

The Senate

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Foreign Affairs, Defence and Trade  
Legislation Committee

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Budget estimates 2015–16

June 2015

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# Members of the committee

## Core members

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Senator Alex Gallacher, ALP, SA (Deputy Chair)  
Senator David Fawcett, LP, SA  
Senator Scott Ludlam, AG, WA  
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## Secretariat

Mr David Sullivan, Committee Secretary  
Mr Owen Griffiths, Principal Research Officer  
Ms Casey Mazzarella, Senior Research Officer  
Ms Lauren Waugh, Research Officer  
Ms Kimberley Balaga, Research Officer  
Ms Ruth Edwards, Administrative Officer

Senate Foreign Affairs, Defence and Trade Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

Phone: + 61 2 6277 3535  
Fax: + 61 2 6277 5818  
Email: [fadt.sen@aph.gov.au](mailto:fadt.sen@aph.gov.au)  
Internet: [http://www.aph.gov.au/senate\\_fadt](http://www.aph.gov.au/senate_fadt)



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# Senate Foreign Affairs, Defence and Trade Legislation Committee

## Report to the Senate

### Introduction

1.1 On 12 May 2015, the Senate referred the following documents to the committee for examination and report:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2016;
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2016;
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2016;
- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2015; and
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2015.<sup>1</sup>

1.2 The committee conducted public hearings with the Defence portfolio, including Veterans' Affairs, on 1 June and 2 June 2015, and the Foreign Affairs and Trade portfolio on 3 June and 4 June 2015. The committee received evidence from Senator the Hon George Brandis QC, representing the Minister for Defence and the Minister for Foreign Affairs, 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 Marise Payne, representing 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/bud1516/index](http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadtctte/estimates/bud1516/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 17 July 2015.

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1 *Journals of the Senate*, No. 92, 12 May 2015, p. 2561.

## Defence portfolio

### *Department of Defence*

1.5 The committee acknowledged the attendance of Vice Admiral Ray Griggs AO, CSC, Acting Chief of the Defence Force (ACDF); Mr Dennis Richardson AO, Secretary of the Department of Defence; and Mr Harry Dunstall, Acting Chief Executive Officer of Defence Materiel Organisation (DMO), and officers of the Defence department.<sup>2</sup>

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

1.6 Vice-Admiral Ray Griggs made an opening statement. The ACDF began with an apology for the absence of Air Chief Marshal Binskin, Chief of the Defence Force, who was attending the Five Power Defence Arrangements, Chiefs of Defence Force meeting in Malaysia.<sup>3</sup> The ACDF provided an update on Australia's assistance to the government of Iraq, as part of the international effort to defeat Daesh. He stated:

In the 14 weeks since the last estimates hearing, Australia has commenced a non-combat training mission in Iraq. This Building Partner Capacity—BPC—mission is part of the international coalition's efforts to assist the government of Iraq to disrupt, degrade and ultimately defeat Daesh. Denmark, France, Germany, Italy, the Netherlands, Norway, Spain, the United Kingdom and the United States are among a range of nations also committed to training Iraqi forces. Approximately 300 Australian Defence Force personnel, primarily from the Brisbane based 7th Brigade, are deployed to Taji, north of Baghdad, alongside around 110 New Zealand Defence Force personnel. Known as Task Group Taji, the combined military force has started work to train soldiers from the Iraqi Army's 76th Brigade, a formation within the Iraqi 16th Division.

ADF trainers will initially work with the 76th Brigade in providing a range of training, from training individual soldiers through to training for brigade-level operations. This will help build the Iraqi Army's overall capacity to conduct and coordinate operations. Importantly, our training also includes instruction on the laws of armed conflict... As in any conflict, there have been setbacks; the loss of Ramadi after a protracted effort by Daesh forces was one of those setbacks. Already, however, the ISF and other pro-government forces are conducting clearance operations around Ramadi. It is important to note that the vast majority of Ramadi had been in Daesh hands for many months. Public commentary around the Ramadi battle has in my view not reflected either the protracted nature of the fight nor the broader complexities of the campaign itself. What we need is careful assessments and measured judgements, not glib sound bites.<sup>4</sup>

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2 *Proof Committee Hansard*, 1 June 2015, p. 5.

3 *Proof Committee Hansard*, 1 June 2015, p. 5.

4 *Proof Committee Hansard*, 1 June 2015, pp 5–6.



1.7 The ACDF noted that Australia also continues its commitment in Afghanistan, with approximately 400 personnel continuing to train, advise and assist the Afghan defence and security forces.<sup>5</sup> The ACDF acknowledged that 'none of our operations in the Middle East region would be possible without the essential support functions provided by around 450 ADF personnel assigned to Operation Accordion.'<sup>6</sup>

1.8 In his opening statement, the ACDF provided an update on the ADF's humanitarian and disaster relief operations conducted both at home and abroad. He noted that following Cyclone Marcia in mid-February, the Army responded by deploying personnel to clear debris to help restore essential services. Four weeks later, the ADF provided support to the people of Vanuatu in the wake of Cyclone Pam. Over five weeks, approximately 500 ADF personnel were deployed to provide assistance to Vanuatu authorities. ADF personnel flew reconnaissance missions, assessed damage, delivered vital supplies to isolated communities and evacuated almost 250 Australian nationals from Port Vila to Australia. Two C17 aircraft were deployed to Nepal following the earthquake in late April to deliver 13 tonnes of Australia aid and evacuate more than 100 Australians and other foreign nationals.<sup>7</sup>

1.9 Finally, the ACDF personally acknowledged the 'exceptional efforts of the tens of thousands of ADF personnel in the commemoration activities to mark the centenary of the Gallipoli landings. The ADF provided an unprecedented level of support this Anzac Day, participating in more than 1,400 events across Australia and around the world.'<sup>8</sup>

1.10 Other topics examined during the hearing on 1 June 2015 included:

*Portfolio and Budget overview, and questions arising from opening statements*

- Australian efforts in Iraq, the Building Partner Capacity mission and anti-Daesh operations (pp. 5, 7–11, 15–19, 29, 96–98)
- The integration of DMO within Defence (pp 130–131)
- Recommendations of the First Principles Review (pp 130–135)
- Matters relating to Defence budget (pp 12–14, 28–29)

*Program 1.1: Office of the Secretary and the Chief of the Defence Force*

- The Defence White Paper (pp. 12, 15, 59, 60–61)
- Operational update on Afghanistan (pp 19–20, 25–26, 45–46, 98)
- Operation Manitou (p. 27)
- The Tactical Payment Scheme (pp 30, 99)
- South China Sea activities (pp 81–83, 115–117)

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5 *Proof Committee Hansard*, 1 June 2015, p. 6.

6 *Proof Committee Hansard*, 1 June 2015, p. 6.

7 *Proof Committee Hansard*, 1 June 2015, p. 6.

8 *Proof Committee Hansard*, 1 June 2015, p. 6.

- Treatment of demonstrators at Swan island (pp 83–84)

*Program 1.2: Navy Capabilities*

- Future Submarine program, Collins and the competitive evaluation process (pp 30, 32–37, 46–55, 58–62, 65–81, 89–96, 126–128)
- Appointment of the expert advisory panel (pp 46–47)
- Operation Resolute (p. 27)
- Concerns regarding LHD noise levels and fumes (p. 44)

*Program 1.3: Army Capabilities*

- LAND400 (pp 42–43)
- Matters relating to the Tully training area (p. 96)

*Program 1.4: Air Force Capabilities*

- Aircraft in Operation OKRA (p. 17)
- RAAF operations in Iraq (pp 10–11)
- Configuration and rotation of classic and super hornets (pp 10, 17)
- C17 Globemasters (pp 75, 96–97)

*Program 1.5: Intelligence Capabilities*

- Alleged ASD phone-hacking incident (pp 85–86)

*Program 1.8: Chief Operating Officer—Defence People*

- Assault allegations and the Defence Abuse Response Taskforce (pp 37–42, 63–64)
- ADF remuneration (pp 16, 55–58, 114, 117–120, 122)
- Staffing levels (pp 119, 122–124)
- Paid parental leave (pp 120–121, 128–130)
- Matters relating to Lt Saltmarsh, Steyr rifle malfunctions (pp 13–14, 115)
- Matters relating to Mr Patrick (pp 21–24)
- Support for transgender personnel (pp 29–30)
- Matters relating to Mr Nicholls (pp 62–63, 124–126)
- Matters relating to Sergeant Michael Lyddiard (pp 30, 86–87)

*Defence Housing Australia*

- The proposed sale of DHA (pp 99, 100)
- Seaward Village redevelopment (pp 100, 101–106, 108–112)
- Security Assessment Review (pp 106–109)
- Housing in the Tully training area (pp 112–113)
- Marketing agreement with the Canberra Raiders (pp 113–114)

1.11 The committee continued hearings on areas under Portfolio and Budget overview and Outcome 1 on 2 June 2015. Topics examined included:

*Portfolio and Budget overview, and questions arising from opening statements*

- Matters relating to Defence Budget (pp 16–17, 20–21)

*Program 1.1: Office of the Secretary and the Chief of the Defence Force*

- US force posture in Northern Australia (pp 40–473)
- Defence's role in the Martin Place siege (pp 47–48)
- The handling of live anthrax samples (pp 48–50)
- Preparedness for cyber threats (pp 52–53)
- Defence Abuse Response Taskforce (pp 32–36, 38–40)
- Fraud prevention costs (pp 53–57)

*Program 1.3: Army Capabilities*

- Abrams tanks relocation (pp 68–70)
- Diggerworks (pp 6–7)
- LAND400 and M113s (pp 7–16, 65–66)
- RM Williams army parade boots (pp 57–58)

*Program 1.8: Chief Operating Officer—Defence People*

- Links between mental health and deployment (pp 27–31)
- Matters relating to Steyr rifles (p. 31)
- Staff redundancies, remuneration and paid parental leave (pp 71–73, 74–78)

*Program 1.2: Navy Capabilities*

- The AWD project (pp 17–20, 21–27)
- HMAS Stirling, drug use allegations (pp 36–38)
- Foreign delegation visits to the ASC (pp 50–52)
- Shipbuilding (pp 70–71)
- Future frigates (pp 78–80)

*Program 1.4: Air Force Capabilities*

- F35 Joint Strike Fighters (pp 58–62)
- Upgrades to Williamtown and Tindal RAAF bases (p.60)
- VIP flights (pp 62–64)
- C17 Globemasters (pp 64–66)

*Program 1.6: Chief Operating Officer—Defence Support and Reform*

- Disposal of Defence estates and land (pp 66–68)

### *Department of Veterans' Affairs*

1.12 The committee welcomed Senator the Hon Michael Ronaldson, Minister for Veterans' Affairs, Mr Simon Lewis PSM, Secretary of the Department of Veterans' Affairs (DVA), and officers from DVA.<sup>9</sup>

1.13 Topics examined during the hearing on 2 June 2015 included:

- Transition and Wellbeing Program (pp 83–84)
- Average claim processing times (pp 84–86)
- Matters relating to mental health and homelessness (pp 87–88, 91–97, 99–101)
- Wrightway review (pp 89–90)
- Defence Abuse Response Taskforce (pp 90–91)
- Rehabilitation compensation scheme (pp 98–99, 101)
- Budget for commemorative events (pp 101–102)
- Jet Fuel Exposure Syndrome (pp 102–104)
- Rebates to dental and health providers (pp 104–105)
- Savings usage from deferral of indexation (pp 105–107)
- Additional case coordinators (pp 108–109)
- Veterans and Veterans' Family Counselling Service (pp 109–111)
- Sir Joh Monash Centre and other commemorative centres (pp 111–117)
- Repatriation for personnel buried at Terendak Military Centre (p. 117)

### *Australian War Memorial*

1.14 The committee welcomed Dr Brendan Nelson AO, Director, and officers of the Australian War Memorial.<sup>10</sup>

1.15 Topics examined during the hearing on 2 June 2015 included:

- Official history publications for Iraq, Afghanistan and East Timor (pp 118–119)
- War memorial history program (p. 120)
- Last Post Ceremony (p. 121)
- Menin Gate lions (pp 121–122)
- Restoration of the memorial's gargoyles (p. 122)

1.16 At the conclusion of the hearing, the Chair expressed the committee's gratitude to the minister and officers of the Department.<sup>11</sup>

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9 *Proof Committee Hansard*, 2 June 2015, p. 83.

10 *Proof Committee Hansard*, 2 June 2015, p. 118.

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## Foreign Affairs and Trade portfolio

### *Department of Foreign Affairs and Trade*

1.17 The committee welcomed Senator the Hon George Brandis QC, representing the Minister for Foreign Affairs and the Minister for Trade, Mr Peter Varghese AO, Secretary of the Department of Foreign Affairs and Trade (DFAT), and officers from DFAT.<sup>12</sup>

1.18 Topics examined during the hearing on 3 June 2015 included:

#### *Portfolio and budget overview*

- Prime ministerial travel, incident with Ambassador Brady (pp 8–20)
- Vision impairment programs (pp 25–28)
- April Fool's Day 'joke' (pp 39–40)
- AusAID and DFAT staffing movements (pp 32–35, 38–39)
- Reduction of overseas aid funding, the process of budget reviews (pp 41–43)
- Matters relating to Dr Stoeckel's contract (pp 91–96)
- Recent review of diplomatic resources (pp 98–101)
- Asian Infrastructure Investment Bank (pp 108–109)
- Integration of internal IT systems (pp 45–46)
- Enterprise bargaining agreement (pp 46–47)
- ODA budget allocations and forward estimates (pp 48–52, 57–61, 75–78, 86)
- InnovationXchange and Bloomberg philanthropy (pp 53–56, 102–105)
- Conflicts of interest regarding Bespoke/Arbury Pty Ltd (pp 64–66, 68, 72–75)
- RG Casey building cleaning contract (pp 66–68)
- Reports of fraud in the department (pp 68–69)
- Cost of hosting diplomats in Kangaroo Island and South Australia (pp 69–72)
- Allegations of sexual assault within the department (pp 80–81)
- Matters relating to ministerial travel (pp 119–123)
- Cultural diplomacy (pp 127–128)

#### *North Asia*

- Disputes in the South China Sea (p. 20)

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11 *Proof Committee Hansard*, 2 June 2015, p. 122.

12 *Proof Committee Hansard*, 3 June 2015, p. 6.

*South–East Asia*

- Contributions to Myanmar and the Institute of Organised Migration (pp 21–25, 29–31)

*Pacific*

- Humanitarian assistance to Vanuatu (pp 35–37, 62–63)
- Expansion of presence, aid allocation in PNG (pp 44–45, 79–80, 87–91, 118–119, 122)

*Middle East and Africa*

- The government's response to the Ebola crisis (pp 7–8, 25)
- Review of listing the PKK as a terrorist organisation (pp 111–112)
- Matters relating to Israeli and Palestinian territories (pp 82–84, 109–111, 113–116, 121)
- Mistreatment of Palestinian minors in detention (pp 116–117)

1.19 The committee continued hearings on programs under the DFAT aid portfolio on 4 June 2015. Topics examined included:

- Foreign Minister's function on budget night (pp 5–10)
- Matters relating to ministerial travel (pp 9–10, 18–19, 62)
- Boat turnbacks, the case against journalist Mr Morison (pp 10–12, 19–21)
- Polio eradication initiatives (pp 13–14)
- Pre-positioned stores for natural disaster (pp 14–17)
- Conflicts of interest with mining companies (pp 22–23, 40, 64)
- Cuts to the aid budget for Africa (pp 23–25, 29–31)
- Expected cost of the Ebola Treatment Centre (pp 25–26)
- Mr Ciobo's roles and responsibilities as Parliamentary Secretary (pp 26–27)
- New Colombo Plan (pp 32–33)
- Aid funding for Indonesia (pp 33–35)
- Sustainable Development Goals (pp 36–38, 59)
- Initiatives to empower women and girls, Gender Equality Fund (pp 37–39, 58–60, 64)
- Concerns relating to the Panguna mine (pp 39–41)
- Assessments of Australian aid in PNG (pp 42–43)
- Roles of the Counter–Terrorism Coordinator and the Ambassador for Counter–Terrorism (pp 43–46, 50)
- Issues relating to citizenship and statelessness (pp 46–50)

- Engagement with the Islamic Republic of Iran (pp 50–52)
- Issues relating to the South China Sea (pp 52–58)
- Matters relating to Dr Stoeckel's contract (pp 62–64)
- World heritage Decision on the Great Barrier Reef (pp 66–67)

### ***Trade portfolio***

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

1.20 The committee welcomed Senator the Hon Marise Payne, representing the Minister for Trade and Investment, 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.<sup>13</sup>

1.21 Topics examined during the hearing on 4 June 2015 included:

#### *Trade development and policy coordination, tourism promotion*

- Trans–Pacific Partnership Agreement (pp 74–77, 109–110)
- Matters relating to the China–Australia Free Trade Agreement (pp 97–106)
- Transparency of future trade agreements (pp 106–108)
- Negotiations to accede to the Agreement on Government Procurement (p. 113)

#### *Australian Trade Commission*

- Current trade deficit figures (pp 68–69)
- Matters relating to the free–trade dashboard (pp 69–74, 79–81)
- Significant Investor Visa scheme (pp 78–79 )
- Utilization of sporting events as investment attractions (pp 82–84, 87–90)
- Appointment of senior investment specialists (pp 90–97, 113, 114)
- Cessation of the Asian Business Engagement Plan (pp 124–125)
- Cadbury grant application (pp 125–126)

#### *Export Finance Insurance Corporation (Efic)*

- Export assistance for Environmental Organic Nutrients (pp 112–113)
- OECD Export Credit Group meeting (p. 85)
- PNG LNG project (p. 85)
- Matters relating to the PNG landslide (p. 86)
- Recommendations of the Productivity Commission review (p. 87)

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13 *Proof Committee Hansard*, 4 June 2015, p. 68.

- Effects of the Efic Amendment (Direct Lending and Other Measures) Bill (pp 115–116)
- Credit assistance to coal related projects (pp 117–118)

*Tourism Australia*

- Drivers of international travel (pp 118–119)
- Increased funding for tourism initiatives (pp 119–120)
- International visitors survey (p. 120)
- Sustainable funding for the Survey of Tourist Accommodation (pp 120–121)
- Matters relating to Australia Week events (pp 121–122)
- Effects of the 'backpacker tax' on tourism (pp 122–124)

1.22 At the conclusion of the hearing, the Chair expressed the committee's gratitude to the minister and officers of the Department.<sup>14</sup>

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14 *Proof Committee Hansard*, 4 June 2015, p. 126.



## **Acknowledgements**

1.23 The committee thanks Senator the Hon George Brandis QC, Senator the Hon Michael Ronaldson and Senator the Hon Marise Payne 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 Chris Back  
**Chair**



# Appendix 1

## Tabled documents

### Budget estimates 2015–2016

#### **Defence portfolio, including Veterans' Affairs**

*Monday, 1 June 2015*

**Vice Admiral Ray Griggs AO, CSC, Acting Chief of Defence Force, Opening Statement, 1 June 2015.**

*Tuesday, 2 June 2015*

**Attorney–General, Senator the Hon George Brandis QC, Project Delays from 2009 to 2013 – Reasons for Delays, 2 June 2015.**

**Minister for Veterans' Affairs, Senator the Hon Michael Ronaldson, Media Release, 2 June 2015.**

**Minister for Veterans' Affairs, Senator the Hon Michael Ronaldson, Online Mental Health Resources, 2 June 2015.**

#### **Foreign Affairs and Trade portfolio**

*Wednesday, 3 June 2015*

**Senator the Hon Penny Wong, Answers to QoNs 38 & 39 from Additional Estimates, 3 June 2015.**

**Mr Paul Wood, Chief Finance Officer, Corporate Management Branch, DFAT, Senate Estimates Reporting, 3 June 2015.**

**Mr Paul Wood, Chief Finance Officer, Corporate Management Branch, DFAT, Forward Estimates – Country and Regional Programs Expenditure, 3 June 2015.**

**Senator the Hon Joseph Ludwig, Bespoke Approach Pty Ltd and Arbury Pty Ltd ASIC Extract, 3 June 2015.**

**Mr Paul Wood, Chief Finance Officer, Corporate Management Branch, DFAT, 2014–15 – Country and Regional Programs Expenditure, 3 June 2015.**

**Senator Nick Xenophon, Report of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories, 3 June 2015.**

