

Senate Foreign Affairs, Defence and Trade Legislation Committee

Report to the Senate

Introduction

1.1 On 12 May 2009, the Senate referred to the committee for examination and report the following documents:

- Particulars of certain proposed budget 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 budget expenditure in respect of the year ending 30 June 2009.

1.2 The committee has considered the proposed budget expenditure for the year ending 30 June 2010. It has received evidence from the Minister representing the following ministers: the Minister for Foreign Affairs; the Minister for Trade; the Minister for Defence; and the Minister for Veterans' Affairs, and officers of the departments and agencies concerned.

1.3 The committee met in public session on 1, 2, 3 and 4 June 2009. 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, 30 July 2009.

Portfolio budget statements

1.5 The committee notes that from the 2009-2010 budget, all general government sector (CGS) entities will be reporting on a program basis. In real terms, this means that departments and agencies will move from an accrual structure using administered items, outputs and output groups, to a program reporting framework.

1.6 In some instances, departments and agencies for the Foreign Affairs and Trade and the Defence portfolios have undergone significant change. Other entities have made minor changes to conform to the new requirements.

1.7 The departments and agencies that have undergone significant change are:

- Department of Foreign Affairs and Trade: programs refined and old outcome 3 is integrated into new outcome 1. See PBS, DFAT, pp. 22-23, Figure 2, for a transition table.
- AusAID: more programs added to outcome 1 to describe the range of functions. See PBS, DFAT, pp. 111-112, Figure 2, for a transition table.

- Austrade: integrated output groups 1.3 to 1.5 into new program 1.1. See PBS, DFAT, pp. 76-77, Figure 2, for a transition table.
- Department of Veterans' Affairs: more programs added to outcomes 1 to 3 to better describe services offered. Outcomes 4 and 5 and output group 6, have been integrated into updated outcomes 1 to 3. See PBS, DVA, pp. 28-29, Figure 2, for a transition table.

1.8 The Department of Defence and Defence Materiel Organisation, Defence Housing Australia, Australian War Memorial, the Australian Centre for International Agricultural Research (ACIAR) made little or no change to their respective program structures, and some made minor changes to descriptive headers.

Foreign Affairs and Trade portfolio

Preparation for hearing

1.9 The committee received a briefing from DFAT officers on 14 May. They explained changes to the outcome structures, the reasons behind these changes and the overall structure of the Portfolio Budget statements. Committee members asked questions particularly about where details of particular programs could be found.

Department of Foreign Affairs and Trade

1.10 The committee acknowledged the attendance at the hearings of Mr David Ritchie, Deputy Secretary, and officers of the Department of Foreign Affairs and Trade.¹

1.11 The committee sought an update on the issue of the root and branch review, which was discussed at additional estimates in February 2009. The department responded that the outcome of the review was taken into account by the government in determining the department's budget for 2009-2010.

1.12 In response to a question on how it was reflected in the department's accounts, Mr Ritchie stated that:

It was not quantified. It was a measurement of the department's base budget against the outcomes that the government required of it. It concluded...that the department's base budget required some addition. Some of that has been taken into account in the funding that we received in the 2009-2010 budget. This provides for a modest increase in the department's budget against the background of a very tight budgetary situation, which we acknowledge... We are in a situation where a number of other portfolios had to suffer serious cuts. I think the government has manifested that in the decisions

1 Transcript page numbers for the Foreign Affairs and Trade portfolio refer to *proof Committee Hansards*, 1 and 2 June 2009. (See the transcript index at the back of this report.)

that it has made about the department's budget, in which, as I say, there is a modest increase involved.²

1.13 The committee sought information on how the department quantified the modest increase. Mr Ritchie explained:

Just to give you a summary, the budget provides DFAT with \$331.1 million over four years in new departmental funding; that is, non-property funding. Property funding is extra. That works out at about \$80 million a year.

In addition, in property funding, we have received \$163.6 million over four years for three property projects. That involves the relocation of our embassies in Jakarta and Bangkok and a feasibility study for a secure, purpose-built embassy in Kabul.

We received an additional \$2.4 million over four years from 2009-2010 in administered funding on behalf of the Commonwealth. That is mainly dues we pay to various international organisations and other things.

We received funding to continue some important existing activities. I mentioned, I think, at the last estimates that, for example, for initiatives like the United Nations Security Council campaign and the International Commission on Nuclear Non-Proliferation and Disarmament we had received funding for 2008-2009 but not for the out-years. That funding has now been continued for at least the next two years.³

1.14 Matters raised by the committee during the hearings included:

Portfolio overview

- Root and branch review of the department and its budget for 2009-2010 (pp. 5-8).
- Budget allocations and staff numbers (pp. 8-11, 14).
- Security clearances for staff (pp. 11-12)
- Appropriations and the portfolio budget statements (pp. 12-14)
- Appointment of heads of missions to Germany and Sweden (pp. 34-57).

Outcome 1

North Asia

- North Korea and Australia's diplomatic representation (pp. 67-69)
- Shanghai Expo (02Jun09, pp. 31-32)
- Australia-China relationship and briefings on the Defence white paper (02Jun09, pp. 32-39).

2 *Proof Committee Hansard*, 1 June 2009, p. 5.

3 *Proof Committee Hansard*, 1 June 2009, p. 5.

South East Asia

- Burma, Aung San Suu Kyi, and elections (pp. 94-101)
- ASEAN human rights and Burma (pp. 101-102).
- Asia-Pacific Community (pp. 112-118).

Americas

- Guantanamo Bay detainees and resettlement (pp. 57-58).

Europe

- The Ambassador to the Holy See (02Jun09, pp. 4-7).
- Australia and the Asia-Europe meeting (02Jun09, p. 8).

South and West Asia, the Middle East and Africa

- Zimbabwe and Australian government funding (pp. 58-61)
- Zimbabwe and travel advisories (pp. 61-65)
- Violence against Indian students in Australia (pp. 66-67)
- Gaza and UNRWA (pp. 102-106)
- Pakistan and Afghanistan (pp. 106-112).

Pacific

- Fiji and Australian aid (pp. 89-90)
- Fiji and a future election; travel advisories and peacekeeping activities (pp. 90-93)
- Pacific Partnerships for Development (02Jun09, pp. 30-31).

International organisations, legal and environment

- Australia's bid for a temporary seat on the United Nations Security Council (pp. 15-34)
- People smuggling and Australia's response (pp. 69-73)
- Durban conference I and Durban conference II and the Human Rights Commission (pp. 73-88)
- Australia, the International Whaling Commission and the International Court of Justice (02Jun09, pp. 8-14)
- Inadvertent tabling of bilateral treaty documents (02Jun09, pp. 16-18)
- International Commission on Nuclear Disarmament (02Jun09, pp. 39-40).

Bilateral, regional and multi-lateral trade negotiations (heard 02Jun09)

- Australia-China free trade negotiations (pp. 97-102)
- Australia-New Zealand-ASEAN free trade agreement (pp. 103-106)
- Australia-Japan free trade agreement negotiations (pp. 106-107)

- Gulf Cooperation Council free trade agreement negotiations (pp. 107-108)
- Vietnam's market economy status (pp. 108-109).

Trade development/policy coordination (heard 02Jun09)

- Export Finance Insurance Corporation (pp. 109-110).

Outcome 2

Consular and passport services (heard 02Jun09)

- Chaser incident in the Vatican (pp. 7-8; 14-15)
- West Papua and the 'Merauke Five' (pp. 18-27, 40-41)
- Travel advisories and people travelling by sea (pp. 27-28)
- Australia's new N series passport (pp. 28-30).

Outcome 3

- Ambassador to the Holy See—accommodation (02Jun09, pp. 4-7).

Australian Centre for International Agricultural Research (ACIAR) (heard 02Jun09)

1.15 The committee acknowledged the attendance of Mr Peter Core, Chief Executive Officer of ACIAR.

1.16 Matters raised by the committee during the hearing included:

- Development of a food security strategy (pp. 42-45, 47)
- Bilateral relationship between ACIAR and Thailand (p. 45)
- Consultation Group on International Agricultural Research (pp. 45-47).

AusAID (heard 02Jun09)

1.17 The committee acknowledged the attendance of Mr Bruce Davis, Director General, and officers representing AusAID.

1.18 Matters raised by the committee during the hearing included:

- Composition of Australian Overseas Development Assistance (ODA) (pp. 47-48)
- The global economic crisis task force and its activities (pp. 48-50, 51-52)
- Pacific Partnerships for Development (pp. 50-51, 65-69)
- Food security program in Africa (pp. 52-54)
- Contributions to humanitarian assistance in Africa (pp. 54-55)
- Microfinance activities and financial services (pp. 55-56, 64-65)
- Education statements and the Australian Development Scholarship program (p. 56)
- Aid funding, family planning guidelines and abortion (pp. 57-61)

- Public-Private Infrastructure Advisory Facility (pp. 62-64)
- Pacific Partnerships for Development and DFAT's work (pp. 69-71)
- Aid budget and the Solomon Islands, China and Vietnam (pp. 71-74)
- ODA and Indonesia and Burma (pp. 74-75)
- Debt-to-health swap (pp. 75-76)
- Afghanistan (pp. 76-81)
- Somalia (pp. 81-82)
- Budget papers: Africa (pp. 82-83)
- Pacific programs: responsiveness and accountability (pp. 84-85)
- Responsibility to Protect Fund (R2P) (pp. 85-87).

Austrade (heard 02Jun09)

1.19 The committee acknowledged the attendance of Mr Peter Yuile, Deputy Chief Executive Officer, and officers representing Austrade.

1.20 Matters raised by the committee at the hearing included:

- Clean energy investment strategy (p. 88)
- Austrade challenges and the global financial crisis (pp. 88-90)
- Austrade staffing (p. 90)
- Automotive market access program (pp. 90-92)
- Australia's Pacific Investment Commissioner (p. 92)
- Export Market Development Grant Scheme (EMDG) (pp. 92-96)
- Free trade agreement: United States (pp. 96-97).

Defence portfolio

Preparation for hearing

1.21 The committee received a briefing from Defence officers on 14 May at which they explained the outcome and program structure of the Portfolio Budget statements. Committee members asked questions particularly about where details of particular programs could be found.

Department of Defence

1.22 The committee acknowledged the attendance of Air Chief Marshal Angus Houston AC, AFC, Chief of the Defence Force (CDF), Mr Nick Warner PSM, Secretary of the Department of Defence, and officers of the Defence organisation.⁴

Secretary's opening statement

1.23 Mr Nick Warner made a statement to the committee about Defence's strategic reform program, the special forces' pay issues, and, allegations that Defence personnel improperly accessed the Minister for Defences' IT systems.⁵

1.24 With regard to the strategic reform programs, Mr Warner stated:

The Strategic Reform Program will focus on 15 key areas or reform streams, some of which will deliver savings through sustainable reform. While other reforms will not deliver quantifiable savings, they will increase the efficiency and effectiveness of Defence. The reform will generate savings of \$20 billion over the next ten years, which has been earmarked for reinvestment in current and future military capabilities and remediation of the 'broken backbone' of Defence.⁶

Chief of the Defence Force's opening statement

1.25 Air Chief Marshal Houston addressed the committee about the Defence white paper, *Defending Australia in the Asia Pacific Century: Force 2030*. He also made some specific points about Afghanistan, counter-piracy, East Timor, the Solomon Islands and border protection.⁷

1.26 In relation to the Defence white paper, Air Chief Marshal Houston commented that it is a very good outcome for the Australian Defence Force:

It is exactly what we need to ensure we have the long-term guidance, planning and force structure to provide Australia with a military that has the capacity to protect Australia and our interests. I am delighted with the capability decisions that have been made and the balance between the three services.

...

Force 2030 will provide Australia with a formidable set of integrated military capabilities that will keep our country secure against the backdrop of a changing strategic environment. Importantly, our three services are ready to begin this significant transition period. Indeed, they are already

4 Transcript page numbers for the Defence portfolio refer to *proof Committee Hansards*, 3 and 4 June 2009. (See the transcript index at the back of this report.)

5 *Proof Committee Hansard*, 3 June 2009, pp. 5-10.

6 *Proof Committee Hansard*, 3 June 2009, p. 6.

7 *Proof Committee Hansard*, 3 June 2009, pp. 10-11.

well underway, making the necessary cultural and structural reforms that we need to help transform defence.⁸

1.27 A copy of both statements and accompanying documentation were provided to the committee at the hearing. Attention was drawn to the length and complex nature of the information contained in the Secretary's opening statement and accompanying document, which made it difficult for committee members to digest this material in time to use it constructively during the hearing.

1.28 It has been a long standing and welcomed tradition for the Secretary of the department and the CDF to make detailed opening statements. The committee finds these statements helpful and appreciates the efforts that the Secretary and CDF make to present these informative introductions. They provide an important starting point upon which committee members then proceed to ask questions. Even so, the committee notes that, if the material presented is detailed, comprehensive and complex, committee members require ample time before the hearing to consider the material.⁹

1.29 Other topics examined during the hearing included:

Portfolio overview and budget summary

- Oruzgan province (pp. 15-16); Tarin Kowt: quality of food for ADF personnel (pp. 16-22)
- Communications from families of personnel serving in Afghanistan and other overseas deployments (pp. 22, 105)
- Australia's troop deployment to Afghanistan in light of the United State's new commitment to the region (pp. 22-24, 95-96)
- Honour payments and acts of grace payments (pp. 27-30, 50)
- AP3C maritime surveillance and frigate in the Gulf of Aden (pp. 30-33)
- East Timor and the Defence Cooperation Program (p. 33)
- United States health provider *Humana* (pp. 80-85)
- SAS pays, training remediation plan; and ADF personnel debt recovery (pp. 85-89)
- Body mass index of ADF personnel (pp. 90-95)
- Afghan Army Trust Fund (pp. 95-96)
- Trust funds specific to SAS and other trust funds (p. 97; 04Jun09, pp. 60-61)
- Contract for submarine rescue and Remora (pp. 110-113)

8 *Proof Committee Hansard*, 3 June 2009, p. 10.

9 *Proof Committee Hansard*, 3 June 2009, pp. 12-15.

- Security inquiry: report on allegations of the department investigating the Defence minister (04Jun09, pp. 29-38)
- Reporting on the SIEV36 incident (04Jun09, pp. 55-57).

White paper

- White paper and the portfolio budget statements (pp. 35-40)
- ‘Government’s financial plan for Defence’ and transparency, a force structure review, and major capability acquisitions (pp. 40-50)
- White paper briefings to other countries, to Australian politicians and to the media (pp. 50-55, 66-67)
- Public consultation process prior to the production of the white paper (pp. 67-72; 04Jun09, pp. 57-59)
- Strategic challenges Australia will face over the life of the white paper (pp. 55-59)
- American nuclear capacity within the Asia-Pacific region (pp. 59-62)
- The acquisition of two new submarines and the submarine workforce sustainability program (pp. 62-66, 106-110)
- Australian Strategic Policy Institute (pp. 72-73)
- Antisubmarine warfare capabilities (p. 74)
- Foreign language training (pp. 74-75)
- Cultural change and organisational practices with the ADF (pp. 76-77)
- Better managing Defence costs and financial risks (p. 77)
- Potential major power adversaries (pp. 78-80)
- Workforce requirements of the Defence organisation through the life of the white paper, and, efficiency improvements (04Jun09, pp. 4-14)
- Details of provisional savings and costs to 2019-2020 and the reform program (04Jun09, pp. 15-27)
- The reform program and reserves (04Jun09, pp. 27-29).

Outcome 1

Program 1.2: Navy capabilities

- Submarine Force Element Group, training, crewing levels and mental health (pp. 106-110; 04Jun09, p. 60)
- Assault of a Navy electronics technician while on shore leave from Operation Resolute in September 2007 (pp. 115).

Program 1.6 Capital facilities and Defence support

- Deployed personnel from Townsville and life insurance issues (pp. 24-26, 34)
- Marangaroo ammunitions facility in the Blue Mountains (04Jun09, pp. 61-62)

- Kings Hill, Williamstown air base and proposed rezoning of land to the northeast of the base (04Jun09, pp. 62-64).
- Uniform allowances and equipment for service police dog (pp. 90; 04Jun09, p. 64).

Program 1.11 Capability development

- Acquiring airborne electric attack capabilities (p. 75)
- Situational awareness: communication between platforms (pp. 75-76)
- Capital investment program for the period 2009 out to 2030 (pp. 77-78).

Program 1.13 People strategies and policy

- Mental health issues: post deployment management of troops (pp. 102, 107)
- Communication with families of personnel deployed overseas and the Defence Community Organisation (pp. 105-106)
- Drug testing of ADF personnel (pp. 113-115; 04Jun09, p. 38).

Program 3.1 Defence contribution to support tasks in Australia

Exercise Talisman Sabre

- H1N1 influenza (pp. 97-98, 101-102)
- Importation of military equipment and troops for exercises and quarantine issues (pp. 99-100; 04Jun09, pp. 59-60, 72)
- Naval operations and precautions to protect marine mammals from high-power sonar (pp. 100-101; 04Jun09, p. 60).

Defence Materiel Organisation (heard 04Jun09)

- Air warfare destroyer project (pp. 39-40)
- Armouring of vehicles used in Afghanistan (pp. 40-42)
- 'Bushmaster light' (p. 42)
- Land 17 field vehicles project (pp. 42-44)
- Super Seasprite (pp. 44-46)
- Wedgetail project (pp. 46-49)
- Vigilante project (pp. 49-50)
- BAMS project (pp. 50-53)
- Joint Strike Fighter program: proposal for an advanced processing capability in Australia (pp. 53-55, 72)
- Update on the M113 project (pp. 64-65)
- Land 125 soldier combat system (pp. 65-67)
- M1A1 Abrams fleet (pp. 67-68)
- HFMOD high frequency modernisation project (p. 69)
- FFG upgrade (pp. 69-70)

- JASSM project (pp. 70-71)
- C17 project (p. 71)
- MRH90 project (p. 71).

Defence Housing Australia (heard 04Jun09)

1.30 The committee acknowledged the attendance of Mr Michael Del Gigante, Managing Director, and officers from Defence Housing Australia (DHA).

1.31 Matters raised by the committee included:

- Joint venture for housing in Darwin (pp. 72-75)
- Stimulus package project around Australia (pp. 75-76)
- Tendering process and the Defence Home Ownership Assistance Scheme (pp. 76-78, 91-92).

Department of Veterans' Affairs (heard 04Jun09)

1.32 The committee acknowledged the attendance of Mr Ian Campbell PSM, Secretary, and officers of the Department of Veterans' Affairs (DVA).

1.33 Matters raised by the committee during the hearing included:

Portfolio overview/Corporate and general matters

- Invoice processing and payment times (pp. 78-79)
- Dependent pensions (p. 79)
- Budget measures: decline in departmental expenses (pp. 79-80)
- Vehicle assistance scheme (p. 81)
- Legal challenges to claims lodged by veterans (pp. 81-82)
- Defective administration and acts of grace (pp. 82-83)
- Veterans and the stimulus packages (pp. 83-84)
- Newstart and the partner service pension (pp. 84-86)
- DVA staffing matters (p. 86, 89-90, 96)
- Veterans moving to low and high care residential facilities (pp. 86-87)
- Increased health care expenses and veterans (pp. 87-88)
- Travel expenses claims (pp. 88-89)
- Veterans community care and support: veterans and community grants (p. 89)
- Outreach programs (p. 90)
- DVA indigenous liaison officers (p. 90)
- Compensation payments made to finalise outstanding claims from the HMAS *Voyager* and HMAS *Melbourne* collision (pp. 90-91)

- Tendering process and the Defence Home Ownership Assistance Scheme (pp. 76-78, and p. 91-92)
- Upgrade to the Hyde Park memorial in London (pp. 92-94)
- Western Front Interpretive Trail (pp. 94-96)
- Decrease in the funding for war graves and commemorations (pp. 96-98).

Australian War Memorial

1.34 The committee acknowledged the attendance of Major General Steve Gower AO, Director, and officers of the Australian War Memorial (AWM).

1.35 Matters raised by the committee included:

- Construction developments and public consultation (pp. 98-100)
- Guidelines for taking photographs in the grounds of the AWM (pp. 100)
- Vietnam official history (pp. 103-105).

Acknowledgements

1.36 For their assistance during its hearings, the committee thanks Senator the Hon John Faulkner, Senator the Hon Ursula Stephens, Senator the Hon Mark Arbib and Senator the Hon Joe Ludwig. 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