

The Senate

Foreign Affairs, Defence and
Trade Legislation Committee

Budget estimates 2003–04

June 2003

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Senate Foreign Affairs, Defence and Trade

Legislation Committee

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Senate Foreign Affairs, Defence and Trade

Legislation Committee

Report to the Senate

Introduction

1. On 13 May 2003, 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 2004; and
 - Particulars of certain proposed additional expenditure for the service of the year ending 30 June 2004 relating to the Defence portfolio and the Foreign Affairs and Trade portfolio.
2. The Committee has considered the proposed budget expenditure for the year ending 30 June 2004, and has received evidence from the Minister for Defence, Minister 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 2, 3, 4 and 5 June 2003. 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

4. The Committee has resolved that written answers and additional information should be submitted by close of business on Tuesday, 22 July 2003.

General comments

Foreign Affairs and Trade portfolio

Department of Foreign Affairs and Trade

5. The Committee acknowledges the presence at the hearings, of Mr Peter Varghese, Deputy Secretary, and officers of the Department of Foreign Affairs and Trade.

6. Matters raised by the Committee included¹:

Portfolio overview

- Staffing in the department; explanation of staffing figures with particular reference to transfers; staffing profiles and total numbers (pp. 4–9).
- Iraq Task Force: current operations; future of the force (pp. 10–11, 93).
- Reduction of contributions to international organisations (p. 12).
- SIEV–X and a briefing to the Prime Minister through Prime Minister and Cabinet (p. 13).
- Visa measures for a safer Australia—continued biometric research; additional funding for ASIS (p. 13).
- Funding for the Ambassador for Counter Terrorism; summary of the role of the ambassador; memorandum of understanding with various countries regarding terrorism (pp. 14, 41–42, 74).
- Foreign exchange rebasing adjustment (pp. 14–15).
- Six new budget measures; cash drawdown arrangements (pp. 15–16).
- Consular travellers’ emergency loans (p. 16).
- International Development Law Organisation grant (p. 17).
- Freedom of Information material concerning a diplomatic appointment (p. 17).
- Mr Betteridge and the Australian Embassy in Phnom Penh (p. 18).
- Update on the continuing investigation into the leaked conversation between Mr Downer and High Commissioner Lackey (pp. 19–51): investigation referred to Australian Federal Police; separate departmental process underway under the code of conduct (pp. 19–20, 24).
- Appointment of the head of the investigation; written legal advice (pp. 21–23, 27, 38–40, 60–62). File notes entered on the basis of oral advice (pp. 26, 46).
- Role and powers of the determining officer in an investigation under the code of conduct (pp. 28, 30, 39); status of consent orders (pp. 29, 51, 150, 212–227);

1 Please note that the page numbers cited in this report are from the proof Hansard.

investigation report of the inquiry officer (p. 30); departmental resources put in to the investigation (p. 32); secretary's public comment on a matter still under investigation (pp. 34–35).

- Guidelines for undertaking a code of conduct investigation (pp. 36–37, 63); department staff involved the investigation (p. 43); sharing of information between the two investigations (pp. 44–45). Staff access to restricted classified information, and, investigation of staff (p. 59).
- Leaked conversation between Mr Downer and Mr Alkatiri; press article about the leak (pp. 52–58).
- Inappropriate use of a Commonwealth government computer issued to a minister's office; news report of the use of the computer (pp. 65–66, 94–96).
- Visit to Parliament House of Minister Mahendra of Indonesia (pp. 97–98).

Output 1.1.1

- SARS crisis: application by Taiwan for observer status to the World Health Organisation; objections by other countries to Taiwan's admission (pp. 67–68).
- Status of negotiations between North Korea and the United States; Australia's role (pp. 68–69).

Output 1.1.2

- Free Aceh Movement: Conflict in Aceh and veracity of reports coming out of the area; relationship between Australia and Indonesia; the role of Australia's embassy in Jakarta; the Geneva Convention and the Indonesian national human rights commission; NGOs and information gathering; movements and detention of Aceh negotiators (pp. 70–72).
- Increased funding for enhanced security at overseas missions (pp. 115–117).

Output 1.1.3

- Rejection of an administration request for a waiver of the international traffic in arms agreement (p. 80).
- Potential placement of US military personnel in Australia (p. 80).
- Italian government's contribution to the stay in a hotel in Rome by the Australian Prime Minister (pp. 80–86, 98–99).

Output 1.1.4

- Claims pre-war, about the existence of Iraq's weapons of mass destruction (WMD), and, the importance, post-war, of finding weapons of mass destruction (pp. 86–88). Proof of the existence of WMD, and the timetable for further investigations (pp. 88–91).
- Authenticity of documents concerning Iraq's alleged efforts to purchase of uranium for WMD (pp. 88–89).

- Minister for Foreign Affairs: Basis of information for a statement made in Parliament about Iraq (pp. 90–92). Legal basis for Australia’s involvement in the war in Iraq (p. 93).
- Iraq Task Force (pp. 93–94); difference between raw intelligence and interpretation analysis work (p. 100); scud missiles and claims about South African nuclear capacity (p. 101).
- Re-opening an Australian representative office in Iraq (pp. 102–103).
- Update on the status of forces agreement in the context of Australia’s involvement in the Middle East and Iraq (p. 103).
- Update on the conflict in Solomon Islands (p. 104).
- Terrorism and trans-national crime: Concerns about Nauru’s institutional banking arrangements and passport scheme (p. 105).

Outputs 1.1.5 and 1.1.6

- Wheat debt owed by Iraq to Australia and its repayment (pp. 173–174).
- Snapback tariff on Australian beef exports (p. 174).
- Trade relations with China and Japan; proposed trade and economic agreement with China; China’s objections to the current anti-dumping legislation before Parliament (pp. 175–176).
- Australia–Korea free trade agreement (p. 176).
- Australia–Singapore free trade agreement: negotiations and commencement; investment promotions and protection agreement with Singapore and the implications for the Australia–US FTA (pp. 176–181). Delays in agreement discussions in Doha Round and preferential treatment for ACP countries under common agreement with European Union (pp. 189–190).
- GATS (p. 189).
- Australia–US free trade agreement (pp. 176, 181, 196–206)
- E-commerce: Australia–US free trade agreement, with reference to the US–Chile agreement (pp. 207–211).
- Foreign Investment Review Board (pp. 211–212).

Output 1.1.7

- Ambassador for People Smuggling: main role of the ambassador; travel costs for the position; travel itinerary (pp. 106–109, 150).
- United Nations: proscribed organisations; The Security Council (pp. 109–111). Australia’s initiatives in the reform of the United Nations (p. 113).
- United Nations: financial commitment to peacekeeping (p. 114).

Output 1.1.8

- Announcement of a multi-million dollar package of counter-terrorism assistance to Indonesia (p. 73; see also pp. 14, 41–42). Memorandum of understanding; interpretation of the definition of ‘terrorism’ (p. 74). Pakistan as an important bilateral key partner to Australia in terms of regional stability and security and counter terrorism (p. 74).
- Australia’s concern about the proliferation of nuclear weapons; concerns about the export of nuclear technology knowledge to North Korea (p. 75).
- Afghanistan: An assessment of the security situation (p. 75); drug production; financial assistance in the next financial year to help in Afghanistan’s reconstruction (p. 76).
- Changed election timetable in Afghanistan (p. 79).
- Note taking during people-smuggling meetings (p. 77).

Output 2.1

- SARS Task Force and Asia trade task force (p. 11); timing of the name ‘SARS’; travel advisories (p. 19).
- Warning systems and information sharing systems in place prior to the Bali bombings (pp. 124–132).
- Consular access to Australians detained at Guantanamo Bay (pp. 132–136).
- Passport fraud (pp. 143–152).

Output 4.1

- Management of the upgrade of the Geneva chancery (p. 152).
- Washington head of mission residence (p. 153); refurbishment of 29 apartments in the Paris chancery (pp. 153–154).
- Concern about the ability of a number of posts to withstand seismic events (p. 155).
- Austrade relocation (p. 156–157); DFAT carparking spaces (p. 158).

Austrade

- The Export Market Development Grant Scheme (EMDG): appropriation for the current scheme compared with previous years (p. 159).
- Number of applicants who have reached the threshold; and, total figure of applicants compared with previous years (p. 159).
- Efficiency and effectiveness of the scheme (pp. 158–173).
- Invest Australia and the role of attracting inwards investment (pp. 170–171).

- TradeStart: cost to run offices in electorates (p. 171); programs run through Australian Business Ltd (p. 172).

AusAID

- Human rights assistance to Burma (pp. 228–229).
- Aid projects in Aceh and West Papua (pp. 229–231).
- Middle East spending on Iraqi reconstruction (pp. 231–234).
- Any evidence of aid money going to corrupt projects or practices (pp. 234–237).

Defence portfolio

Department of Defence

7. The Committee acknowledges the presence at the hearings, of General Peter Cosgrove, AC, MC, Chief of Defence Force, Vice Admiral Russ Shalders, AO, CSC, RAN, Vice Chief of Defence Force, and, Mr Ric Smith, AO, Secretary of the Department of Defence.

8. Matters raised by the Committee included:

Portfolio overview and major corporate issues

- Summary of pre–deployment, Second Gulf War (Operation Falconer) and post–Iraq situation (pp. 243–246).² HMA Ships Kanimbla and Sydney remain in region. Kanimbla returns 17 July. RAAF C130s and P3s also remain, as do air traffic controllers. Overall 2,058 Australian personnel served.
- Discussion of protective role of remaining troops (pp. 246–247); distinction between Operations Falconer and Catalyst. Planning and budget implications; (pp. 248–249); relationship to Operation Slipper (pp. 249–250); issues of terms and conditions of service.
- Account of health problems incurred by troops (p. 251); medical and psychological screening when troops return (pp. 252–254); inoculations against anthrax and meningitis (p. 255) plus baseline vaccinations (p. 256).
- Extent of information provided by Defence to PM&C re location of sinking of SIEV–X (pp. 256–257); extent of knowledge about owners of SIEV–X.
- Reference to Gulf War Syndrome; monitoring of Australian personnel; possible exposure to depleted uranium (pp. 258–259).
- Consideration of personnel who refused vaccinations; timing of vaccinations; method of return and replacement of personnel who refused vaccination; extent of reactions to inoculation (pp. 260–268).

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- Account of investigation concerning a sailor's allegations of harassment arising out of his refusal to accept vaccine (pp. 265–267).
- Overview of approach to 'lessons learned' from the deployment (pp. 269–270).
- Iraq prisoner of war policy (pp. 271–275); Australia had no responsibility for POWs.
- Financial arrangements for bombs/munitions used by Australian forces (pp. 275–280).
- Costings for Operations Bastille, Falconer etc (pp. 280–281); aircraft charter arrangements (pp. 283–288); safety issues related to Ilyushin 76 aircraft (pp. 286–288); Chief of Air Force reviewing charter operations (pp. 287–288).

Budget summary, financial statements and improvement initiatives

- Logistics funding; allocation to submarine for full cycle docking costs (pp. 288–293).
- Management of F18 fleet (pp. 294–295); software and logistics support for C130Js (pp. 296–298).
- Savings measures: civilian personnel, travel, non-capability supplier costs, administration (pp. 298–301).
- Cash-in-bank holdings to meet liabilities (pp. 301–305); outstanding debts and recoverability (pp. 306–308).
- Expenditure on Professional Service Providers (pp. 308–309).
- Dialogue with US on missile defence (pp. 309–310).
- Property sales (extended discussion commencing p. 311); arrangements with DoFA; problematic properties at Neutral Bay and Waterhen (p. 314); decision not to sell Russell offices (pp. 315–316).
- Update on sale of land at Point Nepean (pp. 317–325); heritage and development issues; questions on possible residential subdivision; responsibilities of the three tiers of government.
- Sale of Gan Gan Army Camp at Port Stephens. (pp. 326–328); discussion of various sites handed over to state governments (pp. 328–334).
- Discussion of role of departmental delegate in property sales (pp. 331–332); sale of Brighton Barracks (pp. 332–334).
- Linking white paper objectives to budget arrangements and capital expenditures (pp. 335–337); changes to personnel numbers: recruitment/separations (p. 338); project approvals and progress 2002–03.
- Air 9000 and potential suppliers for troop lift helicopters (pp. 340–341); overview of major project progress (from p. 341).
- Discussion of process for revising the Defence Capability Plan (p. 343).
- Kinnaird Review of DMO (pp. 348–350).

- Discussion of AEW&C project (pp. 350–352); armed reconnaissance helicopter (pp. 352–353); Seasprites (pp. 354–355); FFG upgrade (pp. 355–361); Joint Strike Fighter (pp. 361–363).
- Funding of remediation at Mulwala (pp. 369–370)³; rationalisation of RAAF training facilities—East Sale, Wagga, Edinburgh, Point Cook (p. 371).

Outcome 1

- East Timor deployment and funding (pp. 372–377).
- Operation Relex (pp. 377–379).

Outcome 2

- Submarines: status of dispute with Kockums; options for sale of ASC; issues of intellectual property; payments to Electric Boat (pp. 380–383).
- Shipbuilding industry rationalisation—cabinet to consider way forward. (pp. 384–385).
- General comments on industry sector plans (p. 385).
- Basing of Anzacs and FFGs (pp. 385–386).
- Coronial inquiry regarding *HMAS Westralia* (pp. 386–389).
- Sale of Brighton Army barracks (pp. 389–390).

Outcome 3

- Response reserve force arrangements (pp. 390–392).
- Alleged mistreatment of prisoners in East Timor and investigation into the incidents (pp. 392–404); trial of new arrangements for military prosecutions (p. 397).

Outcome 4

- Management of F18 fleet maintenance (pp. 401–404); situation with F111s (pp. 405–406).
- Air traffic controllers—shortage, recruitment (pp. 406–407); presence in Iraq (p. 408); pilot retention (p. 408).

Outcome 5

- Australia–US posture in the Asian region, including bases; sea swaps (pp. 409–411).
- Missile defence (pp. 412–414).

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Outcome 6

- Intelligence basis for assessments of threat prior to Iraq war (from p. 415); relationships between allied intelligence agencies (pp. 416–417); processes for daily assessments (pp. 417–420).
- Australia’s role in ongoing assessments post–Iraq conflict (from p. 422); issues of veracity of intelligence (p. 424).
- Potential missile sites (pp. 426–428); post-conflict assessments re WMD (pp. 428–430).
- ‘Lessons learned’ procedures for intelligence (pp. 431–432).
- Role of Australians in Iraq WMD Survey Group (p. 433).
- Allegations raised in Bulletin re bugging of MP’s office and subsequent investigations (pp. 433–435).

Outcome 7

- Salary and allowances—implications for superannuation (pp. 436–439).

Corporate Services

- Resumed discussion of Point Nepean sale (p. 439); mechanisms for ensuring subsequent purchasers honour Commonwealth’s commitments; landscape assessment (p. 440); involvement of Heritage Commission (p. 441); intentions of state or local governments in respect of land (pp. 442–443); possible development scenarios (pp. 445–448).
- New legislation for Military Compensation Scheme (pp. 449–450).
- Health services outsourcing (pp. 450–452); contract with Mayne (pp. 453–454).
- Progress on DIDS tenders (pp. 452–453).

Defence Housing Authority

- Restructure of DHA balance sheet (pp. 454–455).
- Profile of DHA stock: leaseback arrangements (p. 456).

Department of Veterans' Affairs

9. The Committee acknowledges the presence at the hearings, of Dr Neil Johnston, Secretary, and officers of the Department of Veterans' Affairs.

10. Issues that were discussed included:

Across all outcomes

- Treatment of payments for holocaust victims (pp. 458–459).⁴
- Enhanced compliance program (pp. 459–461); impact of rises in valuation of real estate assets owned by pensioners (pp. 461–462).
- Health care services and gold card (p. 462); renewal of memorandum of understanding with AMA for LMOs (pp. 462–463); specialists and the gold card (p. 464).
- Veterans' Home Care (pp. 465–469); evaluation of home care by Access Economics.
- Issue of services to spouse on death of veteran (p. 468); links between Veterans Home Care and HACC (p. 469).
- Review of Veterans Vocational Rehabilitation Program (p. 469).
- London war memorial: costs of commemorative mission (p. 470); details of Australian involvement (pp. 473–475); attendance of Australian personnel (pp. 475–477).
- Incomes of TPI veterans (pp. 477–478).
- Study on dioxin exposures (pp. 478–479).
- The case of a war widow being denied access to pension and subsequent allegations of defective administration (pp. 480–482).
- Issues around Post Traumatic Stress Disorder (pp. 482–483).
- Status of new military compensation scheme and proposals for consultations, budget implications, liaison with key agencies (pp. 483–488).
- Ambulance cover for veterans (pp. 488–490).
- Arrangements for dealing with hearing disabilities (p. 491).
- Complaints related to provision of repatriation aids and appliances (pp. 492–493).
- Private hospital services in Western Australia (pp. 493–494).
- Security arrangements for Gallipoli ceremony (pp. 495–496).
- Alleged improper use of Internet by staff (p.496).

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Acknowledgements

11. The Committee expresses its appreciation of the assistance given during its hearings by Senator the Hon Robert Hill, Minister for Defence, and Senator the Hon Eric Abetz, Special Minister of State. The Committee also acknowledges the attendance and cooperation of 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', is centered on the page. The signature is written in a cursive, flowing style.

Sandy Macdonald
Chair

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

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