

Senate Foreign Affairs, Defence and Trade Legislation Committee

Report to the Senate

Introduction

1.1 On 4 February 2016, the Senate referred the following documents to the committee for examination and report:

- particulars of proposed additional expenditure in respect of the year ending on 30 June 2016 [Appropriation Bill (No. 3) 2015-2016]; and
- particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2016 [Appropriation Bill (No. 4) 2015-2016].¹

1.2 The committee conducted public hearings with the Defence portfolio on 10 February 2016 and the Foreign Affairs and Trade portfolio on 11 February 2016. The committee received evidence from Senator the Hon Marise Payne, the Minister for Defence and representing 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 the Minister for Foreign Affairs and Senator the Hon Richard Colbeck, Minister for Tourism and International Education and representing the Minister for Trade and from officers from the relevant departments and agencies.

1.3 The committee held a spill-over hearing on 25 February 2016 with the Department of Veterans' Affairs and the Department of Foreign Affairs and Trade. The committee received evidence from Senator the Hon James McGrath, representing the Minister for Veterans' Affairs, and from officers from the department. The committee also received evidence from Senator the Hon Concetta Fierravanti-Wells, representing the Minister for Trade and from officers from the department.

1.4 On 23 February 2016, the Senate agreed to an instruction to the committee to reconvene before 10 March to take evidence from a named official who had been involved in the economic modelling of the future submarine project. The committee held the spill-over hearing on 3 March 2016, receiving evidence from Senator the Hon Marise Payne, the Minister for Defence, and from officers from the Department of Defence.

1.5 The committee agreed to hold a third spill-over hearing with the Department of Defence on Thursday 17 March 2016 to examine the 2016 Defence White Paper. At that hearing the committee received evidence from Senator the Hon Marise Payne, the Minister for Defence, and from officers from the department.

1.6 Links to the transcripts of these public hearings and to answers and additional information are available on the committee's internet site at:

1 *Journals of the Senate*, No. 137, 4 February 2016, p. 3720.

http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadtctte/estimates/add1516/index

Questions on notice

1.7 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 Friday 1 April 2016.

Defence portfolio: 10 February 2016 hearing

Department of Defence

Officers required to attend

1.8 In the lead-up to the hearing, the committee wrote to the Secretary of Defence, Mr Dennis Richardson AO, requesting the attendance of Dr Rob Bourke, Economic Advisor, Capability Acquisition and Sustainment Group (CASG), to answer questions on the economic impact of the future Submarine project, and Dr Matthew Klein, Occupational Physician, to answer questions on the contamination at RAAF Base Williamtown. Mr Richardson advised the committee that Dr Klein would be made available if required but that Dr Bourke would not. No reason was provided to the committee.

1.9 Before inviting the Chief of the Defence Force to make an opening statement, the Chair advised that the committee had expressed concern that no reason had been given to the committee as to Dr Bourke's non-attendance, and reminded the department that should members of the committee not be satisfied with the answers provided by officers present, it was within the power of the committee and the Senate to compel Dr Bourke to appear.

1.10 Mr Richardson was asked to comment on his correspondence to the committee in relation to Dr Bourke. He explained:

...it relates to what we can and cannot say in evidence in respect to the question in hand. I think you will find that, when we come to that issue [the economic impact of the future submarine project] the real limitations of what we can say did not make it sensible to have more people here.²

1.11 The committee acknowledged the attendance of Air Chief Marshal Mark Binskin AC, Chief of the Defence Force (CDF); Mr Dennis Richardson AO, Departmental Secretary and officers of the Defence organisation.³

Chief of the Defence Force's opening statement

1.12 Air Chief Marshal Binskin made an opening statement. The CDF began by noting that three weeks prior, he had spent time with the Australian men and women deployed on operations in Iraq, Afghanistan and the broader Middle East region:

2 *Proof Committee Hansard*, 10 February 2016, p. 8.

3 *Proof Committee Hansard*, 10 February 2016, p. 7.

As you are well aware, in late December the Iraqi forces struck a major blow against Daesh when they recaptured key territory in the city of Ramadi. The Iraqis achieved this important operational breakthrough after months of heavy fighting in a complex urban environment. Australians played a significant role in the Iraqi success. As the Australian trained Iraqi Special Operations Forces Brigade fought their way through Daesh-held territory, remotely based members of our Special Operations Task Group provided advice and assistance including critical joint terminal attack control. Australian Special Operations Task Group advisers enabled more than 150 airstrikes during the ISOF Brigade offensive, destroying around 50 Daesh fighting positions, 16 heavy machine guns and numerous vehicle-borne IEDs.⁴

1.13 The CDF discussed the NATO meeting on the Resolute Support Mission, which the CDF attended alongside the 28 NATO Defence chiefs. He explained:

NATO has indicated it will continue to stand alongside Afghan partners as they develop the necessary capabilities to stabilise the country. In December, NATO foreign ministers agreed to sustain the mission through 2016. They also committed to continue to review the mission in the months ahead. This will ensure that NATO responds to Afghan requirements as they emerge. The decision to sustain current NATO force levels throughout 2016 has taken the present security situation into account, and the NATO-led Resolute Support Mission will focus on three key areas: combat air support and logistics, as well as intelligence, surveillance and reconnaissance. During the first half of this year, NATO and the partner countries like Australia will consider our post 2016 commitments in the lead-up to the NATO summit in Warsaw in July. These deliberations and the decisions that follow will be crucial to ensuring Afghanistan's long-term security.⁵

1.14 The CDF elaborated on Defence's maritime commitment to intercept and seize illegal narcotics used to fund terrorism. Since HMAS *Melbourne* commenced operations in September, almost one tonne of illegal drugs has been detected and destroyed, taking the total of ADF seizures to more than five tonnes in two years.⁶

1.15 Other topics examined during the hearing on 10 February 2016 included:

Questions arising from opening statements, portfolio overview and budget summary

- Mr Stuart Robert's travel (pp 19–24, 34–36, 52–53, 79–81, 95–96)
- Air Task Group operations (pp 24–25, 37–38, 40, 58)
- Counter-Daesh efforts (pp 36–41, 54–61)
- Operation Gateway, freedom of navigation (pp 69–75, 92–95)
- Force posture initiatives (pp 86–89)

4 *Proof Committee Hansard*, 10 February 2016, p. 8.

5 *Proof Committee Hansard*, 10 February 2016, p. 9.

6 *Proof Committee Hansard*, 10 February 2016, p. 9.

- Defence White Paper (p. 95)

Program 1.3 Army Capabilities

- Resistance to interrogation training (pp 30–34, 74)

Program 1.4 Air Force Capabilities

- Joint Strike Fighter program (pp 17, 48, 82–83)

Program 1.6 Intelligence Capabilities

- Future frigates, AWDs, OPVs, continuous build program (pp 61–62, 97–101, 106–113)
- Pacific patrol boat program, aerial surveillance trial (pp 42–44, 81–82)

Program 1.7 Vice–Chief of the Defence Force

- Use of Mefloquine by the ADF (pp 119–122)
- Live animal use in emergency training (p. 68)

Program 1.9 Associate Secretary—Estate and infrastructure

- Contamination issues (pp 9–19, 48–49)

Program 1.11 Associate Secretary—Defence People

- Enterprise agreement bargaining negotiations (pp 44–46)

Capability, Acquisition and Sustainment Group

- Navy supply ships (pp 101–105)
- Future submarines, the competitive evaluation process (pp 26–30, 49–51, 61–67, 96–98, 101–107, 114–116)

Defence Housing Australia

1.16 The committee welcomed Ms Jan Mason, Acting Managing Director of Defence Housing Australia, and officers from the department.⁷

1.17 Topics examined during the hearing on 10 February 2016 included:

- Seaward village (pp 122–131)
- Forensic review (pp 132–135)
- Privatisation of DHA (p. 135)

Department of Veterans' Affairs

1.18 The committee received evidence from Mr Simon Lewis PSM, Secretary of the Department of Veterans' Affairs, and officers from the department.

1.19 Topics examined during the hearing on 10 February 2016 included:

- Defence abuse (pp 33–34, 136–139)

⁷ *Proof Committee Hansard*, 10 February 2016, p. 122.

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- Vocational pilot phase 2 (pp 139–141)
 - Sir John Monash Centre (p. 141)
 - ICT upgrades (p. 142)

Foreign Affairs and Trade portfolio: 11 February 2016 hearing

Department of Foreign Affairs and Trade (non-trade programs)

1.20 The committee welcomed Mr Peter Varghese AO, Secretary, and officers of the Department of Foreign Affairs and Trade (DFAT).⁸

1.21 Topics examined during the hearing on 11 February 2016 included:

Portfolio Overview

- Mr Stuart Robert 's travel (pp 7–28)
- Mr Philip Ruddock's appointment (pp 28–32, 38–40, 90–91)
- Assistance given to former Prime Ministers (pp 35–37)
- Mr Briggs' conduct (pp 42–45, 50–54, 58–59)
- Fraud and corruption staff training (pp 48–49)
- InnovationXchange, furniture cost (pp 47–48, 55–58)
- Matters relating to Witness K (pp 62–64)

Outcome 1

Pacific

- Corruption in Vanuatu (pp 60–62)

North Asia

- Monitoring nuclear testing in North Korea (pp 22–23)

Southeast Asia

- NGO activities in Cambodia (pp 32–33)
- Vietnam aid program (pp 33–34)
- Indonesian education program (p. 34)
- Timor Sea Treaty, CMATS (pp 37–38, 45, 91–92)
- Update on Anwar Ibrahim (pp 92–93)

Americas

- Response to the inquiry into relations with Mexico (pp 76–77)
- BHP disaster in Brazil (pp 77–78)

8 *Proof Committee Hansard*, 11 February 2016, p. 6.

Middle East and Africa

- Expenditure for embassy in Doha (pp 23–27, 73–74)
- Baghdad embassy security arrangements (pp 40–42)
- Australia's response to the Syrian crisis (pp 54–55)
- Australian delegation in Palestine (pp 84–86)

Multilateral Policy, Legal and Environment

- Australia's exclusive economic zone (pp 64, 91)
- Investigation into MH17 (p. 83)

Public diplomacy and communication

- Australia's participation in future Expos (pp 94–95)

New Colombo Plan

- Update on the New Colombo Plan (pp 75–76)

*Outcome 3**Consular and passport services*

- Matters relating to Julian Assange (pp 18–22)

*Outcome 3**Overseas Property*

- Cost for Ambassador's residence in Rome (pp 93–94)

Department of Foreign Affairs and Trade (trade programs), Australian Trade Commission and Tourism Australia

1.22 The committee welcomed officers from the Australian Trade Commission and Tourism Australia who appeared with DFAT trade division officers.⁹

1.23 Topics examined during the hearing on 11 February 2016 included:

Bilateral, regional and multilateral trade negotiations

- Minister Robb's retirement (pp 96–97)
- Re-regulating the sugar industry, Wilmar International (pp 97–100)
- Trans-Pacific Partnership, (100–108, 111–113)
- National Interest Analysis (pp 102–103)
- Biologics (pp 115–116)
- ISDS provisions (pp 105–107, 114–115)

Australian Trade Commission

- Match Australia (pp 118–120)

9 *Proof Committee Hansard*, 11 February 2016, p. 118.

- Australia Business Week events (pp 120–124)
- FTA promotional activities (pp 124–126)

Tourism Australia

- Aquatic and coastal campaign (pp 128–130)
- Survey of tourist accommodation (pp 131–132)
- Expos 2017 and 2020 (pp 132–133)
- Major project facilitation service (p. 133)

Spill-over hearing: 25 February 2016

Department of Veterans' Affairs

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

1.25 Topics examined during the hearing on 25 February 2016 included:

- Discontinuation of services at Lone Pine on Anzac Day (pp 4–6)
- DART process, continued access to counselling (pp 6–8)
- Claims submitted on the basis of child abuse (pp 7–8)
- Gold cards issued between 1999 and 2004 (pp 8–9)
- Claims assessments by contracted medical advisors (pp 9–10)
- Types of complaints submitted over last 5 years (p. 10)
- Updates on the DART (pp 10–11)
- Suicide statistics of veterans (p. 11)
- Costings for an automatic gold card (p. 11)
- Documents provided to the Administrative Appeals Tribunal (pp 12–13)
- Special rate disability pensions and income support payments (pp 14–15)
- Upgrades to DVA's IT systems (pp 15–16)
- Client Liaison Unit (pp 16–17)
- Homeless and incarcerated veterans (pp 17–20)
- CDDA applications (pp 20–21)

Department of Foreign Affairs and Trade (trade programs)

1.26 The committee welcomed Mr Justin Brown, Acting Deputy Secretary, and officers of the Department of Foreign Affairs and Trade.¹¹

10 *Proof Committee Hansard*, 25 February 2016, p. 4.

11 *Proof Committee Hansard*, 25 February 2016, p. 22.

1.27 Topics examined during the hearing on 25 February 2016 included:

- Trans-Pacific Partnership Agreement (pp 22, 23, 24)
- Changes to entry requirements for Australians overseas (pp 22–23)
- Meetings with Wilmar International (p. 23)
- Labour market testing (pp 24–27)
- Scope to change sponsorship requirements (p. 26)
- Mr Robb's authority as Special Envoy for Trade (pp 27–29)

Spill-over hearing: 3 March 2016

Department of Defence

1.28 The committee welcomed Air Chief Marshal Mark Binskin AC, Chief of the Defence Force, Mr Dennis Richardson, Secretary of the Department of Defence, and officers from the department.¹²

1.29 Topics examined during the hearing on 3 March 2016 included:

- Recent media reports related to Future Submarines (pp 2–3)
- Timing of the Future Submarines project (pp 2–3, 10)
- Upgrades to the Collins Class submarines (pp 3)
- Dr Bourke's pre-hearing briefing (pp 3–4)
- PII and FOI claims for the Macroeconomic report (pp 4–6, 7–8, 10–12)
- Role and scope of the Macroeconomic report (pp 5–8)
- Economic analysis of the Collins project (pp 8–9)

Spill-over hearing: 17 March 2016

Department of Defence

1.30 The committee welcomed Mr Dennis Richardson, Secretary of the Department of Defence, and officers from the department.¹³

1.31 Topics examined during the hearing on 17 March 2016 included:

- Future submarines (pp 3–18, 22, 39–45)
- Advice to government on preferred CEP tenderer (pp 4–5)
- Offer Definition and Improvement Activity (ODIA) process (pp 6–8, 16)
- Presentation given to Capability and Investment Committee (pp 5, 8–9)
- 'Local Australian content' under the acquisition contract (pp 10–15)

12 *Proof Committee Hansard*, 3 March 2016, p. 2.

13 *Proof Committee Hansard*, 17 March 2016, p. 2.

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- Exclusion of Australian bids from tendering (pp 10, 17)
 - OPVs, continuous build program (pp 15, 19–23, 26, 28–29, 35–37)
 - Future Frigates, major surface ships build program (pp 24–26, 28–33, 35–37)
 - Defence Industry Policy Statement, cancellation of programs (pp 38, 46–48)

Acknowledgements

1.32 The committee thanks Senator the Hon Marise Payne, Senator the Hon George Brandis QC, Senator the Hon Richard Colbeck, Senator the Hon James McGrath and Senator the Hon Concetta Fierravanti-Wells 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

