

Additional Estimates 2018-19

Reference

1.1 On 14 February 2019, the Senate referred the following documents to the Senate Foreign Affairs, Defence and Trade Legislation Committee (the Committee) for examination and report:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2019 [Appropriation Bill (No. 3) 2018-2019];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2019 [Appropriation Bill (No. 4) 2018-2019];
- Final Budget Outcome 2017-18; and
- Report on Advances Provided Under the Annual Appropriation Acts for the Year Ended 2017-18.¹

Portfolio coverage

1.2 The Committee has responsibility for examining the expenditure and outcomes of the following:

- Defence Portfolio (including Veterans' Affairs); and
- Foreign Affairs and Trade Portfolio.²

Portfolio Additional Estimates Statements 2018-19

1.3 The Portfolio Additional Estimates Statements for 2018-19 for the Defence Portfolio, Department of Veterans' Affairs and the Foreign Affairs and Trade Portfolio were also tabled in the Senate on 14 February 2019.³

Hearings

1.4 The Committee conducted public hearings on 20 and 21 February 2019.

1.5 On 20 February 2019, the Committee examined the Defence Portfolio (including Veterans' Affairs) and received evidence from Senator the Hon Marise Payne, Minister for Foreign Affairs, representing the Minister for Defence, and Senator the Hon David Fawcett, Assistant Minister for Defence, representing the Minister for Defence and the Minister for Veterans' Affairs; and from officers of the

1 *Journals of the Senate*, No. 140, 14 February 2019, p. 4692.

2 *Journals of the Senate*, No. 2, 31 August 2016, pp. 75-76. This order was subsequently amended on 12 February 2018 and 15 February 2018; however, the amendments did not relate to these portfolios. See *Journals of the Senate*, No. 84, 12 February 2018, pp. 2668-2669, and *Journals of the Senate* No. 87, 15 February 2018, p. 2740.

3 *Journals of the Senate*, No. 140, 14 February 2019, p.4693.

Department of Defence, Department of Veterans' Affairs, and relevant portfolio agencies.

1.6 On 21 February 2019 the Committee examined the Foreign Affairs and Trade Portfolio and received evidence from Senator the Hon Marise Payne, Minister for Foreign Affairs, and Senator the Hon Simon Birmingham, Minister for Trade, Tourism and Investment; and from officers of the Department of Foreign Affairs and Trade and relevant portfolio agencies.

1.7 The Committee expresses its appreciation for the assistance of the Ministers and officers who appeared.

1.8 Over the course of the hearings, the Committee took evidence from the following departments and agencies:

Defence Portfolio (including Veterans' Affairs)

- Department of Defence
- Australian Signals Directorate
- Defence Housing Australia
- Australian War Memorial
- Department of Veterans' Affairs

Foreign Affairs and Trade Portfolio

- Department of Foreign Affairs and Trade
- Australian Trade and Investment Commission
- Export Finance and Insurance Corporation
- Tourism Australia

Questions on notice and Hansard transcripts

1.9 In accordance with Standing Order 26(9)(a), the Committee set 29 March 2019 as the due date for the return of answers to questions on notice.

1.10 The transcripts of these public hearings and answers and additional information are available on the Committee's website at:

https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadt/2018-19_Additional_estimates

1.11 In this report references to Hansard are to the proof transcripts. Page numbers may vary between the proof and official Hansard transcript.

Defence Portfolio, 20 February 2019

Department of Defence

1.12 The Acting Chief of the Defence Force, Vice Admiral David Johnston, AO RAN, advised the Committee that the Chief of the Defence Force, General Angus Campbell, AO DSC, was not in attendance due to overseas travel, including visits to Indonesia, Malaysia and Singapore.⁴

1.13 Topics examined during the hearing included:

- The address by the Hon Christopher Pyne MP, Minister for Defence, to the Fullerton Forum and his comments in relation to Australia's position on the freedom of navigation operations in the South China Sea (pp. 5-8)
- Announcement of the withdrawal of United States (US) troops from Syria, and US engagement with Australia prior to the announcement (pp. 8-13)
- Pacific step-up and Defence engagement in the region, including announcement to build a large-hulled humanitarian and disaster relief vessel for service in the Pacific (pp. 13-16, 69)
- Future Submarine Program Strategic Partnering Agreement, including publication, the absence of a mandated minimum level of Australian content, termination provisions, levers to maximise Australian content, and reviews (pp. 17-21, 29-35, 42)
- Denial of Freedom of Information request by *The Australian* in relation to research papers by Dr Samantha Crompvoets on the basis that the information could be used in social media (pp. 21-22)
- Use of Defence land at Woomera as an interim radioactive waste storage facility (pp. 22, 45-47, 66-68)
- Saudi Arabia, including recent findings of the US Senate Committee on Foreign Relations about the assassination of Mr Jamal Khashoggi, and weapons sales to the Middle East by the Australian company Electro Optic Systems (pp. 23-29)
- Assistance provided by Defence in response to the Townsville floods (pp. 36, 40)
- Australia-Singapore Comprehensive Strategic Partnership, including land acquisition and expansion of training areas in the Townsville region, Shoalwater Bay development, and local industry capability plan submissions (pp. 36-38, 83-85)
- Maintenance arrangements for Army vehicles, particularly in relation to the Boxer vehicles acquired under Land 400 (pp. 38-39)

4 *Proof Committee Hansard*, 20 February 2019, p. 5. The Committee received correspondence from the Department of Defence on 6 February 2019 to advise that General Angus Campbell, AO DSC, was unable to attend the hearing.

- Submarine capability gap and the need for a life of type extension for the Collins class until replacement vessels are ready (pp. 40-42, 54-56)
- Future Submarine Program design contract (pp. 42-43)
- Redesign of Landing Helicopter Docks pods (p. 43)
- Defence families impacted by the floods in north and north-west Queensland (pp. 43-44)
- Location of sustainment for the Collins class submarines (pp. 44-45)
- Portfolio ministerial responsibilities (pp. 47-48)
- Staffing level and figures for contractors, consultants and service providers (pp. 48-51)
- Media event in which Channel 7's *The Morning Show* host Mr Larry Emdur was allowed into a military aircraft and flight trainer (pp. 52-53)
- Defence engagement with the new Office of the Pacific in the Department of Foreign Affairs and Trade (p. 53)
- Defence role in the enhanced engagement with Vanuatu through the development of a bilateral security treaty (pp. 53-54)
- Naval shipbuilding workforce (pp. 56-65)
- Austender contracts in relation to protective services, car parking and accommodation (pp. 65-66)
- Division of shipbuilding arrangements between Osborne Naval Shipyard and Henderson Maritime Precinct (pp. 68-69)
- Australian Government Security Vetting Agency, including security arrangements for contracting private security vetting companies, and security of ICT systems (pp. 69-71)
- PFAS contamination at Defence bases, including monitoring of the international experience in relation to remediation and long-term management, trial soil cleansing plant, collaborative research program between Defence and the CSIRO, financial compensation scheme and non-litigated claims process, class actions, current status of investigations, and remediation activities at RAAF Base Pearce and RAAF Base Richmond (pp. 71-78)
- Current status of the Hawkei project for armoured vehicles following reports that the engine supplier Steyr Motors had gone into voluntary receivership (pp. 79-80)
- Larrakeyah Barracks Redevelopment Project (p. 81)
- Defence estate divestment project, including 310 St Kilda Road, Defence Site Maribyrnong, Bulimba Barracks, Frenchville Rifle Range, Mount Vince Rifle Range, Kalgoorlie Rifle Range, Leeuwin Barracks, Paterson Barracks, and Stokes Hill Naval Fuel Installation (pp. 81-83)

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- Defence use of social media influencers (p. 86)
 - Growler aircraft crash at Nellis Air Force Base (pp. 86-87)
 - F-35A Joint Strike Fighter, including service life, cybersecurity and accuracy of the internal gun (pp. 87-88)

Australian Signals Directorate

1.14 Lieutenant General John Frewen, Principal Deputy Director-General, appeared on behalf of the Director-General, Mr Mike Burgess, who was unable to attend the hearing at short notice, and was accompanied by Ms Hazel Bennett, Deputy Director-General, Corporate and Capability Group.⁵

1.15 Topics examined during the hearing included:

- Examining compliance of Commonwealth agencies with the 'Top Four' mitigation strategies, particularly in relation to the Australian Electoral Commission and Department of Parliamentary Services (pp. 88-92)
- Tabling date of the 2017-18 cybersecurity compliance report published by the Auditor-General (pp. 91-92, 100-101)

Defence Housing Australia

1.16 Topics examined during the hearing included:

- Board membership (p. 93)
- Recruitment process for new Managing Director (p. 93)
- Accounting treatment of the transfer of land at Badgerys Creek Road, Bringelly, to Defence (pp. 94-95)
- Update on Mount Lofty Toowoomba development and environmental concerns about koala habitat (pp. 96-98)
- Demand for Defence housing over next three years (pp. 98-99)
- Impact of the Townsville floods on Defence housing (pp. 99-100)

Australian War Memorial

1.17 Topics examined during the hearing included:

- Redevelopment project to expand exhibition space and enhance facilities (pp. 101-106)
- Incorporation of diversity across the Memorial's programs, including public donations of items for the collection (pp. 106-107)

Department of Veterans' Affairs (DVA)

1.18 Ms Liz Cosson AM CSC, Secretary, made an opening statement.

5 *Proof Committee Hansard*, 20 February 2019, p. 88.

1.19 Topics examined during the hearing included:

- Australian Veterans' Covenant, including introduction of the new Veterans' Card and Veteran Lapel Pin (pp. 109-119, 138-139)
- Level of Totally and Permanently Incapacitated (TPI) compensation payments and adjustment sought by the TPI Federation to increase the economic loss component (pp. 119-122)
- Changes to processes for allied health referrals and associated cost savings (pp. 122-126)
- Impact of the Medicare rebate freeze on the repatriation medical fee schedule (pp. 126-128)
- Productivity Commission inquiry into Compensation and Rehabilitation for Veterans *Draft Report – A Better Way to Support Veterans* (p. 128)
- Expansion of the cohort eligible for the Gold Card (pp. 128-130)
- Prime Minister's Veterans' Employment Program (pp. 130-132)
- Update on the implementation of the recommendations of the References Committee's report *Use of the Quinoline anti-malarial drugs Mefloquine and Tafenoquine in the Australian Defence Force* (pp. 132-137)
- DVA transport bookings complaints (pp. 137-138)
- Visitor numbers at the Sir John Monash Centre in France (p. 138)
- Decision to change the time for the Anzac Day service in France (pp. 139-140)
- Veterans' Advocacy and Support Services Scoping Study (pp. 140-141)
- Status of funds provided to the US for the Vietnam Veterans' Education Centre which is now no longer proceeding as a physical building (pp. 141-142)

Foreign Affairs and Trade Portfolio, 21 February 2019

Department of Foreign Affairs and Trade (DFAT)

Non-trade programs

1.20 Topics examined during the hearing included:

- Detention of Mr Hakeem al-Araibi in Thailand, and current operation of Interpol's red notice system (pp. 5-7)
- DFAT Code of Conduct for Overseas Service and requirement for disclosure of financial interests, particularly in relation to a meeting between the Hon Joseph Hockey, Washington embassy staff and Mr Russell Carstensen in 2017; the subsequent DFAT tender process for provision of travel services to the Washington embassy; and the inclusion of Mr Andrew Burnes of Helloworld in the group of CEOs from major Australian companies which

accompanied the delegation to the National Governors Association 2018 Winter Meeting Bilateral (pp. 7-27, 31-38, 47-51, 60)

- Australia-Singapore Comprehensive Strategic Partnership (pp. 27-28)
- Proposal for James Cook University to open a campus in China (p. 28)
- Update on Australia's engagement with Papua New Guinea, including rugby league diplomacy (pp. 28-31)
- Nauru-United States resettlement arrangements (pp. 38-40)
- Representations to the Chinese government about human rights abuses against the Uyghur in Xinjiang Province, and concerns Uyghur people in Australia are being coerced to provide information to authorities in China (pp. 40-42, 54-56)
- Human rights abuses in West Papua, including reports of the use of phosphorus projectiles by Indonesian authorities, and monitoring processes (pp. 42-43, 68-69)
- Funding to the United Nations (UN) Relief and Works Agency for Palestine Refugees, including the decision by the US to cease funding and level of Australian funding (pp. 43-44, 61-63)
- Consular support provided to Mr Julian Assange, and whether the Australian Government has knowledge of outstanding proceedings brought within the US courts (pp. 45-47, 51-52)
- Human rights concerns in the Philippines (p. 45)
- Planning to recognise the 20th anniversary of the International Force East Timor (INTERFET) (p. 53)
- Current travel advice for Australians travelling to China and processes for determining travel advices (pp. 53-54)
- Update on the current state of the bilateral relationship with China (pp. 56-58)
- Decision to provide funding to broadcast Australian television content into the Pacific in partnership with FreeTV Australia (pp. 60-61, 63-66)
- Passport cancellations under the *Overseas Travel by Child Sex Offenders Act 2017* (p. 67)
- Australian Infrastructure Financing Facility for the Pacific and DFAT's management capability for this function, and proposed legislative changes to give Efic a new overseas infrastructure financing power and increase Efic's callable capital by \$1 billion, (pp. 69-75)
- Progress on the development of the Code of Conduct for the South China Sea (pp. 75-76)
- Clarification sought by China following Minister Pyne's address to the Fullerton Forum and his comments in relation to Australia's position on the freedom of navigation operations in the South China Sea (pp. 75-76)

- Cambodia, including human rights concerns, update on current state of democracy in Cambodia, and European Union review of the trade preferences Cambodia receives (pp. 44, 77-78)
- 2019 North Korea–United States Hanoi Summit (p. 78)
- Suspension of obligations under the Intermediate-Range Nuclear Forces Treaty by Russia and US (pp. 78-80)
- Update on the development of a climate change strategy (p. 80)
- DFAT engagement and processes in relation to Defence exports (pp. 81-82)
- Update on the Yemen crisis and provision of aid (p. 82)
- Aid funding to Syria, including expenditure to date, future support and evaluation methodology (pp. 82-83)
- World Humanitarian Summit Grand Bargain commitment, including an update on the progress of recommendations regarding support for countries of first asylum (pp. 83-84)
- Australian representations to Saudi Arabia regarding human rights violations in relation to the treatment of women, also in the case of Ms Rahaf Alqunun seeking protection in Thailand, and treatment of Saudi women by Australian Border Force (pp. 84-86)
- Planned US troop withdrawal from Syria and whether NGOs are able to return (p. 86)
- Update on Australia's position and engagement in the process for reconciliation in Sri Lanka (pp. 86-88)
- Australian action in regard to former governments of the Maldives and Sri Lanka accused of money-laundering (p. 88)
- Update on the current situation regarding Rohingya repatriation and provision of aid to support humanitarian assistance (pp. 88-90)
- Forthcoming visit by US National Security Advisor John Bolton (p. 90)
- Terrorist attack in Jammu and Kashmir (p. 91)
- Update on the implementation of recommendations of the report *An India Economic Strategy to 2035* by Mr Peter Varghese AO (pp. 91-92)
- Update on the Australia-United Kingdom relationship with the current uncertainty on a Brexit deal (pp. 92-93)
- Pre-funding commitments regarding Global Fund's Sixth Replenishment (p. 93)
- Australia's contribution to the World Health Organisation's Global Fund Tuberculosis Program (p. 93)

Trade programs

- Economic modelling of free trade agreements (pp. 94-95)

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- Update on the progress to finalise the Indonesia-Australia Comprehensive Economic Partnership Agreement (pp. 95-96)
 - Current status of Australian coal exports to China following unconfirmed reports of a ban on Australian coal (pp. 96-100)
 - Selection process for the trade delegation to the National Governors Association 2018 Winter Meeting Bilateral which included Mr Andrew Burnes, CEO of Helloworld (pp. 100-101)
 - Non-tariff barrier portal (pp. 101-102)
 - Proposed geographical indications in the Australia-European Union Free Trade Agreement negotiations (pp. 102-103)
 - Beef trade with China and review of Memorandum of Understanding between Australia and China on the Investment Facilitation Arrangement of China-Australia Free Trade Agreement (pp. 103-105)
 - Update on issues regarding Indian sugar subsidies (pp. 105-106)
 - Regional Comprehensive Economic Partnership negotiations (p. 107)

Australian Trade and Investment Commission (Austrade)

1.21 Topics examined during the hearing included:

- Austrade interactions with Mr Andrew Burnes (pp. 108-109)
- Austrade's role in Washington (p. 108)
- Role of Austrade in the trade delegation to the National Governors Association 2018 Winter Meeting Bilateral (p. 109)
- Travel and accommodation expenditure (p. 109)
- Update on the development of Brand Australia (pp. 109-110)
- Senior investment specialists in Austrade (pp. 110-111)
- Beyond Tourism 2020 Steering Committee (pp. 111-112)
- Funding to boost Chinese visitor market (pp. 112-113)
- Code of conduct investigations (pp. 113-114)

Export Finance and Insurance Corporation (Efic)

1.22 Topics examined during the hearing included:

- Funding structure for the Defence Export Facility (pp. 115-116)
- Australian Infrastructure Financing Facility for the Pacific (pp. 116-119)

Tourism Australia

1.23 Topics examined during the hearing included:

- Funding to boost the Chinese visitor market (pp. 119-121)
- Results from the latest international visitor survey (pp. 121-122)

- Regional dispersal of international visitors coming to Australia (pp. 122-124)
- Tourism Australia's contribution to the Beyond Tourism 2020 strategy (pp. 123-126)
- Tourism Access Working Group (p. 127)
- Australian Tourism Ambassador (pp. 128-129)
- Alipay Sydney City Card Pilot (p. 129)
- Distribution of the *Australian Traveller* magazine in the US (pp. 129-130)

Senator the Hon Eric Abetz
Chair