

**SENATE FOREIGN AFFAIRS, DEFENCE  
AND TRADE  
LEGISLATION COMMITTEE**

**Report to the Senate  
Additional estimates 2001–2002**

**March 2002**

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# Senate Foreign Affairs, Defence and Trade Legislation Committee

## Membership

<b>Chair:</b>	Senator Sandy Macdonald (NPA, New South Wales)
<b>Deputy Chair:</b>	Senator John Hogg (ALP, Queensland)
<b>Members:</b>	Senator Vicki Bourne (AD, New South Wales)
	Senator Chris Evans (ALP, Western Australia)
	Senator Alan Ferguson (LP, South Australia)
	Senator Marise Payne (LP, New South Wales)

### Other attending senators

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Senator Mark Bishop (ALP, Western Australia)  
Senator George Brandis (LP, Queensland)  
Senator Paul Calvert (LP, Tasmania)  
Senator Jacinta Collins, (ALP, Victoria)  
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Senator Jim McKeirnan (ALP, Western Australia)  
Senator Brett Mason, (LP, Queensland)  
Senator the Hon Robert Ray (ALP, Victoria)  
Senator the Hon Chris Schacht (ALP, South Australia)  
Senator Sue West (ALP, New South Wales)

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

**Report to the Senate**

**Introduction**

1. On 14 February 2002, the Senate referred to the Committee for examination and report, the following documents:

Particulars of proposed additional expenditure for the service of the year ending 30 June 2002;

Particulars of certain proposed additional expenditure for the service of the year ending 30 June 2002 relating to the Defence portfolio and the Foreign Affairs and Trade portfolio.

2. The Committee has considered the proposed additional expenditure for the year ending 30 June 2002, and has received evidence from the Minister for Defence, Ministers representing the Minister for Veterans' Affairs, the Minister for Foreign Affairs and the Minister for Trade, and officers of the departments and agencies concerned.

3. The Committee met in public session on 20, 21 and 22 February and on 12 March 2002. 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](http://www.aph.gov.au/senate_fadt)).

**Questions on notice**

4. The Committee has resolved that written answers and additional information should be submitted by close of business on Wednesday, 27 March 2002, for the earlier hearings, and, for the later hearing, 10 April 2002. Budget supplementary hearings are scheduled to take place during the week beginning 18 November 2002.

## General comments

### *Defence portfolio*

#### Department of Defence

5. The Committee acknowledges the presence at the hearings, of Admiral Chris Barrie, AO, RAN, Chief of Defence Force, and, Mr Michael Roche, Deputy Secretary of the Department of Defence.

6. The Committee questioned at length, Admiral Barrie and other officers in relation to several maritime incidents that occurred in October 2001, and subsequent events.<sup>1</sup> In particular, questions were posed to senior officials about the nature and structure of communications systems throughout the Australian Defence Organisation, including communication between the Department and the office of the former Minister for Defence.<sup>2</sup>

7. The Committee acknowledged the pressure that many officers from the Australian Defence Organisation are under in light of world events in the last six months. The Committee expressed its gratitude to them for their attendance at estimates.<sup>3</sup>

8. The Minister for Defence, Senator the Hon Robert Hill made a brief statement about the deployment of Australian Defence Force personnel in Afghanistan. In particular, the Minister commended the Australian forces saying:

We think they have done an excellent job. That is not only our view, it is the view of our partners in the coalition. The Australian forces in Afghanistan are extremely highly regarded.<sup>4</sup>

9. The Minister expanded on points raised by the Committee about the Air Force commitment in Diego Garcia, and, Australia's role in the coalition chain of command. The Minister concluded his remarks by saying that the Government recognised that the situation in Afghanistan was evolving and that the appropriate length of time to stay in the region is still a matter for debate.<sup>5</sup>

10. The Committee expressed its condolences to the widow of Sergeant Russell, the Australian SAS soldier who died in Afghanistan early this year. Chief of Army, Major General Peter Cosgrove, replied that he would convey the Committee's condolences to the Russell family.<sup>6</sup>

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1 Transcript of evidence, Department of Defence, 20 February 2002, pp. 70–119; 21 February 2002, pp. 123–155, 173–195, 203, 204

2 Transcript of evidence, Department of Defence, 20 February 2002, pp. 70–72, 84–85, 21 February 2002, pp. 123, 173–195, 203, 204

3 Transcript of evidence, Department of Defence, 21 February 2002, p. 155

4 Transcript of evidence, Department of Defence, 21 February, 2002, pp. 207–208

5 Transcript of evidence, Department of Defence, 21 February, 2002, pp. 207–208

6 Transcript of evidence, Department of Defence, 21 February, 2002, p. 227



11. Other matters raised by the Committee included:

**Portfolio overview and major corporate issues**

- Defence budget—the impact of unexpected increased costs of current operations: cancellations and postponement of training exercises; rescheduling of maintenance and upgrade programs. (p. 156)
- Allowances for service personnel in warlike conditions. (p. 158)
- Australia's relations with the Papua New Guinea Defence Force; Australian funding to support PNG in achieving reform in their Defence force. Recommendations of the eminent persons group; Defence cooperation funding. (pp. 159, 160)
- Recouping of funding for costs incurred last financial year; sale of Defence assets; explanation of Defence accrual accounting; concept of a global in Defence; capital use charge. Delays in the sale of Defence property. (pp. 161–166)
- Post-separation employment of former Defence personnel which could lead to conflict of interest. (pp. 167–168)
- Sale of Sandline equipment, and equipment being held, at RAAF Tindal; plans for disposal of helicopters. (pp. 169–171, 203)
- Implications of the failure by the Australian Defence Force to meet certain capability targets. (p. 172)
- Discretionary grants program: the criteria for receiving grant moneys, types of programs, amounts received and the number of recipients; Defence family support funding program. (pp. 75–77)

**Capital projects**

- Bushmaster project: delays in the production of the Bushmaster vehicle; changes to contract conditions. (pp. 195–196)
- Super Seasprite helicopters project: project running three late; progress payment arrangements; contractual arrangements with the major contractor. Subcontractor problems; new contractors have been engaged to develop software packages to bring the vehicles up to operational capability. Formal review points set in place. Commission of an in-service centre. (pp. 196–201)
- Tenders for replacement of patrol boats; timing for shortlisting tenderers; requirement for Australia content. Impact on existing craft of the 2004 delivery date of new patrol boats. (pp. 204–205)
- Project to build amphibious water craft for the *HMAS Kanimbla* and *HMAS Manoora*; tender process and selection of the successful tenderer. Hydrodynamic testing of the landing craft. (pp. 205–206)

**Output 1—Defence operations**

- East Timor: Update on Australia's expectations of maintenance of commitment and rotations. The impact of the United Nation's decision to reduce the size of the Australian force, and, Australia's commitment to maintain a stable environment in East Timor. Length of time for a force presence; timing of rotations. (pp. 209–210)

- Operation Relax: total Australia Defence Force contribution this financial year; total cost of the operation. (pp. 210–211, 215, 216)
- Initial cost of deployment of SAS troops Christmas Island. (p. 213)
- Operation Gaberdine: A Defence operation to provide temporary accommodation and other services to unauthorised arrivals in Australia. Operation extended to provide assistance in setting up accommodation in Christmas Island, Nauru etc. Funding for the out–years for the operation. (pp. 213–216)
- Proposed memorandum of understanding with Indonesia; input by Defence into the refinement of the draft agreement. Implications of the MOU for Defence’s contribution, our interaction with Indonesia, in meeting the objectives of the MOU. (p. 217)

### **Output 2—Navy capabilities**

- Near collision of two Navy vessels in June 2000 during a transit to Singapore; occurrence of similar incidents. (p. 219)
- Investigation of misconduct by personnel of the *Arunta* on Christmas Island in December 2001. Allegation of an incident on the island of Diego Garcia. Discussion of recommendations arising from the Committee’s inquiry into sexual discrimination in the ADF. (pp. 219–226)

### **Output 3—Army**

- Reservists: possibility of a company of Army reservists will be sent to East Timor; salary and conditions of service for reservists sent to East Timor; use of reservists as security at CHOGM, and their conditions of service. (pp. 227–229)
- Training and locating of SAS personnel. (p. 230)

### **Output 6—Intelligence**

- DSD: the rules which govern the DSD; request that the old guidelines be made public. Report commissioned by the Inspector–General, on the role of the DSD, the *Tampa* incident and other related matters, and, whether the DSD complied with secret guidelines. The protective regime to protect communications to or from Australian citizens. Substantial changes made in 1998 to the rules of ‘Sigint’; the Intelligence Services Act and the principles which preserve the privacy of Australians. Role of ministerial authority in the everyday work of the DSD. (pp. 231–233)
- Security leaks in Defence: the status of an administrative notices and criminal charges in respect of a military member and civilian member of the ADO. (p. 237)
- Backlog in security clearances of ADO employees; the types and numbers of checks outstanding. (p. 237)

### **Department of Veterans’ Affairs**

12. The Committee questioned the Department about the answer to a recent question on notice relating to overpayments, waivers and write–offs. The Committee was particularly interested in the different rates of performance in waivers and write–offs across the states.

13. The Secretary, Dr Neil Johnston responded that:

Certainly we have national guidelines in terms of the criteria for waiving or writing off debts. Whilst the percentages may appear large, the actual number of cases in some of the states, particularly the smaller states, is small. In terms of comparison that might be a more useful focus.

...

Certainly there is always room for improvement. What these figures point to is that it is worth looking at those states that are diverging from the average. That would certainly be a focus in the next twelve months.<sup>7</sup>

14. The Committee will take up the matter again at the next estimates hearings.

15. Other issues that were discussed included:

### **Outcome 1**

- Reasons for the increase in expenditures for outcome 1. (pp. 247, 248, 253)
- Veterans' Childrens Education Scheme—increased costs due to increased demand; supplementary funding to various schemes. (pp. 249, 250, 253)
- Income support supplement; widows renting; payments to POWs and grants to widows and civilians; claims being assessed by the Department and on appeal at the Administrative Appeals Tribunal (pp. 253–254)
- Establishment of a committee of review with terms of reference on T & PI matters; scope of, and language used, in the terms of reference. Estimated cost of extending benefits as a result of the Mohr report; estimated cost of the review of veterans' entitlements. (pp. 255–261)
- Conditions of service for ADF personnel and coverage by the *Veterans Entitlement Act 1986*. (pp. 259–262)
- Gulf War veterans' health study; monitoring of mortality rates of Vietnam veterans and Gulf War veterans. Questionnaire used to survey US troops in the Gulf for their vaccine exposure; involvement of Australian in experimental vaccines. (pp. 262, 264)

### **Outcome 2**

- Veterans' vocational rehabilitation scheme: number of T & PI veterans training undertaking training; rate of veterans finding employment, and, the rate of sustainable employment. Conditions of engagement in the program; review of the program to improve its use; and, funding of the program. (pp. 262–263, 270)
- Tier 1 and tier 2 hospitals agreements with DVA in each state; contractual arrangements with particular service providers; national figures provided across the two tiers. Treatment in public and private hospitals; provision of services; visits by veterans—low and high cost services; proportion of private hospital use paid for with gold card. (pp. 265–268)

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7 Transcript of evidence, Department of Veterans' Affairs, 22 February, 2002, p. 252

- Care of adult disabled children of veterans; access to special programs. DVA assistance and advice to Department of Health and Ageing in setting up specific programs. Number of disabled children of Vietnam veterans. (pp. 269, 270)

### **Outcome 3**

- POW memorial in Ballarat—the current cost of the memorial and ongoing funding issues. (p. 271)
- The Committee questioned the Director, Office of Australian War Graves, about the Memorial in Hyde Park, London, to commemorate the efforts of Australia in both world wars. The Director responded that ‘the agreement was that ...we would undertake to construct a water wall as a component of the Australian War Memorial’. Details were given about the guidelines for the selection process for the fountain designers. (p. 272)

### **Output group 6**

- Corporate public liability as it may affect Anzac Day functions; the high cost to small country towns and local councils of public liability insurance, and their capability to organise, host and fund Anzac Day ceremonies. (pp. 272–273)
- File management—Outcome of market testing of file and mail management. The Department proceeding to restructure in-house operations to provide a better service within the organisation. The Department is also working closely with the National Archives and Department of Defence about the role of DVA in managing files of behalf of the Department of Defence. Veteran Records Forum—invites comment and communications from the ex-service organisations on file management issues. (pp. 273–274)

## ***Foreign Affairs and Trade Portfolio***

### **Department of Foreign Affairs and Trade**

16. The Committee questioned the Department about the DFAT interagency group task force, known as the *Tampa* task force, which was established in late August 2001, and the other task force groups that were formed around that time. The Committee was particularly interested in each task force group’s role in the coordination and flow of information. Dr Raby, First Assistant Secretary, International Organisations and Legal Division, explained DFAT’s position:

...DFAT is responsible for the government’s civilian communications ...it is normal practice when there are, for example, major consular cases or crises that we establish a task force in DFAT’s crisis centre. It is a place where international communication can quickly be pooled and it is an effective environment to work in and share information when events are happening quickly.

...

The internal sources of information were reports from all the attached agencies or the agencies who were involved as the issue affected their specific portfolio

responsibilities. Internationally they were the relevant international communications that either came into the department or went out.<sup>8</sup>

17. The Committee questioned officers about several situation reports produced and forwarded during the life of the *Tampa* task force, which related to certain maritime incidents in early October 2001. Dr Raby enlarged, where possible, on the timing and content of the situation reports concerned, and the other agencies involved. When asked whether the department, ‘in light of the public notoriety of this issue, ha[d] done a check about information that was received or conveyed’, Dr Raby replied:

There has been no formal process that I am aware of to review records and holdings. All the information we would have received on the issue which would be communicated to us by Defence through the intelligence summary was ...processed and reflected in the situation reports and the selection of material reflected the key issue of the day. As the departmental representative on the PM&C People Smuggling Task Force, the high level IDC, I would have been the main conduit of information to the department.<sup>9</sup>

18. Officers informed the Committee of the Department’s role in events that took place after the maritime incident of 6 October 2001.<sup>10</sup>

19. Other matters raised by the Committee included:

### **General questions**

- Changes to the department’s accrual accounting structure. (p. 28)

### **Output 1.1.2**

- The current state of Australia-Indonesia relations; the many levels on which Australia interacts with Indonesia; and, the Prime Minister’s recent visit to Indonesia. (pp. 28–29)

### **Output 1.1.7**

- Australia as signatory to the convention for the Suppression of the Financing of Terrorism, and, Australia’s accession to the Convention for the Suppression of Terrorist Bombings. Description of the different conventions and the process Australia, must follow, or has followed, to be a party to them. The role Australia is taking in various international bodies that have terrorism on their agenda—to assist member nations in drafting legislation, enforcement, and helping them with their obligations. (pp. 29–31, 35)
- Request by the United Nations High Commissioner for Human Rights, to send an envoy to visit Australian detention centres. The planned visit by the UN Working Group on Arbitrary Detention. (pp. 31–32)
- Ratification of the statute of the International Criminal Court; delay in the tabling of the Joint Standing Committee on Treaties report due to the election and the dissolution of parliament. The impact of a further delay in the ratification of the statute. (p. 35)

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8 Transcript of evidence, Department of Foreign Affairs and Trade, 20 February, 2002, pp. 42–44

9 Transcript of evidence, Department of Foreign Affairs and Trade, 20 February, 2002, pp. 46–48

10 Transcript of evidence, Department of Foreign Affairs and Trade, 20 February, 2002, pp. 49–59

- Australia's intentions on the ratification of the Kyoto protocol. (pp. 35–36)
- Australia's participation in the Bali conference on people smuggling. The theme of the conference. Other nations expected to participate. The anticipated outcomes of the conference in addressing the problem in the region. The context in which refugees will be discussed at the conference. (pp. 36–39)

### **Output 1.1.8**

- The impact of the United States decision to withdraw from the anti-ballistic missile treaty. Australia's objective to commence negotiation on the Fissile Material Cut-off Treaty. (pp. 39–40)
- Biological weapons convention: the proposed verification protocol, and the biological weapons review conference. The role of the United States in these processes. (p. 39)

### **Austrade**

20. The Committee questioned Austrade about the distribution of Austrade resources and physical locations throughout Australia, with particular emphasis on regional Australia. In response, officers from Austrade described the state office network, and the role of regional commissioners and specialist groups, such as the Export Advisory and Marketing Unit.<sup>11</sup>

21. The Committee queried the status of the Australian Capital Territory office, in relation to its staff numbers, and the region and clientele that it services. The Acting Executive General Manager, Mr Crawford responded that Austrade had limited resources, and had to allocate them in the most effective manner. He explained that:

The nature of Austrade's organisational structure is that it is quite dispersed, both within Australia and internationally, so it is not accurate to say that there is only one officer servicing Canberra; there is an entire global network which, as appropriate, services companies in Canberra.<sup>12</sup>

22. The Committee also asked about the proportion of output of the information communication technology sector located in the ACT. Austrade responded that the output was very high. Austrade is currently discussing with the ACT government whether there should be someone dedicated to the sector in Canberra. Austrade added that they are focused on ensuring that they have strong industry expertise and experience in the group that looks after that area.<sup>13</sup>

23. The Committee also sought information from Austrade on a number of matters:

- TradeStart program: numbers and location of offices around Australia; source and amount of funding for regional offices; review of current TradeStart network; process for the review. Basis on which a TradeStart office is opened; the role of the Commonwealth and industry partners. (pp. 9–15)

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11 Transcript of evidence, Australian Trade Commission, 20 February, 2002, pp. 6–7

12 Transcript of evidence, Australian Trade Commission, 20 February, 2002, pp. 6–7

13 Transcript of evidence, Australian Trade Commission, 20 February, 2002, pp. 6–7

- Export Market Development Grant Scheme (EMDG): Criteria for industry bodies to qualify for assistance, and partial reimbursement of expenses for organisations that have approved body status under EMDG. The cost and timing of the export boost campaign and to whom the funding was directed. (pp. 16–17)
- Austrade sponsorship of the Australian Seafood Industry Council awards. Sponsorship of other industry associations and the state export awards. (pp. 17–18)
- Description of seminars and events held by the AIG around Australia; some events which involved the minister; invitation list and acquittal of the funding for the events. (pp. 19–20)
- Tenure of the Managing Director of Austrade; process to find a replacement; duty statement and salary range for the position. (pp. 21–22)
- ‘Export impact’ as a performance indicator. Use in the past of an external market research agency to provide feedback on efficacy of performance indicators. Introduction of a client-based system of feedback to measure the dollar value of the client’s exports and the extent and quality of Austrade’s involvement. (pp. 22–23, 26)
- Research paper written by a Productivity Commission staff member on how Austrade assesses and reports on its performance. Austrade’s key performance indicators and ways of assessing the outcomes. (p. 25)

### **AusAID**

24. The Committee sought information from AusAID about changes in its aid program funding arrangements to Papua New Guinea. AusAID responded that there had been a request from Papua New Guinea to look again at the nature of the existing projects and where the priorities within those projects might be focused in the short term, taking into account the economic situation that Papua New Guinea was facing at that stage.<sup>14</sup>

25. The Committee was interested in the timing and content of discussions with the Papua New Guinea government about the proposed changes to the aid program. Officers from AusAID provided the background to, and expanded on, the discussions which had taken place to reach a consensus on reallocations within the PNG aid program. They explained that at the time of the discussions, it was the lead-up to Papua New Guinea finalising its next year’s budget. It was a significant reason why the government wanted to have the discussions at that time.<sup>15</sup>

### **Acknowledgements**

26. The Committee expresses its appreciation of the assistance given during its hearings by Senator the Hon Bill Heffernan, Senator the Hon Robert Hill and Senator the Hon Ian Macdonald. The Committee also acknowledges the attendance and cooperation of

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14 Transcript of evidence, AusAID, 20 February, 2002, p. 61

15 Transcript of evidence, AusAID, 20 February, 2002, pp. 61–67

departmental and agency officers and the services of various parliamentary staff involved in the estimates process.

A handwritten signature in black ink, appearing to read "Sandy Macdonald". The signature is written in a cursive style with a large initial 'S'.

**Sandy Macdonald**  
**Chair**



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

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**February and March 2002**

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