

The Senate

Foreign Affairs, Defence and
Trade Committee

Budget estimates 2008–09

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Senate Standing Committee on Foreign Affairs, Defence and Trade

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Senator Russell Trood (LP, Qld) (Deputy Chair)
Senator Mathias Cormann (LP, WA)
Senator Michael Forshaw (ALP, NSW)
Senator John Hogg (ALP, Qld)
Senator Hon Sandy Macdonald (NATS, NSW)
Senator Anne McEwen (ALP, SA)

Other senators who participated

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Senator J Adams (LP, WA)
Senator L Allison (AD, SA)
Senator Hon R Boswell (NATS, Qld)
Senator Hon G Brandis (LP, Qld)
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Senate Standing Committee on Foreign Affairs, Defence and Trade

Report to the Senate

Introduction

1. On 13 May 2008, the Senate referred to the committee for examination and report the following documents:

- Particulars of certain proposed budget expenditure in respect of the year ending 30 June 2009 relating to the Defence portfolio and the Foreign Affairs and Trade portfolio, and
- Particulars of proposed budget expenditure in respect of the year ending 30 June 2009.

2. The committee has considered the proposed budget expenditure for the year ending 30 June 2009. It has received evidence from the Minister representing the following ministers: the Minister for Foreign Affairs; the Minister for Trade; the Minister for Defence; and the Minister for Veterans' Affairs, and officers of the departments and agencies concerned.

3. The committee met in public session on 2, 3, 4 and 5 June 2008. Further written explanations provided by departments and agencies will be presented separately in volumes of additional information. This information will also be placed on the committee's internet site (www.aph.gov.au/senate_fadt).

Questions on notice

4. The committee resolved, under Standing Order 26, that written answers and additional information should be submitted to the committee by close of business on Thursday, 31 July 2008.

Foreign Affairs and Trade portfolio

Department of Foreign Affairs and Trade

5. The committee acknowledged the attendance at the hearings of Mr Doug Chester, Deputy Secretary, and officers of the Department of Foreign Affairs and Trade.¹

6. The committee again examined the issue of the two percent efficiency dividend, which was previously raised in additional estimates in February 2008. The committee asked the department whether it sought an exemption from the efficiency dividend.

1 Transcript page numbers for each day begin at page 1. Foreign Affairs and Trade portfolio hearings are in *proof Committee Hansard*, 2 and 3 June 2008. (See the transcript index at back of this report.)

7. Mr Chester, Deputy Secretary, replied that...

You may recall from the additional estimates hearings earlier this year that, as a result of submission made by ministers, there was a rephrasing of some of the savings measures that applied to the department at that time and, in relation to our budget for next year, as a result of considerations by the government, an additional amount of money was provided to the department pending a so-called root and branch review of the department's operations. So in a sense those two factors were related to the overall impact of the 1¼ percent efficiency dividend and the two percent efficiency dividend.²

8. The committee also examined the budget papers with regard to the department's resourcing requirements and 'a change in emphasis' of the department's activities.³ In particular, the committee sought information on 'a large number of new responsibilities which the government is expecting of the department'.

9. Mr Chester responded:

We are prioritising—applying the resources that we believe should be applied to particular priorities. We may well be applying less resources to things of a lesser priority.

...

We have a busy agenda at the moment. But, as I said, there will be work done to identify the key priorities that we should be focusing on and the root and branch will, we have no doubt, assist the department to clearly understand what is expected of us.⁴

Budget Portfolio Statement

10. A committee member acknowledged the content of the Strategic Direction Section in the Portfolio Budget Statement which he found helpful. It identified a long list of new initiatives.⁵

11. The committee also questioned the department about the methodology used to determine staff numbers attributed to outcomes.

12. The Secretary informed the committee that the methodology used to produce statistics showing the appropriation of staff to outcomes has changed. This updated methodology for attributing staff to outcomes was based on survey of staff as to the time they spent on each of the outcome. The new methodology means that the figures

2 *Proof Committee Hansard*, 2 June 2008, p. 5.

3 *Proof Committee Hansard*, 2 June 2008, pp. 6–9.

4 *Proof Committee Hansard*, 2 June 2008, pp. 6–7.

5 *Proof Committee Hansard*, 2 June 2008, p. 5.

contained in PBS cannot be compared to figures contained in previous PBS but can be going forward.⁶

13. A committee member asked questions about reductions of approximately 17 percent in outputs 1.2, 1.3 and 1.4 as shown in table 2.1.1. He was seeking an explanation of model used to arrive at these figures. He expressed concern that the department could not offer an explanation for these apparent reductions. The department took the questions on notice.⁷

14. Other matters raised during the hearing are listed below.

Portfolio overview

- Joint review of departmental resources (pp. 10–12).
- Savings measures made as a result of efficiencies: staffing in the department and posts (pp. 12–15, 16–19; 24; 27–31; 38–39; 41); travel expenses (pp. 15–16).
- Mr Mamdouh Habib (pp. 19–23).
- Secondment of staff to the department (pp. 23–26).
- Concept of creative middle power diplomacy (pp. 26–27).
- Climate refugees (pp. 27 and 78).
- Heads of missions: appointment of replacements in various missions (pp. 31–34).
- Chief of staff for the former Minister for Foreign Affairs (pp. 34–35).
- DFAT employees employed under the 'MOPS' act (p. 35).
- Ministerial submissions in the minister's office (pp. 35–37).

Output 1.1

1.1.1—North Asia

- Australia's relationship with Taiwan (pp. 39–40).
- Prime Minister's travel in North Asia, in particular Japan (pp. 41–43).
- Japanese government and whaling (pp. 43–45).
- Australia–Japan Foundation and its funding (pp. 45–46).
- Japan and comfort women (p. 48).
- Australia–China human rights dialogue (pp. 46–47).
- Australian government's official delegation to the Beijing Olympics (pp. 47; 110).
- Prime Minister's visit to Hong Kong (pp. 58–61).

6 *Proof Committee Hansard*, 2 June 2008, pp. 30–31.

7 *Proof Committee Hansard*, 2 June 2008, pp. 97–98.

- Tibet and Australia's dialogue with China (pp. 47–48; 110).
- Korea and the progress of the six party talks in relation to North Korea (pp. 48–49).

1.1.2—South East Asia

- Burma and the detention of Daw Aung San Suu Kyi (pp. 49, 51).
- Cyclone Nargis and international aid to assist the Burmese people (p. 50).
- Burma's referendum (pp. 50–51).
- ASEAN and Burma (pp. 51–52).
- Australian sanctions against Burma; children of Burmese generals who are studying in Australia (pp. 52–54; 64; 03Jun08, p. 44).
- Timor Leste and the attacks on Prime Minister Jose Ramos Horta (p. 54).
- Consular assistance to Angelita Pires in Timor Leste (pp. 54–55).
- Indonesia and the Australian Prime Minister's visit (p. 55).

1.1.3—Americas

- Direct aid programs and funding in South America (p. 56).

1.1.4—Europe

- Australia's political and economic engagement with Europe (pp. 56–57).

1.1.5—South and West Asia, the Middle East and Africa

- Democratic Republic of Congo and the peace treaty signed earlier this year (p. 60).
- Sudan and the United Nations (p. 60).
- Zimbabwe and the rerun of the presidential elections; refugees and human rights (pp. 60–61). Existing Australian sanctions against Zimbabwe (pp. 64–65).
- Darfur and peacekeeping operations (pp. 61–62).
- Afghanistan and the suspension from Parliament of Malalai Joya; representations by Australia on her behalf (p. 62). Australia's role and objectives in Afghanistan (pp. 66–67).
- Australia's policy approach to Western Sahara (pp. 62–64).
- Lebanon and the recent peace agreement (p. 65). Blockade of the Gaza Strip (pp. 65–66).
- Israel and the 60th anniversary of independence (pp. 65–66).
- Sri Lanka (p. 66).
- India and Australia's relationship (pp. 67–70).
- Iraq and the direction of political events (p. 70).

1.1.6—Pacific

- Fiji and threats made against High Commission staff (pp. 71–72); Pacific Islands Forum and preparation for elections in March 2009 (pp. 72–74).
- Papua New Guinea and a report by the Auditor General of Papua New Guinea pertaining to missing funds (DFAT, pp. 74–75; 89–90; AusAID, 3 June 2008, pp. 30–33).
- Pacific guest workers scheme in Australia; labour mobility issues (pp. 75–78; 90).
- Pacific island nations and climate refugees (pp. 27 and 78).

1.1.7—Bilateral, regional and multi-lateral trade negotiations⁸

- Efficiency dividend and the affect on staffing; specifically, the work on free trade agreements (03Jun08, pp. 44–45).
- Priority of multilateral agreements and the role of bilateral trade deals (pp. 45–46).
- China bilateral trade agreement (pp. 46–49).
- Japan free trade agreement (pp. 48–49).
- US–South Korea free trade agreement and an Australia–South Korea free trade agreement (pp. 49–50).
- Consideration of free trade agreements with Vietnam and Philippines, and a feasibility study with India (pp. 53–54). FTA negotiations with Chile (pp. 54–56).
- Dohar negotiations (pp. 51–53; 54).
- Australian Wheat Board and the single desk (pp. 53).
- Mortimer review (pp. 56–58).
- AUSMIN round (p. 59).

1.1.9—International organisations, legal and environment

- Climate change negotiations (p. 78).
- Australia's engagements with multilateral institutions, specifically with the United Nations (p. 79).
- Australia and the optional protocol to the convention against torture (pp. 80–81).

1.1.10—Security, nuclear disarmament and non-proliferation

- Draft treaty on cluster munitions (pp. 81–88).
- Regional maritime security capacity (pp. 88; 90–91).
- Domestic nuclear power industry in Australia; global nuclear energy partnership statement of principles (p. 92). The role of the Australian Safeguards and Non-proliferation Office and the generation IV International Forum (pp. 92–93).

8 *Output 1.1.7* hearings are in *proof Committee Hansard*, 3 June 2008. (See the transcript index at back of this report.)

- Australia's role in nuclear disarmament in the Middle East (pp. 93–94).

- Australia's involvement in missile defence (pp. 94–95).

1.2—Secure government communications and security of overseas missions

- Appropriations: reprofiling of funding and Post security task force (pp. 95).
- Security of Australian staff and diplomatic premises (pp. 96).

1.3—Services to other agencies in Australia and overseas

- Decline in appropriation, with particular interest in the department's relationship with Parliament (pp. 96–98).
- Costs borne by diplomatic posts when the Prime Minister or other ministers travel overseas (pp. 98–100).

1.4—Services to diplomatic and consular representatives in Australia

- Decline in services to diplomatic and consular representatives (pp. 100–101).

2.1—Consular and passport services

- Department's role in the response process to the Sichuan earthquake and the cyclone in Burma; *Smartraveller* campaign (pp. 101–103). Budgetary attribution to consular crisis arrangements (pp. 103–104). Traveller emergency loans (pp. 104–105).
- Transgender people travelling overseas and passport issues (pp. 105–107).

3.1—Public information services and public diplomacy

- Governments' response to the Senate Standing Committee on Senate Standing Committee on Foreign Affairs, Defence and Trade's report on public diplomacy (pp. 107–108).
- Australia's participation in the Shanghai expo (pp. 108–109).

AusAID

15. The committee acknowledged the attendance at the hearings of Mr Scott Dawson, Deputy Director General, and officers representing AusAID.⁹

16. The committee noted that Mr Davis, Director General of AusAID, was not present at estimates.

17. Matters raised by the committee included:

- Official development assistance increased funding (ODA) (p. 5).
- Pacific Partnerships for Development; Pacific Islands Forum; Pacific Land Program; Pacific Regional Infrastructure Facility (pp. 5–11; 42).
- Investing in Pacific public sector capacity (pp. 10–11).

9 Transcript page numbers for each day begin at page 1. AusAID hearings are in *proof Committee Hansard*, 3 June 2008. (See the transcript index at back of this report.)

- Percentage of Australian GDP equivalent in overseas aid (pp. 11–13).
- Logging and biodiversity resources in Papua New Guinea (p. 14).
- Australia official development assistance for health, and specifically, sexual and reproductive health programs (p. 15).
- Aid budget and programs for Timor Leste (pp. 15–16).
- Reproductive health in Timor Leste (pp. 15–18).
- Abortions and Australia's overseas aid programs (pp. 18–21).
- Palm oil harvesting in native forests in Papua New Guinea; International Forest Carbon Initiative (pp. 21–23).
- Guest worker pilot program (pp. 23–24).
- World Bank approval of a road project in the Philippines (pp. 24–25).
- Allocation of funds to address HIV/AIDS and STIs in Papua New Guinea (pp. 24–25).
- Asia regional trafficking in Persons Project (pp. 25–26).
- Australian NGOs involved in the distribution of aid in Burma (pp. 26–28; 30).
- Australia's overseas aid program and the AusAID NGO Cooperation Program (ANCP) (pp. 28–29).
- Papua New Guinea and a report by the Auditor General of Papua New Guinea pertaining to missing funds (DFAT, 2 June 2008, pp. 74–75; 89–90; 3 June 2008, pp. 30–33).
- Official Development Assistance (ODA) and governance and anti-corruption issues (pp. 33–34).
- Microfinance (pp. 35–36).
- Australian government financial pledge and the Palestinian territories (pp. 36–37).
- Australia's commitments to Africa and reintegration of Zimbabwe into the international community (pp. 37–38).
- Increase in expenditure on HIV/AIDS (pp. 38–39).
- Monash University's APEC Study Centre and its chair, Mr Alan Oxley (pp. 39–41).
- Fragile States and Peace-building Unit (pp. 41–42).
- Centre for Democratic Institutions (p. 43).

Austrade

18. The committee acknowledged the attendance at the hearings of Mr Peter Yuile, Deputy Chief Executive Officer, and officers representing Austrade.¹⁰

19. The committee noted that Mr Peter O'Byrne, Chief Executive Officer of Austrade, was not in attendance at estimates

20. Matters raised by the committee included:

- Sandalwood oil industry (p. 60).
- Staffing issues and the efficiency dividend (pp. 60–62).
- Invest Australia and Global Opportunities, TradeStart and EMDG—staffing and funding (pp. 62–65).
- Export Market Development Grants Scheme (pp. 66–71).
- Consular and passport services provided by Austrade (pp. 72–74).

Defence portfolio

Department of Defence

21. The committee acknowledged the presence at the hearings of Air Chief Marshal Angus Houston AC, AFC, Chief of the Defence Force (CDF), Mr Nick Warner PSM, Secretary of the Department of Defence, and officers of the Defence organisation.¹¹

22. The committee thanked officers from Defence, including the Chief Finance Officer, Mr Phillip Prior, Mr Chris Knott and Mr Steve Warne, for providing the committee with a very informative briefing on the Portfolio Budget Statements (PBS) prior to the estimates hearings.¹²

23. It was noted that three chiefs of the Defence Force were attending their last estimates: Chief of Navy, Vice Admiral Russell Shalders AO, CSC, RAN; Chief of Army, Lieutenant General Peter Leahy AC; and Chief of Air Force, Air Marshal Geoff Shepherd, AO. The committee acknowledged their service to the Defence Force and their invaluable assistance to the committee over many years.¹³

10 Transcript page numbers for each day begin at page 1. Austrade hearings are in *proof Committee Hansard*, 3 June 2008. (See the transcript index at back of this report.)

11 Transcript page numbers for Department of Defence refer to *proof Committee Hansard*, 4 June 2008. (See the transcript index at the back of this report.)

12 *Proof Committee Hansard*, 4 June 2008, p. 4.

13 *Proof Committee Hansard*, 4 June 2008, p. 4.

24. The committee noted that Senator Sandy Macdonald will be retiring on 30 June and acknowledged his distinguished service to the committee as a former chair and parliamentary secretary for Defence.¹⁴

Portfolio Budget Statement

25. The Chief Financial Officer drew attention to Table 1 in the Portfolio Budget Statement. He informed the committee that the Department of Finance provides guidance on the tables. Table 1 is a new table intended to capture all aspects. He explained that, as now constructed, the table allows for double accounting—there should not be a final total, because the figures are flow through figures and not cumulative. In effect this misrepresents the situation.¹⁵

Changes to outcome and output structure

26. The committee notes that Defence has implemented a new outcome and output structure in the 2008–09 Budget. Under the new structure, Defence will report against the following three outcomes:

- Outcome 1: Australia's national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability
- Outcome 2: Military operations and other tasks directed by the Government to achieve the desired results
- Outcome 3: Defence's support to the Australian community and civilian authorities to achieve the desired results¹⁶

27. According to Defence:

The new structure...better reflects the Government's Defence policy objectives and describes what Defence delivers to the Government and the community...

This new framework will align Defence's outcomes and outputs with organisational resourcing and accountability arrangements. The new structure will provide greater transparency to the Government.¹⁷

28. It was previously stated that Defence would report against this new structure in its *Portfolio Additional Estimates Statements (PAES) 2007–08*.¹⁸ Defence explained that it was asked to defer the changes due to 'timing and system pressures as a result of the whole-of-government departmental reorganisation following the change in

14 *Proof Committee Hansard*, 4 June 2008, p. 119.

15 *Proof Committee Hansard*, 4 June 2008, pp. 54–55.

16 *Portfolio Budget Statements 2008–09, Defence Portfolio*, pp. 9 and 69.

17 *Portfolio Budget Statements 2008–09, Defence Portfolio*, p. 9.

18 *Portfolio Budget Statements 2007–08, Defence Portfolio*, p. 13.

government'.¹⁹ For a more detailed list of Defence's new outcome and output structure, including an outline of the previous structure, see Appendix 2.

Chief of the Defence Force opening statement

29. Air Chief Marshal Houston gave the committee a report on his recent visit to the Middle East area of operations, including southern Iraq and Afghanistan. He informed the committee that:

The Overwatch Battle Group has ceased operations [in southern Iraq] and commenced its withdrawal. I visited the battle group to ensure they were maintaining their operational focus to the end of their mission. I am pleased to report...that I found our battle group was highly respected throughout the al-Muthanna and Dhi Qar provinces. I also confirmed that the battle group was energised to maintain the highest standards through to the end of its deployment. The battle group was operating freely throughout both provinces, having won the trust of local Iraqis and the Iraqi security forces by actively patrolling on foot amongst the population they were tasked to protect.

I wish to publicly thank Lieutenant Colonel Chris Websdane, the Commanding Officer of Overwatch Battle Group (West), and his team for their outstanding tour of duty. They have upheld the high standards set by their predecessors in the al-Muthanna task group, Overwatch Battle Groups and Australian Army training teams. These people all work to help stabilise the provinces before them. They have all been excellent ambassadors for the Australian Defence Force and leave behind some important legacies in the form of greater security, a well-trained local force and reconstruction projects involving some key infrastructure.²⁰

30. In relation to Afghanistan, Air Chief Marshal Houston updated the committee on Australia's current contribution through Operation Slipper. He explained that:

Afghanistan remains a complex and demanding environment, but I was particularly pleased with the progress being made by our combined reconstruction and special forces groups. I was able to fly out over the Chora valley in our Australian CH-47 helicopters to observe the construction of the patrol bases we have established and saw the expanding area of stabilisation first hand. Our special forces continue to disrupt the Taliban fighters in their sanctuaries, preventing them from interfering with the important work of our reconstruction troops. This partnership has been particularly effective and the assertive actions of our special forces have pushed the Taliban onto the back foot.²¹

19 *Portfolio Additional Estimates Statements 2007–08, Defence Portfolio*, p. 9.

20 *Proof Committee Hansard*, 4 June 2008, pp. 5–6.

21 *Proof Committee Hansard*, 4 June 2008, p. 6.

31. The CDF also outlined the domestic priorities he conveyed to his senior leadership group at a recent summit, in relation to recruitment and retention. He acknowledged that:

One definite area where we must and can do better concerns the retention of women in the ADF...I am determined to do better to allow the ADF to access or unlock the talents of almost half the population currently closed to us. To help us on that journey, I am convening an external women's reference group to present me with alternative and innovative ideas, strategies and options to break down barriers to women joining and continuing to serve in the ADF. I have invited a number of prominent Australian women from a diverse range of backgrounds to support the ADF. I will ask this group to consider issues such as cultural, attitudinal and behavioural aspects of military service, and they will give me advice on how to close the gaps. I am keenly invested in this issue and have decided to use the retention of women as a measure of our retention performance across the board. I look forward to reporting to the committee on our progress on this issue once the members of the group have been finalised.²²

32. Air Chief Marshal Houston also updated the committee on the withdrawal of reinforcements from Timor–Leste²³ and the establishment of a commission of inquiry into the circumstances surrounding the sinking of HMAS *Sydney II*.²⁴

Secretary's opening statement

33. Secretary of the Department of Defence, Mr Nick Warner, outlined the impact of the government's 2008–09 budget on Defence. Mr Warner stated:

Over the next decade Defence will experience a number of pressures on its funding, particularly from operations and the need to meet the technology, capability and workforce impacts of the white paper...As a result, Defence is now looking at smarter, more effective and more efficient ways of doing business so it can redirect critically needed resources to higher priorities. That means the savings program to deliver \$10 billion over the next 10 years will continue in earnest. So far Defence has identified savings of \$565 million across the forward estimates and...\$477.6 million in savings in 2008–09.

While this is short of the annual \$1 billion target, Defence is just at the start of its savings program and more will be found in 2008–09 and revealed in the next few months. I am confident Defence will find the \$1 billion for the next financial year. Defence has also established an efficiency and economy tiger team to look at possible savings measures...everything from inefficient practices and processes and duplicated activities to travel,

22 *Proof Committee Hansard*, 4 June 2008, p. 7.

23 *Proof Committee Hansard*, 4 June 2008, pp. 6–7.

24 *Proof Committee Hansard*, 4 June 2008, pp. 7–8.

conferences, unnecessarily expensive renovations and promotional items for internal audiences, such as coffee mugs and—if I can say this—stress balls.²⁵

34. Mr Warner explained that 'everything except operations has been questioned'²⁶ and, in addition, Defence is developing a savings plan to identify long-term efficiencies and economies for the next nine years.²⁷

35. Mr Warner also updated the committee on the findings of the Commonwealth Ombudsman's enquiry into the HMAS *Westralia* fire.²⁸

36. Other topics examined during the hearing included:

Portfolio overview and budget summary

- Iraq: number of Australian personnel remaining (pp. 9–10); strategic overwatch (pp. 10 and 34); main challenges in relation to stabilisation and security (p. 11); withdrawal of training team (pp. 11–12); training of Iraqis under the defence cooperation program (p. 12); type of naval vessels used in the Gulf (pp. 12–13); whether cluster munitions have been used in Iraq (p. 13); civilian casualty figures (p. 24).
- Afghanistan: changing trends in tactics used by Taliban fighters (pp. 14–15); use of special forces in conventional warfare operations (p. 15); Reconstruction Task Force (p. 16); tempo and intensity of Taliban activity this year (p. 18); implementation of NATO's comprehensive Afghan strategy (pp. 6, 19–20 and 23); engagement with Pakistan (pp. 20–21); tactical and strategic progress (pp. 21–22 and 23); timeframe and benchmarks for withdrawal of foreign troops (pp. 22–23); total cost of deployment (p. 24); civilian casualties (pp. 24–27 and 70).
- Post-traumatic stress disorder (PTSD) and related illnesses in Australians who have served in Iraq (pp. 14 and 18).
- Capability and Technology Demonstrator program: reduction in funding (p. 14).
- Gap year program (pp. 16–18).
- Entertainment of troops (pp. 27–28 and 45); unauthorised disclosure of entertainer's name in relation to allegations of inappropriate behaviour; Secretary's statement that 'Defence did not handle this issue well' (pp. 28–32 and 34).

Output group 1.1 Office of the Secretary and Chief of the Defence Force

- Cluster munitions (pp. 35–41 and 119).

25 *Proof Committee Hansard*, 4 June 2008, p. 8.

26 *Proof Committee Hansard*, 4 June 2008, p. 9.

27 *Proof Committee Hansard*, 4 June 2008, p. 8.

28 *Proof Committee Hansard*, 4 June 2008, p. 9.

- Development of Defence's White Paper and companion reviews (pp. 41–45).
- Defence cooperation with China (pp. 45–46).
- Ministerial press releases (pp. 46–47).

Output group 1.12 Chief Financial Officer

- Kangaroo cull at Belconnen (pp. 49–50).
- Impact of rising fuel prices on the Defence budget (p. 50).
- Budget reporting (pp. 54–56).
- Operational reserve (pp. 56–58).
- Savings and efficiency measures in the PBS (pp. 58–60 and 63).
- Costing shortfall in relation to funding of the army's new infantry battalion; Secretary's statement that the 'fault lies with Defence' whose 'costings at that time...were inadequate' (pp. 61–62).

Output group 1.14 Superannuation and housing support services for current and retired Defence personnel and other administered items

- Impact of same-sex superannuation legislation on ADF personnel (p. 67).

Output group 2.1 Operations contributing to the security of the immediate neighbourhood and Output group 2.2 Operations supporting wider interests

- Operation Paladin (United Nations Supervision Organisation [UNTSO] in the Middle East) (p. 69).
- Operation Mazurka (Multinational Force and Observers [MFO] in the Sinai) (p. 69).
- Role of the 39th Personnel Support Battalion at Randwick in force preparation for peacekeeping (p. 70).
- Concurrency pressures and changes to deployment cycle (pp. 70–72).

Output group 3.1 Defence contribution to support tasks in Australia

- Operation Testament (ADF's contribution to World Youth Day 2008): cost; logistics; military pilgrims program (pp. 68–69).
- Update on the ADF's contribution to the Northern Territory intervention (pp. 72–73).

Capability development

Output group 1.11 Capability development

- Capability development in relation to next generation submarines (pp. 73–77 and 78).
- Multi role naval helicopters (pp. 77–78).

- Orion replacement project (p. 93).

Defence Materiel Organisation

- Contracts awarded to CMAX Communications (pp. 48 and 51–54).
- Cancellation of Seasprite helicopter program, including: cancellation negotiations; cost of cancellation; legal advice on forgoing the right to sue; lessons learnt (pp. 79–84).
- Guided Missile Frigate (FFG) upgrade program, including performance of Electronic Surveillance Measures (ESM) System (pp. 84–85).
- Air Warfare Destroyer program (pp. 85–89).
- Amphibious ships (pp. 89–90).
- Fuel line problems with Armidale class patrol boats (p. 90).
- Wedgetail airborne early warning and control (AEW&C) aircraft (p. 90).
- Other projects of concern, including: High Frequency Modernisation (HFMOD) project; Vigilair; Echidna; Tiger armed reconnaissance helicopter (ARH); Anzac Ship anti-ship missile defence project; M-113 armoured personnel carriers; lightweight torpedo replacement (pp. 91–93).
- Exporting of Bushmasters (p. 92).
- Planned acquisition of Super Hornets (p. 93).
- Arrangement of foreign military sales (FMS) (p. 94).
- Mortimer review of Kinnaird reforms (pp. 94–96).
- Methodology for Australian National Audit Office (ANAO) review of major Defence projects (pp. 96–97).

Capital facilities and Defence support

Output group 1.6 Defence support

- Security challenges due to climate change (p. 33).
- Government's pre-election commitment to establish Defence family health centres; trial sites (pp. 63–66 and 101–102).
- Transfer of former submarine base HMAS *Platypus* to the Sydney Harbour Federation Trust; remediation strategy (p. 97).
- Mental health issues; lack of detailed information on the prevalence of conditions within the ADF; suicide rate; counselling and treatment; McLeod review; mental health review (Dunt review) (pp. 98–101 and 103–104).
- Audit of Commonwealth land identified as surplus to Defence needs; disposal schedule; proceeds of land sales (pp. 104–106).
- Asia–Pacific Centre for Civil-Military Cooperation (pp. 106–108).

People*Output group 1.13 People strategies and policy*

- External reference group to advise on increasing the participation rate of women in the ADF (p. 108).
- Examination of under-utilised family-friendly policies in the ADF (pp. 108–109).
- Work experience for high school and university students (pp. 109–110).

Remaining Defence outputs*Output group 1.2 Navy capabilities*

- Recruitment and retention of submariners (pp. 110–111).

Output group 1.4 Air Force capabilities

- VIP fleet; current contractual arrangements; cost recovery; preparation of flight manifests; whether a doctor travels with the Prime Minister; whether an Air Force plane was used to transport a member of the Prime Minister's travelling party for medical treatment (pp. 111–116).

Output group 1.7 Defence science and technology

- Reduction in funding for scientific research programs (pp. 60, 63 and 116–117).
- MAGSAFE project (pp. 117–119).

Department of Veterans' Affairs²⁹

37. The committee acknowledged the presence at the hearings of Mr Mark Sullivan AO, Secretary, and officers of the Department of Veterans' Affairs (DVA).

38. It was noted that Mr Sullivan is leaving DVA and this will be his last appearance at estimates. The committee acknowledged his contribution to the estimates process, his assistance to the committee and his outstanding contribution to DVA.³⁰

39. Matters raised by the committee included:

Portfolio overview/Corporate and general matters

- Mr Sullivan's resignation from DVA (pp. 5–7).
- Impact of two per cent efficiency dividend on DVA staffing levels and services (pp. 10–14, 15, 29, 33–34 and 40).

29 Transcript page numbers for Department of Veterans' Affairs refer to *proof Committee Hansard*, 5 June 2008.

30 *Proof Committee Hansard*, 4 June 2008, pp. 3–4 and 5.

Outcome 1—Income support and compensation

- Partner service pensions: proposed raising of the age criteria from 50 to 58½ (pp. 16–18, 23 and 39).
- Partner service pensions: ceasing of payments to married partners who are separated but not divorced (pp. 19–23 and 39–40).

Outcome 2—Health

- Management of aged and frail care issues; aged-care beds for veterans (pp. 14–16).
- Whether consideration is being given to extending gold card benefits to members of the Australian armed forces who have not served overseas (p. 24).
- Mental health: statistics on forms of mental illness suffered by DVA clients; trend analysis; suicide statistics (pp. 25–26).
- Funding for veterans' services: declining population; increasing cost of care (pp. 26–27).

Outcome 3—Commemorations

- Future dawn services at Villers–Bretonneux in France (pp. 7–8).
- Update on plans for an Australian interpretive centre at Villers–Bretonneux (p. 8).
- Hyde Park memorial in London (p. 8).
- Commemoration of the 'fuzzy wuzzy angels' in Papua New Guinea (pp. 8–9).
- Australia's representation on the Council of the Commonwealth War Graves Commission (pp. 23–24).
- Curatorial work on graves of two former Australian Prime Ministers in London (pp. 27–28).
- Saluting Their Service program (pp. 28–29).
- Funding for ex–prisoners–of–war memorial in Ballarat (pp. 29–32).
- Planning for next Anzac Day services at Gallipoli (p. 32).
- Continuation of the Simpson Prize (pp. 32–33).
- Government consideration of the Flanders Fellowship (p. 33).

Outcome 4—Advice and information

- Impact of cuts to staffing levels on services under Outcome 4 (pp. 33–34).
- Complaints and concerns in relation to the Veterans' Home Care service (pp. 34–35).

Outcome 5—Joint DVA/Defence support services

- DVA's involvement with the HMAS *Sydney II* (p. 35).

Output group 6

- DVA staff currently allocated to the Minister's office (p. 36).
- Update on Prime Ministerial Advisory Council on Ex–Service Matters (p. 37).
- Overseas travel by the Minister for Veterans' Affairs (pp. 37–39).

*Australian War Memorial*³¹

40. The committee acknowledged the presence at the hearings of Major General Steve Gower AO, Director, and officers of the Australian War Memorial (AWM).

41. Matters raised by the committee included:

- Impact of two per cent efficiency dividend on the AWM, including the use of depreciation funding for this financial year; long-term strategy; impact on staffing (pp. 40–46).

Acknowledgements

42. For their assistance during its hearings, the committee thanks the Special Minister of State, Senator Hon John Faulkner, and Parliamentary Secretary Assisting the Prime Minister for Social Inclusion, Senator Hon Ursula Stephens. 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 Mark Bishop

Chair

31 Transcript page numbers for the Australian War Memorial refer to *proof Committee Hansard*, 5 June 2008.

Additional comments from Coalition Senators

1. A series of questions were put to departmental officers about the portfolio budget statement which contained some forward estimates for the department in relation to revenues from government. According to one Coalition Senator, the figures indicated that over the period to 2011–12 there would be a further decline in the department's resources from government.

2. In response to this observation, the Deputy Secretary of the Department said:

The forward estimates are—I was going to say fairly meaningless—not all that accurate. For example, there are a lot of so-called lapsing programs. Because they are lapsing, the funding is not included, but they are programs which will no doubt continue, and therefore there will be, fairly automatically, an appropriation to cover those programs. Terminating programs are included in there as well. So you are not really comparing apples with apples when you look at anything in relation to the forward estimates, and obviously the further out you get with the forward estimates the more misleading they are.¹

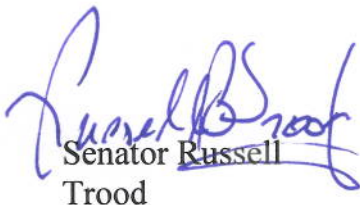
3. The Senator was concerned that the forward estimates could not be relied on to indicate the department's financial health. Mr Chester explained further:

The figures are not inaccurate; you need to read behind the figures to understand what they are. That is what is in the forward appropriations for the department, but there are lapsing programs that are—quite rightly—not included in that.

...

It is always the case with forward estimates that they are misleading, if you just take the figures, the further out you get.

4. The committee sought further information from the department about the accuracy and indicative nature of the forward estimates and how to read them. The department responded with examples of lapsing programs within forward estimates. Even so, the Coalition Senators are of the opinion that they did not receive a satisfactory explanation about the 'fairly meaningless' nature of the forward estimates.²



Senator Russell
Trood



Senator Hon Sandy
Macdonald



Senator Mathias
Cormann

1 *Proof Committee Hansard*, 2 June 2008, p. 7.

2 *Proof Committee Hansard*, 2 June 2008, p. 7.

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Defence and Trade**

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Appendix 1

Department of Defence

New outcome and output structure¹

Outcome 1: Australia's national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability

Output group 1.1: Office of the Secretary and CDF

Output group 1.2: Navy capabilities

- Output 1.2.1: Navy headquarters
- Output 1.2.2: Fleet headquarters
- Output 1.2.3: Capability for major surface combatant operations
- Output 1.2.4: Capability for naval aviation operations
- Output 1.2.5: Capability for patrol boat operations
- Output 1.2.6: Capability for submarine operations
- Output 1.2.7: Capability for afloat support
- Output 1.2.8: Capability for mine warfare
- Output 1.2.9: Capability for amphibious lift
- Output 1.2.10: Capability for hydrographic, meteorological and oceanographic operations
- Output 1.2.11: Navy systems command

Output group 1.3: Army capabilities

- Output 1.3.1: Army command and executive
- Output 1.3.2: Capability for special operations
- Output 1.3.3: Capability for medium combined arms operations
- Output 1.3.4: Capability for light combined arms operations
- Output 1.3.5: Capability for army aviation operations
- Output 1.3.6: Capability for combat support to operations
- Output 1.3.7: Capability for operational logistics support to land forces
- Output 1.3.8: Capability for reserve protective operations
- Output 1.3.9: Training support Army

Output group 1.4: Air Force capabilities

- Output 1.4.1: Air Force headquarters executive and agencies
- Output 1.4.2: Air command headquarters and executive
- Output 1.4.3: Capability for training support
- Output 1.4.4: Capability for airlift operations
- Output 1.4.5: Capability for combat support of air operations
- Output 1.4.6: Capability for strategic surveillance and maritime attack operations
- Output 1.4.7: Capability for air combat operations
- Output 1.4.8: Capability for aerospace operational support

¹ For detailed descriptions of the individual outputs, see *Portfolio Budget Statements 2008–09, Defence Portfolio*, pp. 69–109.

Output group 1.5: Intelligence capabilities Output 1.5.1: Intelligence Output 1.5.2: Security Output 1.5.3: International policy
Output group 1.6: Defence support Output 1.6.1: Defence support executive Output 1.6.2: Defence health services Output 1.6.3: Personnel services Output 1.6.4: Defence legal Output 1.6.5: Infrastructure Output 1.6.6: National operations
Output group 1.7: Defence science and technology
Output group 1.8: Chief Information Officer
Output group 1.9: Vice Chief of the Defence Force
Output group 1.10: Joint Operations Command
Output group 1.11: Capability development
Output group 1.12: Chief Finance Officer
Output group 1.13: People strategies and policy
Output group 1.14: Superannuation and housing support services for current and retired defence personnel and other administered items Output 1.14.1: Superannuation Output 1.14.2: Housing support services for current and retired Defence personnel Output 1.14.3: Other administered items
Outcome 2: Military operations and other tasks directed by the Government to achieve the desired results
Output group 2.1: Operations contributing to the security of the immediate neighbourhood Output 2.1.1: Operation Astute Output 2.1.2: Operation Anode
Output group 2.2: Operations supporting wider interests Output 2.2.1: Operation Slipper Output 2.2.2: Operation Catalyst
Outcome 3: Defence's support to the Australian community and civilian authorities to achieve the desired results
Output group 3.1: Defence contribution to national support tasks in Australia Output 3.1.1: Defence force aid to civil authority tasks Output 3.1.2: Defence force aid to civil community tasks Output 3.1.3: Operation Resolute Output 3.1.4: Operation Testament

Defence—Previous outcome and output structure²

Outcome 1: Command of operations in defence of Australia and its interests
Output 1.1: Command of operations
Output 1.2: Defence Force military operations and exercises
Output 1.3: Contribution to national support tasks
Outcome 2: Navy capability for the defence of Australia and its interests
Output 2.1: Capability for major surface combatant operations
Output 2.2: Capability for naval aviation operations
Output 2.3: Capability for patrol boat operations
Output 2.4: Capability for submarine operations
Output 2.5: Capability for afloat support
Output 2.6: Capability for mine warfare
Output 2.7: Capability for amphibious lift
Output 2.8: Capability for hydrographic, meteorological and oceanographic operations
Outcome 3: Army capability for the defence of Australia and its interests
Output 3.1: Capability for special operations
Output 3.2: Capability for medium combined arms operations
Output 3.3: Capability for light combined arms operations
Output 3.4: Capability for army aviation operations
Output 3.5: Capability for ground-based air defence
Output 3.6: Capability for combat support operations
Output 3.7: Capability for regional surveillance
Output 3.8: Capability for operational logistics support to land forces
Output 3.9: Capability for motorised combined arms operations
Output 3.10: Capability for protective operations
Outcome 4: Air Force capability for the defence of Australia and its interests
Output 4.1: Capability for air combat operations
Output 4.2: Capability for combat support of air operations
Output 4.3: Capability for surveillance and response operations
Output 4.4: Capability for airlift operations
Outcome 5: Strategic policy for the defence of Australia and its interests
Output 5.1: International policy, activities and engagement
Output 5.2: Strategic policy and military strategy
Outcome 6: Intelligence for the defence of Australia and its interests
Output 6.1: Intelligence
Outcome 7: Superannuation and housing support services for current and retired Defence personnel
Output 7.1: Superannuation support services for current and retired Defence personnel
Output 7.2: Housing assistance for current Defence personnel
Output 7.3: Other administered revenues and expenses

2 See *Portfolio Additional Estimates Statements 2007–08, Defence Portfolio*, pp. 71–98.