



**SENATE FOREIGN AFFAIRS, DEFENCE
AND TRADE
LEGISLATION COMMITTEE**

Report to the Senate

March 2000

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ISSN 1326-9267

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Senate Foreign Affairs, Defence and Trade Legislation Committee

Membership

- Chairman:** Senator The Hon David Brownhill, NPA (New South Wales)
- Deputy Chairman:** Senator John Hogg, ALP (Queensland)
- Members:** Senator Vicki Bourne, AD (New South Wales)
Senator Paul Calvert, LP (South Australia)
Senator Marise Payne, LP (New South Wales)
Senator the Hon Chris Schacht, ALP (South Australia)
- Substitution:** Senator Mason (LP, Queensland) substituted for Senator Payne for the hearings on 9 and 10 February 2000.

Other attending senators

- Senator the Hon Peter Cook, ALP (Western Australia)
Senator the Hon John Faulkner, ALP (New South Wales)
Senator Alan Ferguson, LP (South Australia)
Senator Brian Harradine, Ind (Tasmania)
Senator John Quirke, ALP (South Australia)
Senator Sue West, ALP (New South Wales)

Committee secretariat

- Mr Paul Barsdell (Secretary)
Dr Kathleen Dermody
Ms Pamela Corrigan
Ms Judith Wuest

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Senate Foreign Affairs, Defence and Trade

Legislation Committee

Report to the Senate

Introduction

1. On 30 November 1999, the Senate referred to the Committee for examination and report the following documents:

- Particulars of proposed additional expenditure for the service of the year ending 30 June 2000;
- Particulars of certain proposed additional expenditure in respect of the year ending 30 June 2000;
- Advance to the Minister for Finance—issues from the advance to the Minister for Finance and Administration as a final charge for the year ended 30 June 2000;
- Provision for running costs borrowings—statements and supporting applications of issues for May and June 1999; and
- Final budget outcome 1998–1999.

2. The Committee has considered the proposed additional expenditure for the year ending 30 June 2000, expenditure under the Advance to the Minister for Finance and Administration, the provisions for running costs borrowings and the final budget outcome 1998–1999 for the three departments.

3. The Committee has received evidence from Ministers representing the Minister for Veterans' Affairs, the Minister for Defence, the Minister for Foreign Affairs and the Minister for Trade, and officers of the departments and agencies concerned.

4. The Committee met in public session on 9 and 10 February 2000. Further written explanations provided by departments and agencies will be presented separately in volumes of additional information.

Questions on notice and supplementary hearings

6. The Committee notes that the Standing Orders require the Committee to set dates for:

- the lodgement of written answers or additional information; and
- supplementary hearings.

The Committee has resolved that written answers and additional information should be submitted by close of business on Thursday, 16 March 2000. The Committee notes that Wednesday 3, and Thursday, 4 May 2000 have been scheduled for supplementary hearings.

General comments

Defence portfolio

Department of Veterans' Affairs

7. The Committee sought clarification from the Department about the rate of 'totally and permanently incapacitated' (TPI) pension paid to veterans compared to average male weekly earnings and asked if there had been a slip in the benefit paid to veterans. The issue arises from debate in the veteran community as to what TPI pensioners are entitled. The Department responded that the structure for payment of TPI benefits and their value varied according to a number of factors. The Department undertook to clarify this issue in the answers to questions on notice.¹

8. The Committee also discussed with the Department the Auditor-General's Report No 29 of 1999–2000 on the administration of veterans' health care services. One important aspect of the report was the quality and cost of service delivery to veterans in rural and remote areas compared with those in metropolitan areas. The Committee questioned the discrepancy in the dollar value of services to veterans living outside metropolitan areas. The Department pointed out that often veterans in country areas accessed health services which were billed to, say, Medicare, rather than the Department. It was then difficult to trace those dollars and attribute them to veterans' health care. The Department sees this as an ongoing problem which tends to skew the figures between country and metropolitan health services.²

9. The Committee sought further details from the Department on payment of salaries to out-sourced staff from program resources. The Department responded that it monitors this area regularly and that it is also subject to close scrutiny by the Department of Finance and Administration.³

10. Other issues that were discussed included:

- findings of the Vietnam veterans morbidity study; (pp. 3–6)
- aspects of the Veterans' Affairs' Amendment Bill (No 1) 1999; (p. 9)
- IBM computer contract arrangements and service provision; (p. 16) and
- preparations for the 85th Anzac celebrations at Anzac Cove, Gallipoli. (pp. 17–18)

1 Transcript of evidence, 9 February 2000, pp. 7–9.

2 Transcript of evidence, 9 February 2000, pp. 10–12.

3 Transcript of evidence, 9 February 2000, pp. 15–16. See also Department of Foreign Affairs and Trade transcript of evidence, 10 February 2000, p. 136.

Department of Defence

11. During the course of the hearing on 9 February 2000, the Committee drew attention to difficulties it was having with some areas of the portfolio additional estimates statements (PAES).

12. The Committee reiterates comments made in the hearing drawing attention to the lack of explanations for substantial shifts in estimates of expenditure, such as that occurring on page 42 of the PAES, under Expenses—Other conditions of service, where the Budget estimate of \$38.8 million was increased by 440 per cent to \$209.9 million. The Committee believes that the reasons for such substantial shifts in estimated expenditure should at least be footnoted to assist it in its scrutiny of the estimates.⁴

13. In the hearing, the Committee sought explanations for PAES Table 1.7, deferred projects 1999-2000. The explanations following the table talk about the major projects but do not mention the effects of the reductions mentioned in Table 1.7 on particular projects. They also do not identify the variations, the cost of the variations and how the variations will be dealt with in forthcoming years. The Department accepted the criticism as valid and undertook to provide additional information.⁵

14. Similarly, the Committee had difficulty working out variations to major facilities projects listed on pages 18 to 21 of the PAES.

15. The Committee believes that where major revisions, some involving tens or hundreds of millions of dollars, are made in estimates of expenditure, they should be accompanied by full explanations about the revisions and their effects on the projects.

16. The Committee scrutinised carefully updated information on the Defence Reform Program. It noted that the DRP Strategic Management and Reporting Team was in the process of validating the savings achieved through the DRP and that the Team would be reporting to the Minister later this year. The Committee expresses its strong interest in receiving a copy of the Team's report after its consideration by the Government.⁶

17. The Committee sought details on a number of issues related to the Collins Class submarine project. The Committee received information on developments since the Government received the McIntosh-Prescott report and the aims of the newly established submarine capability team. The Committee was also given details of the engagement of Mr Prescott as a consultant to assist the Government in achieving a sustainable industry base to support the submarine capability.⁷

18. Other matters raised by the Committee included:

4 Transcript of evidence, 9 February 2000, pp. 66–67.

5 Transcript of evidence, 9 February 2000, pp. 80–81.

6 Transcript of evidence, 9 February 2000, p. 23.

7 Transcript of evidence, 9 February 2000, pp. 47–54, 100–101.

- planned savings through the Defence Reform Program (p. 22), slippage in the DRP reinvestment projects, (p.62) and, an additional supplement for East Timor; (p. 63)
- use of private sector employment agencies to undertake recruitment for the ADF; (p. 25)
- cost recovery arrangements for Operation Gold in support of the Olympic Games; (p. 28)
- proposal for ministerial accommodation at Defence headquarters; (p. 30)
- the Defence and Industry Advisory Council (DIAC); (pp. 34–35)
- financial briefings to the Minister and to the Department; (pp. 45–46, 54)
- involvement of Defence in the sale of Australian Defence Industries Ltd (ADI); (pp. 63, 74)
- cost to ADF for the operation for East Timor; variations to previous figures, and increased readiness of the 1st Brigade; (pp. 74, 84, 106, 107)
- leasing or purchase of Kidd Class destroyers from the United States for the Australian Navy, and, air warfare as sea; (pp. 92, 102)
- structure and implementation of reforms in the Navy; (p. 96)
- update of the Air 6000 project; (p. 115)
- quality and length of induction training of army personnel; (p. 107)
- co-location of air, land and maritime headquarters with the headquarters of the Australian Theatre; (p. 111)
- level of exchange programs and exercises between Australia and Indonesia; (p. 111)
- cost and number of staff involved in preparing the department for the introduction of GST; (p. 116)
- investigation of fraud by contractors to, or employees of, the department; (p. 118)
- Australian intelligence information to the Indonesia and/or UN authorities regarding human rights abuses and war crimes in East Timor; and (p. 118)
- security management and investigations in to breaches of security procedures. (p. 119)

Foreign Affairs and Trade Portfolio

Department of Foreign Affairs and Trade

19. The Committee reiterates comments it made in the hearing relating to tables showing performance information for outputs affected by additional estimates. In all the tables, the performance information shown in the budget column and in the revised column is identical. The only difference is the estimate of expenditure. The Department explained that it was following guidelines issued by the Department of Finance and Administration in setting out the tables in the way it did. The Committee believes it is not necessary, and is actually time-wasting for the reader, for identical performance information to be shown in both columns.

20. The Committee questioned the Department on the situation in the Indonesian archipelago, particularly the levels of violence and racial tension in Aceh, Ambon and Maluku over the previous year, and the involvement of the TNI and militia in Aceh and East Timor. The Committee also raised the issue of Australia's relationship with Indonesia.⁸

21. The Committee questioned the Department about the World Trade Organisation (WTO) meeting in Seattle and the prospects for a new round of trade negotiations.⁹ Other WTO-related matters included:

- accession of China to the World Trade Organisation; (p. 169)
- Howe leather dispute—appeal in the WTO regarding recovery of certain loans and grant funding; (pp. 170, 172) and
- non-notification of particular Members of Parliament of the schedule of WTO public consultations in regional areas; (pp. 175–176).

22. Other matters raised by the Committee included:

- the effect of currency fluctuations on DFAT programs; (p. 137)
- justification for the purchase of grand pianos for overseas missions, in particular in New York and Washington; (p. 138)
- department's view on relations between China and Taiwan over the next twelve months and our trade relationship with both China and Taiwan; (p. 140)
- dialogue with China regarding human rights and participation of NGOs in future talks; (pp. 143–44)
- the appointment of Australia's new ambassador to Austria; (pp. 149–153)

8 Transcript of evidence, 10 February 2000, pp. 144–148.

9 Transcript of evidence, 10 February 2000, pp. 167–169.

- Australia's role in the peace negotiations on Bougainville and restoration of the island's infrastructure and basic services; (pp. 155–156)
- Iran's interest in developing a nuclear weapons capability; (p. 156)
- objectives of the proposed Non-Proliferation Treaty (NPT) conference in April 2000; consultations by the Department in the lead-up to, and the capacity of non government organisations to provide input to the review conference; (pp. 179–180)
- the Australian Government's attitude to development and possible deployment by the United States of a national missile defence system; (p. 181)
- announcement by President Putin of a new Russian strategic document; (p. 181) and
- warning to Australian citizens from the Department regarding pirate attacks on vessels at sea. (p. 182)

Austrade

23. The Committee sought information from Austrade on a number of matters:

- the co-location of its offices overseas with that of Australian missions and the impact on Austrade's budget to maintain rental properties overseas; (pp. 157–159)
- lease to Austrade by the Australian Government of properties overseas; (pp. 157–58)
- Outcome of a client survey as a means to measuring performance and achieving targets; (pp. 161–162)
- funding from the Department of Foreign Affairs and Trade and the Department of Immigration and Multicultural Affairs to Austrade to carry out particular work on their behalf; (p. 163) and
- Austrade's Olympic program–Business Club Australia. (p. 164)

AusAID

24. The committee asked questions on the Australian Government's position on, and contribution to, the Heavily Indebted Poor Countries initiative. It also sought information on AusAID's contribution towards loan and debt relief in the context of poverty reduction and future development of under-developed countries.¹⁰

21. Other matters raised by the Committee included:

10 Transcript of evidence, 10 February 2000, pp.153, 187–192.

- Project to rehabilitate the coastal road on the perimeter of Bougainville (p. 184) and security for contractors working on projects; (p. 185) and
- United Nations Population Fund (UNFPA) programs in China and Vietnam in relation to population control policies. (p. 188)

Acknowledgments

22. The Committee expresses its appreciation of the assistance given during its hearings by Senator the Hon Jocelyn Newman and Senator the Hon Robert Hill. The Committee also acknowledges the attendance and cooperation of departmental and agency officers and the services of various parliamentary staff involved in the estimates process.

David Brownhill

Chairman

**Foreign Affairs, Defence and Trade
Legislation Committee**

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