

# Senate Foreign Affairs, Defence and Trade Legislation Committee

## Report to the Senate

### Introduction

1.1 On 9 February 2012,<sup>1</sup> the Senate referred to the committee for examination and report the following documents:

- Estimates of proposed additional expenditure for 2011–2012 relating to the Defence portfolio and the Foreign Affairs and Trade portfolio;
- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2012 [Appropriation Bill (No. 3) 2011–2012]; and
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2012 [Appropriation Bill (No. 4) 2011–2012].

1.2 The committee conducted public hearings with the Defence portfolio on 15 February 2012 and the Foreign Affairs and Trade portfolio on 16 February 2012. The committee received evidence from the Parliamentary Secretary for Defence, Senator the Hon. David Feeney, representing the Minister for Defence and the Minister for Veterans' Affairs and from officers from the relevant departments and agencies. The committee further received evidence from the Minister for Defence Materiel and Minister for Manufacturing, Senator the Hon. Kim Carr. It also received evidence from the Minister for Broadband, Communications and the Digital Economy; and the Minister Assisting the Prime Minister on Digital Productivity, Senator the Hon. Stephen Conroy, representing the Minister for Foreign Affairs.

1.3 Links to the transcripts of these public hearings and to answers and additional information are available on the committee's internet site at:

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=fadt\\_ctte/estimates/add\\_1112/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=fadt_ctte/estimates/add_1112/index.htm)

### Questions on notice

1.4 In accordance with Standing Order 26(9)(a), the committee agreed that the date for the return of written answers in response to questions placed on notice would be 29 March 2012.

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1 *Journals of the Senate*, No. 75, 9 February 2012, p. 2090.

## Defence portfolio

### *Department of Defence*

1.5 The committee acknowledged the attendance of General David Hurley, AC, DSC, Chief of the Defence Force (CDF); Mr Duncan Lewis, AO, DSC, CSC, the Secretary of the Department of Defence; and officers of the Defence organisation.<sup>2</sup>

#### *Secretary's opening statement*

1.6 Mr Lewis made an opening statement. The topics covered in the statement included the strategic reform program, the Coles Review, the Rizzo Review, the Black Review, Defence achievements, vetting arrangements, questions on notice, and inquiry into the management of the Australian Defence Force Academy Skype incident.

1.7 In respect of the return of answers to questions on notice the Secretary stated:

From the last estimates hearing in October last year, Defence took 160 questions on notice. The questions were made up of 447 sub-questions. Of the 160 questions on notice, Defence provided to the committee 98 responses, 55.6 per cent, by the due lodgement date. This stands in stark contrast to the number of questions on notice that were answered on time from the February hearings last year, which were zero.

Returning to our October estimates hearing last year a further 64 responses, or 40 per cent, were provided one week late and we will continue to work to improve that. Of the remaining seven responses, four per cent were provided in early February. So at this point we have no questions on notice currently outstanding from October. This represents an improvement. We still have further work to do to provide you with more timely responses and we will continue to do that.<sup>3</sup>

#### *Chief of the Defence Force's opening statement*

1.8 General Hurley also made an opening statement. The CDF remembered the soldiers that were killed in action when a member of the Afghan National Army opened fire following a regular weekly parade at Forward Operating Base Pacemaker. In relation to the incident, General Hurley stated:

I would like to place on record my condolences to the families of Captain Bryce Duffy, 4<sup>th</sup> Field Regiment, Royal Regiment of Australian Artillery; Corporal Ashley Birt, 6<sup>th</sup> Engineer Support Regiment; and Lance Corporal Luke Gavin, 2<sup>nd</sup> Battalion; The Royal Australian Regiment.<sup>4</sup>

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2 *Proof Committee Hansard*, 15 February 2012, p. 3.

3 *Proof Committee Hansard*, 15 February 2012, p. 6.

4 *Proof Committee Hansard*, 15 February 2012, p. 7.

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1.9 In terms of the International Security Assistance Force (ISAF) General Hurley explained:

ISAF data shows that at least half of these "insider attacks" are not linked directly to the insurgency but arise from an individual's personal grievances.<sup>5</sup>

1.10 In regards to the transition in Afghanistan, the CDF stated:

Eight months ago the first tranche of provinces began the transition to an Afghan security lead.

....

In our own area of responsibility, Uruzgan remains on track for transition to Afghan security lead and we anticipate Uruzgan province will be included in tranche 3, which we expect will be announced in the first half of this year.<sup>6</sup>

1.11 With respect to North Atlantic Treaty Organisation (NATO), the CDF stated:

Last month I attended the NATO, Chiefs of Defence Staff ISAF session on Afghanistan at the NATO Headquarters in Brussels. I also accompanied the Minister to the NATO/ISAF Defence Ministers Meeting in Brussels. It is very clear that we are at a decisive point in the transition from an ISAF to an Afghan security lead. The model is changing and this will be more clearly articulated by the NATO Summit in Chicago in May this year.<sup>7</sup>

1.12 The CDF also discussed other operations, stating:

East Timor will hold presidential and parliamentary elections this year. At the invitation of the government of East Timor, Australia's military contribution to the International Security Force remains about 390 personnel. We do not anticipate any significant change to the level and force structure of the International Security Force until after the 2012 elections.

....

In the Solomon Islands, the government has agreed to maintain our existing commitment to the Regional Assistance Mission to the Solomon Islands until at least mid 2013.<sup>8</sup>

1.13 In his opening statement, the CDF also addressed the issue of Defence culture and the suite of completed cultural reviews.<sup>9</sup>

1.14 Other topics examined during the hearing on 15 February 2012 included:

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5 *Proof Committee Hansard*, 15 February 2012, p. 7.

6 *Proof Committee Hansard*, 15 February 2012, p. 7.

7 *Proof Committee Hansard*, 15 February 2012, p. 8.

8 *Proof Committee Hansard*, 15 February 2012, p. 8.

9 *Proof Committee Hansard*, 15 February 2012, p. 8.

*Questions arising from opening statements*

- Gyles report (pp. 9–10)
- The Department spending on actions relating to the three petty officers landed in Singapore from the HMAS *Success* (pp. 11–12)
- Promotions within the Department (p. 12)
- Australia Defence Force Academy (ADFA) reviews (pp. 12–14)
- DLA Piper review: costs, terms of reference (pp. 13–14)
- Defence workplace agreements (p. 15)
- Additional staff appointed: Chief Operating Officer (pp. 15–16)
- Cultural reviews: report on the treatment of women at ADFA (p. 16)
- Defence posture review (pp. 17–19)
- Cultural reviews (p. 20)
- Visibility of Defence on the North–West coast (p. 19–20)
- Security vetting report of the Inspector General of Intelligence and Security (pp. 21–23)
- Turnover of staff: position of Associate Secretary Capability (pp. 23–24)
- Strategic Reform Program (SRP) (pp. 24, 48–49, 51)
- Coles Report (pp. 24–29)
- Recruitment of Afghan National Army soldiers (pp. 30–32)
- Handling of detainees in Iraq (pp. 32–33)
- Australian military forces use of drone technology (pp. 33–34)
- Exercise Milan hosted by India (pp. 34–35)
- Establishment of a US Marine base (pp. 35–36)
- Fleet Base West at Garden Island and the Australian Marine Complex in Western Australia (pp. 36–37)
- Garrison support services at Robertson Barracks (p. 39–40)
- Adagold air sustainment contract (pp. 40–43)
- The impact on fuel and electricity the carbon tax will impose upon Defence (pp. 43–44)

*Portfolio Overview and budget summary*

- The underlying structural causes that have led to a shortfall in skilled and competent people (p. 44)
- Rizzo report (pp. 44–46)
- Black review (pp. 47–48)

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- Australian Women's Land Army and the arrangements between the Department of Defence and the Department of Prime Minister and Cabinet (p. 51)

#### *Program 1.6 Defence Support*

- Defence force bases: RAAF Williamtown and Robertson (pp. 52–55)
- Anglesea Barracks (pp. 55–56)

#### *Defence Materiel Organisation*

- Coles report/Collins class sustainment review: clause 5.6 (pp. 56–60)
- HMAS *Sheean*, HMAS *Dechaineux*, HMAS *Rankin* (pp. 61–64)
- SEA 1000 (pp. 66–67)
- RIMPAC (Exercise Rim-of-the-Pacific) (p. 66)
- Japanese submarines (pp. 67–68)
- Defence White Paper 2009: *Defending Australia in the Asia Pacific Century: Force 2030* (pp. 69–70)
- Projects of concern (pp. 60–61, 71–76)
- Rizzo report (pp. 76–79)
- HMAS *Success* (pp. 79–80)
- HMAS *Sirius* (p. 80)
- HMNZS *Endeavour* (p. 80)
- Joint Strike Fighter (pp. 80–82)

#### *Program 1.17 Other administered items*

- School of Military Engineering (pp. 82–84)
- Mount Ainslie Nature Reserve (pp. 84–86)

#### *Department of Veterans' Affairs*

1.15 The committee welcomed Mr Ian Campbell PSM, Secretary of the Department of Veterans' Affairs, and officers from the Department of Veterans' Affairs.<sup>10</sup>

1.16 Topics examined during the hearing on 15 February 2012 included:

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10 *Proof Committee Hansard*, 15 February 2012, p. 87.

- BEST program and funding (pp. 88–91, 109–112)
- Response to questions from Supplementary Estimates 2011: BCOF (British Commonwealth Occupation Force) service (pp. 91–92)
- Sutherland report (pp. 92–93)
- Clarke recommendations (p. 93)
- DVA training (pp. 94–95)
- Correcting information given to the committee: letter from Ms Dotta (pp. 95–96)
- Training sessions to the Veterans' Services Centre staff (pp. 96–99)
- Military rehabilitation and compensation review (pp. 99–101)
- Impact of efficiency dividend on DVA (pp. 101–103)
- Atomic veterans: nuclear tests between 1952 and 1967 (pp. 103–105)
- Veterans and Veterans Families Counselling Service (VVCS) and Lismore (pp. 105–109)
- Health tele-monitoring initiative (pp. 112–116)
- Celebrations of the Centenary of the Gallipoli landings (pp. 116–117)
- Annual report: contracts for Colmar Brunton (pp. 117–118)

### *Australian War Memorial*

1.17 The committee acknowledged the attendance of officers of the Australian War Memorial.<sup>11</sup> Topics examined during the hearing on 15 February 2012 included:

- Impact of efficiency dividend on the Australian War Memorial (p. 119)
- Final volume of the history of the Vietnam War (p. 119)
- Funding, approval for funding, request for funding (p. 120)

1.18 The committee notes that for some time, it has been seeking advice on progress toward the publication of the final volume of the official history on the Vietnam War. The Australian War Memorial was pleased to announce that this final volume would be launched in early March this year. It acknowledged that this event would attract a deal of great interest.

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11 *Proof Committee Hansard*, 15 February 2012, p. 119.

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## Foreign Affairs and Trade portfolio

### *Department of Foreign Affairs and Trade*

1.19 The committee welcomed Mr Dennis Richardson, Secretary, and officers of the Department of Foreign Affairs and Trade (DFAT).<sup>12</sup>

1.20 The Secretary of DFAT informed the committee that the Prime Minister had announced on 28 September 2011 the commissioning of a white paper on Australia in the Asia century. He stated:

Former Treasury Secretary Ken Henry is heading up the exercise, which does involve public consultation. On 17 December [2011] the Prime Minister invited public submissions in the context of the white paper to be lodged by 26 February [2012], and the white paper of course will be a government white paper so it will obviously need to be considered at the appropriate time by ministers.

The Asian Century White Paper committee of the cabinet has been established to oversee the development of the white paper. That committee comprises the Prime Minister, the Deputy Prime Minister and Treasurer, the Minister for Foreign Affairs, the Minister for Trade, and the Minister for Finance and Deregulation. There is also a secretaries committee supporting the work the cabinet committee, which consists of the secretaries of PM&C, Treasury and DFAT. There is an advisory panel which Deputy Secretary Heather Smith of DFAT sits on.<sup>13</sup>

1.21 Mr Richardson explained that a reference group has been established on which DFAT is represented. There is also the White Paper Task Force, established in the Department of the Prime Minister and Cabinet, which is supporting Dr Henry in his work. A former Ambassador to Tokyo, Murray McLean, is a special advisor to Dr Henry.

1.22 Topics examined during the hearing on 16 February 2012 included:

#### *Portfolio Overview*

- Cable: Australian ambassador or high commissioner meeting with a senior official (pp. 4–14)
- European Bank for Reconstruction and Development (pp. 14–16)
- Budget for the Department (pp. 16–17)
- Staff reductions (pp. 17–19)
- Travel: process in which the Foreign Minister's travel priorities are determined (pp. 19–25)

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12 *Proof Committee Hansard*, 16 February 2012, p. 4.

13 *Proof Committee Hansard*, 16 February 2012, p. 29.

- Amount spent on hospitality and entertainment (p. 24)
- Costs of representation (p. 25)
- Durban climate change conference (pp. 25–26)
- Foreign Minister's address to the United Nations General Assembly (p. 26)
- United Nations Security Council bid (pp. 26–27)
- Travel by special envoys (pp. 26–27).

#### *North Asia*

- Death of Kim Jong Il, engagement with North Korea (pp. 27–28)
- Presence in Mongolia (pp. 28–29)
- Asia White paper (p. 29)
- Valuation of Chinese currency (pp. 29–30)
- Status of Matthew Ng (p. 31)
- Taiwanese policy: more favourably disposed to improving relationships with the People's Republic of China (pp. 31–32)
- Radiation levels in Japan (p. 32)
- Staffing in Tokyo embassy since earthquake (p. 32)
- Assistance to Japan since the earthquake and tsunami in relation to nuclear safety issues or humanitarian concerns (p. 32)
- Protesters on the *Shonan Maru No. 2* (pp. 32–35)
- Whaling program by the Japanese Government (p. 35)

#### *South-East Asia*

- An Australian arrested in Bali (pp. 35–37)
- Live cattle in Indonesia (pp. 37–39)
- Access through ports in Indonesia (pp. 38–40)
- Level of consultation with Indonesia: banning of live exports to Indonesia, logging (pp. 40–42)
- Foreign Minister's visa application to Burma (pp. 42–43)
- Karen refugees (p. 43)
- Australian tourists in Laos: loss of lives (pp. 43–44)
- Consular positions in Vientiane (p. 44)
- Cost of Smartraveller application (p. 44)
- Detention centre in Malaysia (p. 44)



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- People smuggling, offshore processing (p. 45)
  - Withdrawal of Australian troops from East Timor (p. 45)
  - Justin Hale: Australian journalist who had visa withdrawn in Indonesia (p. 45)
  - Kidnapping incident in Philippines, recommendations of the McCarthy review (p. 45)

### *Americas*

- Alliance with the USA, American engagement in the Asia-Pacific (pp. 45–46)
- Location of embassies in South America, diplomatic presence in South America (pp. 46–47)

### *Africa*

- Aid payments, Libya (p. 47)
- Australian citizens in Egypt, Libya and Tunisia (p. 48)
- Christians in Egypt (p. 48)
- US NGOs in Egypt (p. 49)
- Food security (p. 49)
- Changing situation in Burma (p. 50)
- Political prisoners (pp. 50–51)
- Australia's policy on investment in trade between Australia and Burma (p. 52)
- Chinese funding for the building of a headquarters for the Organisation of African Unity (p. 52)

### *Europe*

- Relationship with Europe (p. 52)

### *South and West Asia, Middle East*

- Response to war crimes in Sri Lanka, *Lessons learnt and reconciliation commission* report (pp. 53–55, 58–59)
- Current situation in Syria (p. 54)
- Current relationship with India, exports, number of Indian students coming to study, nature of the relationship (p. 56)
- Folke Bernadotte Academy: quiet diplomacy (pp. 56–57)

- Uranium sales to India (pp. 57–59)

### *Pacific*

- PNG: status of Peter O'Neill and Sir Michael Somare (p. 59)
- Foreign Minister's last visit to PNG (p. 59)
- Elections in PNG, female representation in the Pacific parliament (pp. 59–61)
- Economic cooperation treaty entered by PNG and Australia (p. 61)
- Fiji (p. 61)

### *Program 1.3 Public Information Services and Public Diplomacy*

- Tender evaluation board meetings for the Australia Network contract (pp. 61–68)

### *International organisations and legal issues*

- Migrant women's workers' convention (p. 69)
- Commission on the Status of Women meeting at the UN (pp. 69–70)
- Conventions and policy for Australian citizens who are detained overseas (pp. 70–71)

## **Trade portfolio**

### ***DFAT trade programs, Australian Trade Commission and Export Finance and Insurance Corporation***

1.23 The committee welcomed officers of the Australian Trade Commission who appeared with DFAT officers in the trade programs.<sup>14</sup> Topics examined during the hearing on 16 February 2012 included:

#### *Bilateral, regional and multilateral trade negotiations*

- PACER Plus negotiations (pp. 71–72)
- Staffing of Austrade (p. 72)
- Smaller offices being closed down (pp. 72–73)
- Office in Mongolia (p. 73)
- Chinese Ministry of Education (pp. 73–74)

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14 *Proof Committee Hansard*, 16 February 2012, p. 71.

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- China International Education Exhibition (p. 74)
  - Trade delegation to the Middle East (p. 74)
  - Abattoirs in Indonesia (pp. 74–75)
  - Importation of New Zealand apples (p. 75)
  - Australian Quarantine and Inspection Service (AQIS) (pp. 75–76)
  - Category A projects disclosed in the 2010–2011 Annual report (pp. 76–77)
  - Live export trade (pp. 77–78)
  - Procedures in dealing with Eurozone (pp. 78–79)
  - PNG Liquefied Natural Gas (LNG) (pp. 79–80)

### ***Australian Agency for International Development***

1.24 The committee welcomed officers of the Australian Agency for International Development (AusAID).<sup>15</sup>

#### *Opening statement*

1.25 Mr Peter Baxter, Director General, made an opening statement. The topics covered in the statement included progress on *An Effective Aid Program for Australia: Making a real difference—Delivering real results*; recommendation 39 of the Independent Review; first annual consultative forum between AusAID and the business community.

1.26 Mr Baxter provided a brief update on AusAID's progress in implementing the government's new aid policy. He informed the committee that the government had agreed to 38 recommendations in full or in principle. Of these 38, 27 have now been implemented in full and implementation of the remainder is underway and set for completion by the end of this year. He also stated that the government announced its intention to issue a transparency charter which committed AusAID 'to providing more information on what we fund and the results we achieve'.<sup>16</sup> Mr Baxter announced that this undertaking has been delivered and on 23 November 2011 the minister launched the new transparency charter.

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15 *Proof Committee Hansard*, 16 February 2012, p. 81.

16 *Proof Committee Hansard*, 16 February 2012, p. 82.

Topics examined during the hearing on 16 February 2012 included:

- Tuberculosis clinics in Torres Strait and their transfer to Daru (pp. 83–86)
- *Effective Aid review* recommendations 15 and 16 about increasing core funding to NGOs and partnerships (pp. 86–87)
- Burma (pp. 87–88)
- *Effective Aid review* recommendation 39 (pp. 88–91)
- Projects in Sri Lanka (p. 91)
- Reduction in the amount of advisers (pp. 91–92)
- Asian Development Bank (pp. 92–93)
- Sexual and reproductive health issues in PNG (p. 93)
- AusAID funded scholarships (pp. 93–94)
- Pacific Seasonal Worker Program (p. 94)
- East Timorese coming to the Kimberley (pp. 94–95)
- Reproductive health and women particularly in Cambodia (pp. 95–96)
- Cambodian railways project (pp. 96–98)
- Australia's development program in Sri Lanka (p. 98)
- Mekong (pp. 98–99)
- Libya, Middle East and North Africa regional strategy (pp. 99–100)
- Mine clearances (p. 100)
- UN DPA (United Nations Department of Political Affairs) (p. 100)
- Zimbabwe: cost of the establishment of an AusAID office, HIV program (pp. 100–101)
- Obstetric support (p. 101)
- Tarin Kowt school (pp. 101–102)
- Staffing (pp. 102–103)
- Funding with NGOs (pp. 103–104)
- AusAID post in Ramallah (p. 104)
- Multilateral agencies: draft document on multilateral engagement strategy that was written in 2009 (pp. 104–106)
- Afghanistan: talks with the Australian military about managing AusAID projects in Afghanistan (pp. 106–107)
- Australian aid in the Alicegan project (p. 107)
- Proposal to host a global fund donors meeting in 2012 (p. 108)
- Australian Mining for Development Initiative (pp. 108, 110)

- BHP workforce (pp. 108–109)
- Food Security Through Rural Development initiative (p. 110)
- Cambodia: rights of in-country NGOs trying to advocate on behalf of their communities (p. 111)
- Indonesian carbon partnership (p. 111)

## **Acknowledgements**

1.27 For their assistance during its hearings, the committee thanks Senator the Hon. David Feeney, Senator the Hon. Kim Carr and Senator the Hon. Stephen Conroy. 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 the Hon. Ursula Stephens  
**Chair**

