

## **Senate Rural and Regional Affairs and Transport References Committee**

Policy, regulatory, taxation, administrative and funding priorities for Australian shipping – 09 September 2020

### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** SRRAT - Q1 - 09 September 2020 - Requisition of Australian Flagged Vessels in a crisis - Sterle

**Question reference number:** 1

**Senator/Member:** Glenn Sterle

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 25 September 2020

#### **Question:**

**CHAIR:** Alright. This is a question for Defence: can the department requisition a ship for use in a crisis if it is not an Australian flagged vessel?

**Air Marshal McDonald:** We'd have to take that on notice.

#### **Answer:**

A vessel flagged to a foreign state is principally subject to the laws of that foreign state. It would be unlawful for Australian authorities (including Defence/ADF) to interfere with any foreign flagged vessels, including requisitioning or commandeering a vessel, without the consent of the ship's owner or master unless Australian authorities reasonably suspected that the vessel was contravening an Australian law, within a maritime zone in which jurisdiction might be invoked (eg. territorial sea of Australia).

The Commonwealth may, however, negotiate commercial agreements with the owners of a foreign flagged ship to secure its services.

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### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** SRRAT - Q2 – 09 September 2020 - Australia's dependency on foreign registered ships for imports and exports - Sterle

**Question reference number:** 2

**Senator/Member:** Glenn Sterle

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 25 September 2020

#### **Question:**

**CHAIR:** Has the department, in developing recent white papers or strategic reviews such as the 2020 Defence Strategic Update of July 2020, addressed the issue of Australia's complete dependency on the use of foreign registered ships using foreign seafarers for 100 per cent of its imports and exports and for much of its domestic shipping, including oil and refined petroleum products, some of which is required by defence forces?

**Air Marshal McDonald:** I'm unaware. I'll have to take that on notice. Commodore Robb and I are here regarding fuel security, so that's where we believed our nexus sat, even though part of your question goes to address that. I will get back to you with a response to your question.

#### **Answer:**

The 2020 Defence Strategic Update (DSU) and 2020 Force Structure Plan (FSP) address significant changes in the strategic environment since the release of the 2016 Defence White Paper, including reduced warning time for adjustments to military capability and preparedness, and the potential vulnerability of global supply chains. In response, the DSU and FSP reinforce the Government's commitment to build a resilient and internationally competitive defence industrial base and secure Australia's supply chains. Greater resilience is a key feature of the Government's strategy. This is illustrated through planned investments in additional bulk fuel storage and deployable fuel capabilities.

Defence continues to invest through the Defence Fuel Transformation Program to increase our fuel supply chain resilience. The Government has committed more than \$1.1 billion over 30 years to this program. In addition, the Government recently announced an intention to establish a United States funded, commercially owned and operated military strategic fuel reserve in Darwin. The facility will deliver operational benefits to the ADF and contribute significantly towards increased fuel supply redundancy in northern Australia.

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### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** SRRAT - Q3 - 09 September 2020 - Strategic Review on the complete usage of foreign ships for oil supplies - Sterle

**Question reference number:** 3

**Senator/Member:** Glenn Sterle

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 25 September 2020

#### **Question:**

**CHAIR:** Okay. Because, yes, fuel security is a major issue, Air Marshal. This committee did an inquiry on fuel security back in 2015—I thought it was longer. Defence were very, very engaged and very concerned as to Australia's complete—and I have no fear of using these words—lack of quality fuel security. I am a bit perplexed, even as I do ask these questions—anyway, I will give Defence the opportunity. It should be a major concern, Air Marshal. I think the Department of Defence should be all over this. I find it very, very hard to comprehend that the brains within the Department of Defence—and I don't mean the politicians sitting up on the hill; I mean the actual Defence personnel—have not done some work as to wondering what the hell is going on off our shores should we need fuel. Air Commodore, please correct me if I'm wrong, but do I take it from your answer that you have not done—you, the department—one ounce of work in strategic reviews concerned with the 100 per cent use of foreign ships and foreign crews for our oil supplies?

**Air Marshal McDonald:** Being it outside my lane, Chair, I will take that on notice and I will get back to you. I would say, though, that we haven't had a disruption to our fuel supplies. We have diversity of supply chain and we've found commercial industry to be quite responsive to world events to enable us to keep fuel for our Defence Force.

#### **Answer:**

In 2015 Defence conducted a review of its fuel network. As a result of this Review, Defence is continuing to invest through the Defence Fuel Transformation Program (DFTP) to reduce enterprise risk, increase resilience, and optimise total cost of ownership of Defence's fuel supply chain. The Government has committed more than \$1.1 billion over 30 years to this program.

As part of the DFTP, Defence is currently conducting a three-stage procurement process to establish a nationwide Fuel Services Contract. In addition to other services, this contract will cover the provision of bulk fuel across the Defence fuel supply chain. This will replace the

current arrangements of multiple Standing Offers for the supply of all fuel nationally, with a single supplier for each location. These arrangements are robust and industry has proven to be highly reliable and flexible in meeting Defence's supply requirements.

The Australian Government signed a lease agreement in June 2020 with the United States to hold stocks in United States Strategic Petroleum Reserve. Additionally, at the Australia-US Ministerial Consultations (AUSMIN) held in Washington DC in July 2020, the Minister for Foreign Affairs, Senator the Hon Marise Payne, and the Minister for Defence, Senator the Hon Linda Reynolds CSC, reached agreement with US counterparts on an ambitious set of defence outcomes to further advance our security and defence cooperation. This included an intent to establish a US-funded, commercially-operated strategic military fuel reserve in Darwin to strengthen the resilience of our supply chains. This strategic reserve will provide Australia and the United States with increased military fuel redundancy to support a range of activities, including US Force Posture Initiatives, engagement with regional partners, and regional operations such as humanitarian assistance and disaster relief.

Defence has a number of other arrangements to support its fuel needs, including mutual logistic support agreements with allied nations which could be utilised in the event that commercial stocks were limited or not available. Defence also maintains fuel holdings, ranging from several weeks (aviation and vehicular fuel) to a number of months (naval fuels) at normal rates of consumption. Defence can further enhance fuel stockholdings by ensuring existing fuel storage is held at maximum capacity and purchasing additional fuel for storage in commercial facilities.

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### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** SRRAT - Q4 - 09 September 2020 – Interdiction of cargo on foreign flagged vessels - Sterle

**Question reference number:** 4

**Senator:** Glenn Sterle

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 25 September 2020

#### **Question:**

**CHAIR:** Thank you very much. While we're at it, and you may want to take this on notice: if an Australian company owns the cargo on a foreign flagged ship, do you have any power to ensure that cargo gets to Australia?

**Air Marshal McDonald:** I'll have to take that on notice as well.

#### **Answer:**

Defence has no explicit authorities or powers to ensure cargo on a foreign flagged ship gets to Australia.

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### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** SRRAT - Q5 - 9 September 2020 - Control of Australian vessels in sea trials - Sterle

**Question reference number:** 5

**Senator/Member:** Glenn Sterle

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 25 September 2020

#### **Question:**

**CHAIR:** So help me out here then: is it the case that the merchant navy do the sea trial before Defence can take control of an Australian Defence vessel?

**Air Marshal McDonald:** I think that may go back to your first question, which we said we would come back to you with if I'm not mistaken.

#### **Answer:**

Prior to the Royal Australian Navy taking acceptance of a new ship, sea trials are conducted by the contracted shipbuilder under commercial arrangements.

Commissioned vessels also undergo sea trials after a significant upgrade or maintenance period. While these sea trials are led by the Royal Australian Navy they are carried out in conjunction with the contracted maintenance provider.

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### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** SRRAT – Q6 - 9 September 2020 - Retention of core fleet of Australian Registered ships on seafarers and supply to qualified merchant seafarers - Sterle

**Question reference number:** 6

**Senator/Member:** Glenn Sterle

**Type of question:** Spoken

**Date set by the committee for the return of answer:** 25 September 2020

#### **Question:**

**CHAIR:** Thanks so much. Just quickly, does AMDC believe that retention of a core fleet of Australian registered ships or seafarers can be trained to IMO and STCW convention standards? Is it important for delivering a supply of qualified merchant seafarers that can be utilised for crewing of defence auxiliary ships, such as auxiliary oiler replenishment ships, which are known as AORs; troop carriers; hospital ships; training ships, like the MV Sycamore, a multirole aviation training ship; Sydney Harbour tugs, the [inaudible]; submarine escape gear ships, like the MV Besant; and rescue gear ships, like the MV Stoker? It's a long question, but I reckon you'll be all over that, Mr Hammond.

**Rear Adm. Hammond:** What I can say is the Australian Maritime Defence Council have informed a view that addresses that question. The Maritime Defence Council, that I've been chairing for the last two years, has met twice and discussed a range of issues, some of which intersect with that question but most don't. It's a stakeholder engagement forum as opposed to a policy advice forum. I'm happy to take that question on notice, and I will do my best to answer the elements that I can, that have a Navy nexus, but, to my knowledge, there is not an AMDC consolidated view of it. I'm sure you'll appreciate it's a very diverse membership, including attendance by the Maritime Union, CEO of Shipping, CEO of Maritime Industry Australia, Royal Australian Navy and Maritime Border Command. I could not offer a consensus view on behalf of the council.

**CHAIR:** No, of course. But could I be cheeky enough to ask you to throw it on the agenda for the next meeting as a request from the chair of the committee? There you go. You can only say yes or no. Have a think about it.

**Rear Adm. Hammond:** I'll take the question on notice and I will include it in my handover to Rear Admiral Smith, who will inherit the chair's responsibilities this Friday.

**CHAIR:** Sorry, you're escaping; yes, that's right! Alright, this is my last one. Could you advise the committee on the status of Navy's alternate crewing model, and to what extent does Navy intend using civilian seafarers on its auxiliary fleet ships in the coming years?

**Rear Adm. Hammond:** The alternate crew model has been discussed a number of times over the past few years for different reasons, and the answer is that, effectively, there are a

spectrum of options which are dependent upon the employment model—that is, the closer you get to an operational employment model and operational risk, the farther you get away from having an alternate crewing model. Some of our capabilities must be managed and operated exclusively by uniforms, for a number of reasons related to Defence Act risk et cetera, as I'm sure you'll appreciate. Where it is appropriate to engage with industry in partnership crewing arrangements, we do so. You mentioned a couple there with MV Sycamore, Besant and Stoker et cetera. There is not a black-and-white answer. There are a spectrum of models, and we work with industry partners and often with shipbuilders in the contract stage to determine what the right model is.

**CHAIR:** Am I encroaching on national security if I ask for examples that are being done throughout the nation now?

**Rear Adm. Hammond:** I would rather take that on notice, if that's okay

**Answer:**

**Question 1: Does AMDC believe that retention of a core fleet of Australian registered ships or seafarers can be trained to IMO and STCW convention standards? Is it important for delivering a supply of qualified merchant seafarers that can be utilised for crewing of defence auxiliary ships, such as auxiliary oiler replenishment ships, which are known as AORs; troop carriers; hospital ships; training ships, like the MV Sycamore, a multirole aviation training ship; Sydney Harbour tugs, the [inaudible]; submarine escape gear ships, like the MV Besant; and rescue gear ships, like the MV Stoker?**

Navy is supported by a number of civilian-crewed vessels such as MV *Sycamore*, MV *Besant* and MV *Stoker* as well as a fleet of harbour tugs and support vessels at Fleet Base East, Fleet Base West and HMAS *Coonawarra*. These vessels are operated under a commercial support arrangement which includes the provision of a ship's crew. These crews are authorised and licenced to drive each vessel as appropriate and it might be expected that this training is provided by Australian-based training authorities such as TAFE NSW or the Australian Maritime College at Launceston, Tasmania. The civilian industry is not reliant on Navy-trained personnel.

**Question 2: Can you include this on the next meeting agenda?**

The request has been passed to the Australian Maritime Defence Council (AMDC) Secretary for consideration at the next AMDC board meeting.

**Question 3: Can you provide examples of alternate crew modelling that are being done throughout the nation now?**

- **ADV *Ocean Protector*** (Customs patrol vessel) – One uniformed RAN officer (usually Lieutenant Commander) is posted to this vessel as a Liaison Officer, this is usually a monthly rotation of officers.
- **MV *Sycamore*** (Multi role training ship) – Two uniformed RAN officers who are permanently posted to this vessel for a two year cycle (usually Commander x 1, Lieutenant Commander x 1). They alternate with each other to cover ship and shore duties.

- **MV *Besant*** (Submarine Intervention gear Ship) – No uniformed staff posted to this vessel. On occasion uniformed RAN staff may embark for bespoke activities such as escort or maintenance.
- **MV *Stoker*** (Submarine Rescue Gear ship) – No uniformed staff posted to this vessel. On occasion uniformed RAN staff may embark for bespoke activities such as escort or maintenance.