

The Senate

Foreign Affairs, Defence and Trade
Legislation Committee

Additional estimates 2012–13

March 2013

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Membership of the Committee

Core Members

Senator the Hon Ursula Stephens, ALP, NSW (Chair)

Senator Alan Eggleston, LP, WA (Deputy Chair)

Senator Mark Bishop, ALP, WA

Senator David Fawcett, LP, SA

Senator Scott Ludlam, AG, WA

Senator Anne McEwen, ALP, SA

Deputy Chair

Senator Helen Kroger (substitute member) was Deputy Chair of the committee for the committee's consideration of the 2012-13 Additional estimates, 13 February and 14 February 2013.

Secretariat

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Senate Foreign Affairs, Defence and Trade Legislation Committee

Report to the Senate

Introduction

1.1 On 7 February 2013,¹ the Senate referred the following documents to the committee for examination and report:

- Estimates of proposed additional expenditure for 2012–2013 relating to the Defence portfolio and the Foreign Affairs and Trade portfolio;
- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2013 [Appropriation Bill (No. 3) 2012–2013]; and
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2013 [Appropriation Bill (No. 4) 2012–2013].

1.2 The committee conducted public hearings with the Defence portfolio on 13 February 2013 and the Foreign Affairs and Trade portfolio on 14 February 2013. The committee received evidence from the Parliamentary Secretary for Defence, Senator the Hon David Feeney, representing the Minister for Defence and the Minister for Veterans' Affairs, and from officers from the relevant departments and agencies. The committee also received evidence from the Senator the Hon Bob Carr, Minister for Foreign Affairs, also 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://aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=fadt_ctte/estimates/add_1213/index.htm

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 12 April 2013.

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 Warren King, the Chief Executive Officer of Defence Materiel Organisation (DMO), and officers of the Defence organisation. On behalf of the committee, the Chair welcomed Mr Dennis Richardson AO to his first estimates as Secretary of the Department of Defence. The Chair took

1 *Journals of the Senate*, No. 132, 7 February 2013, p. 3606.

the opportunity to thank Mr Richardson for his assistance to the committee in his previous role as Secretary of the Department of Foreign Affairs and Trade.²

Chief of the Defence Force's opening statement

1.6 General Hurley made an opening statement. The CDF began by recording his condolences to the family and friends of Corporal Scott Smith, who was killed in action when an improvised explosive device detonated during a clearance operation in Uruzgan on 21 October 2012. The CDF noted that Corporal Smith's:

...dedication to duty was formally recognised on Australia Day when he received a posthumous Commendation for Gallantry. Cpl Smith was one of more than 100 Australian Defence Force [ADF] members whose efforts were acknowledged on Australia Day, but there are thousands more Defence personnel who are doing an outstanding job at home or on deployments around the world. Many of those who were recognised have been part of Australia's ongoing contribution to the mission in Afghanistan.³

1.7 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:

It is sometimes difficult to appreciate the scale and significance of progress in Afghanistan when looking from a distance and from the outside, where we tend to apply our own Western perceptions of normal...Significant progress has been made which has provided the Afghans with the opportunity and capacity to manage their own future and to assist the international community in defeating and deterring threats emanating from Afghanistan.⁴

1.8 In relation to the timing of the scaling back of Australia's operations in Afghanistan, the CDF stated:

The first significant decrease in the number of ADF personnel in Afghanistan will coincide with the end of transition in Uruzgan. Based on our current assessments, transition will be complete and the majority of ADF personnel will be withdrawn from Uruzgan by the end of this year—in December I would think.⁵

1.9 The CDF also commented on the winding down of Australia's operations in East Timor and the Solomon Islands. He then noted that as well as continuing contributions to Australia's border protection, the ADF had provided emergency assistance to Fiji, Samoa and the Solomon Islands, and to flood and fire affected communities in Queensland, Tasmania, New South Wales and Western Australia.⁶

2 *Proof Committee Hansard*, 13 February 2013, p. 5.

3 *Proof Committee Hansard*, 13 February 2013, p. 6.

4 *Proof Committee Hansard*, 13 February 2013, p. 7.

5 *Proof Committee Hansard*, 13 February 2013, p. 8.

6 *Proof Committee Hansard*, 13 February 2013, p. 8.

1.10 In his opening statement, the CDF addressed the apology, issued on 26 November 2012, to those who have suffered sexual, physical or mental abuse while serving in the ADF.⁷ The CDF stated:

Together with the ADF senior leadership, I am committed to ensuring we provided a fair, just and inclusive work environment. I have given my personal undertaking to endeavour strenuously to defend the right of all ADF members to serve in an environment free from abusive behaviour of any kind.

Defence is working with the Hon. Len Roberts-Smith and the Defence Abuse Response Taskforce. To date, we have established protocols and commenced the transfer of Defence records requested by the taskforce. We will continue to cooperate fully as the taskforce undertakes this important body of work.⁸

1.11 In his opening statement, the CDF also addressed the issue of Defence culture and reported on progress of the Pathway to Change strategy, which was released in response to the suite of reviews conducted in 2011–12.⁹

1.12 Other topics examined during the hearing on 13 February 2013 included:

Questions arising from opening statements, portfolio overview and budget summary

- Medibank Health Solutions (pp. 10–18)
- Mental health and suicide rates (pp. 18–20)
- The Navy's humanitarian and disaster relief capability (pp. 20–21)
- Payment of bonuses/allowances to reservists (pp. 21–23)
- Defence Logistics Transformation Program (pp. 23–26, 47–48, 49–51)
- Update on women in the ADF (pp. 26–28)
- Retention of skilled ADF personnel (pp. 28–29)
- Foreign Military Sales (pp. 29, 76)
- Leaked draft of the Defence White Paper (pp. 30–33, 81)
- Incidences of hydrogen sulphide poisoning in the Navy (pp. 33–35)
- Defence and DMO Budget Paper (pp. 35–36)

Program 1.2 Navy Capabilities

- Dry-docking facilities (pp. 36–37)
- Marine technician retention bonuses (pp. 38–39, 63–64, 76)
- Perisher training program (pp. 39–40, 59)

7 *Proof Committee Hansard*, 13 February 2013, p. 9.

8 *Proof Committee Hansard*, 13 February 2013, p. 9.

9 *Proof Committee Hansard*, 13 February 2013, p. 9.

- Rizzo Review (pp. 40–42)
- Collins Class submarines (54–59, 62–63)
- Mutual Service Agreement between Navy and DMO (pp. 59–60)
- Coles Review (pp. 60–61)
- Joint Light Tactical Vehicle (pp. 61–62)
- SEA 1000 (pp. 67–70)
- Mine warfare (pp. 70–71)
- Unmanned underwater vehicles (pp. 70–72)

Program 1.2 Army Capabilities

- Project Overlander (pp. 42–43)
- Australian Light Armoured Vehicle (ASLAV) sustainment (pp. 43–45)
- LAND 121 Phase 3B (pp. 45–47)
- LAND 400 (pp. 48–49)
- Cancellation of self-propelled howitzers in LAND 17 (pp. 51–53)

Program 1.6 Defence Support and Reform

- Freedom of information request 'Detained in Dubai' (pp. 65, 66)
- Enoggera redevelopment stage 2 (pp. 65–67)
- Base security investment program (pp. 73–74)

Program 1.9 Vice Chief of the Defence Force

- Decrease in spending in the area of health workforce (p. 77)
- Dunt review of mental health care (pp. 77–78)

Program 1.12 Chief Finance Officer

- Official Development Assistance (ODA) (pp. 79–80)

Program 1.13 Defence People Group

- Vietnam Logistics and Support Medal for Ubon servicemen (pp. 81–82)

Defence Materiel Organisation

- Mulwala redevelopment project (pp. 75–76)
- LAND 40 phase 2—direct fire support weapons (p. 76)
- JP 2072 project (pp. 83–84)
- Air Qarfare Destroyer (AWD) project (84–86)

Department of Veterans' Affairs

1.13 The committee welcomed Mr Ian Campbell PSM, Secretary of the Department of Veterans' Affairs, and officers from the Department of Veterans' Affairs.¹⁰

1.14 Topics examined during the hearing on 13 February 2013 included:

- Building Excellence in Support and Training (BEST) program and funding (pp. 86–92)
- Booked Car with Driver service (pp. 93–94)
- Report on mental health in the ADF (pp. 95–98)
- Healthcare costs (p. 99)
- Commencement of the caretaker period following the announcement of September 2013 Federal election (pp. 99–100)
- Defence health services contract (pp. 101–106)
- Costs of future payments under the *Military Rehabilitation and Compensation Act 2004* and the *Safety, Rehabilitation and Compensation Act 1988* (pp. 106–107)
- Centenary of Anzac commemorations (pp. 107–114)
- Anzac Centenary fund (pp. 114–116)

Australian War Memorial

1.15 The committee acknowledged the attendance of officers of the Australian War Memorial. On behalf of the committee, both the Chair and Senator Ronaldson, congratulated Dr Brendan Nelson AO on his appointment as Director of the Australian War Memorial. Dr Nelson noted that his new appointment was an 'immense honour' and that he and his staff looked forward to working with the committee. The committee thanked the representatives of the Australian War Memorial for their time, but as there were no questions they were excused.¹¹

10 *Proof Committee Hansard*, 13 February 2013, p. 86.

11 *Proof Committee Hansard*, 13 February 2013, pp. 100–101.

Foreign Affairs and Trade portfolio

Department of Foreign Affairs and Trade

1.16 The committee welcomed officers of the Department of Foreign Affairs and Trade (DFAT). On behalf of the committee, the Chair welcomed Mr Peter Varghese AO to his first estimates as the Secretary of DFAT.¹²

Minister's opening statement

1.17 Senator the Hon Bob Carr, Minister for Foreign Affairs, made a brief opening statement regarding the case of Mr Benjamin Zygier, a dual Australian-Israeli citizen who died in detention in Israel in 2010.

...I am advised in the form of an interim report that the Australian government was informed in February 2010 through intelligence channels that the Israeli authorities had detained a dual Australian-Israeli citizen, and they provided the name of the citizen, in relation to serious offences under Israeli national security legislation.

The Australian government specifically sought assurances from Israel that (1) the individual's legal rights would be respected (2) he had legal representation of his own choosing (3) the individual's family members had been notified of his arrest and detention and (4) he was not being mistreated. The Israeli government further advised the Australian government that the individual would be treated in accordance with his lawful rights as an Israeli citizen. The Australian government relied on these assurances. At no stage during his detention did the Australian government receive any request from the individual or his family to extend consular support.

The Australian government was advised through intelligence channels on 16 December 2010 of this individual's death on the previous day, and the deceased's family had been notified by Israeli authorities. The Australian embassy in Tel Aviv provided assistance in the repatriation of the body to Australia in December 2010. I speak with respect for the grieving of this man's family; I respect their grief at this news. I hope we can all discuss this matter, if there is further discussion, with that in mind.¹³

1.18 Mr Varghese was asked to outline his priorities as the Secretary of DFAT. In response, Mr Varghese stated:

On my first day in the job I spoke with all of our staff about the outlook for the department and about my priorities. The priorities of a secretary of Foreign Affairs and Trade are the priorities of the government, obviously; that goes without saying. I think over the last year or so that has been sketched out in some detail by the government, including in the white paper on the Asian century and more recently by the Prime Minister in the National Security Strategy. I did indicate in my remarks to all staff that I would be paying particular attention to our major bilateral relationships,

12 *Proof Committee Hansard*, 14 February 2013, p. 3.

13 *Proof Committee Hansard*, 14 February 2013, pp. 4–5.

that the East Asia Summit and the objectives of the G20 were very important formative institutions which Australian diplomacy would like to see bedded down and made effective, and that the demands and the challenges and the opportunities of the neighbourhood would of course be a continuing priority for this and I suspect every Australian government. That in the broad are the priorities that I sketched out. There are obviously many other very important issues that the department will be dealing with, and that list was not meant to be in any way exclusive.¹⁴

1.19 Topics examined during the hearing on 14 February 2013 included:

Portfolio Overview

- Recommendations of the Joint Standing Committee on Foreign Affairs, Defence and Trade's inquiry into Australia's overseas representation (p. 5)
- Expenditure on consultancy contracts (p. 6)
- Reports of workplace bullying within the department (pp. 6–7)
- The case of Mr Benjamin Zygier, a dual Australian-Israeli citizen who died in detention in Israel in 2010 (pp. 7–12, 33)
- Policy planning branch and scenario planning (pp. 12–14)
- Australia-UK Ministerial Consultations (AUKMIN) communiqué in relation to Israeli settlements (pp. 15–16)
- Overseas travel for Foreign Ministers' spouses (pp. 16–17)
- The minister's four point plan proposal to reduce anger in the Arab world following the release of an anti-Islamic movie (pp. 18–19)
- Australia's seat on the United Nations Security Council (pp. 19–21)
- Direct aid program funding (pp. 21–22)
- Counter-terrorism (p. 23)
- The National Security Strategy (pp. 23–24)
- The announcement that North Korea was proposing to re-establish a diplomatic presence in Australia (pp. 24–25)

1.20 The committee then moved on through the program, beginning with the geographical areas under outcome 1.

Outcome 1

North Asia

- Annual leadership meetings between Australia and China (p. 25)
- Australia-Japan talks regarding protests against whaling (p. 25)
- The election of the new Japanese government (p. 25)

14 *Proof Committee Hansard*, 14 February 2013, p. 5.

- Australian journalist, Chris Buckley, who was expelled from China in late 2012 (p. 26)
- Reports of self-immolations in Tibet (p. 26)
- Burma (pp. 26–27, 28–29, 30–31)
- Travel advisories regarding spiked drinks in popular destinations such as Bali and Thailand (pp. 27–28)
- Travel advisories for the Philippines (p. 28)
- Travel advisories regarding travel insurance and international driver's licences (p. 28)
- The disappearance of Sombath Somphone, a Lao non-government organisation (NGO) campaigner (pp. 30, 51)
- The election process in Malaysia (pp. 31–33)

Americas

- Venezuela (p. 33)
- Recent US school shootings (p. 34)
- Beef imports and biosecurity (pp. 34–35)

Pacific

- Detention centre on Manus Island (p. 35)
- Foreign aid in the Pacific (pp. 36–37)
- Climate change and natural disasters (pp. 37–38)
- Pacific Women's Parliamentary Partnership Forum (pp. 38–39)
- Papua New Guinea (PNG) case of woman, Kepar Leniata, burned alive for sorcery (p. 39)

South and West Asia, and the Middle East.

- Asylum seeker boats leaving Sri Lanka for Australia (pp. 39–42)
- Deportation of Sri Lankan asylum seekers (pp. 42–44)

International organisations and legal issues.

- Australia joining the Open Government Partnership (pp. 44–47)
- UN vote on Palestinian observer status (pp. 47–48)
- The case of two Australians, Marcus Lee and Matt Jones detained in Dubai (pp. 48–50)
- UN Commission on the Status of Women (pp. 50–51)
- G20 Summit in to be held Brisbane in 2014 (p. 50)

Services to diplomatic/consular representatives

- Availability of diplomatic real estate in Canberra (p. 53)

- Chinese embassy construction (pp. 53–55)

Program 2.1 Consular services

- Consular assistance provided to Laura Garrett, the ex-wife of Italian national Tommaso Vincenti, who fled Italy with her four daughters (pp. 51–52)
- Fifty-seven Australian citizens detained in China (p. 52)
- Travel advice for Australian students undertaking overseas exchange programs (pp. 52–53)
- Guidelines in relation to consular loans (p. 55)
- Consular services in Thailand (pp. 55–56)

Program 2.2 Passport services

- Media article referring to fake documents, including passports, available on the internet (p. 56)

Outcome 3 Foreign Affairs and Trade operations and overseas properties

- The number of security personnel employed to guard Australian embassies or high commissions (p. 56–57)
- Budget for the construction of a new embassy in Indonesia (pp. 57–58)

Trade portfolio

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

1.21 The committee welcomed officers of the Australian Trade Commission (Austrade) and Export Finance and Insurance Corporation (EFIC) who appeared with DFAT officers in the trade portfolio.¹⁵

1.22 Topics examined during the hearing on 14 February 2013 included:

Bilateral, regional and multilateral trade negotiations

- Australian beef exports to Indonesia (pp. 58–59)
- Beef exports between Australia and South Korea (pp. 59–60)
- Trade relations with South Korea (pp. 60–62)
- US free trade agreement (pp. 62–64)
- Tariffs in India (p. 65)

EFIC

- The Productivity Commission's recommendations for changes to EFIC's mandate and operations (pp. 65–68)
- PNG LNG developments (pp. 68–71)

15 *Proof Committee Hansard*, 14 February 2013, p. 58.

- \$200 million special dividend payment (p. 71)

Austrade

- The Export Market Development Grants (EMDG) scheme (pp. 71–74)

Australian Agency for International Development

1.23 The committee welcomed officers of the Australian Agency for International Development (AusAID).¹⁶

Opening statement

1.24 Mr Peter Baxter, Director General, made an opening statement. Mr Baxter discussed the review of the way advisers are used and remunerated under Australia's aid program. He also noted the release of the *Annual review of Aid Effectiveness* on 25 January 2013. Mr Baxter stated:

The annual review of aid effectiveness is a key reform flowing from the government's new aid policy, Effective Aid and the independent review of aid effectiveness. The annual review was considered by cabinet in late 2012. This is the first time the aid program has reported against a standard set of results with consistent definitions and parameters across the whole of government. The review identifies the results achieved by all agencies delivering the government's aid program, issues relating to the effectiveness of the aid program, and global trends affecting development. The review follows the release of the Comprehensive Aid Policy Framework in May 2012, five months before consideration of the first annual review by government.

Next year, the 2012-13 annual review will be the first full year of reporting against the Comprehensive Aid Policy Framework. The key findings of the review were: the aid program has provided support for more than two million children to receive immunisations thus reducing child deaths and illnesses; we provided more than 3,700 scholarships in 2011, and 4,300 in 2012 mostly for Indonesia, Vietnam, Papua New Guinea and the Philippines; and over 4,000 kilometres of national roads were rehabilitated, maintained or constructed.¹⁷

1.25 Topics examined during the hearing on 14 February 2013 included:

- Samoa (pp. 77–78)
- Reallocation of up to \$375 million of Australia's aid budget towards domestic refugee support costs (pp. 78–85, 91–93)
- The direct aid program (pp. 85–86)
- Mining for Development Initiative (pp. 86–88)
- Funding for the Global Fund to fight AIDS, Tuberculosis and Malaria (pp. 88–89)

16 *Proof Committee Hansard*, 14 February 2013, p. 75.

17 *Proof Committee Hansard*, 14 February 2013, p. 76.

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- Tuberculosis facility at Daru Hospital (pp. 90–91)
 - Guidelines for Official Development Assistance (ODA) (pp. 93–94)
 - The Green Book, our statistical summary (p. 94)
 - Development assistance to Afghanistan (pp. 94–96)
 - The commitment to increase the aid budget to 0.37 per cent of Gross National Income (GNI) (p. 96)
 - The annual review of aid effectiveness (pp. 96–97)
 - The whole-of-government approach (pp. 97–98)
 - The Mama Graon Project in Vanuatu (pp. 98–99)
 - Papua New Guinea case of woman, Kepari Leniata, burned alive for sorcery (p. 99)
 - Aid and humanitarian assistance to Burma (pp. 99–101)
 - AusAID funding for the building of houses for Tamils in northern Sri Lanka (pp. 101–102)
 - Aid to Rwanda (pp. 102–103)
 - Aid programs in Palestine (pp. 103–104)
 - Global Food Security Initiative—Food Security through Rural Development (pp. 104–105)

Acknowledgements

1.26 For their assistance during its hearings, the committee thanks Senator the Hon David Feeney and Senator the Hon Bob Carr. 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 the Hon Ursula Stephens

Chair

Appendix 1

Tabled documents

Additional estimates 2012–2013

Defence portfolio

Wednesday, 13 February 2013

Received from General David Hurley, AC, DSC, Chief of the Defence Force 'Opening Statement Senate Estimates hearing 13 February 2013'.

Received from Senator Kroger, 'Detained in Dubai', Freedom of Information request by Radha Stirling to the Department of Defence (dated 24 January 2013).

Foreign Affairs and Trade portfolio

Thursday, 14 February 2013

Received from Senator the Hon Bob Carr, Minister for Foreign Affairs, 'Israeli Settlement Activity', background note (not dated).

Received from Senator the Hon Bob Carr, Minister for Foreign Affairs, Letters to the Minister from US Secretary of State Hillary Rodham Clinton (not dated) and UK Minister for the Cabinet Office and Paymaster General, the Rt Hon Francis Maude MP (dated 16 January 2013).

Received from Mr Peter Baxter, AusAID Director General, Photographs of the construction of the new tuberculosis ward at Daru Hospital (not dated).