

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

**Additional estimates 2000—2001
Report**

March 2001

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Senate Foreign Affairs, Defence and Trade Legislation Committee

Membership

Chair:	Senator Sandy Macdonald (NPA, New South Wales)
Deputy Chair:	Senator John Hogg (ALP, Queensland)
Members:	Senator Vicki Bourne (AD, New South Wales) Senator Alan Ferguson (LP, South Australia) Senator Marise Payne (LP, New South Wales) Senator the Hon Chris Schacht (ALP, South Australia)
Substitutions:	Senator Mason (LP, Queensland) substituted for Senator Payne for the hearings on 21 and 22 February 2001. Senator Calvert (LP, Tasmania) substituted for Senator Ferguson for the hearing on 22 February 2001.

Other attending Senators

Senator the Hon Peter Cook (ALP, Western Australia)
Senator the Hon John Faulkner (ALP, New South Wales)
Senator Brian Harradine (Ind, Tasmania)
Senator Kate Lundy (ALP, ACT)
Senator Brett Mason (LP, Queensland)
Senator Sue West (ALP, New South Wales)

Committee secretariat

Mr Paul Barsdell (Secretary)
Ms Pamela Corrigan
Ms Lauren Cassidy

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

Report to the Senate

Introduction

1. On 30 November 2000, 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 2001;
- Particulars of certain proposed additional expenditure for the service of the year ending 30 June 2001;
- Statement of savings expected in annual appropriations made by Act No. 81 of 2000, Act No. 82 of 2000 and Act No. 83 of 2000; and
- Final budget outcome 1999–2000

relating to the Defence portfolio and the Foreign Affairs and Trade portfolio.

2. The Committee has considered the proposed additional expenditure for the year ending 30 June 2001, and 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.

3. The Committee met in public session on Wednesday 21 and Thursday 22 February 2001. 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 and supplementary hearings

4. The Committee has resolved that written answers and additional information should be submitted by close of business on Thursday, 22 March 2001.

General comments

Defence portfolio

Department of Defence

5. The Committee noted that the performance targets for all five outputs in the *Portfolio Budget Statements* had been revised by varying degrees in the *Portfolio Additional Estimates Statements*. There was no explanation for any of the changes made to the performance targets. At the estimates hearing, it was put to Defence:

Looking at the revised target on page 79—it does not matter which output you pick—and looking at the original target in the PBS at page 100, it is very hard for us to make a judgment as to how the target has changed. The descriptions have changed—I will concede that to you—but it becomes a very esoteric exercise to try to work out, looking from output 5 in the PBS to output 5 in the PAES, where it says that there are revised targets. Just what is the revision? How are we to assess what the revision is about?¹

6. The Committee acknowledges that there may be valid reasons for revising some performance targets in the PAES, as operating circumstances for Defence may change during the course of a year, often in ways beyond the reasonable expectations and control of Defence. However, where revisions are made, it is essential that explanations for the changes are included in the PAES.

7. During the hearings, the Committee also expressed concern about the means by which performance targets could be measured:

I am just curious about the measurement of some of those so-called targets. It makes it very difficult for members of the committee. This is an issue we have discussed at our private meeting and I have expressed concerns about before.²

8. After a further interchange, Mr Greg Harper, the Chief Finance Officer, said:

In the broad sense, I recognise that there are at least two strands of difficulty, in that in some cases our product—if I can use that term—is intrinsically difficult to measure. In other cases the target and measurement may be classified and it is difficult for us to put it into a publicly available document. We are working on improving the definitions of our targets and the ways in which we capture information that helps us know how successful we are in achieving those.³

9. Mr Harper also said:

Part of the organisational renewal and reform process ... involves our becoming better internally at defining and measuring our performance. Then there is an issue about how much of that is suitable for publication in this sort of document. So it is

1 Transcript of evidence, 21 February 2001, p. 21.

2 Transcript of evidence, 21 February 2001, p. 20.

3 Transcript of evidence, 21 February 2001, p. 21

an area where I expect we may increasingly make things a little easier for the committee.⁴

10. The Committee accepts that, in some areas, the need for confidentiality on national security grounds does make it difficult for Defence to make performance statements in a public forum. In those areas, performance targets might be written in such a way as to allow some meaningful public scrutiny by the Committee without jeopardising national security. An additional measure that might be adopted, in relation to the annual report, where departmental performance for the year is assessed, is for Defence to give the Committee a confidential briefing in those areas where national security considerations militate against public comment. Although the Committee must conduct all its estimates related activities in public, that restriction does not apply to the Committee's other functions, including scrutiny of annual reports.

11. The Committee will continue to scrutinise performance targets in future editions of the PBS and PAES as they are important elements in the accountability process for which this Committee has a particular responsibility.

12. The Committee questioned the Department at length about the Defence White Paper. In particular, officers responded in detail to questions on topics such as: the production of the white paper; the internal and community consultation processes; funding details for the next ten years; Defence capabilities and acquisitions; personnel numbers; sustainable rotation and future reforms and efficiency savings; and, projects delayed pending release of the white paper.⁵

13. Other matters raised by the Committee included:

- Extra funding for cadets—\$6m to implement the recommendations in the report 'Cadets: the future' (p. 12)
- Defence relations with India, Pakistan and the long-term relationship between India and China. (pp. 14–15)
- Strategic importance of Australia becoming a member of ASEAN (p. 16)
- Issues still arising from the Defence Reform Program (DRP) (p. 24)
- Evaluation of Defence integration distribution system (DIBS) recommendations and consultation by government in the context of the Regional Australia policy; delays in selecting tender. (pp. 24–26)
- **Annual report and PAES:** Changes in the Department budget for this financial year, as outlined in the PAES, compared with the original budget estimates statements this financial year. The Department's internal budget arrangements; savings to department because of abolition of wholesale sales tax. (pp. 18–20)
- Competitive tendering and contracting, in particular, Air Force/avionics; outstanding projects; Defence integration distribution system (DIBS); commercial support program—servicing and maintaining Defence vehicles in Townsville. (p. 26)

4 Transcript of evidence, 21 February 2001, p. 21

5 Transcript of evidence, 21 February 2001, pp. 6–11

- Contract for the replacement of SP aircraft; operating leases and a project management agreement for the VIP aircraft; finalisation of the fit-out arrangements; components of the fit-out. (pp. 30–33)
- **ADF recruitment:** Targets for 2001; use of consultants and the demographic targeted in the various advertising campaigns; correlation between progressing economy and low rates of unemployment and recruitment. Recruitment of nursing graduates; retention rates of nurses in the ADF. (pp. 39–43)
- **Personnel issues:** Gender differences in separation rates and reasons for separation; health issues for ADF personnel, overseas allowances. (pp. 44–47) Conditions of service for the training team in East Timor to assist the training of the newly established East Timor Defence forces. (p. 56)
- **Military justice:** Number of calls to the 1800 hotline and submissions received; procedures followed during and after phone calls and subsequent investigations; budget for audit report. (pp. 45–46)
- **Health:** Risk to ADF personnel from diesel fumes and protective measures for ADF crews working on the resealing of F-111 tanks. (pp. 46–47, 48) Health of troops in Bougainville and East Timor—compliance and protective measures more stringently policed to eradicate mosquitoes for prevention of malaria and dengue fever. Other health problems in East Timor include gastroenteritis and other water borne diseases, and, the handling of asbestos when demolishing and rebuilding existing structures. (p. 49)
- Affect on the health of ADF personnel who come in contact with depleted uranium from weapons (p. 50) Drug and Alcohol programs for service personnel; drug offence convictions last calendar year. (p. 51) non-operational health service activities—rationalisation of market testing of ADF health services; outsourcing of services; shortage of surgeons in the service. (p. 55)
- **Reserves:** The cost of increasing operational availability of reserves; Army policy of common induction training; training modules for reservists recruits; quality endorsed training organisation; (QETO); posting turbulence review—issues arising from Hamilton and Cross reports; communications and public awareness project for the reserves area. (pp. 52–54)
- Major capital equipment projects and major capital facility projects; Defence Materiel Organisation restructure and subsequent staffing issues. (pp. 57–66)
- **Defence Estate:** Transfer of Torrens to South Australia government; Artillery Barrack, Fremantle; Fort Queenscliff property; relocation of the soldier career management agency to Victoria Barracks. Funds management on the site of *HMAS Cerberus*. Security systems, backups and analog systems. (pp. 67–70)
- Defence assistance to civil community (DACC), in particular the use of SAS ICE teams during the Olympics; cost recovery arrangement for Defence support during the Olympics. (pp. 72–74)
- **Output 1—Defence:** Defence operations deployment costs for East Timor; severe shortage of ADF tradespersons to meet requirements in East Timor. Allowances to the ship's company of *HMAS Jervis Bay* when it supported the ADF operations in East

Timor after INTERFET. Number and cost of ADF personnel on Bougainville, and, delays in payment to reservists on Bougainville. (pp. 75–77)

- **Output 2—Navy:** Loss and recovery of Kalkara unmanned target towing device; cost of each device. Super Seasprite helicopter program; selection of new combat system for the Collins. (pp. 84–86)
- **Output 3—Army:** Fort Queenscliff—business case study for soldier career management agency to move to Queenscliff. (pp. 135–137)
- **Output 4—Air Force:** Proposal to move No 2 Flying Training School from RAAF Base Pearce to East Sale; and, move the recruit training unit from Edinburgh to East Sale. (p. 90)
- **Output 5—Policy advice:** Pine Gap satellite ground relay station; proposed visit to Australia in March 2001 by French nuclear warship. Relations with Indonesia and Fiji. Investigations into the loss or theft of weapons from Defence facilities, value of good stolen; performance and financial audit report recommendations. Defence Intelligence Board—supply of information to the family of Mr Meryn Jenkins (pp. 92–99)

Department of Veterans' Affairs

14. The Committee questioned departmental officers about the cost and length of time involved in monitoring and formally evaluating the implementation of new arrangements for benefits to veterans under the Veterans' Entitlement Act. The Department responded that the Social Policy Research Centre, will undertake the study over a 2 ½ year period. It will primarily evaluate the cost effectiveness of the new measures and the quality of service provided to veterans. Home and Community Care (HACC) providers across Australia will produce data for the main study.⁶

15. Dr Johnston, went on to explain that 'if we are charged with trying to develop a new model of care for the Australian aged community, it is an important process to look at the implementation strategies, the way the program is put in place and the outcome and effectiveness of those measures'. Dr Johnston also stated that the Department was committed to being progressively accountable as far as possible for the results of the study.⁷

16. The Committee also questioned the Department on the Queensland Health Rights Commission's report into the death of Mr Alan Edwards at Alchera. The summary of findings and recommendations formed the basis for discussions on future monitoring of nursing homes providing care to veterans and the accreditation of nursing homes.⁸

17. Other issues that were discussed included:

- Veterans' Entitlement Act 1986—entitlements for civilian doctors and nurses who served in Vietnam. (p. 100)

6 Transcript of evidence, 21 February 2001, pp. 100–102

7 Transcript of evidence, 21 February 2001, pp. 100–102

8 Transcript of evidence, 21 February 2001, pp. 106–108

- Agreements with state governments to provide public hospital health care. Health care provided by private hospitals. Feedback from veterans' organisations about the quality of services provided to veterans. (pp.101–104)
- Operation of the departmental computer system; out-sourcing of parts of DVA's computer package. Development of a computer system for veterans home-care program delivery—to enable processing over the Internet. (p. 105)
- Training programs/partnerships for veterans in the community to develop computer/internet skills—a partnership between DVA and ex-service organisations called 'training information program' (TIP). (p. 106)
- Termination of the contract of a nursing agency providing services to veterans. (pp. 109–109)
- Australian veterans on service overseas and in Australia—injected with diseases and exposed to toxic substances. (pp. 110–112)

Foreign Affairs and Trade Portfolio

Department of Foreign Affairs and Trade

18. The Committee was briefed by the Department about the proposed visit to Australia by President Wahid of Indonesia. The Department gave the Committee its assessment of the current security situation in East Timor, the camps in West Timor; and, the East Timor election for a constituent assembly planned for later this year. The Committee also discussed the funding arrangement for assistance with the election from the Australian Electoral Commission and security arrangements for the election.⁹

19. The Committee raised with the Department the approach to farm subsidies likely to be taken by the new Bush administration, particularly in the context of the launch of a new WTO round. Officers from the Department responded that they could not speculate on internal aspects United States agricultural policy. However, they would be actively pursuing Australia's trade and agricultural interests in all the relevant fora.¹⁰

20. Other matters raised by the Committee included:

- **General matters:** Number of Department liaison officers working for the department in the Ministers' offices; farm subsidies likely to be taken by the Bush administration in the US; free trade negotiations—protocols for importation of pome fruit (apples) from New Zealand; legal costs incurred to date on the Alistair Gaisford case. Travel advice to people travelling to Fiji; and, the Australian High Commission monitoring the Fiji High Court of Appeal on the status of Fiji's constitution. (pp. 127–136)
- **Outputs 1.1.1 and 1.2.1:** Market research project commissioned by department to study attitudes of Japanese towards foreign countries. Establishing diplomatic relations with North Korea; discussions on ballistic missile proliferation and chemical and biological weapons. China and the United States relations and China's perceptions of

9 Transcript of evidence, 22 February 2001, pp. 141–143

10 Transcript of evidence, 22 February 2001, pp. 128–130

Australia's relationship with the US; US deployment of missile defence systems. (pp. 136–141)

- **Outputs 1.1.4 and 1.2.4:** AusAID budget in Zimbabwe and other aid projects. Air strikes and sanctions on Iraq; reactions to bombing from other middle-eastern countries and European countries. UN Security Council debate on legality of strikes and maintenance of sanctions on Iraq. Australia's position on continuing economic sanctions and the Oil for Food program. (pp. 144–147)
- **Outputs 1.1.5 and 1.2.5:** Multilateral trade negotiations; China's WTO accession; Australia's participation in initiative to bring AFTA and CER closer together and the involvement of ASEAN countries in this process. (pp. 148–149)
- Review of Australian and New Zealand lamb exports to the United States; submission to the International Trade Commission. (pp. 149–150)
- Market Development Division—'Exporting for the future' program. Department's rating of its main trade policy priorities at the multilateral and multi-regional levels. (pp. 150–151)
- WTO and Australia's expectations for the launch of a new round of negotiations. APEC's role in a regional effort to meet Australia's trade objectives. Free trade agreements (FTAs); in particular with Singapore and the United States. NAFTA agreement—future discussions will include intellectual property protection. (pp. 151–154)
- Bilateral trade talks with Singapore and the Republic of Korea. Consultation with Australian industry about an approach to the bilateral negotiations between the United States and New Zealand, Australia and Singapore, and, Australia and Korea. (p. 155–157)
- **Outputs 1.1.7 and 1.2.7:** Update on Timor Gap negotiations between Australia and East Timor. United States involvement in the treaty making process. (pp. 161–162)
- **Outputs 1.1.8 and 1.2.8:** Update on Australia's involvement in negotiations to strengthen the biological weapons convention. Bush review of the US's attitude to the negotiations of the new protocol. Australia's leadership role in efforts to conclude negotiations on a verification protocol in 2000. Australia's leading role in ratifying the CTBT. (pp. 163–167)
- Nuclear safeguards in Taiwan and Argentina; nuclear ship movements in the Pacific; protocol for transport of nuclear waste and emergency procedures. (pp. 167–168)
- **Output 1.3:** Alleged leaking of classified material; current policy and guidelines for protection of people who 'public interest disclose'. Findings of the Blunn report into the circumstances leading to the death of Mr Mervyn Jenkins. (pp. 169–170)
- **Output 3.1:** 'Images of Australia' Branch—strategies and material designed for proactive and reactive responses to combat the negative image of Australia created by 'Hansonism' and promote Australia overseas. (pp. 158–160)
- **Enabling services:** Working smarter initiative—the final working principles. The composition and membership of the department's ethics committee; the postings selection process; staff numbers in the department. (pp. 171–176)

Austrade

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

- Mad cow disease in Europe and the potential for lifting Australian beef exports; possibility for Austrade to advertise Australian beef in Europe; opportunities arising in North Africa and the Middle East (p. 117)
- Austrade's role in 'Exporting for the Future'; its partnership arrangement with DFAT; the funding set aside for the program; and, the regional radio campaign to promote the program. (pp. 117–120)
- Export Market Development Grants Scheme (EMDG) (p. 118)
- 'Austrade online'—who is accessing the website; dissemination of the data. (p. 124)
- Olympic business secured by Austrade for Australia for the Athens games; WTO agreement on government procurement. (p. 125)
- Austrade seminars to raise awareness within the Australian business community of the opportunities in Latin America. (p. 126)

AusAID

22. The Committee sought information from AusAID on a number of matters:

- Approaches by Australian rice growers to AusAID about Australian rice being used as food aid under the World Food program development activities; involvement of the Australian Wheat Board in the World Food program. (p. 175)
- Australia's current aid projects and related expenditure in East Timor; outline of projects scheduled to commence in the current year. (p. 175)
- Aid to Irian Jaya over the past decade. (p. 175)
- Quality assurance—the system used to measure in detailed way, the overall quality of a range of specific activities. (p. 175)

Acknowledgements

23. The Committee expresses its appreciation of the assistance given during its hearings by Senator the Hon Ian Macdonald 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.

Sandy Macdonald
Chair

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

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