

The Senate

Foreign Affairs, Defence and
Trade Legislation Committee

Additional estimates 2009–10

February 2010

© Commonwealth of Australia

ISBN 978-1-74229-258-8

This document is produced by the Senate Standing Committee on Foreign Affairs, Defence and Trade Secretariat, and printed by the Senate Printing Unit, Parliament House, Canberra.

Senate Foreign Affairs, Defence and Trade Legislation Committee

Membership

Senator Mark Bishop, ALP, WA (Chair)
Senator Russell Trood, LP, Qld (Deputy Chair)
Senator Don Farrell, ALP, SA
Senator Michael Forshaw, ALP, NSW
Senator Helen Kroger, LP, Vic
Senator Scott Ludlam, GRN, WA

Other senators who participated

Senator Guy Barnett, LP, Tas
Senator Simon Birmingham, LP, SA
Senator Hon Ron Boswell, NP, Qld
Senator Hon George Brandis, LP, Qld
Senator Hon Alan Ferguson, LP, SA
Senator Sarah Hanson-Young, GRN, SA
Senator Hon Bill Heffernan, LP, NSW
Senator Steve Hutchins, ALP, NSW
Senator Hon David Johnston, LP, WA
Senator Hon Ian Macdonald, LP, Qld
Senator Anne McEwen, ALP, SA
Senator Stephen Parry, LP, Tas
Senator Nick Xenophon, Ind, SA

Committee secretariat

Dr Kathleen Dermody, Secretary

Ms Pamela Corrigan, Research Officer

Dr Tim Kendall, Principal Research Officer

Ms Erja Stephenson, Senior Research Officer

Parliament House, Canberra ACT 2600

Phone: (02) 6277 3535, fax: (02) 6277 5818

e-mail: fadt.sen@aph.gov.au; Internet: http://www.aph.gov.au/senate_fadt

Table of contents

Page

Membership	iii
Report to the Senate	
Introduction	7
Questions on notice	7
Defence portfolio	7
Department of Defence	7
Department of Veterans' Affairs	10
Foreign Affairs and Trade portfolio	11
Department of Foreign Affairs and Trade	11
AusAID	13
Austrade and DFAT trade programs.....	14
Acknowledgements	15
Index to proof transcripts	
Defence portfolio	19
Department of Defence	19
Defence Materiel Organisation	19
Department of Veterans' Affairs	20
Australian War Memorial	21
Foreign Affairs and Trade portfolio	22
Department of Foreign Affairs and Trade	22
Australian Agency for International Development (AusAID).....	23
Australian Trade Commission (Austrade)	23

Senate Foreign Affairs, Defence and Trade Legislation Committee

Report to the Senate

Introduction

1.1 On 26 November 2009, the Senate referred to the committee, for examination and report, the following documents:

- Particulars of certain proposed additional expenditure in respect of the year ending 30 June 2010, relating to the Defence portfolio and the Foreign Affairs and Trade portfolio; and
- Particulars of proposed additional expenditure in respect of the year ending 30 June 2010.

1.2 The committee has considered the proposed additional expenditure for the year ending 30 June 2010. It has received evidence from the Minister for Defence who also represented the Minister for Foreign Affairs. The committee also received evidence from the Parliamentary Secretary for Social Inclusion who represented the Minister for Trade and the Minister for Veterans' Affairs, and officers of the departments and agencies concerned.

1.3 The committee met in public session on 10 and 11 February 2010. Further written explanations provided by departments and agencies will be presented separately in volumes of additional information. This information will also be placed on the committee's internet site (www.aph.gov.au/senate_fadt).

Questions on notice

1.4 The committee resolved, under Standing Order 26, that written answers and additional information should be submitted to the committee by close of business on Thursday, 1 April 2010.

Defence portfolio

Department of Defence

1.5 The committee acknowledged the attendance of Air Chief Marshal Angus Houston AC, AFC, Chief of the Defence Force (CDF), Dr Ian Watt AO, Secretary of the Department of Defence, and officers of the Defence organisation.¹

Secretary's opening statement

1.6 Dr Watt made a statement to the committee about the strategic reform program (SRP), which was announced with the defence white paper.

1 Transcript page numbers for the Defence portfolio refer to *Proof Committee Hansard*, 10 February 2010. (See the transcript index at the back of this report.)

...As recommended by the defence budget audit, for the last six months or so Defence has conducted detailed diagnostic and implementation planning for the SRP. The package of measures resulting from that analysis is under consideration by the government.

Ultimately, the goals of the SRP will only be achieved through transforming Defence's business processes, practices and systems and, most importantly, Defence's culture. Careful implementation planning is essential if we are to achieve this transformation while continuing to deliver the full range of defence outcomes that government expects from us.

The government is expected to finalise consideration of Defence's implementation plans in the near future. The government and Defence will then be in a position to provide more detail publicly about the reforms that will result in the reinvestment of \$20 million over the next ten years.²

Chief of the Defence Force's opening statement

1.7 Air Chief Marshal Houston briefed the committee on a range of topics including Afghanistan, health care, recruitment and retention, reserves and military justice.

1.8 In relation to Afghanistan, the CDF is of the opinion that the tide is turning:

I think this is the year we will turn the situation around. Following my discussion at the Chiefs of Defence conference at NATO headquarters in Brussels, I can also share with the committee that NATO consultation with Australia is improving, and NATO has undertaken to resolve the issue of leadership in the Oruzgan Province.

In terms of our mission progress, I am very pleased with the Australian contingent in Tarin Kowt has adapted well to the change in campaign focus to population support and protection. This has been very evident over the past few months with joint Australian and Afghan operations in the Mirabad Valley region. ...These recent operations have highlighted the benefits of engaging with the local population.³

1.9 In concluding his opening statement, Air Chief Marshal Houston gave the committee a progress report on the ADF's military justice system, since the High Court decision in the case of *Lane v Morrison*, which declared invalid the Australian Military Court:

Immediately following this decision in late August 2009, our previous system of trials of serious service offences by court martial and Defence Force magistrate was reinstated. This interim system commenced operation in October 2009 and is functioning well. Fifteen trials were conducted before Christmas and already a further 20 trials have been listed for 2010.

2 *Proof Committee Hansard*, 10 February 2010, pp. 5–6.

3 *Proof Committee Hansard*, 10 February 2010, p. 7.

In September last year, I directed the formation of a new directorate within Defence Legal Division dedicated to working with staff from the Attorney-General's Department to examine options for the future trial of serious service offences. The minister has publicly indicated that a proposed approach would include a court established in accordance with chapter III of the Constitution.

...To ensure every angle of this new system is considered, we have consulted broadly. The Law Council of Australia has been engaged during the process of developing options for a future military discipline system, and legal advice has been obtained from the Australian Government Solicitor and the Solicitor-General for the Commonwealth on a wide range of issues.⁴

1.10 A copy of both statements and accompanying documentation were provided to the committee at the hearing.

1.11 Other topics examined during the hearing included:

- Campaign allowances for ADF personnel and audit of over-payments (pp. 9–13, 15, 20).
- Deployment allowance and pay allowance in East Timor (pp. 13–14).
- Defence pay systems and the ADF payroll task force (pp. 14–17, 21).
- Special forces recruiting (p. 18).
- Food facilities at Tarin Kowt (pp. 18–19, 21).
- Military justice: Australian Military Court; (pp. 19–25, 60); administrative inquiries (pp. 26–27, 60).
- Afghanistan (pp. 27–30).
- Military compensation review (pp. 30–31).
- ADF vehicle accident in Dili, Timor (pp. 31–36).
- Exercises with multilateral partners and Exercise Milan (pp. 36–37, 64–67, 85).
- Land 125 project; Force Protection Review (pp. 37–42, 60).
- Disruptive pattern combat uniform (pp. 42–47).
- Submarines: mission capability (pp. 47–58, 60).
- Collins class replacement project (pp. 58).
- Capability plan SEA 1654: replacement for *HMAS Success* (pp. 60–63).

4 *Proof Committee Hansard*, 10 February 2010, p. 9.

- Air Warfare Destroyers: productivity and terms and conditions of employment (pp. 63–64).
- Security Council Resolution 1325: women, peace and security (pp. 67–68, 70).
- Role of nuclear weapons in Australia's security policy; recommendations of the International Commission on Non-proliferation and Disarmament (pp. 69–70).
- Defence housing stock in Victoria (pp. 70–72, 75).
- Defence Assistance to Civil Community program: use of Black Hawk helicopter (pp. 72–75).
- Woomera Prohibited Area: Defence's relationship with mining and other interests in the area (pp. 75–77).
- Reserves: training time in Victoria; Adaptive Army (pp. 77–79).
- Leopard tanks to RSLs (pp. 80–81).
- Bushmaster: light protected mobility vehicle and LAND 121 phase 4 (pp. 81–83).
- Track mounted mobile 155 Howitzer (pp. 83–85).

1.12 During proceedings of the Foreign Affairs and Trade portfolio, the Minister for Defence sought leave to make a statement regarding military justice and *HMAS Success*. The minister sought leave to make a statement while the committee was still in session, on the grounds that the matter was of public importance, and relevant to the business of the committee.⁵

Department of Veterans' Affairs

1.13 The committee acknowledged the attendance of Mr Ian Campbell PSM, Secretary, and officers of the Department of Veterans' Affairs (DVA). Matters raised by the committee during the hearing included:

- Flag at Fromelles (pp. 87–88).
- Minister's overseas trip (pp. 88–89).
- Departmental staff levels (pp. 89–90).
- Superannuation contributions and DVA staff numbers (pp. 90–91).
- Consultants employed by the department (p. 90).
- Prime Ministerial Advisory Council (p. 92).
- Recommendations of the Clarke Review and Maralinga (pp. 93–98).

5 *Proof Committee Hansard*, 11 February 2010, pp. 78–79.

- Total and Permanent Incapacity (TPI) veterans in Tasmania (p. 98).
- Indexation of pensions (p. 99).
- BEST and TIP application funding rounds (pp. 100–101).
- Health identifiers and e-health (pp. 101–102).
- Veterans allowances to travel to medical appointments (pp. 102–103).
- Fuzzy Wuzzy commemorations (pp. 103–104).
- *The Centaur* shipwreck (p. 104).

Australian War Memorial

1.14 The committee acknowledged the attendance of Major General Steve Gower AO, Director, and officers of the Australian War Memorial (AWM). Matters raised by the committee included:

- Completion of the final volume of *Official History of Southeast Asian Conflicts* (pp. 104–106).
- Military Cross Hall of Valour (pp. 106–107).
- Sponsorship of activities at AWM (pp. 107–108).
- Preparation for the 100th anniversary of Gallipoli (p. 108).

Foreign Affairs and Trade portfolio

Department of Foreign Affairs and Trade

1.15 The committee acknowledged the attendance at the hearings of Mr Dennis Richardson AO, Secretary, and officers of the Department of Foreign Affairs and Trade.⁶

1.16 Over a period of years, the committee has written to successive secretaries of the department, inviting them to attend estimates—invitations they declined. The committee, in its report of May 2006, stated:

The committee believes that the Secretary of the Department of Foreign Affairs and Trade would make a valuable contribution to the estimates process. His knowledge, experience and the authority with which he speaks

6 Transcript page numbers for the Foreign Affairs and Trade portfolio refer to *Proof Committee Hansard*, 11 February 2010. (See the transcript index at the back of this report.)

would be much appreciated. The committee makes an open invitation to the Secretary to attend future estimates hearings.⁷

1.17 At this session of estimates, the committee welcomed Mr Richardson to his first estimates meeting as the Secretary of Department of Foreign Affairs and Trade. One member noted:

[This] is the first time we have had a secretary of the department attend an estimates committee meeting. It is something we have been urging, both back in government and in opposition, for a long, long time. So I think it is a welcome departure from what has been previous practice and we are very pleased to see Mr Richardson here.⁸

1.18 The minister responded that when the secretary took up his position, he indicated that:

...if Minister Smith, the government and I were comfortable, it certainly would be his intention to attend the committee and, of course, assist the committee wherever possible. We thank him for that. I am sure, in the main, he is very much looking forward to the experience.⁹

1.19 The committee is pleased with this development and is of the view that the attendance of the secretary of the department has set a valuable precedent.

1.20 Matters raised by the committee during the hearings included:

- Former DFAT secretary, Mr L'Estrange (pp. 5–6, 77).
- Rationalisation of diplomatic services: accommodation arrangements and operating costs (pp. 66–68).
- Securrency, the reserve Bank entity (pp. 9–10).
- Climate Change Conference, Copenhagen: DFAT staffing activities (pp. 10–16).
- AUSVEG conference, Berlin (pp. 17, 111–112).
- Role of Parliamentary Secretary for Pacific Island Affairs (pp. 17–19).
- Minister for Foreign Affairs and Trade overseas trip to Africa (pp. 19–22).
- Departmental 'X-files' (pp. 22–25).
- Status of the new embassy in Kabul, Afghanistan (pp. 25–28).

7 Senate Foreign Affairs, Defence and Trade Legislation Committee, *Budget Estimates Report 2006-2007*, May 2006, p. 2.

8 *Proof Committee Hansard*, 11 February 2010, p. 5.

9 *Proof Committee Hansard*, 11 February 2010, p. 96.

- Legal proceedings by Mr Smith against the department (pp. 28–29).
- Funding of refugee camps on the Thai–Burma border (p. 30).
- Sanctions imposed against Burma (p. 30); lead-up to the elections in Burma, and cross-border aid (pp. 31–32).
- David Wilson Inquest (pp. 32–40).
- Refugee boat in port at Merak (pp. 41–47).
- Visit to Australia in March by American President, Mr Obama (pp. 47–48).
- Australia–China dialogue in relation to Tibet (pp. 49–51); indictment of Mr Stern Hu (pp. 51–54).
- Refurbishment in the embassy in the Holy See (pp. 54–57).
- Commonwealth Games in India and security issues (pp. 57–58).
- Australia’s relationship with India (pp. 58–62).
- Sri Lanka and the detention camps in Tamil areas (pp. 63–68).
- Syria and Australia’s concerns about nuclear programs in Iran (pp. 68–70, 77).
- Asia–Pacific community and a conference in Sydney (pp. 70–74).
- Australian Safeguards and Non-Proliferation Office (ASNO) activities (pp. 74–75).
- Democratic People's Republic of Korea and ASNO (pp. 75–77).

AusAID

1.21 The committee acknowledged the attendance of Mr Peter Baxter, Acting Director General, and officers representing AusAID. Matters raised by the committee during the hearing included:

- Australia's commitment to global food security (pp. 79–80).
- AusAID and an ANAO audit report findings and recommendations (pp. 80–81, 90–94).
- Child and maternal health (pp. 81–82).
- New guiding principles and requests for funding projects with a family planning component (pp. 82–85).
- Haiti and Australia's commitment for funding and assistance (pp. 85–86).
- Australia's Education Sector Support Program (ESSP) in Indonesia (pp. 86–88).
- Update on Australia's aid budget to Burma and the delivery of programs (pp. 88–90).

- Office of the Deployment of Civilian Capability (p. 94).
- Donation of H1N1 flu vaccine to Pacific island countries (p. 95).

Austrade and DFAT trade programs

1.22 The committee acknowledged the attendance of Mr Peter Yuile, Acting Chief Executive Officer, and officers representing Austrade. The committee also welcomed officers from the trade divisions of the department, to a joint sitting of Austrade and DFAT.

1.23 During the trade section of the estimates program, Mr Richardson made a statement on bovine spongiform encephalopathy (BSE). The statement was given against the background of DFAT's interest and involvement in, and the recent attention given to, the proposed policy change on BSE.

1.24 Mr Richardson stated in part, that:

The policy rationale for the change in BSE policy is contained in various documents and submissions by departments including DFAT. The process followed in coming to the decision was a full and detailed one in which the safety of the Australian people and of our food supply, as well as animal health, were the uppermost considerations. A comprehensive range of meat industry and health stakeholders were consulted. An independent expert, Professor John Matthews—an eminent scientist with 40 years experience—provided a report indicating that the risks to human health of a change in policy were negligible, provided the appropriate risk mitigation strategies were in place.

The report was peer reviewed and endorsed by expert scientists under the National Health and Medical Research Council. The three lead departments on the issue—the Department of Agriculture, Fisheries and Forestry; the Department of Health and Ageing; and the Department of Foreign Affairs and Trade—have worked closely together to ensure that all aspects of the change have been carefully dealt with. I believe we are on a very firm footing to proceed with a policy change on 1 March this year.¹⁰

1.25 The committee sought information on the trade implications of the policy change. Mr Richardson explained:

The view has also been put that this decision is driven purely by trade concerns. This is inaccurate. Trade considerations are one of a number of key issues considered in the policy change but not the sole issue. Peak industry groups support the change, the science has moved on since 2001 when the current policy was put in place and, as shown by Professor Matthew's report, the policy can be changed while assuring a very high level of safety to the Australian population.

10 *Proof Committee Hansard*, 11 February 2010, p. 96.

A change will also provide assurances that Australia continues to abide by its international trade obligations...There was a strong risk, if the policy was not changed, of a WTO challenge...It is strongly in the interests of an export dependent country like Australia that we work within our WTO obligations. The changed policy rectifies this and removes the risk of WTO challenge which could have major consequences for Australian agriculture.¹¹

1.26 Matters raised by the committee during this session included:

- Australia's policy on BSE (pp. 95–103).
- Export Market Development Grants scheme (pp. 103–105).
- Export Finance Insurance Corporation (pp. 105–108).
- Update on the status of various free trade agreements (pp. 108–109).
- Counterfeiting trade agreement (pp. 109–111).

Acknowledgements

1.27 For their assistance during its hearings, the committee thanks Senator the Hon John Faulkner and Senator the Hon Ursula Stephens. The committee also acknowledges the attendance and cooperation of the many departmental and agency officers and the services of various parliamentary staff involved in the estimates process.



Senator Mark Bishop

Chair

11 *Proof Committee Hansard*, 11 February 2010, p. 97.

**Senate Foreign Affairs, Defence and Trade
Legislation Committee**

**Index to proof transcripts
Additional estimates 2009–2010**

Defence portfolio

Wednesday, 10 February 2010

Foreign Affairs and Trade portfolio

Thursday, 11 February 2010

Wednesday, 10 February 2010

DEFENCE PORTFOLIO

Department of Defence

Page no

In attendance	1
Matters relating to opening statements	9-85
Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and promotion of security and stability	
Program 1.2: Navy capabilities	47-64
Capability development	47-64

Defence Materiel Organisation

DMO Outcome 1: Contributing to the preparedness of the Australian Defence Force organisation through acquisition and through-life support of military equipment and supplies.

DMO program 1.1: Management of capability acquisition.....	37-64
DMO program 1.2: Management of capability sustainment	37-64
DMO program 1.3: Provision of policy advice and management services	37-64

Wednesday, 10 February 2010

Department of Veterans' Affairs

Page no

In attendance	4
Portfolio overview and budget summary	86-104
Outcome 1: Compensation and support Maintain and enhance the financial wellbeing and98 self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements.	
Program 1.1: Veterans' income support and allowances	86-104
Program 1.2: Veterans' disability support.....	86-104
Program 1.3: Assistance to Defence widow(er)s and dependants.....	86-104
Program 1.4: Assistance and other compensation for veterans and dependants	86-104
Program 1.5: Veterans' children education scheme.....	86-104
Program 1.6: Rehabilitation compensation acts payments—income support and compensation	86-104
Program 1.7: Adjustments to the rehabilitation compensation acts liability provisions—income support and compensation.....	86-104
Outcome 2: Health Maintain and enhance the physical wellbeing and quality of the life of eligible persons and their dependents through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements.	
Program 2.1: General medical consultations and services	86-104
Program 2.2: Veterans' hospital services	86-104
Program 2.3: Veterans' pharmaceutical benefits	86-104
Program 2.4: Veterans' community care and support.....	86-104
Program 2.5: Veterans' counselling and other health services	86-104
Program 2.6: Rehabilitation compensation acts—health and counselling and other health services.....	86-104
Program 2.7: Adjustment to the rehabilitation compensation acts liability provisions—health and counselling and other health services.	86-104
Outcome 3: Commemorations Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations.	
Program 3.1: War graves and commemorations	86-104
Program 3.2: Gallipoli related activities	86-104

Wednesday, 10 February 2010

Australian War Memorial

Page no

In attendance 2

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

Program 1.1: Commemorative ceremonies 105-108

Program 1.2: National memorial and grounds 105-108

Program 1.3: National collection 105-108

Program 1.4: Exhibitions 105-108

Program 1.5: Interpretive services 105-108

Program 1.6: Promotion and community services 105-108

Program 1.7: Research and information dissemination..... 105-108

Program 1.8: Visitor services. 105-108



Thursday, 11 February 2010

FOREIGN AFFAIRS AND TRADE PORTFOLIO

Department of Foreign Affairs and Trade

	<i>Page no</i>
In attendance	1
Portfolio overview	5-29
Outcome 1: The advancement of Australia's international strategic, security and economic interests including through bilateral, regional and multilateral engagement on Australian Government foreign and trade policies.	
Program 1.1: Other departmental	
North Asia.....	49-54, 75
South-East Asia.....	30-47
Americas	47-48
Europe.....	54-57
South and West Asia, Middle East and Africa.....	57-69
Pacific	70-74
National security, nuclear disarmament and non-proliferation.....	74-77
Bilateral, regional and multilateral trade negotiations.....	95-103
Trade development/policy coordination & Asia-Pacific Economic Cooperation.....	95-103
Outcome 3: A secure Australian Government presence overseas through the provision of security services and information and communications technology infrastructure, and the management of the Commonwealth's overseas owned estate.	
Program 3.2: Overseas property	54-57

Thursday, 11 February 2010

Australian Agency for International Development (AusAID)

	<i>Page no</i>
In attendance	3
Outcome 1: To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia’s national interest.	
Program 1.1: Official development assistance—PNG and Pacific	79-95
Program 1.2: Official development assistance—East Asia	79-95
Program 1.3: Official development assistance—Africa, South and Central Asia, Middle East and other	79-95
Program 1.4: Official development assistance—Emergency, humanitarian and refugee programs	79-95
Program 1.5: Official development assistance—Multilateral replenishments	79-95
Program 1.6: Official development assistance—UN, Commonwealth and other international organisations	79-95
Program 1.7: Official development assistance—NGO, volunteer and community programs	79-95
Outcome 2: Australia’s national interest advanced by implementing a partnership between Australia and Indonesia for reconstruction and development.	
Program 2.1: East Asia.....	79-95

Australian Trade Commission (Austrade)

In attendance	3
Outcome 1: Advance Australia’s trade and investment interests through information, advice and services to businesses, industry and governments.	
Program 1.1: Trade and investment development.....	103-105
Program 1.2: Trade development schemes (Export Market Development Grants)	103-105
Outcome 2: The protection and welfare of Australians abroad through timely and responsive consular and passport services in specific locations overseas.	
Program 2.1: Consular, passport services	103-105
