

Senate Foreign Affairs, Defence and Trade Legislation Committee

Report to the Senate

Introduction

1.1 On 13 February 2014, the Senate referred the following documents to the committee for examination and report:

- Advances provided under the annual Appropriation Acts—Report for 2012-13;
- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2014 [Appropriation Bill (No. 3) 2013-2014];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2014 [Appropriation Bill (No. 4) 2013-2014]; and
- Particulars of proposed additional expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2014 [Appropriation (Parliamentary Departments) Bill (No. 2) 2013-14].¹

1.2 The committee conducted public hearings with the Defence portfolio on 26 February 2014 and the Foreign Affairs and Trade portfolio on 27 February 2014. The committee received evidence from Senator the Hon David Johnston, the Minister for Defence, and Senator the Hon Michael Ronaldson, the Minister for Veterans' Affairs, and from officers from the relevant departments and agencies. The committee also received evidence from Senator the Hon George Brandis QC, representing both the Minister for Foreign Affairs and the Minister for Trade, and from officers from the relevant departments and agencies.

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/Senate_Estimates/fadtctte/estimates/add1314/index

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 24 April 2014.

1 *Journals of the Senate*, No. 14, 13 February 2014, p. 484.

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 Dennis Richardson AO, Departmental Secretary; and Mr Warren King, the Chief Executive Officer of Defence Materiel Organisation (DMO), and officers of the Defence organisation.²

Chief of the Defence Force's opening statement

1.6 General Hurley made an opening statement. The CDF began by noting that in the previous week:

Australia honoured one of our nation's finest soldiers, when the Governor-General awarded Corporal Cameron Baird the Victoria Cross for Australia, posthumously. Corporal Baird, from the 2nd Commando Regiment based at Sydney's Holsworthy Barracks, was killed by small-arms fire during an engagement with insurgents in the Khod Valley in southern Afghanistan on Saturday, 22 June 2013.³

1.7 The CDF also noted that as a 'final tribute to Corporal Baird, the Australian facilities at Al Minhad Air Base, in the United Arab Emirates, will now be known as Camp Baird'.⁴

1.8 The CDF provided an operational update on the transition in Uruzgan province whereby the Afghan National Security Forces will assume full responsibility for security. The CDF commented that:

In Uruzgan the Australian Defence Force achieved its objective to train the Afghan National Army, or the ANA. Working in partnership with the Afghans we helped degrade the insurgency, while our training and mentoring allowed the ANA 4th brigade and the Afghan national security forces to develop into a competent force that is capable of securing the province into the future.

...

Australia welcomed home about 1,000 personnel in time for Christmas in what was the first major draw-down of ADF [Australian Defence Force] personnel. In parallel, we also completed an enormous year-long redeployment effort to return to Australia the infrastructure and equipment accumulated over eight years in Uruzgan, and to remediate the bases previously occupied by Australian forces, including Multinational Base Tarin Kot.⁵

2 *Proof Committee Hansard*, 26 February 2014, p. 6.

3 *Proof Committee Hansard*, 26 February 2014, p. 8.

4 *Proof Committee Hansard*, 26 February 2014, p. 8.

5 *Proof Committee Hansard*, 26 February 2014, p. 8.

1.9 The CDF advised that the ADF's 'other major operational commitment is to Australia's border protection mission, Operation Resolute, and, through it, Operation Sovereign Borders.' The CDF noted that the previous week:

Mr Mike Pezzullo, the chief executive officer of Australian Customs and Border Protection, and I released the findings from the joint review into Australian vessels that entered Indonesian waters. The review found that Australian vessels inadvertently entered Indonesian waters on six occasions, between December 2013 and January 2014. The breaches were inadvertent in that each arose from incorrect calculation of the boundaries of Indonesian waters, rather than as a deliberate action or navigational error.⁶

1.10 In his opening statement, the CDF also noted that March 2014 would mark two years since the start of the culture reform program known as Pathway to Change. The CDF reported on progress of the Pathway to Change strategy, noting that the challenge in the third year of cultural reform will be to 'maintain the positive momentum'.⁷

1.11 The CDF commended the ADF Theatre Project which is one of the ways the ADF is engaging in a frank and open discussion about mental health. He urged the committee to encourage their constituents to support the play *The Long Way Home* which tells the story of the impact of operational service on Australian service men and women.⁸

1.12 The CDF also took the opportunity to thank 'our Commander-in-Chief, Her Excellency the Honourable Quentin Bryce, for her unwavering support for the men and women who serve in the Australian Defence Force. The Governor-General has always shown genuine compassion for our military personnel and their families'.⁹

1.13 Other topics examined during the hearing on 26 February 2014 included:

Questions arising from opening statements, portfolio overview and budget summary

- Operational update on Afghanistan (pp. 9–13, 24–25, 40–41, 59)
- Defence Budget (pp. 13–16, 26, 35–36)
- Recent publicity around HMAS *Melbourne* operations (pp. 16–17)
- Discontinuation of Hot Issues briefs (p. 17)
- Defence's approach to media engagement and response to leaks (pp. 17–18)
- Operation Sovereign Borders (pp. 19–24, 25–26, 29–35, 37–40, 41–43, 45–48, 59)

6 *Proof Committee Hansard*, 26 February 2014, pp. 8–9.

7 *Proof Committee Hansard*, 26 February 2014, p. 9.

8 *Proof Committee Hansard*, 26 February 2014, p. 9.

9 *Proof Committee Hansard*, 26 February 2014, p. 9.

- Defence Capability Plan, Defence industry and the so called 'valley of death' (pp. 27–29)
- Number of Australian Public Service (APS) personnel in Defence (p. 36)
- Budget reporting (pp. 36–37)
- Woomera Prohibited Area (p. 41)
- Defence's implementation of audit recommendations (pp. 44)
- The memorial wall at the ISAF base in Tarin Kot (pp. 48–49, 53–54)
- Defence industry (pp.50–51)
- United States Marine Corps and the use of Darwin as a training area (pp. 51–52)
- Australia's relationship with China (pp. 52–53)
- Update on the review of DMO (54–56)

Program 1.1 office of the Secretary and the CDF

- The Defence Export Control Office and Defence Trade Controls (pp. 59–60)

Program 1.2 Navy Capabilities

- Garden Island and naval support infrastructure (pp. 56–58)
- Rizzo Review (p. 59)
- Fuel storage (pp. 60–61)
- Use of biofuels in the Navy (pp. 61)
- RIMPAC 2014 (pp. 61–62, 67)
- Offshore combatant vessels (pp. 62–63)
- Navy involvement in intercepting illegal fishing activities in Australian territorial waters (p. 64)
- Decommissioning of the HMAS *Tobruk* (pp. 64–65)
- Update on Carnegie Wave Energy project (p. 65)
- Maritime school of thought (pp. 65–66)
- HMAS *Canberra* and *Adelaide* (pp. 66–67)
- HMAS *Success* and *Sirius* and replacement supply ships (pp. 67–69)

Program 1.3 Army Capabilities

- Project Overlander (pp. 69–70)
- Plan Beersheba and the Army Reserve (pp. 70–72)

Program 1.5 Intelligence Capabilities

- Security vetting (pp. 72–73)

Program 1.6 Chief Operating Officer—Defence Support and Reform

- Fuel farms (pp. 73–74)

Program 1.8 Chief Operating Officer—Defence People

- Retrospective medical discharge (pp. 74–75)

Defence Materiel Organisation

- LAND 400 (pp. 75–78)
- SEA 4000—Air Warfare Destroyer (AWD) (pp. 78–80, 83–84)
- Procurement policy and free trade agreements (pp. 80–81)
- Global supply chain (pp. 81–82)
- Internal risk assessment (pp. 82–83)
- Purchase of 250 bench-mount drills from China (p. 83)
- LAND 121 Phase 3B (pp. 84–85)
- Offshore production (pp. 85–86)

Department of Veterans' Affairs

1.14 The committee welcomed Mr Simon Lewis PSM, Secretary of the Department of Veterans' Affairs, and officers from the Department of Veterans' Affairs.¹⁰

1.15 In his opening statement, the Secretary provided the committee with an update on how DVA is tracking performance on processing compensation claims. He stated that:

Supporting clients is our core business and addressing claims quickly and efficiently is vital. Today I am pleased to report on some significant progress in this space. As a first step, the department has developed a four-part action plan to improve the timeliness of claims processing. The strategies are: reducing work on hand; improving client communication and engagement; improving case management practices; and reviewing and improving business processes.¹¹

1.16 In summary, the Secretary noted that:

...reducing the times taken to process claims is achievable. The department is working towards achieving its current target of 75 to 120 days per claim. I thank the veteran and defence communities and their families for their patience on this issue.¹²

1.17 Topics examined during the hearing on 26 February 2014 included:

10 *Proof Committee Hansard*, 26 February 2014, p. 86.

11 *Proof Committee Hansard*, 26 February 2014, p. 87.

12 *Proof Committee Hansard*, 26 February 2014, p. 88.

- The structure of the department (pp. 88–89)
- Staffing and resourcing, graduate intake, voluntary redundancies and recruitment (pp. 89–93)
- The strategic plan *DVA Towards 2020* (pp. 93–94)
- Choice and Maintainability in Veterans' Services (pp. 94–96)
- Veterans working within the department (pp. 96–97)
- Phone system failure in the DVA office in Brisbane in February 2014 (pp. 97–98)
- The Commission of Audit (pp. 98–100)
- Waiting times for the processing of claims (pp. 100–103)
- The Anzac Centenary Public Fund (pp. 103–105)
- National Anzac Centre in Albany (pp. 106–112)
- Deductible gift recipient status for the Australian Peacekeeping Memorial Project (pp. 112–113)
- Assistance to Defence widows (pp. 113–114)
- The Centenary of Anzac Gallipoli ballot (pp. 114–116)

Australian War Memorial

1.18 The committee welcomed Dr Brendan Nelson AO, Director, and officers of the Australian War Memorial.¹³

1.19 Topics examined during the hearing on 26 February 2014 included:

- Recent innovations introduced at the War Memorial (p. 117)
- The refurbishment of the First World War Galleries (pp. 117–118)
- Budget for commemorations and projects relating to the Centenary of Anzac (pp. 118–119)
- The War Memorial's travelling exhibition (pp. 119–120)

13 *Proof Committee Hansard*, 26 February 2014, p. 88.

Foreign Affairs and Trade portfolio

Department of Foreign Affairs and Trade

1.21 The committee welcomed Mr Peter Varghese AO, Secretary, and officers of the Department of Foreign Affairs and Trade (DFAT).¹⁴

1.22 Topics examined during the hearing on 27 February 2014 included:

Portfolio Overview

- The interaction between DFAT and the Prime Minister's Office (pp. 5–7)
- The US-Japan-Australia Trilateral Strategic Dialogue Joint Statement (pp. 7–10)
- China's announcement of an Air Defence Identification Zone over the East China Sea (pp. 10–14, 37–40)
- The Foreign Minister's visit to Beijing on 6 December 2013 (pp. 14–16, 35–37)
- The Boao Forum for Asia (pp. 16)
- The case of Australians, Mr Matthew Joyce and Mr Marcus Lee, who had been detained in Dubai (p. 16)
- The case of Australian, Mr Peter Greste, detained in Egypt (pp. 16–18)
- The case of Australian, Mr John Short, detained in North Korea (p. 18)
- Proposed introduction of a cost recovery element to the delivery of consular services in the future (p. 18)
- Overseas travel arrangements for former Prime Ministers (pp. 18–20)
- Overseas travel for Foreign Ministers and their spouses (pp. 20–21, 22–23, 28–30, 34–35)
- Millennium Development Goals and promoting economic growth (pp. 21–22)
- Integration of AusAID into DFAT (pp. 23–24)
- Funding for global environment programs (pp. 24–26)
- DFAT restructuring, redundancies and staffing (pp. 26–27)
- Aid for trade and the process of reprioritisation (p. 28)
- Diplomatic postings (pp. 30–32)
- Royal Commission into Institutional Responses to Child Sexual Abuse (p. 33)

1.23 The committee moved through the program, beginning with the geographical areas under outcome 1.

14 *Proof Committee Hansard*, 27 February 2014, p. 4.

*Outcome 1**North Asia*

- Reports of self-immolations in Tibet (pp. 40–41)
- The relationship between Australia and South Korea (pp. 41–42)
- Cambodia (pp. 42–43)
- The Association of Southeast Asian Nations (ASEAN) (pp. 43–44)
- The relationship between Australia and Malaysia (pp. 44–45)
- The relationship between Australia and Indonesia (pp. 45–47)
- Montara oil spill and its impact on East Nusa Tenggara (pp. 47–48)
- Burma/Myanmar nomenclature (pp. 48–49)
- Live cattle exports to Indonesia (pp. 49–51)

Americas and Africa

- Human rights and Uganda (pp. 51–52)
- Zambia (pp. 52–53)
- Australian citizens in the Central African Republic and South Sudan (pp. 53–54)
- Foreign Minister's visit to the United States in January 2014 (pp. 54–57)
- Grenada (pp. 57–58)

South and West Asia and Middle East

- Sri Lanka (pp. 59–61)
- Australia's position on Israeli settlements (pp. 61–62, 65–67)
- Syria (pp. 62–64)

Pacific

- Australia's relationship with Fiji (pp. 64–65)

Public information services and public diplomacy

- The effectiveness of the Australia Network (p. 65)

Program 1.5 New Colombo Plan

- Update on the New Colombo Plan (pp. 80–81)

Programs 1.6–1.13 Official Development Assistance

- Global Partnership for Education (pp. 67–70, 86–87)
- Aid budget (pp. 70–80)
- Papua New Guinea—programs and aid effectiveness (pp. 81–85)
- Humanitarian relief in the Philippines in response to Typhoon Hainan (pp. 85–86)

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- Funding for humanitarian emergency response (pp. 87–88)
 - The aid program Medical Research Strategy (pp. 88–89)
 - Mining for Development (p. 89)
 - Australian aid in the Palestinian territories (pp. 89–90)
 - Funding for climate change research initiatives (p. 91)
 - Indonesia-Australia Forest Carbon Partnership (pp. 91–92)
 - Aid funding for projects on Manus Island (pp. 92–93)

Trade portfolio

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

1.24 The committee welcomed officers of the Australian Trade Commission (Austrade), the Export Finance and Insurance Corporation (EFIC) and Tourism Australia who appeared with DFAT officers in the trade portfolio.¹⁵ As there were no questions, EFIC was later excused.¹⁶

1.25 Topics examined during the hearing on 27 February 2014 included:

Bilateral, regional and multilateral trade negotiations

- Korea-Australia Free Trade Agreement, including investor state dispute settlement provisions (pp. 94–109)
- Trans-Pacific Partnership Agreement (pp. 109–115, 117–118)
- China-Australia Free Trade Agreement (pp. 115–116)

Austrade and Tourism Australia

- Tourism grant to Cadbury's Hobart (pp. 119–121)
- T-QUAL and TIRF grant programs (pp. 121–123)
- Medical tourism (p. 123)

15 *Proof Committee Hansard*, 27 February 2014, p. 93.

16 *Proof Committee Hansard*, 27 February 2014, p. 106.

Acknowledgements

1.26 The committee thanks Senator the Hon David Johnston, Senator the Hon Michael Ronaldson and Senator the Hon George Brandis QC for their assistance during its hearings,. 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 Alan Eggleston
Chair