

**DEPARTMENT OF DEFENCE
(INSPECTOR-GENERAL GROUP)**

**RECORD OF CONVERSATION BETWEEN
MR STEVE BAILEY AND MR RICK ERWIN**

and

MR PETER SMYTHE

in the presence of

MR DAVE RYAN

CONDUCTED AT UNANDERRA

ON FRIDAY, 6TH FEBRUARY 1998.

PERSONS PRESENT:

**MR PETER SMYTHE
MR DAVID RYAN
MR STEVE BAILEY
MR RICK ERWIN**

TIME COMMENCED: 10.10

MR SMYTHE:

.....(indistinct)..... happening?

MR RYAN (?):

Yeah.

MR SMYTHE:

Yeah. Okay. Today's date is Friday, 6th February 1998. We're at Bailey's Diesel Services at 39 Investigator Drive - - -

MR ERWIN (?):

36.

MR SMYTHE:

- - - 36 Investigator Drive - what's the area?

MR BAILEY (?):

Unanderra.

MR SMYTHE:

Unanderra. Persons present are Steve Bailey, Rick Erwin, Dave Ryan and myself, Peter Smythe. The time is 10 past 10. For the purposes of voice identification, Steve, could you state your full name and date of birth, please?

MR BAILEY:

Steve Bailey, 08/07/56.

MR SMYTHE:

Rick, if you could do the same, please?

MR ERWIN:

Yeah, Rick Erwin, 24/02/63.

MR SMYTHE:

Dave?

MR RYAN:

Yeah, Dave Ryan, IG's.

MR SMYTHE:

And I'm Peter Smythe, the IG's.

Q1 Okay, gentlemen, as we have just been discussing, the format that we'd like to adopt here is a very informal one. We'd just basically like to open the floor to you guys and just keep get talking as to what are the areas of concern in relation to, you know, your business functions and the relationship you have with the services, so, I'll hand it over to you.

A ERWIN: Right. Probably the best place to start is an overview of our industry and how it works.

Q2 Yeah.

A This industry is a very, very small industry and it's controlled by monopolies, if you like, for want of a better word, with a – with a certain group of people who are competitors, but who also work together when it suits, or, you know, on the – on the basis of "I'll take this job/you take that job" kind of - - -

Q3 Right. So we're talking about the fuel industry?

A We're talking about the fuel injection industry.

Q4 Okay.

A And when you start talking about Defence work and big engines this equipment is worth enormous amounts of money.

Q5 Right.

- A None of it's manufactured in Australia; it all comes from overseas, so, you know, there's all those sorts of costs and everything.
- Q6 Yes.
- A And the sort of story's always been if you're doing a job for the Department of Defence you times it by 10 anyway and that sort of - - -
- Q7 So, hang on, if we can just -- on that point there, when you say "the story's always been," what are we talking about?
- A Well, when we first started doing work for Defence we'd put in a quotation and they'd ring back and say, "Listen, you know, you're obviously not using genuine parts or something like that, your quotation is so far under the mark - - -
- Q8 Right.
- A - - - you know, it can't - - -
- Q9 Okay.
- A - - - can't be correct."
- Q10 So you'd get feedback from members of the Defence Force, right, who are involved in contracts and they say to you, "You're too cheap"?
- A Yeah.
- Q11 They encourage you to increase your price?
- A No, they -- no, they just - - -
- A BAILEY: No.
- A ERWIN: - - - inquire as to why it's so cheap.
- A BAILEY: Yeah, they couldn't understand it because they'd been already fixed up with these prices for so many years - - -
- Q12 Right.
- A - - - and all of a sudden it just changes - - -
- Q13 Okay.
- A - - - and they can't understand why.

Q14 All right. Okay. Sorry.

A ERWIN: So their inquiry was, "Is it genuine components? Are these cheap stuff made in Japan or China?" or whatever and blah, blah, blah, along - - -

Q15 Yeah.

A - - - along - or second-hand stuff.

Q16 So, where did this "times 10" figure come into it?

A Well, it sort of - when we'd lose a tender and, you know, you'd get to see at the end of the day why, and you would see a factor there that, yeah, they - it was generally 10 times what we were, and we still wouldn't win based on some other thing. So, we from then - from that point we went forward and became distributors and service agents for Lucas Price and authorised for Bosch and all the companies, so that - and became quality assured - went through all that process - - -

Q17 Yeah.

A - - - so there was no way for them to find a way out, you know.

Q18 Okay. Yeah.

A And then what happened - and this started with the [REDACTED], or [REDACTED] as it used to be - when we'd tender we'd lose a job by five cents, and this would just be repeated and repeated and repeated and repeated, and the jobs always went to the same other company.

Q19 And what company was that?

A Well, it was a company called [REDACTED], down - - -

Q20 Do you know where they are, where - - -

A Yeah, they're in - - -

A BAILEY: [REDACTED]

A ERWIN: [REDACTED], yeah.

A BAILEY: [REDACTED]

Q21 [REDACTED]. Do you know any of the directors or - - -

A(indistinct).....

Q22 --- associates or ---

A ERWIN: [REDACTED]

A BAILEY: [REDACTED] himself, yeah.

Q23 [REDACTED]?

A ERWIN: Yeah.

Q24 Right.

A And what you find is – getting back to an overview of the industry – there’s a company called [REDACTED] ---

Q25 Can you spell that?

A [REDACTED]

Q26 All right.

A And there’s [REDACTED]

Q27 Yes.

A And between the two of these guys, all the work ---

A BAILEY: They’re(indistinct).....

A ERWIN: --- all the work has, you know ---

Q28 Gone to them.

A --- gone to them and, you know, all the other fuel pump rooms don’t have a hope in hell of competing in that arena. And probably through a sense of frustration more than anything, we started dropping our prices below cost and still couldn’t win tenders so ---

A BAILEY:(indistinct)..... lot people out.

Q29 Yeah.

A Where ---

A ERWIN: Yeah.

A BAILEY: There's some whingeing going on.

A ERWIN: So, the -- we then correlated all that information. It was involved in [REDACTED], [REDACTED] and [REDACTED] and we got all that information together and gave that to [REDACTED], who then investigated, and lots of people disappeared from employment. We finally got a crack at [REDACTED] and we've -- we won a contract with the [REDACTED] trains - - -

Q30 Right.

A - - - when the -- when the playing field was levelled, if you like - - -

Q31 Yes.

A - - - and that's been going for the past five years. As far as the rest of the [REDACTED] goes, that's still going on.

Q32 Okay.

A Completely different issue, I guess - - -

Q33 Right.

A - - - from you guys.

MR RYAN:

Q34 Just to take you up on a point you just made, you said people disappeared from employment. Do you know who those people were? Was it anyone in particular that was brought to your attention?

A BAILEY: Most of them were tied up in the [REDACTED]

A ERWIN: Yeah. Managers just -- they just changed management like - - -

MR SMYTHE:

Q35 Right.

A BAILEY: Yeah, because - - -

Q36 Okay.

A - - - we were pushing certain issues there and - - -

Q37 Yes.

A - - - they were all just disappearing right, left and centre.

Q38 So they just rotated them out, or something like that.

A Well, yeah.

A ERWIN: Every time we went back to see someone, they'd been replaced.

Q39 Okay. So - - -

A BAILEY: And we tried to go higher -- and that's the thing, too -- they'd block you out - - -

Q40 Yeah.

A - - - because it's at that level when you're trying to work in at that level - - -

Q41 At the management level?

A Well, it's not so much management. I think there's a lot of people make out they're managers - - -

Q42 So(indistinct).....

A - - - and you think you're talking to - - -

A ERWIN:(indistinct).....

MR RYAN:

Q43 We're talking middle management? Yeah. Right.

A BAILEY: and you think you're talking to the right people and it turns out you're not.

MR SMYTHE:

Q44 Okay.

A So that's what we found a lot of the time. That's probably why we weren't so successful at hitting home - - -

Q45 Yeah.

A - - - in the old days - - -

Q46 Yeah.

A - - - because a lot of people used to have us on. They'd shield them.

Q47 Yes. All right.

A ERWIN: And that was the other thing, too - I mean, before we did go to [REDACTED], Steve actually went to the [REDACTED] Government at the time.

A BAILEY: Yeah. Well, that was an issue that I brought up.

Q48 Here in [REDACTED]?

A Yeah.

A ERWIN: Yeah. Yeah.

A BAILEY: That's when the [REDACTED] were in. This is going back a while. And what I actually did is they 'phoned through tenders and I said, "Well, why don't you guys have a closed box tender situation, rather than do what you're doing at the moment?" and that's all I wanted to do.

Q49 Yeah.

A And it's still going on through the 'phone today, and that's 10 years ago I brought that up. It's bull shit.

Q50 Even with the current state government?

A ERWIN: Yeah.

Q51 Right.

A BAILEY: Yeah. And we brought that up with [REDACTED] and - I don't know, [REDACTED] seem to think that it may've been fixed up. But it hasn't been; it's still doing exactly the same thing. And what they do is that we 'phone our tender through on the fax - - -

Q52 Yeah.

A - - - which, you know, it's wrong.

Q53 Yeah.

A I mean, it is totally wrong.

Q54 Yeah, because people can see it, yeah.

A Yeah. In – what he does, he goes and rings his mate up.

Q55 Yes.

A That's exactly what he does.

Q56(indistinct).....

A And he was coming in(indistinct)..... it was obvious what was going on - - -

Q57 Yeah.

A - - - but nobody did anything about it. And the amount of money we lost is just unbelievable.

Q58 Yeah.

A I've got meetings in there with the guy that I saw at that particular time. Nothing was done. Who else – we've been to ██████, we've done everything, haven't we, and you – funny, you know, there's only one bloke still left there.

Q59 At where?

A ██████ – tied up in tenders.

Q60 Yeah. Who's that?

A Everybody else has gone except this one guy who's still there.

MR RYAN:

Q61 Do you know his name?

A Yeah.

A ERWIN: Yeah.

MR SMYTHE:

Q62 Well, what's his name?

A ██████████.

Q63 [REDACTED]

A Yeah. He's in Purchasing.

Q64 In Purchasing. So what - I mean, what's the significance of [REDACTED] still being there? Why do you - - -

A Well, the thing is - - -

A BAILEY: Still going on.

A ERWIN: - - - still going on.

Q65 Right.

A But he's the only one left.

A BAILEY: The same people are still tied into it.

Q66 Okay. So he's controlling it, that's what you're saying?

A ERWIN: Yeah.

Q67 BAILEY: Yeah. We didn't know who it was in the early days, but as the people started to go by the wayside - 'cause we're talking over a 10 year period here - - -

Q68 Yeah.

A - - - it's not five minutes, you know.

Q69 All right. Okay. We're talking [REDACTED]. Has - have you ever been approached by [REDACTED] for anything - - -

A No.

Q70 - - - you know, for kickbacks or - - -

A No. He's great mates with this other guy and that started in the early days.

Q71 Right.

A Because I had a guy from a fuel pump room - which was [REDACTED] - rang me up one day and said, "Well, I've got a mate in there. You'll never crack it."

Q72 Who said that to you?

A [REDACTED].

Q73 [REDACTED] - - -

A Yeah.

Q74 - - - said that to you?

A On the 'phone, yeah.

Q75 And who did you think he was talking about?

A I wouldn't have a clue. But I do now.

Q76 All right.

A Because I was aware at that particular time – and I got [REDACTED] to investigate it, but I don't know what happened – but I was of the belief that they lived somewhere near each other - - -

Q77 Right.

A - - - and they knew each other.

Q78 Okay.

A That's how I was led to believe it.

Q79 Right. So you don't know who that person was that [REDACTED] was referring to?

A Well, that's what I'm saying, there's only one guy left there now.

Q80 And that's [REDACTED]?

A Yeah, and it all marries up.

Q81 Okay. All right. Sorry, if you'd just like to continue, Rick.

A ERWIN: Yeah. Well, that's sort of where we got into it, and then we had this discretion (?) last year with this guy from the Army which sort of - you know, it's like you go from one thing to another and you just can't seem to get anywhere. Like, we went down the [REDACTED] road, we got success, to a certain degree, and we just can't seem to get any further and no one can seem to get to the root of all evil, or whatever. So, we've sort of taken our attention away from that and we've tried to focus our business back into other areas where we had – once had work and then stopped and – and that kind of thing - - -

Q82 Yeah.

A - - - which took us back to the Army. We started – what was it? – early '97 we hired a guy as a sales rep and he went back - 'cause prior to that we were doing a lot of work for the Army – three or four jobs a month – and then one day it stopped. Just – so we got back to [REDACTED] and said, you know, “What’s going on? Have we upset someone? Is there a problem with our work or whatever?” “No, no, everything’s fine. Everything’s fine. We just don’t have any work,” which was, you know - - -

A BAILEY: Yeah, that wasn’t(indistinct).....

Q83 Right.

A ERWIN: So, anyway, we had no work for this – for this period, but it all married up when this guy started in the department, who was there previously, was transferred to another section and then was transferred back. In the period that he wasn’t there we got all the work - - -

Q84 Right.

A - - - you know, because they had big problems - - -

Q85 And who was this guy?

A This is [REDACTED]

Q86 [REDACTED]?

A Yeah.

Q87 Right.

A So then he’s - - -

Q88 So when he – sorry, when - I don’t want to – didn’t mean to cut you short - - -

A Yeah.

Q89 - - - but when [REDACTED] moves out of the picture ‘cause he’s transferred or rotated or whatever, you don’t have problems?

A No, none at all.

Q90 But as soon as he comes back on the scene - - -

A Yeah.

Q91 --- you seem to lose work?

A Stopped the same day.

A BAILEY: Yeah.

Q92 And where does he work?

A He's with(indistinct).....

A ERWIN: I've got his card if -- if you like, give me a second I'll grab it.

Q93 Yeah. Certainly, yeah.

A BAILEY: See, we always push the quality side of it - - -

Q94 Yeah.

A - - - because that was one of the main issues - - -

Q95(indistinct).....

A - - - that we followed up over the years - - -

Q96 Sure.

A - - - to try and get this work.

Q97 Yeah.

A But then, we had the quality, we got the equipment, we got the expertise and everything, but we're still not getting the work, and this is where it's all started to come forward, you see, when we started to see what's going on.

Q98 Yeah.

A It's wrong. I tell you what, mate, this bloody place runs riot with it.

Q99 Yeah.

A Yeah.

Q100 Well, we're trying to address it.

A Yeah, I can't believe it – private industry, the whole lot.

Q101 Yeah.

A Government(indistinct).....

Q102 What's that letter you got there, Rick?

A ERWIN: That's - - -

Q103 Sorry.

A - - - when you brought the matter up. Okay. He's with contract – he's a contract repair officer.

MR RYAN:

Q104 Can I have his card? Take that(indistinct)..... DNSDC.

MR SMYTHE:

Q105 So, this letter's signed by Captain J. Wood, dated 24th November 1997 and it's in reply, obviously, to a – an issue that you've raised with DNSDC about the contracting process and a [REDACTED]. Can I get a photocopy of this after?

A Yeah.

Q106 Right. No worries.

Did we get [REDACTED] details?

MR RYAN:

Yeah. Yeah. Where he works and - - -

MR SMYTHE:

Okay.

MR RYAN:

- - - 'phone numbers and - - -

MR SMYTHE:

Q107 What is it – where does he work?

A DNSDC.

Q108 He works at DNSDC?

A Yeah.

Q109 What's his 'phone number?

A That one - [REDACTED].

Q110 [REDACTED].

A Yeah.

Q111 And he's a - - -

A Contract Repair Officer.

Q112 Contract Repair Officer.

A BAILEY: See, but what actually happened beforehand with the Army, we've got an Expression of Interest here and when this [REDACTED] got shifted to a different department, they came to us because they were having so many problems with the work that'd been carried out previously, right.

Q113 So - - -

A They came to us, and this is how it all come about.

Q114 So you were doing re-work?

A Yeah. But not for the Army at that particular time. We tried to, but we just couldn't get through the system - - -

Q115 Yeah.

A - - - because it was the same thing; it was tied up with these other people.

Q116 Okay.

A So when this particular guy left, we - we'd already put in an Expression of Interest and these guys come across it from the Army, so they came down and visited our premises and he was telling us of the problems they were having, so we fixed all the problems. There wasn't any problems anymore.

Q117 Okay.

A We were doing it at the right price, we did everything right.

Q118 Right.

A And then this [REDACTED] came back and just turned off like that – stopped.

Q119 The work stopped again.

A Yeah. And then we know that they were having a lot of problems with the work that was carried out, but it makes no difference.

Q120 Yeah. So - - -

A ERWIN: So we went and saw [REDACTED], who's – was his boss - - -

Q121 Yes.

A - - - in this period - - -

Q122 Yes.

A Couldn't help us.

Q123 [REDACTED] couldn't help you?

A Wasn't interested.

Q124 Wasn't interested.

A That's what I got.

Q125 Okay. What did he say to you that indicated he wasn't interested in helping you?

A Well, "This guy ran the section and that was his job and he'd stick behind his decisions" - - -

Q126 Right.

A - - - basically.

Q127 So he didn't indicate to you that he would look into the matter, or talk to [REDACTED] at all?

A No.

Q128 So - - -

A So effectively we had no work for a long time. And then, as I said, we hired a sales rep early '97 and Graham went through our customer lists and the first thing he did was find out customers we had previously and we'd lost to go and get a feel of why we'd lost them, you know – if we'd done something wrong, we were too expensive - - -

Q129 Yeah.

A - - - blah, blah, blah. So, he went and met this [REDACTED] and said, you know, what – “What’s the problem with our work?” and the – and the guy said, “Well, actually, there’s no problem with your work” but he said, “I don’t like the woman you’ve got in the office” and Graham said, “Why?” and he said, “Well, because I started giving the work to someone else she wrote a nasty letter to my boss and, you know, caused a bit of trouble” and blah, blah, blah, blah - - -

A BAILEY: Mind you, that letter was sent six months after we hadn’t had any work.

Q130 Right.

A ERWIN: Anyway, so Graham went down the lines of, well – as a salesman does – that she was gone and he’d look after the account and he’d be his point of contact and all the rest of it.

Q131 Yeah.

A Then he brought him down here and took him through the premises that he – that he’d never seen at that time - - -

Q132 Yes.

A - - - and he said, “Okay. Well, I’ll start giving you some work.” And we did; we got one or two jobs from him.

Q133 Hang on. Hang on. This – tenders you’re talking about - you started winning tenders?

A No, this work isn’t tendered, see.

Q134 Okay.

A This is where it’s all - - -

A BAILEY: Yeah. Yeah.

A ERWIN: - - - it’s all open.

Q135 All right.

A So, yeah, work started coming. But he would always, for one reason – you know, we'd run a free courier service for our clients. Most of our work comes from Sydney.

Q136 Yeah.

A Never used the service. He would always put the item in his car and drive down here himself and, you know, arrive at lunchtime and Graham would take him out for lunch and blah, blah, blah, and so work started to grow, but along those lines.

Q137 Yes.

A And we told Graham that we were concerned about, you know, the way he was getting the work and blah, blah, blah - - -

Q138 Yeah.

A - - - and Graham said, "Well, I think he's fishing for something more than a lunch, you know" and we sort of then felt, well, why don't we just let things pan out and see what becomes of it, you know.

Q139 Yeah.

A And then it happened one day – he brought a – he brought a job in, got us to do a quote on it. We quoted the job for \$100, but he made the order out for 600, say – this is - I don't know the exact details but - then, when he came down to pick the job up after it'd been done - actually, just before that, the items that he sent down to be repaired were brand new and when they went out to the workshop the guys said, you know, "These are still in unopened packets. You know, what are we doing?" and he was told, "Well, they might've been on the shelf for a long time, so we'll just check them" and blah, blah, blah.

Q140 Yeah.

A So he went through and he says, "Nothing wrong with them. We cleaned them, put them back together."

Q141 Yeah.

A And so, when [REDACTED] came down he said – he'd made the order out for \$600 odd and the office girl said, "No, you know, the job only comes to 120. You know, I rang you up and told you that."

Q142 Yeah.

A She even faxed him through the quote - - -

Q143 Yeah.

A - - - and he said, "Yeah." He said, "Well, don't worry about it" he said, "We'll work something - we'll work something out later on." And she was naïve and didn't really take to what he meant - - -

Q144 Yeah.

A - - - and said, you know - just had an argument with him, and then he got quite nasty at her and told her to mind her own business and she was just a woman and - - -

Q145 Yeah.

A - - -(indistinct)..... just do what he said - - -

Q146 Yes.

A - - - and took the items and left, and that's when we got, you know, "Hey, we don't want to go any further down this road. This is, you know, getting a bit - - -

Q147 Yes.

A - - - iffy" and that's when we rang up ██████████ from ICAC (?)

Q148 All right. Have you got copies of either (a) the fax that was sent quoting the price - - -

A Got everything.

A BAILEY: Got everything.

Q149 The invoice - - -

A Everything.

Q150 - - - that he altered for - - -

A ERWIN: Yeah.

Q151 - - - to \$600? You got the originals?

A Yeah. There should've been a variation go in to lower the price, not to increase it.

Q152 Okay. And yet, he still came back to you with a higher price. So what do you think he was trying to do?

A Well, I don't know. Maybe come back at a later date and say, "Oh, well, remember that job that we did" blah, blah, blah - you know, maybe he needed something done on his car or blah - I have no idea.

Q153 Okay. So he was trying to get his foot in the door, is that what you're saying?

A Yeah.

Q154 Open the door to - - -

A Yeah.

Q155 - - - something else that you weren't, at that time, aware of?

A Yeah.

Q156 Okay. Have you got any of those documents here - - -

A Yeah, I can - I can copy those for you.

Q157 Yeah.

A And we've been through this process with [REDACTED] and [REDACTED] (?)

A BAILEY: Yeah, we got all the facts, figures, we got everything.

Q158 [REDACTED]?

A ERWIN: Yeah.

Q159 All right.

A BAILEY: We haven't heard(indistinct)..... of anything. I don't know what's happened there. I don't know whether it's all been - - -

A ERWIN: Well, you know, the other thing is too - - -

A BAILEY: Might be too hot.

A ERWIN: - - - sometimes, you know, we're trying to run a business at the same time - - -

A BAILEY: Yeah.

A ERWIN: --- and you can't ---

MR RYAN:

Q160 Who's -- just clar -- who's [REDACTED]? Is he from - where?

A The Materiel manager.

MR SMYTHE:

Q161 Okay.

A BAILEY:(indistinct).....

MR RYAN (?)

Q162 [REDACTED].

A ERWIN: Before we spoke to him, I rang [REDACTED] and said, "This guy has rung me up and asked me if he can come down and speak to us" blah, blah, blah, "Is this okay?" and he said it was, so ---

MR SMYTHE:

Q163 He -- [REDACTED] said it was okay for what bloke ---

A For us to speak to this [REDACTED].

A BAILEY: [REDACTED].

Q164 Okay. How did you find [REDACTED]?

A ERWIN: Through [REDACTED]. Oh, how did I find him?

Q165 Yeah. How did you find him?

A BAILEY: As a -- yeah.

Q166 Yeah.

A ERWIN: Quite okay.

A BAILEY: [REDACTED] was the first guy, was he?

A ERWIN: Yeah.

A BAILEY: Yeah, he was good. He seemed a real straight shooter – seemed.

Q167 Yeah. Did he come down in civvies?

A ERWIN: No.

A BAILEY: No.

A ERWIN: Come down in MP -.

A BAILEY: The other bloke you had doubts about, didn't you(indistinct).....

A ERWIN: Yeah, was concerned of – when he gave me is card I went, “Well, you know, I don't see what this has got to do with you.”

Q168 Who - who's that?

A [REDACTED] - because he's the Materiel manager and, in my mind, I would see that he would be his superior, you know.

Q169 Yes.

A And why would his superior be - you know, whose side of the case is he working for - - -

Q170 Yes.

A - - - he's own department's or - - -

Q171 Yes.

A - - - whatever?

Q172 Right.

A But we gave him the facts anyway, as we did with [REDACTED] - 'cause I did 'phone [REDACTED] and say, “Is this guy okay to speak to?” and he said yes, so -.

Q173 Right. So, DNSDC – which is where [REDACTED]'s from, okay – they have all these documents?

A Yeah.

Q174 They have all this information?

A Yeah.

A BAILEY: Yeah.

Q175 Now, how long ago was this?

A November?

A ERWIN: Yeah, it was November last year.

Q176 And they have -- you haven't heard anything back from them?

A Well, the last we heard was just before Christmas - that the guy had been suspended.

A BAILEY: That's right, he came back down, didn't he.

A ERWIN: Yeah -- re further investigation. But, yeah, they were finding -- no, that's right - - -

A BAILEY: I still couldn't understand why he came back down.

Q177 ERWIN: they suspended it because they'd found not only things that he tried to do here, but they started going back to all the other contractors - - -

A BAILEY:(indistinct).....

Q178 Yes.

A ERWIN: - - - that he'd been dealing with and - - -

A BAILEY: It was a lot more involved.

A ERWIN: - - - and some of them were starting -- he'd put the fear of God into them and some of them were starting to open up, you know.

Q179 Do you know of any of the other contractors?

A [REDACTED].

A BAILEY: Yeah, but -- yeah.

A ERWIN: And there was company - you know, like [REDACTED] (?) - - -

A BAILEY: But it wasn't only that. You're talk - - -

A ERWIN: - - - companies, there's - - -

A BAILEY: - - - engines - - -

A ERWIN: Yeah.

A BAILEY: - - - you're talking the whole thing.

Q180 Yeah, across the board, yeah.

A Yeah.

A ERWIN: Yeah.

Q181 Yeah.

A BAILEY: Yeah. But they'd have all the records of that. That wouldn't be a problem to grab that anyway.

Q182 Well, it might be a problem of grabbing that.

MR RYAN:

Q183 Who took the records, [REDACTED] or [REDACTED]?

A Both.

A ERWIN: Both.

Q184 So they both came down together and - - -

A Separately.

Q185 Who came down first?

A [REDACTED]

A BAILEY: [REDACTED], I think.

MR SMYTHE:

Q186 [REDACTED]

A I can't understand why the other guy came here, and I still can't understand it, and that's why we went back to [REDACTED] and said to him, you know, like "What is going on?"

Q187 Okay.

A And it seemed funny, because they were going to – they were going to get stuck into it, it got more and more involved, then a guy came down the second time – and I still don't understand why he came here.

A ERWIN: No.

A BAILEY: It's got me running - because he was only going over stuff that he already had facts and figures for anyway.

Q188 Yeah.

A So I don't know what he was after.

Q189 Did he take anything that day?

A No. But the other thing is, too, I've never heard a thing since.

Q190 Have you contacted him?

A No. We haven't had time; we've had that much work.

Q191 Yeah. Yeah. Have you had any more work with Army, or - - -

A No.

A ERWIN: No.

Q192 Is there any other issues?

A(indistinct).....

A BAILEY: Turn it off.

A ERWIN: You know, if – if we're just going to skim across the top of things today and - - -

Q193 Yeah.

A BAILEY: It's get – yeah.

A ERWIN: You know, there's a lot of stuff that's hearsay and, you know, we don't have the evidence or whatever to back it, but we know it's going on - - -

Q194 Well - - -

A - - - and if we just - - -

Q195 Tell us.

A - - - point you in the direction, then - - -

Q196 Yeah, go right ahead(indistinct)..... take that.

A All right. If we - - -

Q197(indistinct).....

A Yeah, if we - if we turn our attentions now to the Navy - - -

Q198 Yes.

A - - - and some of the things that have - that have gone on there.

Q199 Well, perhaps I should just stop you there. Our investigation - the IG's department is primarily concerned with the Navy - - -

MR RYAN:

Q200 At this stage, right.

MR SMYTHE:

Q201 Okay.

A Right.

Q202 Now, the reason that DNSDC comes into our figures is because it's a tri service facility - - -

A Yeah.

Q203 - - - and at the moment it's being run, or - well, controlled is probably not the right word - but the guy who's heading it is Navy and, from our understanding, about 70 per cent of their work is for Navy at DNSDC.

A Yeah.

Q204 So that's why we're interested - you know, DNSDC - - -

MR RYAN (?)

Q205(indistinct)..... together(indistinct).....

MR SMYTHE:

Q206 - - - and it's relationship to - yeah.

A Yeah.

Q207 Yeah. So, yeah, we're interested to hear primarily about Navy, but certainly anything you've got to do with any of the services so - - -

A All right.

Q208 - - - if you'd like to continue.

A Well, with the Navy, apart from what Steve said earlier, which goes back a long, long time - - -

Q209 Yeah.

A - - - the more recent stuff that - is these two [REDACTED] ships that are up at [REDACTED] Dock Yard in [REDACTED].

Q210 Don't know about them.

A Don't know about them?

A BAILEY: Gee, everybody else does.

Q211 Well, tell us.

A ERWIN: Well, we can only tell you the bits that concern us and the bits on our part.

Q212 Yeah.

A Those vessels have [REDACTED] (?) engines in them, which we believed were refurbished by [REDACTED] when the ships first arrived here - - -

Q213 Yes.

A --- or they did a lot of work on them. They then went to [REDACTED] and now they're being refurbished again and they've never seen any service.

Q214 So with -- you're saying that these ships have already been refurbished, but now they're being refurbished again?

A Yeah.

Q215 Okay. The first time they were refurbished, do you know what was refurbished?

A They changed cylinder heads and ---

Q216 Like you're talking specifically about ---

A Specific to engines, yeah.

Q217 Yeah. Okay.

A Only the engines.

Q218 Okay. Yeah, the engines.

A That's the only section we know about.

Q219 Okay. Right.

A Yeah, the cylinder heads and some other work associated with the engine. Then they went up to [REDACTED] and the exact same work's been done again, and the guys at [REDACTED] that we spoke to last time we were there couldn't understand why they'd spent all this money and were now spending it again. The story was that the guy who was the [REDACTED] agent in Australia had talked them into upgrading the engines, which was a load of baloney anyway ---

Q220 Right.

A --- but anyhow that's the story he used. As far as your section goes -- is the fuel injection section. Now, [REDACTED] is a Lucas Price -- is the OE for [REDACTED] ---

Q221 Right.

A --- who we are the distributors for ---

Q222 Okay.

A --- and the service agents ---

Q223 Yes.

A --- so that's what we know.

Q224 Right.

A Now, the engines went up there to [REDACTED] and part of it was to go through all the fuels systems on the engines. There was never any tenders put out – never. We went to [REDACTED], gave them the information and said, “Look, we’re Lucas Price” blah, blah, blah, “The only authorised people here to do this that and the other.” Never even got a - an inquiry. Then, about six months later

Q225 Sorry, when you said you are the only authorised people to work on - - -

A Service - - -

Q226 - - - that service - - -

A - - - Lucas Price equipment.

A BAILEY: Fuel injection(indistinct).....

Q227 Service Price – yeah, all right. So, if the work's being done, it's being done by someone else.

A ERWIN: Yeah.

A BAILEY: Yeah.

Q228 Are there breaches to contracts or anything in relation to that with the parent companies or - - -

A ERWIN: Well, there's breaches to QA, and who's regulating that QA I have no idea, because - - -

Q229 Okay.

A - - - I went to the Navy with this, this week - to [REDACTED] - - -

Q230 Yes.

A - - - and I said, “Well, who runs the contract?”

Q231 Right. Who's [REDACTED]?

A He is the [REDACTED] - he's the [REDACTED] in Defence Force Plaza in Pitt Street there. --

Q232 Right.

A And I found him a very straight guy - - -

Q233 Okay.

A - - - and I've been dealing with a lot of people there for a long time and - - -

Q234 Right.

A - - - he's the only guy I've met who seemed straight to me.

Q235 Yeah.

A Anyhow, I went there with this concern and I said, you know, I -- "You've got vessels there now. We work with the Navy and we know the way that Navy QA works."

Q236 Yeah.

A "How is this contracted worded that someone who" - 'cause we actually sold the spare parts components to the people that are doing the service work now - - -

Q237 Okay.

A - - - so we know where they're being serviced. The person hasn't got QA to start with. You're not -- nothing(indistinct)..... - and I was raising the issue with him to say that, "Hey, if any of those spare parts fail it's on your head, 'cause there's no warranty."

Q238 Yeah.

A "There's a product liability issue because they're being serviced by someone who doesn't know what they're doing."

Q239 Right.

A So he took that on board and he said, "Well, that's funny and it needs to be looked at." because the prime contractor has taken the contract to refit the vessels, which includes everything from changing a wiper blade to the tail lights.

Q240 Yeah.

A But it's all sectioned, you know - - -

Q241 Yes.

A - - - and the fuel injection is one section, so that section has to meet the QA criteria.

Q242 Yes.

A But obviously somehow it's gone 'round.

Q243 I don't understand. How do you mean "it's gone 'round'"? How does - - -

A Well, how can these - - -

A BAILEY: It's gone 'round.

A ERWIN: How can these fuels systems (1) not be tendered out - - -

Q244 Yes.

A - - - as a separate item, or given the opportunity for the Navy to get the best price, or the best service - - -

Q245 Okay.

A - - - and leave sections like that wholly in control of the prime contractor.

Q246 Okay.

A It's like we could've tendered on refitting the entire vessel - - -

A BAILEY: Yeah, they got stuff(indistinct).....

A ERWIN: - - - and contracted the work out to anyone.

A BAILEY:(indistinct).....

Q247 Yes.

A ERWIN: You know, like, let - you got to look at it in perspective here - - -

Q248 Yes.

A - - - you know, and the - yeah, [REDACTED] have a dry-dock facility and all the rest of it and we don't but, hey, we could've rented one, do you know what I mean?

Q249 Yes.

A Like - so, anyhow - so I made the point that somehow or another they've gone around the system or someone's approved it sight unseen. In comes a guy by the name of [REDACTED], who is [REDACTED] - [REDACTED] in Defence Force Plaza - - -

Q250 Right.

A - - - who has a - - -

Q251 [REDACTED]? How do you spell his surname?

A [REDACTED].

A BAILEY: [REDACTED].

A ERWIN: No, it's [REDACTED].

A BAILEY: Is it?

Q252 [REDACTED].

A(indistinct)..... control(indistinct).....

Q253 And he's at Defence Force Plaza - - -

A ERWIN: Yeah.

Q254 - - - in Sydney?

A Yeah.

Q255 Right.

A And he walks under - he works under [REDACTED].

Q256 Okay.

A And I arranged a meeting with [REDACTED], gave him my concerns and he said, "Well, what - perhaps we should get [REDACTED] in to look at - to see what he's got to say" you know.

Q257 Yes.

A And when he walked in, he was very pale - 'cause I've been to see [REDACTED] - -

A BAILEY: Well, we've been seeing him for 10 years.

A ERWIN: Yeah. Well, Steve has. I've only been with Bailey's three years. But since I've been here I've seen him numerous times and we've just had the run around, you know, and enough was enough, so that's why we went to [REDACTED] [REDACTED] And he obviously knew exactly why I was there.

Q258 Yes.

A So I raised my concerns - and I believe there's a relationship there between this guy - - -

Q259 [REDACTED]?

A - - - and the [REDACTED] agent.

Q260 Who was the [REDACTED] agent?

A The company's called [REDACTED], and the guy who runs it is a guy by the name of [REDACTED] (?) This guy works out of a boot of a car from [REDACTED] in [REDACTED] and is selling the Navy millions and millions of dollars of equipment with no backup.

Q261 Right. So when you say you suspect there's a relationship there, what are - what are you saying?

A Well, I want to know why that work wasn't tendered out - - -

Q262 Yeah.

A - - - and why it all went straight to this guy to sell all those components.

Q263 Right.

A And up until we stuck our nose in, he was buying all the fuel injection equipment from this guy, as well - - -

Q264 Yeah.

A - - - and then we went to Navy QA and said, "Hey, you're buying [REDACTED] (?) equipment, it is pirated parts, it is not the genuine article and if you buy one

more component from these people I'll take it to, you know, wherever I have to -
--

Q265 Yeah.

A - - - to have it addressed."

Q266 Yeah.

A And then we got the inquiry from these other people for the [REDACTED] (?) parts, which we've now secured the order.

Q267 Okey-doke.

A So they stopped, 'cause the knew that we were determined to see justice done(indistinct)..... - - -

A BAILEY (?):(indistinct).....

Q268 Okay. And how long ago was this? What sort of(indistinct)..... - - -

A ERWIN: This would be September last year.

Q269 Right. So it's recent.

A BAILEY: Yeah.

A ERWIN: Yeah.

A BAILEY: This(indistinct)..... - - -

Q270 And it's -- and it's ongoing.

A ERWIN: It's ongoing - - -

A BAILEY: Yeah.

A ERWIN: - - - right now, yeah.

Q271 It's happening now?

A Yeah.

Q272 Okay. These sort of incidents are still happening?

A Yeah.

A BAILEY: What I believe is happening there at the moment, they're putting prices – I know [REDACTED] put in prices to the Navy, 'cause we've heard this stuff.

Q273 Yeah.

A They pulled a couple of pumps down to do some sort of a survey on that to work out a cost structure - - -

Q274 Yeah.

A - - - and for the amount of pumps in the initial order they wouldn't have even ordered 10, maybe 20 per cent of that actual stuff. So what I'm saying is – and this is why we wanted to run a QA check with Navy, as well, just to see exactly what they have done - - -

Q275 Yeah.

A - - - and whether the government is getting their money, because I don't think they are.

Q276 Value for money.

A No, what I'm saying is that they put quotes in, they won the tender - - -

Q277 Yes.

A Well, it wasn't even a tender - - -

A ERWIN: It wasn't tendered.

A BAILEY: They just put in the price, the gov – the Navy accepted that price.

Q278 Yes.

A Now, we know what the initial order was for the components, right.

Q279 Right.

A Now, we know what they've actually bought and it's nothing.

A ERWIN: So in other words - - -

A BAILEY: It's nothing.

A ERWIN: - - - what Steve's trying to say is - - -

Q280 What they've ordered and what they've received doesn't add up.

A ERWIN: No, what they -- what they've quoted - - -

A BAILEY: Quoted and what they - - -

A ERWIN: - - - and said we need to buy - - -

A BAILEY: - - -what they're going to give them - - -

A ERWIN: You know - - -

Q281 Is(indistinct).....

A BAILEY: But - and this is why they've used this other company - - -

Q282 Yeah.

A - - - because I think that they felt they could manipulate them - - -

Q283 Yeah.

A - - - right, to get -- so they're going to end up with a shit load of money, these idiots are going to take the responsibility -- do you see what I mean?

Q284 Mm. So they're defrauding the Commonwealth, if you like. That's what we're talking about.

A ERWIN: Yeah. Well, for want of better words.

Q285 Yeah. Yeah.

A BAILEY: And that's why I think it went the way that it did go, and that's -- as I said, we know what components were put into those pumps and we know the initial quote was with all those components, but only a small percentage of those components are being bought.

Q286 All right.

A Scary stuff.

A ERWIN: So whether they're still going to charge - - -

Q287 It's very interesting stuff, yeah.

A - - - the full whack - - -

Q288 Yeah.

A - - - and only put in half the parts - - -

MR RYAN:

Q289 Who raised this - what [REDACTED] and this [REDACTED] - or by [REDACTED]?

A As I said, [REDACTED] was very good. He asked me to put it in writing and told me that he would - - -

A BAILEY:(indistinct).....

A ERWIN: - - - investigate it.

Q290 Okay. Have you heard anything since?

A I haven't put it in writing yet. I only saw him yesterday.

A BAILEY: That's - - -

Q291 Okay.

A ERWIN: No, sorry, the day before yesterday - - -

Q292 Okay.

A Wednesday.

Q293 Right.

A And it was just like coincidental that you guys rang yesterday.

MR SMYTHE:

Q294 No, that's all right. We can go and talk to him and find out how he's going to approach things.

A Yeah.

Q295 All right. What else? Anything else?

A Yeah. There's another issue with - - -

A BAILEY: Which one?

I'll just check this tape. I don't know

(tape turned off and on - irrelevant conversation about tapes)

MR SMYTHE:

Q296 All right. No worries. Okay. So, if you can just continue. Had a few problems there with the tape.

A ERWIN: Yeah. I guess in -- when we've delved into this stuff, the same people keep coming up - - -

Q297 Right.

A . . . - - - all the time.

Q298 Even with this -- the [REDACTED] being refurbished at [REDACTED] -- the same players?

A Yeah. Same guy we've come across in the [REDACTED] before.

Q299 Right.

A This [REDACTED]

Q300 Yeah.

A And anything that we've been involved with the Navy, [REDACTED], [REDACTED], that kind of thing, the same fuel injection people pop up all the time.

Q301 Right.

A In fact, I've got a letter written there from the guy in [REDACTED] that - you know, like if our competitor didn't write it for him, then, you know - -

Q302 Yeah.

A - - - I'll stand on my head in Crown Street.

A BAILEY: But went not long after -- or got - - -

Q303 The flick.

A - - - thrown out not long after.

Q304 Yeah.

A And then a lot of managers started to go down. This is in the [REDACTED]

Q305 Right. Righto. We - - -

A That was another thing we found - we couldn't get through, so I just give up on it.

Q306 Yeah.

A Like it was just - like, when you go into managers and they're going down, you just couldn't get past it.

Q307 Right.

A So I just give up.

Q308 Okay.

A But it's an issue we'll be taking up again soon.

Q309 Yeah. All right. Well, if we can get back to the [REDACTED] being refitted at [REDACTED]
- - -

A ERWIN: Yeah.

Q310 - - - right, and specifically to the engine side of things.

A Yeah. Well, we feel that there's some dishonesty, if you like, going on with this [REDACTED]
- - -

Q311 Right.

A - - - 'cause we went and spoke to him originally - - -

Q312 Yes.

A - - - and he told us he had nothing to do with those vessels - - -

Q313 Yeah.

A - - - nothing at all.

Q314 That was his initial response to you was - - -

A Yeah.

Q315 - - - he had nothing to do with it.

A Yeah. And he gave us the name of a guy in Canberra to ring.

A BAILEY: That's it, yeah.

A ERWIN: And rang him and - - -

Q316 Who was the guy in Canberra?

A I don't know now, I - but I did - we did pass that onto Michael - yeah.

A BAILEY: Yeah.

A ERWIN: Michael followed that up.

Q317 Could you find out the name?

A Could do, yeah.

Q318 Right. Okay.

A And Michael just go the run around - just absolutely - - -

Q319 Yeah.

A - - - couldn't get anywhere. And then we only found out a week or so ago that it was actually [REDACTED] who was the complete orchestrator [sic] of all this and it had all been done with his mate [REDACTED]

Q320 How do you know he's a mate?

A Well, I don't. I'm just supposing.

Q321 Right. So you - you're just - - -

A What I can base that on is I know the way the guy up there does business - - -

Q322 Yeah.

A - - - him and his daughter - and if you met his daughter you - you'd probably fall into his trap, well.

Q323 Right. Who's this we're talking about?

A [REDACTED]

Q324 [REDACTED]?

A From [REDACTED]

Q325 Right. And his daughter is?

A [REDACTED]

Q326 [REDACTED]

MR RYAN:

Q327 Okay. Are they from [REDACTED]?

A Yeah.

MR SMYTHE:

Q328 Right. And what's the trap? I mean - - -

A She's just very good looking and you can't concentrate.

Q329 Yeah. So - all right. Okay. So you think that - what's - [REDACTED], there's - obviously - - -

A Has that type of personality where I feel that he could be swayed.

Q330 Okay.

A He strikes me as that kind of person.

Q331 All right.

A My personal feeling, that's all.

A BAILEY: Didn't [REDACTED] more or less say that they had like in a 'round about fashion, or not?

A ERWIN: He was concerned about the relationship, that's - - -

Q332 What, between [REDACTED] and the daughter?

A No, no, no, between [REDACTED] and - - -

Q333 Right.

A --- [REDACTED]

Q334 Right.

A Not mentioning names -- but company name.

Q335 Company names, right.

A Yeah, he sort of -- he said he felt that perhaps this guy had led [REDACTED] astray on his being the only person able to supply.

Q336 But surely wouldn't that be up to [REDACTED] to confirm or deny that?

A BAILEY: Yeah.

A ERWIN: Yeah.

A BAILEY: Sure is.

Q337 I mean, that's just a basic responsibility of his position I'd think.

A Yeah. That's it exactly.

A ERWIN: Yes.

Q338 That would just be a matter of a 'phone call to - - -

A And - - -

Q339 - - - the parent company or something like that.

A And [REDACTED] has had this information at his disposal for 10 years or more.

Q340 Okay. So he's been doing this for quite some time. Righto. So there's no excuse for him not knowing?

A No, not at all.

Q341 Okay.

A And even his people that are under him in his sections, I've been to all of them. They have our brochures, our information. We are - - -

Q342 They know you exist.

A Exactly. We are a Defence Force preferred contractor. We're – you name it.

A BAILEY: We just - - -

A ERWIN:(indistinct).....

A BAILEY: We just had a group of parts from [REDACTED] the other day. They didn't even put a tender in, and you went up – that was one of the specific issues that Rick hit yesterday with – is because they should've given us the tender because they know that with [REDACTED] and many other people we're actually the suppliers - - -

Q343 Yeah.

A - - - but they went direct to [REDACTED]

Q344 Okay.

A So they rung here, mate - [REDACTED] rang here yesterday and said we've got grounds to sue them, and we'll win - over exactly what happened, because they didn't follow their procedures.

Q345 Okay. So there are – there are set procedures and guidelines that should be followed - - -

A Yeah. Yeah.

Q346 - - - and they're not being followed. Did - I mean, for what reasons would they not be followed? I mean, do you think these guys in the Navy are under pressure to refit these ships, or this equipment as cheaply as possible, or - - -

A You've met them.

Q347 Well - - -

A ERWIN: I think if we can take these - - -

Q348(indistinct)..... but I've got to ask the question.

A If we - - -

A BAILEY: I know that.

A ERWIN: If we take these vessels as one instance, right - - -

Q349 Yes.

A - - - yeah, I mean, the name [REDACTED] has got to come past you guys repeatedly. --

Q350 I've never heard of them before.

A Never heard of it. Haven't you?

Q351 No.

A Well, they(indistinct).....

Q352 But this is early in the piece for us.

A BAILEY: I was going to say -- yeah - - -

A ERWIN: Anyhow - - -

A - - - it'd have to be.

A ERWIN: I mean, what you'll find is the Navy will get a bill this big and the cost of work will be as cheap, as nasty as it can possibly be and the profit will be -- who -- who gets the profit? [REDACTED]

Q353 Yeah.

A And that's why we believe that QA procedures aren't being followed to the tee. For instance, the section that we weren't even allowed the opportunity to tender on, or even put in an inquiry on - - -

Q354 Right.

A - - - until we made some noise through the QA people in Sydney who went to another QA guy who's supposed to be looking after these vessels, whose name I don't know, and said to him, "You've pissed off some guys in Wollongong and they're going to take this further" and the next day we had an inquiry for spare parts.

Q355 Who made that inquiry?

A The company that the work's being contracted to -- a company called [REDACTED] in [REDACTED]. And up until that point we know that [REDACTED] had purchased equipment from [REDACTED] and then the guy from [REDACTED] -- they're purchasing guy rang me and he said, "Oh, I've got to get [REDACTED] equipment and I've been told that you people are the people to speak to" and I said, "Yeah" and he asked me for some pricing and I said, "Well, send me a formalised tender, or whatever, and I'll reply to it" and he said, "No, no, no"

and he said, "Oh, and I've got a heap of [REDACTED] stuff that I want to get rid of."
So they'd already bought all this stuff - - -

Q356 Yeah.

A When we made our noise to QA, QA said, "You can't use that, it's pirated junk -
--

Q357 Yeah.

A - - - you have to use the authorised equipment - - -

Q358 Yes.

A - - - hence they've come to us now.

Q359 Right.

A So they're stuck with all that stuff.

Q360 Okay. So is this – this is because (1) you've made the noise and (2) the
problems with the warranties and everything else has also been brought to light?

A BAILEY: Yeah.

A ERWIN: Yeah.

Q361 Okay.

A BAILEY: Yeah.

A ERWIN: Which still doesn't address the issue that these guys can't do the work
anyway.

Q362 Yeah. Yeah(indistinct)..... yeah.

A You know, we're just talking about components now.

Q363 Right. So just getting back to the – if I can just follow the warranty side of
things, if this stuff was installed on these vessels - - -

A Yeah.

Q364 - - - it's obviously not under warranty. If the equipment was to fail again, the
Navy would have to go through the same process again, wouldn't it?

A Yeah.

A BAILEY: And it happens quite regularly.

Q365 It's almost - - -

A ERWIN: And that's - - -

Q366 I'm an outsider looking in, but to me it looks as - almost as if that's a deliberate thing.

A BAILEY: Could be.

Q367 So they just - it's just a - - -

A ERWIN: So - - -

Q368 It's just a circle that just keeps going - - -

A BAILEY: It happens all the time.

Q369 - - - and going.

A ERWIN: Yeah. Yeah.

Q370 So we're constantly having ships refitted - - -

A Yeah.

Q371 - - - when really - - -

A BAILEY: The Westralia is a perfect example. [REDACTED] did the engine on that, it blew up, went up and had it all fixed and they had to pay for it again - - -

A ERWIN: Yeah.

A BAILEY: - - - no questions asked.

Q372 How long ago was that?

A Not long ago.

A ERWIN: That was - - -

Q373 So - - -

A BAILEY: But this happens all the time(indistinct).....

A ERWIN: '96.

A BAILEY:(indistinct)..... common thing.

Q374 Now, hang on - - -

A ERWIN: End of '96.

Q375 - - - a minute. If this happens all the time, then - - -

A Then why isn't it address?

Q376 - - - addressing – that's right, that's the first thing. But the reason the Navy's having to pay for it all the time is because they're foregoing their warranties by using these non - - -

A Sub standard - - -

Q377 - - - authorised parts and fitters, or whatever.

A Don't know about that either.

A BAILEY: Well, I think if it becomes political, then they're not game enough to touch it.

A ERWIN: Yeah. Like - - -

Q378 So if you were to do the job - - -

A Yeah.

Q379 - - - and you were to fit it using genuine parts and - - -

A 12 months - - -

Q380 - - - and – and - - -

A - - - full warranty, no questions.

Q381 - - - and the thing, you know, three or four months down the track failed, wherever it is in the world - - -

A Yeah.

Q382 - - - the parent company would have to pick up the tab for that - - -

A BAILEY: Yeah.

Q383 - - - under the warranty?

A Yeah.

A ERWIN: Yeah.

Q384 At no cost to Navy?

A Exactly.

Q385 Whereas, at the moment the way it's being done, if it failed Navy would have to pay for it again.

A What would happen now is when the -- when it failed Navy would go back to [REDACTED] and that's where it would end, and they'd have it done again and pay for it again. They wouldn't be game to bring it to us - - -

A BAILEY: That's - - -

A ERWIN: - - - because we would strip it and say the reason that part failed was because it was assembled wrong - - -

A BAILEY: So they got to keep it all in-house - - -

Q386 Yeah.

A - - - and they keep it quiet.

Q387 Righto. Okay.

A ERWIN: And the other thing that was brought up to me when I went to visit the Navy the other day was [REDACTED] was adamant about walking me downstairs and, on the way down, suggested that when these ships are back in service from refit they'll be under their section and there'll be no problems from then on.

Q388 What did he -- what was he getting at there?

A I would say -- my personal thought -- that he implied that if we just shut up and let it go away that when they come back in for service we'll get the work -- service work -- the re-work -- which they knew is going to happen.

Q389 Regardless of the fact that you should be doing the work anyway.

A BAILEY: Yeah.

A ERWIN: Yeah. And again, comes back to, hey, never even having the opportunity to put our hands up.

Q390 So I could go to [REDACTED] - - -

A BAILEY: Yeah.

Q391 - - - and ask him "Is the work being conducted on [REDACTED] vessels under warranty?" and what would he have to answer me?

A ERWIN: You couldn't say that now, 'cause they're not finished. They're not running.

Q392 All right. When they're finished.

A When they're finished, yeah, you could say, "Is there a warranty period on that work?"

Q393 Yeah.

A Yeah. "And who holds the warranty?"

Q394 Who holds the warranty.

A Yeah.

A BAILEY: They run - - -

A ERWIN: Is it the prime contractor or is it their subcontractor?

Q395 Right.

A BAILEY: Yeah. And the other thing is, too, you want to run down the QA line. That'd scare the hell out of them.

Q396 Yeah.

A ERWIN: Yeah. If you get - - -

A BAILEY:(indistinct).....

MR RYAN:

Q397 "QA" - what are we talking about there specifically - "QA"?

A ERWIN: Well, the Quality Assurance guy should look at the contract - - -

MR SMYTHE:

Q398 Yeah.

A - - - then down subsection whatever it is - fuel injection equipment - - -

Q399 Yeah.

A - - - look at who [REDACTED] have contracted that out to.

Q400 Yeah.

A They then go and visit their premises to ensure that they are an accredited repairer - - -

Q401 Yes.

A - - - they have the necessary qualifications to carry out that type of work - - -

A BAILEY:(indistinct).....

A ERWIN: - - - and they have the necessary equipment - - -

A BAILEY: Yes.

A ERWIN: - - - and they have the specifications. Now, the three things that are missing you out of that puzzle where they are now is, no one there has ever been trained in this work. They've never even done it before. They don't have the test equipment to do it - - -

Q402 Yeah.

A - - - and they don't have the test specifications. We know that, being [REDACTED] agent for Australia, but no one else has that information. And we, as [REDACTED], cannot give that information out either.

Q403 Right. So these guys, they're installing the stuff, but they can't test it to make sure that it's installed correctly.

A No.

Q404 Right.

A They'll have a good go at it, no doubt.

A BAILEY: Yeah, 'cause they see money and [REDACTED] manipulates it.

Q405 Yeah.

A ERWIN: And, you know, when you're talking we're talking a volume of like over 300 fuel pumps and for a little base in [REDACTED] I mean, that's like, hey, heaven.

Q406 Yeah.

A BAILEY: It's a gold mine.

Q407 Lot of - lot of money, yeah(indistinct).....

A But at the end of the day he probably can't even see that he's going to end up taking full responsibility and the full whack for it - - -

Q408 Yeah.

A - - - because that's what happens. They shelter themselves away from that - - -

Q409 Yeah. Well - - -

A - - - that's why they set them up.

Q410 I wonder what political pressures are bring brought to bear on the work going to [REDACTED]

A ERWIN: Lots.

A BAILEY: Yeah. Because there was an article in the paper the other day with just(indistinct)..... [REDACTED] - the government - say the government up there - how much was it?

A ERWIN: That was - that was a deal - - -

A BAILEY: Yeah, but that - - -

A ERWIN: - - - because [REDACTED] and that was - - -

Q411 Yeah, just to keep things ticking over.

A Yeah.

A BAILEY: Yeah.

A ERWIN: Give them a couple of million dollars. But, I mean, that was – that was the other thing - the refit on the Westralia engine.

A BAILEY:(indistinct).....

A ERWIN: We believe –and the people at [REDACTED] have told us – that they actually won that contract and then, the week before it was to come into dry dock in at [REDACTED] it went to [REDACTED].

Q412 Why?

A They never got an answer. And they - - -

A BAILEY: Everybody - everybody's asking that question.

A ERWIN: and actually they told us – didn't they? – they did take that to the Minister of the day and received no response.

Q413 How long ago was that?

A '96. And then it came out of [REDACTED], it got just outside of Darwin and the engine exploded into a million pieces. But, hey, us taxpayers will just pay for it again. And that was funny, because I was talking to a guy the other day – the engineer who went up who was the agent for the – for that engine in the country, who went up to survey the engine after it blew up and said, "Well, you know, these guys haven't done what you've been charged for. You know, you're laughing, you know. You're going to get all this under warranty." It was dropped.

A BAILEY: Didn't want to know nothing.

Q414 Yeah?

A Yeah.

Q415 Are there problems with having repairs done under warranty? I mean, would there be unnecessary delays or - - -

A ERWIN: No.

Q416 I mean, why would they shy away from doing work under warrant?

A Because - - -

A BAILEY: Probably 'cause it's been the done thing for so many years. It's just the way the circle goes.

A ERWIN: It's probably a couple of things. One, they were never qualified to do that type of work...They should never have been allowed to do that type of work. And what spare parts went into the engine and what was charged for.

MR RYAN: (?)

Q417 See, I'm just trying to - I mean, this - I might be simplistic but I'm just trying to think. Okay. We got a ship and it's got certain components on it and it's meant to have, you know, a type of work done to it, okay, and that's you guys here in Wollongong, all right. And the thing is up in Darwin and it, you know, shits itself.

A Yeah.

Q418 Okay. Now, what are they supposed to do - the Navy? Are they supposed to - -

A Well - - -

Q419 - - - 'phone you blokes up - - -

A Yeah.

Q420 - - - and you guys go up there and fix it?

A Exactly. I mean, we pay(indistinct).....

Q421 There's no problems with that?

A BAILEY: No.

A ERWIN: We have a \$17,000 - - -

A BAILEY: No problem.

A ERWIN: - - - insurance policy to cover stuff like that.

Q422 What, travel and all that sort of stuff.

A Yeah.

A BAILEY: Yeah.

Q423 So you factor in all that into your tendering and everything else?

A Yeah.

A ERWIN: It's all in our – in our costs, yeah.

Q424 Okay. So it doesn't matter where it is - - -

A BAILEY: No.

Q425 - - - it would get fixed.

A ERWIN: We have to have - - -

Q426 At no cost to Navy.

A We do commercial shipping. It's a policy that we have to show before
.....(indistinct)..... involved - - -

Q427 Yeah.

A - - - so that vessel could be in Japan, Greece, wherever and - - -

A BAILEY:(indistinct).....

A ERWIN: - - - something go wrong.

MR SMYTHE: (?)

Q428 Yeah.

A If we can't go there, we have to pay someone else to fix it for us. You know,
you've got to have that coverage, or you - you know, no one will touch it.

A BAILEY: We had – we had – we did the(indistinct)..... through that, which
was a mechanical failure. They changed over the pump - I don't know where
they were and – then they come up to us and said, "Well, look, you know, this
pump failed." So they sent it back down to us, re(indistinct)..... it, put it
back in there again. They couldn't believe it – we didn't charge them. Could
not believe it.

A ERWIN: They gave us an order - - -

A BAILEY: Yeah.

Q429 Yeah.

A ERWIN: - - - to do it again 'cause it was procedure. You know, well, it's not -
I don't know if it's written procedure, but that's like normal procedure.

Q430 But you – have you got paperwork relating to that?

A No, we haven't, 'cause we just fixed it and - - -

Q431 BAILEY:(indistinct).....

A ERWIN: - - - put it back on the vessel, didn't we.

Q432 Be nice - - -

A BAILEY: The guys that were involved in that - - -

Q433 It'd be nice if we could, you know, use that - - -

A ERWIN:(indistinct).....

Q434 - - - as an example of how you guys - - -

A We can dig it up and see what we've got.

Q435 - - - would operate as compared to the way it's being operated by other people at the moment.

A BAILEY: But that's why - I mean, that's exactly why we went in to change the system, and that's why we try and bring it to people's attentions. But people don't want to hear it.

A ERWIN: Yeah.

A BAILEY: Do you see what I mean there? And everybody(indistinct)..... us away and that's why, you know – we're world leaders of what we're doing, we make our own test equipment and everything here, but nobody wants to hear it, and that's why we got to force our hands all the time.

Q436 Yeah.

A ERWIN: See we're – this company here is better known overseas than we are in Australia so -.

Q437 All right. Is there anything else?

A Yeah, we can move on – we'll go away from the [REDACTED] vessels and - - -

Q438 Yes.

A - - - we'll go back to the Tobruk now.

Q439 Okay.

A A set of Allen generators on there.

Q440 Right.

A Someone went down and told the Navy they needed 21 brand new fuel pumps 'cause the old ones couldn't be fixed. Let's not ask the fuel injection people, let's just make that assumption. So, the Navy went and ordered 21 new fuel pumps from the engine manufacturer. They're not an engine manufacturer part, they're a [REDACTED] fuel pump.

Q441 Yeah.

A We never even got an inquiry. How we found out about it was the engine maker came to us and said, "We're chasing 21 fuel pumps." Look up the numbers. It's a very small industry. Those pumps were off the Tobruk.

Q442 Yeah.

A "Yeah, how did you know?" Der.

Q443 Yeah.

A You know, so - - -

Q444 Yeah. So you keep track - - -

A - - - how come - - -

Q445 - - - of where the parts are going.

A So, I was actually overseas. Steve rang the Navy. "What's going on? We never even got an inquiry?" "Oh, we were advised by" - "And you take their word for it?" And the guy involved - [REDACTED] Hey, no tenders, no inquiries, no nothing. Now, in relation to that he rang me yesterday, after I went and saw his boss, and said to me that I should just - that I was right, they'd done the wrong thing and, yeah, we had full opportunity to take them to the cleaners if we wanted to, but could we just move on from this and - - -

Q446 Who 'phoned you yesterday?

A [REDACTED]

Q447 And what time was that?

A No, actually I rang him, sorry

(tape ceased, no further recording)