1971 - First studies commenced 1974 - Ministerial endorsement given 1980/81 - Implementation within RAAF Retail Supply Depots | The system will replace the present machine accounting stock control at RAAF units geographically located throughout Australia with a stock control system using minicomputers. Similar developments are taking place within Navy and Army. |
| RAAF Supply Depot System (CRSDS) 3 Minicomputers at RAAF Supply Depots | Feb 80 - IDC approval given End 82 - Expected implementation | This will provide minicomputer installations at the three RAAF Stores Depots. Each will provide an integrated stock control, stores accounting, provisioning and warehousing system. |
| Automated Co-operative Logistics (AUTDCOP) Provisioning 1 Minicomputer at Headquarters Support Command | 1975/6 - First proposed 1980 - IDC approval 1980/1 - Software | This proposal will provide a mini-computer at Support Command for automating co-operative logistics provisioning for spares support for aircraft of US origin. The system is to interface with the central computer and provide a conversion medium for logistic traffic via the US AUTODIN. |

| PROJECT NAME | SIGNIFICANT DATES | FUNCTION |
|---|--|--|
| RAAF Computer Aided Maintenance Management (CAHM) 12 Minicomputers at RAAF Maintenance Squadrons | Apr 1980 - IDC approval expected Apr 1982 - Implementation expected | This is a repair production control system for RAAF Maintenance Squadron. It includes the control of maintenance supply items (MSI) and record of modification states. Minicomputers will be installed at the main RAAF bases for this purpose. |
| Computer Production of Technical Planning Data (COMPLAN) 1 Minicomputer at Headquarters Support Command | 1978 - Statement of Requirement prepared 1980 - March IDC approval Ministerial submission being prepared End 79/80 - Orders expected to be placed | COMPLAN is to be installed at HQSC to support CAHM. This minicomputer will co-ordinate maintenance records by use of cassettes forwarded from units using CAHM. |
| Repair and Overhaul Automated Management System (ROAMS) 1 Minicomputer at Headquarters Support Command | 1979 - Proposed 1980 - IDC approval anticipated by Sept 80. 1980 - Ministerial submission to follow IDC approval 1981 - Order to be placed takes 3 months if not subject to open order tender. Trials will take another 3 months. | This system is to monitor, collect and record data of Maintenance Activities and Equipment Maintenance Support Activities both at RAAF maintenance squadrons and civil repair authorities (eg QANTAS). It will replace the present machine accounting method presently used. |

DIAGRAMATIC REPRESENTATION OF RAAF COMPUTER PROJECT



DEFENCE SUPPLY RETAIL MINICOMPUTER SYSTEM AND DATA TRANSMISSION FACILITIES (DSRMS/PT)

1. The Defence Supply Retail Minicomputer System and Data Transmission Facilities (DSRMS/PT) is a system which will replace the present machine accounting stock control methods at present in use at RAAF units geographically located throughout Australia.

BACKGROUND

2. Base and depot stock records are maintained on the Honeywell computer to provide Air Office and HQSC supply management with total RAAF asset visibility, to facilitate central provisioning and to permit the use of a centralised demand processing system. Stock records are maintained at bases and depots for those detailed day-to-day stock control activities, including local provisioning, which are in the main outside the scope of the central EDP system.

3. The possibility of using the central computer stores accounting system as the sole stores accounting record for RAAF bases and depots was considered at length in the years immediately after the EDP systems became operational in the RAAF. Ultimately, a decision on the matter was deferred pending a review, commenced in 1971, of the feasibility of having local computers at bases and depots to assist in the stock control function and to provide a computerised stock location system.

4. In the event, the concept of introducing supply minicomputer systems at bases and depots was approved in the early 1970s and received Ministerial endorsement in 1974. Work then began on the preparation of statements of management requirements for these systems. By this time, however, the various functional central EDP systems eg pay, personnel, supply, had grown to such an extent that there was little if any capacity to effect changes of any magnitude to these systems. As the RAAF EDP supply system would require significant changes and enhancements to provide outputs to bases and depots to replace the information held on accounting machine and manually maintained stock control records, it became obvious that existing records would have to be retained pending development of the supply minicomputer systems.

5. To further complicate the situation the Honeywell equipment has become so prone to mechanical failure that a decision was taken late in 1977 to transfer the Services' existing supply systems, as quickly as possible and with little or no enhancement, to the UNIVAC. This has had effects on the DSRMS as it is linked to the Depot Computer for resupply purposes and also to the Central Computer for provisioning.

AIM

6. As well as eliminating the current accounting machine and manual stores accounting systems, the minicomputer systems will provide management with a much improved and highly automated inventory control, stock location and local provisioning capability. In due course, staff savings as well as increased efficiency are expected to flow on from these systems. In effect, the minicomputer systems will complement the central supply EDP system; together they will constitute a total computerised supply system.

IMPLEMENTATION

7. The retail minicomputer system for bases became available for testing at RAAF Base Fairbairn in 1979 and the system will become fully operational being introduced to other RAAF bases in 1980/81.

ANNEX D

COMPUTERISED SUPPLY DEPOT SYSTEM (CRSDS)

1. Air Force Office stated a need for a depot level computer based supply system to replace existing stores accounting, provisioning, stock location and key management control systems at stores depots. The system is required to support depot operations over the next decade. The objectives of the system are to:

- a. improve the operational efficiency of stores depots by computerizing manual stock control, provisioning, warehousing and stock location functions; and
- b. reduce the current concentration of manual effort on manpower intensive routine tasks and emphasize the use of personnel to efficiently manage scarce resources through the use of computer produced management data.

2. On 6 August 1971 the then RAAF Air Board endorsed for planning purposes broad priorities and time scales for the introduction of computers at stores depots and other RAAF installations. The development of new EDP supply systems for introduction with these computers was also endorsed. As a result of the Air Board decision, a departmental working party was convened to examine computer requirements. In November 1971 the departmental working party submitted a report titled 'An examination of RAAF Supply Procedures to Provide for the Introduction of Computing Facilities at Stores Depots and Bases'. This report provided the statement of requirements which formed the basis of the RAAF Computerized Supply Support (COSS) System.

3. The COSS system for stores depots was specified in detail during the period 1971-74. The resulting specification encompassed all possible aspects of depot functions.

4. Following the Defence re-organization, the three Services were directed by Defence Central to investigate the development of common mini-computer supply depot systems. After preliminary studies into a proposed Tri-Service depot system, CS Division advised in November 1976 that the supply systems envisaged were too complex for mini-computer applications. This led to the formation of a DSESC Sub-Committee which determined the scope for a Defence Supply Depot Mini-Computer system (DSIDMS), and a Defence Central/Service team was formed to produce a Statement of requirements. In June 1978, a review of the DSIDMS by Defence Central Staff (SUPP2), the Defence Central/Service team and GLSM (CS) decided that the system as specified was not feasible on the equipment available.

5. At the direction of the DSESC a 'Way Ahead' working party was formed to determine whether the development of a common supply depot system was feasible whilst each Service had separate Central EDP Supply systems. The working party determined that only a very low degree of commonality could be achieved whilst separate supply systems existed. Accordingly, each Service was authorized to develop an interim supply depot system.

6. The RAAF Supply Depot System (RSDS) Statement of Requirements was written in 1978 and relects supply management's revised requirements for a computerized supply system at RAAF stores depots. These requirements were based on the DSIMS and have been reduced to a minimum to provide a system which will enable essential supply support within the capabilities of the available computer hardware. The CS member of the 'Way Ahead' Working Party made an analysis of the RSDS Statement of Requirements and found that the system was viable for use on Interdata mini-computers.

7. This Statement of Requirements provides for interface between the computerized depot system and the converted UNIVAC Central Supply System. The statement incorporates all known UNIVAC interface requirements. However, as the UNIVAC Supply System is still under development there may be changes to that system which will impact on the RSDS. Such changes will be notified as amendments to the RSDS Statement of Requirements.

ANNEX E

AUTOMATED CO-OPERATIVE LOGISTIC (AUTOCOP) PROVISIONING

1. The Automated Co-operative Logistic (AUTOCOP) Provisioning system is a system for automating co-operative logistics provisioning for spares support for Aircraft of US origin by Headquarters Support Command (HQSC).

2. AUTOCOP was introduced to replace aged, unreliable equipment which is incapable of satisfactorily coping with processing of AUTOLOG MILSTRIP requisitions. The objectives of the proposed AUTOCOP system are to reduce manual intervention, conserve resources and achieve a satisfactory supply responsiveness by automating the procedures of co-operative logistics provisioning at HQSC.

3. The AUTOCOP system, using a minicomputer at HQSC, will store and manipulate details of requisitions, reduce MILSTRIP requisitions to a communication tape suitable for transmission through the AUTODIN network eliminating the need for punch cards, and output a range of information reports for management.

4. Feasibility studies for this project commenced in July 1978 and were completed by 30 July 1979. The draft IDC (ADP) submission was submitted on 26 September, 1979 and after refinement went to the IDC on 21 November, 1979. Because of the lack of programming capacity in Defence the Department has requested the FSB to provide contract programmers. Depending on the availability of this the project is proposed for implementation in the 1980/81 Financial Year.

ANNEX F

COMPUTER AIDED MAINTENANCE MANAGEMENT (CMM) SYSTEM

1. The Computer Aided Maintenance Management (CMM) System which is in its pilot stage at the RAAF Base Richmond is aimed at providing the RAAF unit maintenance organisation with an interactive computer-based information system to aid maintenance management of aircraft and aircraft components.

Problem Profile

2. Experience on the prototype has shown that locally compiled records do not provide an adequate maintenance planning capability; that essentially must come from the engineering and maintenance policies of the equipment. Data of this type are authorised by Headquarters Support Command staffs, and are being maintained manually for the prototype CMM installation at Richmond.

Control of Maintenance Activities

3. The importance of controlling maintenance activities on flying bases increased dramatically during the 1960s because of the more complex aircraft being introduced into service. Many different manual systems were implemented and progressively discarded or modified by base engineering staff to suit local requirements. In 1971 the Air Force working party which originally recommended the development of CMM was concerned for the accuracy of manually compiled records at flying bases, the control of equipment assets in terms of serviceability state and location, and the need for a detailed maintenance planning capability. CMM was developed to redress this situation, by using a mini-computer at a base for:

- a. recording operating and maintenance history of aircraft and components;
- b. recording the movement (and location) and serviceability status of aircraft Maintenance Managed Items (MMIs) under CMM control by serial number;
- c. maintaining job records;
- d. forecasting scheduled maintenance arisings;
- e. producing aircraft employment summaries, detailing:
 - (1) usage,
 - (2) availability,
 - (3) serviceability, and
- f. compiling failure data.

4. The Working Party established to investigate the application of EDP methods to Maintenance management concluded that EDP methods could effectively be used to aid RAAF management of technical maintenance. Because concurrent development would be a formidable task the report recommended implementation in three phases:

- a. Phase 1. Development and introduction of a system to assist in the maintenance management of aircraft and aircraft components to intermediate level;
- b. Phase 2. Extension of the information system to aid the control of technical spares and consumables and to provide on-line communication with the on-base computerised supply system;
- c. Phase 3. Provide for the communication of information from subordinate maintenance formations to higher levels of management, both on a routine basis and on request.

5. Phase 1 development was formalised with the issue of a Statement of Management Requirement on 18 Feb 72 and in FORM DP (EDP) in July 1972. Subsequently, approval to proceed with development was granted by the issue of Air Force Staff Requirement 310/61 in October 1973.

6. With the close co-operation of Computing Services Division (CSD) a specification for the system was developed and issued as the Provisional CMM Specification in May 1976. CMM Phase 1 is specified as an inter-active management information system to support maintenance management of aircraft, and aircraft components by maintaining essential engineering records and providing maintenance reports. The CMM reports will assist maintenance managers' problem solving and decision making activities by maintaining an accurate account of relevant maintenance data for technical equipment. This data will be available to managers through Visual Display Units (VDUs) or as hard copy reports. Thus management will be in a position to more effectively use available resources of personnel, facilities and materials to achieve maintenance goals. CMM will also relieve the clerical effort necessary to maintain inventory and job control.

7. CMM Phase 1 is being developed and installed as a prototype at RAAF Base Richmond. Since the issue of the Working Party Report, system development has continued and major milestones achieved include:

- a. installation of prototype CMM hardware at RAAF Base Richmond (commenced in November 77);
- b. Phase 1A software has been developed;
- c. three of the four CMM manuals have been written; and
- d. the CMM training team has commenced training squadron personnel.

The first element of software was brought on line at Richmond in September 1978. Progressive evaluation of the system has proven its value in providing management with better access to more accurate data, and has also demonstrated the system's potential value for application throughout the RAAF.

Alternatives to a Mini Computer Solution

8. The possible alternatives to the prototype CAMM are systems using the central UNIVAC machine or improved manual methods:

- a. UNIVAC Systems. Already the Central RAAF EDF system provides some support for the management of Maintenance Managed Items (MMIs) undergoing maintenance 'off base' at Aircraft Depots and civilian contractors. However this facility is not applicable to the dynamic nature of maintenance of MMIs on bases in support of operational commitments. The system on bases needs to work interactively with users in Maintenance Control Sections, workshops and throughout the squadron. Central Univac systems would not be an efficient or, practical solution;
- b. Manual Systems. Of the manual systems, only one, the RAAF Williamstown Maintenance Data System (MDS) was considered for trial development for Service wide use. MDS was potentially the means of centrally recording information on all maintenance activities fast enough to avoid critical shortage of spares in meeting operational commitments. The MDS system was manpower intensive and although it was designed to provide specific benefits its scope was eventually reduced. Certainly it was not developed to the stage of being implemented as an 'interim system'. Other bases adopted MDS in one form or another by 1973; but general approval for the system and Service wide implementation was not achieved, through concern for high manpower cost and the apparent inflexibility of procedures to cope with different geographic, trade and operational situations.

The CAMM Concept

9. The RAAF has continued to address whether the concept of CAMM, using mini computers on flying bases, is technically sound. The prototype installation at Richmond has proven the feasibility of the CAMM data structure to accept major re-design and numerous software changes without impeding user access. CAMM also provides an adequate data reporting medium for the Failure Reporting System (FRS) thereby avoiding duplication of effort, and enhancing the accuracy of failure data reported. It clearly provides a superior information system to the manual

Maintenance Data System (MDS) system. It accounts for items in the repair cycle and is compatible with Supply accounts maintained manually or on the Defence Supply Retail Mini Computer System (DSRMS). In summary, the CAMM system fills the gap in maintenance management support that could be met only through the expensive use of manpower in the manual MDS and technical planning systems.

ANNEX C

A System for Computer Production of Technical Planning Data (COMPLAN) for Headquarters Support Command (HQSC).

Full Computer Aided Maintenance Management (CMM) System operation throughout the Service requires efficient central coordination and management of a central data base. This central system is called Computer Production of Technical Planning Data (COMPLAN).

Co-ordination of the Technical Data Base.

2. Paragraph 2 of Annex and the above paragraph explain that the engineering and maintenance policies for aircraft and associated equipment provide the data essential for maintenance planning at flying bases. The central authority for this data is Headquarters Support Command (HQSC) in Melbourne; and its coordination is critical for the maintenance of accurate records. HQSC currently maintains separate manual records of data to suit individual management requirements. The existing manual system used in conjunction with CMM prototype installation at Richmond has been shown to be inadequate; hence the capability for central control of an accurate technical data base for use with EDP systems is addressed in this second part of this submission. It concerns the provision of a computer for HQAC, to implement a system for Computer Production of Technical Planning Data (COMPLAN). The COMPLAN computer, in conjunction with CMM mini computers would complete the co-ordination of the data bases for the CMM system. Initially, data would be received from, and sent to, CMM sites by cassette with the long term possibility of using the Defence Communication System (DISCON). The equipment for COMPLAN would be a Defence standard mini-computer costing \$139,150.

Justification and Objectives

3. Headquarters Support Command has the responsibility for ensuring that the engineering and maintenance standards of equipment are correctly specified and available to aircraft maintenance staff. This involves examining the reliability and maintainability of equipment for configuration control, assessing equipment performance, determining requirements for spares, promulgating maintenance responsibilities and lives, and forecasting and programming maintenance workloads. These activities are conducted in considerable detail to assure airworthiness of equipment and the corresponding management information systems are continually being developed and refined for reporting engineering and maintenance data.

4. It has long been recognised that a computer held data base of specific engineering files and programs of data is the most efficient method of managing the volume and complexity of information relating to modern aircraft and the engineering and maintenance activities already stated.

5. The role defined for COMPLAN is integral to the CMM project and proposes a relationship that will allow central management of the data bases. COMPLAN has the functions of:

- a. entering and holding technical (engineering and maintenance) planning data on a computer data base for EDP management of engineering and maintenance activities in the Air Force and for interface with the Supply system; thus, its accuracy and availability is important. The amendment processes for the data base and the separation of staffs, throughout the Command and unit organisation leads to a cumbersome administrative and communications system, which is inefficient and error prone without the facility of on-line access to the data base. In particular, the functioning of CMM will depend on the accurate maintenance of this data base ;
- b. updating the data base records; and
- c. producing various VDU and hardcopy report from that data base, which can be performed on existing programs in the CMM system.

6. The similar purposes of CMM and COMPLAN make the use of common software a realistic and inexpensive proposition. Further, the urgent need for COMPLAN effectively rules out any solution which will require a lengthy development time since CMM is time and cost dependent on having the necessary accurate technical data base.

The COMPLAN Concept

7. COMPLAN will be a computer system for production and maintenance of technical planning data for aircraft and associated Maintenance Managed Items (MMIs). Presently the basis of technical planning data resides in the Technical Maintenance Plan which is an executive document for maintenance policy; and is required to reflect the approved configuration of the equipments. However, this capability is beyond the resources of the present manual system. Thus in the manual system the TMP simply promulgates maintenance responsibilities and maintenance lives.

8. For use in EDP systems, including CMM and the Failure Reporting System (FRS) the Technical Maintenance Plan (TMP) is designed to have a Technical Management Code (TMC) to identify the physical and functional relationships of equipments. To achieve a record of configuration that completely identifies the equipment, COMPLAN will link the TMC with Reference Numbers and Defence Stock Numbers for all Maintenance Management Items. The technical data base so formed can be used at units and command for maintenance management activities involving the EDP systems of CMM, Annual Maintenance Program, List of Authorised

Spares (LOAS) and the Technical Substitution Record. In addition it will provide engineering staff, who are the technical authority for engineering and maintenance policies, with a means of improving the control of equipment configuration by modification management. Importantly, planned modification control facility in CAMM cannot be fully developed until an accurate and manageable technical planning data base is available.

Discussion of Possible Alternatives

9. The alternative solutions to COMPLAN are systems using the central UNIVAC machines, on-line access to a bureau, and improved methods.
 - a. UNIVAC Systems. Departmental priorities for systems development on UNIVAC machines have been directed to the conversion of the three Services Supply system from Honeywell machines. This will absorb all development resources until 1982, which would delay CAMM implementation well in the 1980s. Moreover, the UNIVAC machines, under present configuration, cannot provide an 'on-line' capability to HQSC. These constraints preclude development of a UNIVAC system being considered as a suitable alternative.
 - b. Service Bureau. The requirement for an on-line system from a bureau would mean a considerable increase in running costs. Because of the integrated nature of the COMPLAN and CAMM systems, and the interface with the central supply system, development and maintenance of the system at a bureau would require extensive supervision. In addition to the normal bureau charges necessary for a compatible system the administration and manpower for system development and maintenance would inflate the cost of this option. Because the technical data base would be part of a long term operational support system, the nature of computing support from Service Bureau makes this option unsuitable.
 - c. Manual System. Manual methods of maintaining the Technical Maintenance Plans have existed for a number of years. However, the engineering standard of the equipment approved for fitment has not been included. This means that the configuration statement for the equipment has been incomplete; thereby denying the use of the existing TMP as a technical data base. The manpower effort of compiling, producing and amending TMP's and retaining their credibility as authoritative documents is the limiting factor.

REPAIR AND OVERHAUL AUTOMATED MANAGEMENT SYSTEM (ROAMS)

INTRODUCTION

Requirement

1. The Staff Officer Repair and Overhaul (SORO) Division of Headquarters Support Command (HQSC) has identified a requirement to develop an EDP capability commensurate with the information handling demands of an increasing SORO Division workload.

Responsibilities

2. The Staff Officer Repair and Overhaul Division of Headquarters Support Command is responsible for all Depot Level Maintenance (DLM) of RAAF technical equipment and Single Service Managed equipment delegated to RAAF control. The maintenance facilities utilized to meet this task are No 1 Aircraft Depot (1AD) RAAF Laverton, No 2 Aircraft Depot (2AD) RAAF Richmond, No 3 Aircraft Depot (3AD) RAAF Amberley, No 1 Central Ammunition Depot (1CAD) RAAF Kingswood, No 2 Stores Depot, Ground Equipment Maintenance Squadron (2SDGEMS) RAAF Villawood and numerous civilian companies throughout Australia and overseas.
3. During 1978/79, \$39 million dollars was expended in civilian industry exclusive of the cost of RAAF supplied spares, technical data and support equipment. In addition over 1,000,000 manhours were committed to the five RAAF DIM facilities listed in para 2, this expenditure covered 3094 types of equipment involving 48035 separate items.

Problem Profile

4. The combination of escalating civilian industry costs, reduced manpower and experience levels in the RAAF generally and a restricted financial budget, together with a technical item inventory that is increasing in volume and engineering complexity has produced a need for greater management efficiency in discharging SORO Division responsibilities. This increased efficiency must be manifested not only as increased output from a given SORO Division strength, but also as increased visibility of the requirement for and expenditure of Defence resources.

Existing System

5. The basis of Command level management of RAAF Depot Level Maintenance is a programme which states those items which are intended to be committed for maintenance during the following financial year. This document is termed the 'Annual Maintenance Programme (AMP)'.
6. Every facility, both service and civilian, to which work is intended to be committed receives an initial AMP in April each year. This document is reviewed in the first half of the financial year, resulting in a 'mid year review'

being produced for distribution to the facilities every January. At the end of the financial year the programme is consolidated into the 'final AMP' which is distributed to the facilities in August.

7. The current AMP hardcopy is produced using the facilities of the Melbourne Regional Computing Centre (MRCC) and contains over 900 pages of the computer page print. The process of programme production and implementation within SORO Division is basically manual with limited EDP support, thus requiring an established staff of 78 personnel. Item quantities for the AMP are derived entirely within SORO Division by recourse to such information as; programmed flying rates (ACD171), equipment maintenance lives (Technical Maintenance Plans (TMP)), operating unit predictions and historical data.

JUSTIFICATION AND OBJECTIVE OF ROAMS

8. The objectives to be served by ROAMS are as follows:

- a. rationalization of information requirements to the minimum necessary for SORO to undertake his responsibilities,
- b. monitoring of maintenance activities to achieve the maintenance objective of availability derived from the Operational Requirement,
- c. balancing of work arisings with support resources to achieve the maintenance requirements within the constraints of management policies and fiscal considerations,
- d. collecting and recording data on the equipment and maintenance and support activities,
- e. minimizing manual manipulation to facilitate interpretation of data by management,
- f. timely initiation of management information in optimum format, and
- g. by communication with related systems initiate predetermined responses to recognized situations.

Background to ROAMS

9. In February 1976 Air Force Office prepared an initial statement of Maintenance Management Requirements for which supporting EDP based systems were required. These requirements were subsequently accepted as a basis for deriving objectives, stating formal engineering requirements, and outlining the various management systems needed. In April 1976 further development of these requirements was sought with a view to their formal presentation to Tri-Service and Defence Central Staffs, and an Air Working Party was convened to this end. This presentation

was made by the Air Working Party on 25 May 1976; the amplified statement being contained in the document 'Presentation on Management Requirements for the preparation of engineering and maintenance management EDP Specifications 24-25 May 1976 - Full Report'.

10. The Air Working Party was tasked in June 1976 with defining the RAAF's engineering and maintenance management requirements in such a way as to permit:

- a. advice to the other Services of specific activities in each of the RAAF modules so that common requirements could be more easily identified;
- b. determination of areas of interdependency with other Functional Systems (eg Supply);
- c. an estimate of the effort involved; and
- d. milestones for planning purposes.

11. As a result the 'Air Working Party Report on Engineering and Maintenance Management Requirements for EDP Specifications - 10 June 1976' was produced identifying and addressing the following Technical Management Modules:

- a. Technical Requirements Determination Module,
- b. Configuration Management Module,
- c. Maintenance Management Module,
- d. Production Management Module,
- e. Support Environment Module,
- f. Substitution Module, and
- g. Reliability Module.

12. The Air Working Party Report recommended each module be addressed as facilities became available and assigned each module a relative priority for implementation; these priorities are in the order listed at para 10. The total effort to develop every aspect was stated as 51 man years. The effort to develop the Production Management Module, of which ROAMS forms the Command portion, was estimated at 6 man years, therefore allowing 50% of development effort for ROAMS, there are at least 3 man years of effort involved.

13. During the intervening three years, development has progressed in the areas of highest priority, from which has emerged significant progress in that:

- a. COMPLAN is being developed to satisfy the Configuration record requirement,
- b. the Technical Management Code (TMC) has been developed,

- c. METRIM has been trialled for assessing (eg C130H),
- d. the Maintenance Management Code (MCOD) has been developed,
- e. Maintenance Contractor Codes are established,
- f. the Technical Substitution Record (TSUB) is undergoing development, and
- g. RAAF Aircraft Depots are investigating EDP support for dedicated management information systems.

14. In terms of the priorities of the accepted Air Working Party Report, a need exists to develop a Command Maintenance Management Information System. ROAMS has been specifically designed to fulfil this requirement.

Implementation Time Frame

15. The required hardware installation date is November 1980. Following hardware installation, the overall development of ROAMS will proceed as detailed below.

ROAMS Phasing

16. The implementation of ROAMS will be managed in three phases, so designed to ease the conversion from the manual to the automated system. The first phase ROAMS 1 has been structured so that only modules which affect SORO Division and the five RAAF DLM Facilities are introduced, thereby allowing user development without the need for interface agreements with outside agencies. The intermediate phase ROAMS 2 involves the establishment of system interfaces with the supply system, SOTSA Division HQSC and RAAF DLM facility information systems. The major requirement of this phase is the reaching of agreements with the management of the supply system, and liaison with SOTSA Division and the RAAF DLM facilities.

17. The final implementation phase ROAMS 3 involves further interfaces with the supply system, an interface with the Treasury computer possibly through the Regional Finance Office - Melbourne, and an interface with RAAF Resident Engineers dealing with civilian DLM facilities. By leaving these interfaces until last, the necessary interface establishment procedures will have evolved, ensuring a technically trouble free liaison with these agencies.



APPENDIX 2

ATTORNEY-GENERAL'S DEPARTMENT

TEL: 81 9111

CANBERRA, A.C.T. 2600
PLEASE QUOTE A/80/1178
YOUR REF: S79/313
9 April 1980

The Secretary,
Department of Primary Industry,
CANBERRA, A.C.T. 2600

Attention: Mr E.A. Purnell-Webb

Fisheries Act 1952, s. 13D; Continental Shelf (Living Natural Resources) Act 1968, s. 18(6); Audit Act 1901, s. 71; Finance Regulations, reg. 127A; Finance Directions, Direction 32 :
Disposal of forfeited foreign fishing vessels and other forfeited property

I refer to your memorandum dated 8 February 1980 concerning the legislative provisions governing the disposal by your Department of forfeited foreign fishing vessels and certain other forfeited goods.

2. Your questions as rephrased by me, and my short answers, are:

- (a) Q. Do section 13D of the Fisheries Act 1952 and sub-section 18(6) of the Continental Shelf (Living Natural Resources) Act 1968 empower the Secretary to the Department of Primary Industry to direct that a vessel or other property referred to in those provisions be dealt with or disposed of according to procedures that differ from the relevant procedures for the disposal of stores that are set out in the Finance Directions?
A. Yes.
- (b) Q. Are the Finance Directions applicable to dealings and disposals of forfeited vessels and other property to which section 13D of the Fisheries Act 1952 or sub-section 18(6) of the Continental Shelf (Living Natural Resources) Act 1968 is applicable?
A. No.

It will be convenient to discuss the questions together.

Background

3. Your request arises from correspondence between your Department and the Auditor-General's Office in which that Office

suggested that your Department might, if necessary, seek a legal opinion from this Department. I note that you have also written to the Department of Finance on this subject.

4. The correspondence between your Department and the Auditor-General's Office relates to the custody and disposal by your Department of forfeited foreign fishing vessels and other forfeited goods, such as fish on forfeited vessels. The Auditor-General's Office suggests that the procedures adopted by your Department do not in all respects comply with procedures prescribed by the Finance Directions. Your Department disputes some of the specific suggestions by the Auditor-General's Office, but admits in a submission to the Joint Parliamentary Committee of Public Accounts that it has not in every case complied with the requirements set out in the Finance Directions. Your Department's submission refers to a number of practical considerations that have made some departures from the requirements set out in the Finance Directions desirable in the cases under discussion.

5. Section 13D was inserted into the Fisheries Act 1952 by the Fisheries Act 1973 and, as amended by the Fisheries Amendment Act 1978, now reads as follows:

'13D. Any boat or other property ordered by a court to be forfeited under this Act becomes the property of the Commonwealth and shall be dealt with or disposed of in accordance with the directions of the Secretary.'

Sub-section 18(6) of the Continental Shelf (Living Natural Resources) Act 1968 was inserted by the Continental Shelf (Living Natural Resources) Act 1973 and, as amended by Act No. 91 of 1976, is as follows:

'(6) A ship or goods ordered by a court to be forfeited under this section becomes the property of Australia and shall be dealt with or disposed of in accordance with the directions of the Secretary.'

6. The Finance Directions are given by the Secretary to the Department of Finance under sub-regulation 127A(1) of the Finance Regulations which, in so far as it is relevant, states:

'127A(1) The Secretary may give to persons employed in the service of the Commonwealth or to any other persons who are subject to the provisions of the Act directions, not inconsistent with the Act or any other Act or with any regulations under the Act or any other Act, for or in relation to any of the matters referred to in paragraphs (a) to (f), inclusive, of sub-section (1.) of section 71 of the Act.'

The relevant portion of sub-section 71(1) of the Audit Act 1901 is paragraph (f), which enables the Governor-General to make regulations for and in relation to:

'the custody, issue, sale or other disposal and writing off of stores and other property of the Commonwealth, and the proper accounting for, and stocktaking of, those stores and that property.'

The term 'stores' in paragraph 71(1)(f) is defined by section 2 of the Audit Act 1901 to mean 'chattels the property of, or in the possession or under the control of, the Commonwealth or a prescribed authority'. This definition clearly encompasses the foreign fishing vessels and other goods discussed in the correspondence referred to above between your Department and the Auditor-General's Office.

7. Section 32 of the Finance Directions sets out a detailed scheme for the custody, accounting and disposal of 'stores' as defined in section 2 of the Audit Act 1901. For instance, except as otherwise approved by the Department of Finance, stores are to be placed on charge in a Stores Ledger immediately on receipt (Direction 32/4), and are to be subject to an annual stocktaking unless the Secretary to the Department of Finance otherwise approves (Direction 32/8). A Register of Damage to Stores is to be kept (Direction 32/10). The hiring, loan, disposal and gifts of stores are restricted (Directions 32/21, 32/22, 32/24, 32/31, 32/44 and other provisions). A number of matters are subject to the control of the Minister for Finance or the Secretary to the Department of Finance (see, for instance, Directions 32/8, 32/24 and 32/44).

Reasons for Advice

8. The answer to your questions depends on the legal effect of section 13D of the Fisheries Act 1952 and sub-section 18(6) of the Continental Shelf (Living Natural Resources) Act 1968. Both provisions require a forfeited boat or other property to which they refer to be 'dealt with or disposed of in accordance with the directions of the Secretary'; i.e., the Secretary to the Department of Primary Industry (section 4 of the Fisheries Act 1952 and sub-section 5(4) of the Continental Shelf (Living Natural Resources) Act 1968). In my opinion, these provisions confer on the Secretary a broad discretion to give directions on these matters that are consistent with the objects and purposes of the legislation in question. For the reasons set out below, I think these provisions require a forfeited boat or other property to which they apply to be dealt with in accordance with such directions, and not otherwise.


9. The power in regulation 127A of the Finance Regulations, under which the Finance Directions are given, is a power to give directions 'not inconsistent with ... any other Act', and the Finance Directions are to be construed subject to this limitation. The Finance Directions are therefore to be construed so as to operate not inconsistently with section 13D of the Fisheries Act 1952 and sub-section 18(6) of the Continental Shelf (Living Natural Resources) Act 1968.

10. The scheme of the Finance Directions for the custody and disposal of 'stores' would, in my opinion, be inconsistent with the scheme established by section 13D and sub-section 18(6) if those Directions were applied to forfeited property falling within those provisions. The Finance Directions leave some matters for determination by a Chief Officer of a Department, but, as indicated in paragraph 7 above, other matters are subject to the control of the Minister for Finance or the Secretary to the Department of

Finance. The Finance Directions themselves are, under regulation 127A, given by the Secretary to the Department of Finance. The exercise by the Secretary to the Department of Finance of powers relating to dealings with and disposals of goods that are subject to the requirements of section 13D and sub-section 18(6) would not, in my opinion, be consistent with section 13D and sub-section 18(6) which confer the powers, in unqualified terms, on the Secretary to the Department of Primary Industry.

11. In my opinion, section 13D and sub-section 18(6) impose a mandatory requirement, in unqualified terms, concerning dealings with, and disposals of, the forfeited property to which they refer. They exclude the application of the Finance Directions as such to these cases. However, it would be open to the Secretary to the Department of Primary Industry to direct that action should be taken as if the provisions of some or all of the relevant Finance Directions applied.

12. I am forwarding a copy of this memorandum to the Secretary of the Department of Finance.


(D.J. Rose)
for Secretary

MINISTER FOR PRIMARY INDUSTRY

Parliament House
CANBERRA ACT 2600

26 OCT 1979

Dear Mr Kailis,

I refer to your letter dated 1 March 1978 on behalf of Kailis Kaohsiung Fishing Company Pty Ltd, (hereinafter referred to as "the Company" or "the agent") a company formed between M.G. Kailis Gulf Fisheries Pty Ltd and Kaohsiung Fishing Boat Commercial Guild (hereinafter referred to as "the Guild") and registered in Australia. In your letter you asked that the Commonwealth agree to license Taiwanese fishing vessels to operate in the pending 200 mile Australian fishing zone (hereinafter referred to as "the Zone").

2. The Commonwealth Government has considered your application in consultation with the Governments of Western Australia, Northern Territory and Queensland, and has authorised me to invite the Company as agent for the Guild to accept the following arrangements.

3. I am prepared to exercise the powers vested in me by sub-section 9(2) of the Fisheries Act 1952 in such a way as to grant applications received from the Company on behalf of members of the Guild for licences in respect of not more than thirty (30) Taiwanese gillnetters each no more than 500 GRT. Each licence will authorise the master to use the gillnetter named therein, on behalf of the licensee, to take an apportionment from a total allocation to Taiwanese gillnetters of 7,000 tonnes of pelagic fin-fish including sharks, by the gillnetting method in the area of the Zone described in Attachment A, and to process and carry the catch so taken. The Guild will determine which Taiwanese gillnetters shall be used and indicate in the applications the apportionment from the total catch to be taken by each gillnetter. The licensing arrangements will be sufficiently flexible to allow reallocation of apportionment to ensure that there is every opportunity for total allocation of 7,000 tonnes to be taken. I am also prepared to exercise the powers vested in me by sub-section 9(1) of the Fisheries Act 1952 in such a way as to grant applications from the crews of licensed Taiwanese gillnetters for licences authorising them to engage in fishing in the area of the Zone described in Attachment A.

4. Before it issues any licences in respect of Taiwanese gillnetters the Commonwealth Government will require the Company on behalf of the Guild to pay the Commonwealth an amount of \$A159,600 inclusive of statutory fees as prescribed in the Fisheries Regulations.

5. I am prepared on application by the Company in respect of any individual licensed Taiwanese gillnetter, to exercise the powers vested in me by sub-section 9(3A)(a) of the Fisheries Act 1952 in such a way as to authorise that gillnetter to enter the ports of Darwin, Port Hedland, Thursday Island and Fremantle and any other ports which may be agreed by the Commonwealth and State Governments, at times specified in the endorsement for purposes of refuelling, victualling, watering, repairs, crew exchange, crew recreation and delivery of fishing data to the appropriate Australian authorities. The endorsement of a licence does not release the Guild, its members, its agents, or the operators of the gillnetters from compliance with any State or other Commonwealth law concerning entry to or use of Australian ports by foreign boats.

6. Every licensed Taiwanese gillnetter, on each voyage to the Zone from an overseas port, is to call at Darwin for the purposes of pre-fishing inspection, delivery of the licence (where appropriate) and associated documentation including a fishing log-book and briefing of the master, before the vessel commences fishing in the Zone; and to call at designated Australian ports for post-fishing inspection after concluding fishing in the Zone and delivery of the log-book to the Australian authorities, before making its final departure from the Zone at the end of each fishing campaign.

7. The Commonwealth Government may require a licensed Taiwanese gillnetter to land a portion of its catch in Australia for sale to Australian commercial interests. The price to be paid for such fish shall be that mutually agreed between the Australian and Taiwanese commercial interests involved and shall be consistent with world parity prices. I shall authorise such a Taiwanese gillnetter to land fish at an Australian port under sub-section 9(3A)(b) of the Fisheries Act 1952. The aggregate quantity of fish to be made available for sale in Australia shall not exceed 15% of the total allocation of catch to licensed Taiwanese gillnetters unless appropriate commercial arrangements are made to land a higher proportion of the catch. Such arrangements will be subject to approval of the Commonwealth Government. All fish landed for sale and consumption in Australia must satisfy the requirements of applicable State and Commonwealth food standards laws concerning imported fish and will be subject to the provisions of the Customs Act.

8. The Commonwealth Government is prepared to consider specific proposals by the Company for landing in Australian ports of the catch of licensed Taiwanese gillnetters for

- (a) shipment to overseas destinations in the form in which landed, or for
- (b) processing in Australia and subsequent export as product of Australia.

In the event that the Commonwealth Government agrees to any such proposal, I am prepared to exercise the powers vested in me by sub-section 9(3A)(b) of the Fisheries Act 1952 in such a way as to authorise the Taiwanese gillnetters nominated by the Company, in accordance with the agreed proposal, to land fish at an Australian port. In the event of landing of the catch of any licensed Taiwanese gillnetter for processing in Australia and export, the Commonwealth Government will require compliance with the provisions of the Exports (Fish) Regulations. Fish landed from a Taiwanese gillnetter for transshipment or for processing and export, will be subject to the provisions of the Customs Act.

9. The Commonwealth Government will require the Company to submit an indicative fishing plan listing the names of the Taiwanese gillnetters to be licensed through the Company and the intended program of arrival in the Zone, fishing operations, port entries and departure from the Zone of each gillnetter. This plan should be submitted to the Department of Primary Industry within 45 days of your acceptance of these arrangements and, for subsequent fishing campaigns, 30 days in advance of commencement of fishing.

10. The Commonwealth Government will supply the Company with the necessary licence applications which should be returned to the Department of Primary Industry completed in every respect not less than 30 days before the gillnetters to which they refer arrive at the designated port or ports for pre-fishing inspection.

11. The Commonwealth Government will make arrangements for delivery of licences and other necessary documentation to each licensed gillnetter at its pre-fishing inspection.

12. The Commonwealth Government will require the master of each gillnetter to report directly to the Australian Coastal Surveillance Centre in accordance with the attached "Notes for the Guidance of Masters and Radio Operators on Licensed Foreign Fishing Vessels", a copy of which will be supplied to each

licensed Taiwanese gillnetter together with a copy of the Overseas Telecommunications Commission publication "Ship Shore Ship", to assist masters and radio operators to comply with the requirements. The Commonwealth Government will require as a condition of the licence for each Taiwanese gillnetter that the vessel report its position in the Zone at a designated hour on every second day and the catch and fishing effort of the vessel on every sixth day or at such greater frequency of reporting as my Department may notify to the Company.

13. The Commonwealth Government will notify the Company of any notices under section 8 of the Fisheries Act 1952 affecting the gillnet fishery in the area described in Attachment A, as early as possible and in any case not less than one month before such notices come into operation.

14. The Commonwealth Government will, at the pre-fishing inspection, issue to the master of the licensed Taiwanese gillnetter a fishing log-book in which the master will be required to maintain a daily record of the operations of the vessel for delivery to the Australian authorities whenever the vessel enters an Australia port or is inspected at sea by an Australian fisheries officer.

15. The Commonwealth Government will require the Guild, through the Company, to furnish economic and marketing data pertaining to the operations of licensed Taiwanese gillnetters in waters adjacent to Australia.

16. The Commonwealth Government will require the Company

- (a) to ensure that, in the event of a licensed Taiwanese fishing vessel contravening Australian laws relating to fishing, the vessel involved in the contravention will not be further used for, and the persons responsible for the contravention will not further engage in, fishing in the Zone;
- (b) to remit promptly to the Commonwealth Government or the State Government concerned, all fines imposed in respect of contraventions by licensed Taiwanese fishing vessels of Australian laws relating to fishing and facilitate the claiming by the relevant Australian authorities of all forfeitures ordered by an Australian court when convicting persons for such contraventions;

- (c) to meet the costs and expenses incurred by the Commonwealth Government or the State Government concerned in relation to court and legal proceedings, repatriation of crews and holding, managing and disposal of vessels after apprehension of any licensed Taiwanese fishing vessel and conviction of the master or other members of the crew for contravention of Australian laws and, if so required, to enter into a formal indemnity to this effect.

17. The Commonwealth Government will require the Company to make appropriate arrangements with the Guild to ensure that -

- (a) no Taiwanese fishing vessel will operate in the Zone or take sedentary species from the Australian continental shelf except under the authority of an Australian licence;
- (b) the Guild bears full responsibility for unlicensed Taiwanese fishing vessels operating contrary to the provisions of Australian laws relating to fishing or taking sedentary species from the Australian continental shelf;
- (c) the Company or the Guild, as appropriate, meets the costs and expenses incurred by the Commonwealth Government or the State Government concerned in relation to court and legal proceedings, repatriation of crews and holding, managing and disposal of vessels after apprehension of any unlicensed Taiwanese fishing vessel and conviction of the master for contravention of Australian laws; and
- (d) the Company or the Guild, as appropriate, promptly remits all fines, and facilitates the claiming by the relevant Australian authorities of all forfeitures, ordered by an Australian court when convicting persons of offences in which unlicensed Taiwanese fishing vessels were involved.

18. The Commonwealth Government will require the Company to arrange for the surrender of Australian licences, in respect of a number of Taiwanese fishing vessels that the Commonwealth Government shall solely determine, in the event of significant levels of contravention of Australian laws by Taiwanese fishing vessels, whether licensed or unlicensed.

19. I am prepared to exercise the powers vested in me by section 9 of the Fisheries Act 1952 in the foregoing manner so as to permit the operations of Taiwanese gillnetters for a period of one year from the commencement of the operation of the Zone. The Commonwealth Government is prepared to consult with the Company, at the Company's request, not later than three months before the end of that period, for the purposes of

- (a) reviewing the operations of Taiwanese vessels fishing in the Zone or taking sedentary organisms from the Australian continental shelf;

and, subject to the Company and the Guild having fulfilled the requirements imposed on them by this letter and to the masters and crews of Taiwanese vessels having complied with the provisions of Australian laws and fulfilled the requirements imposed on them by virtue of these arrangements,


- (b) discussing the terms and conditions under which a further arrangement might be concluded for the operations of Taiwanese gillnetters in the Zone.

20. Upon request by either the Commonwealth Government or the Company, consultations shall be undertaken at any time during the period of these arrangements on any aspect of their implementation.

21. The Commonwealth Government will require advance notifications, to my Department from the Company, of any forthcoming changes to the Memorandum or Articles of the Company, to its capital structure, or in higher levels of management of the Company. Continuation of these arrangements shall be subject to all such changes being acceptable to the Commonwealth Government.

22. If the Guild and the Company accept the foregoing arrangements, I shall be grateful if you and the Chairman of the Guild will initial each page and countersign and date this letter in the spaces provided and return this letter to me without delay. I have provided a signed duplicate of this letter, which I have initialled on each page, for your records.

Yours sincerely,


(P.J. Nixon)

Signed at Fremantle on 29th October 1979.
by
for and on behalf of Kailis
Kaohsiung Fishing Co Pty Ltd,
and as agent for the Guild in
acceptance of these arrangements.

Signed at Fremantle on 29 Oct 79
by
as Chairman of the
Kaohsiung Fishing Boat Commercial Guild
in acceptance of these arrangements.

Signed at Perth on 12th November 1979
by K. F. Chen
as Chairman of the
Kaohsiung Fishing Boat Commercial Guild
in acceptance of these arrangements.

Attachment A

Authorized Fishing Area in the Australian Fishing Zone
for Taiwanese Gillnetters Licensed through the
Kaillia Kaohsiung Fishing Company Pty Ltd

The area of the Australian fishing zone generally north and west of the line -

- (a) commencing at the point to the west of Australia on Latitude 21° South that is 200 nautical miles seaward of the baseline from which the outer limits of the Zone are measured; thence east to -
- (b) the intersection of Latitude 21° South with the line every point on which is 12 nautical miles seaward of the baseline from which the outer limits of the Zone are measured; thence north-easterly along that line to -
- (c) the intersection of that line with Longitude 117° East; thence north to -
- (d) the point, Latitude 20° South, Longitude 117° East; thence northerly and easterly along the line every point on which is 25 nautical miles seaward of the baseline from which the outer limits of the Zone are measured to -
- (e) the intersection of that line with Longitude 123° East; thence South to -
- (f) the intersection of Longitude 123° East with the line every point on which is 12 nautical miles seaward of the baseline from which the outer limits of the Zone are measured; thence northerly and easterly along that line to -
- (g) the intersection of that line with Longitude $129^{\circ}55'$ East; thence north to -
- (h) the point, Latitude $10^{\circ}30'$ South, Longitude $129^{\circ}55'$ East; thence east to -

- (i) the point, Latitude $10^{\circ}30'$ South, Longitude 133° East; thence south to -
- (j) the intersection of Longitude 133° East with the line every point on which is 12 nautical miles seaward of the baseline from which the outer limits of the Zone are measured; thence easterly along that line to -
- (k) the first intersection of that line with the straight line drawn from Cape Wilberforce (Latitude $11^{\circ}52'$ South, Longitude $136^{\circ}33'$ East) in the Northern Territory to Slade Point (Latitude $10^{\circ}59'$ South, Longitude $142^{\circ}08'$ East) in Queensland, thence easterly along that line to -
- (l) the intersection of that line with Longitude 141° East; thence north to -
- (m) the point, Latitude $10^{\circ}22'44''$ South, Longitude 141° East.

THE SENATE

ROLL

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SENATORS—

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| 2. BAUME | 34. McNEESH |
| 3. BISHOP | 35. McLENN |
| 4. BIRKE-PETERSEN | 36. MARTIN |
| 5. BIRNER | 37. MATTHEY |
| 6. BURTON | 38. MASON |
| 7. GARRICK | 39. MAUNSELL |
| 8. GAVANAGH | 40. MEZGER |
| 9. CHANEY | 41. MESSNER |
| 10. CHIFF | 42. MISEN |
| 11. COLEMAN | 43. McLEWILL |
| 12. COLLARD | 44. NEAL |
| 13. COLSTON | 45. O'BYRNE |
| 14. COLEMAN | 46. PRAMMER |
| 15. DURACK | 47. PUPLOCK |
| 16. ELSTON | 48. RAY |
| 17. EVANS | 49. ROBERTSON |
| 18. GEORGES | 50. RYAN |
| 19. GIFFELT | 51. SCOTT |
| 20. GRIMES | 52. SIDRAA |
| 21. GUNFOYLE, Dame-Margaret | 53. SIM |
| 22. HALLER | 54. TATE |
| 23. HARRADINE | 55. TEAGUE |
| 24. HENRY | 56. THOMAS |
| 25. HESLOP | 57. TOWNLEY |
| 26. KETFE | 58. WATSH |
| 27. KHARIEP | 59. WATERS |
| 28. LAZAROV | 60. WATSON |
| 29. LAUCKE, Sir-Condor | 61. WHITBON |
| 30. LEVIN | 62. WITHERS |
| 31. McULIFFE | 63. YOUNG |
| 32. McLELLAND | |

THE SENATE

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SENATORS—

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| 2. BAUME | 34. McINTOSH |
| 3. BISHOP | 25. McLAREN |
| 4. BUSKIE PETERSEN | 26. MARTIN |
| 5. BONNER | 37. MARTYR |
| 6. BUTTON | 38. MASON |
| 7. CARRICK | 29. MAUNSELL |
| 8. CIVANAGH | 40. MELZER |
| 9. CHANEY | 41. MEGONER |
| 10. CHIPP | 42. MESEN |
| 11. COLEMAN | 43. McLAUGHLIN |
| 12. COLLARD | 44. NEAL |
| 13. COLESTON | 45. O'DRINE |
| 14. DAVIDSON | 46. PRIMMER |
| 15. DEBACK | 47. REBLICK |
| 16. EXTON | 48. RAE |
| 17. EVANS | 49. ROBERTSON |
| 18. GEORGES | 50. RYAN |
| 19. GETZELT | 51. SCOTT |
| 20. GIMMS | 52. SERRIN |
| 21. GUILFOYLE, Dame Margaret | 53. SMY |
| 22. HAMER | 54. TATE |
| 23. HARRADINE | 55. TRAGUE |
| 24. HERRN | 56. THOMAS |
| 25. JESOP | 57. TOWNLEY |
| 26. KEEFFE | 58. WALSH |
| 27. KILGARRIFF | 59. WALTERS |
| 28. LAWOVIC | 60. WATSON |
| 29. LEWIS, Sir Gender | 61. WHEELDON |
| 30. LEWIS | 62. WITHERS |
| 31. MAULIFFE | 63. YOUNG |
| 32. McCLELLAND | |