

Budget estimates 2019-20

Reference

1.1 On 2 April 2019, the Senate referred the following documents to the Senate Foreign Affairs, Defence and Trade Legislation Committee (the Committee) for examination and report:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2020 [2]; and
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2020 [2].¹

Portfolio coverage

1.2 The Committee has responsibility for examining the expenditure and outcomes of the following:

- Defence Portfolio (including Veterans' Affairs); and
- Foreign Affairs and Trade Portfolio.²

Portfolio Budget Statements 2019-20

1.3 The Portfolio Budget Statements for 2019-20 for the Defence Portfolio, Department of Veterans' Affairs and the Foreign Affairs and Trade Portfolio were tabled in the Senate on 2 April 2019.³

Hearings

1.4 The Committee conducted public hearings on 5 and 10 April 2019.

1.5 On 5 April 2019, the Committee examined the Department of Defence, the Australian Signals Directorate, the Department of Veterans' Affairs and the Department of Foreign Affairs and Trade. On 10 April 2019, the Committee further examined the Defence Portfolio (including Veterans' Affairs).

1.6 The Committee was scheduled to hold a public hearing on 11 April 2019 to further examine the Foreign Affairs and Trade Portfolio; however, the Governor-General issued a proclamation at 8.29am that morning proroguing the Parliament ahead of an election on 18 May 2019. As a prorogation is regarded as terminating the scheduled sittings of the Senate and of estimates hearings, the hearing scheduled for that day did not take place.

1 *Journals of the Senate*, No. 141, 2 April 2019, p. 4815.

2 *Journals of the Senate*, No. 2, 31 August 2016, pp. 75-76. This order was subsequently amended on 12 February 2018 and 15 February 2018; however, the amendments did not relate to these portfolios. See *Journals of the Senate*, No. 84, 12 February 2018, pp. 2668-2669, and *Journals of the Senate* No. 87, 15 February 2018, p. 2740.

3 *Journals of the Senate*, No. 141, 2 April 2019, p. 4816.

1.7 The Committee received evidence from Senator the Hon Linda Reynolds CSC, Minister for Defence Industry, and also representing the Minister for Defence; Senator the Hon David Fawcett, Assistant Minister for Defence, representing the Minister for Defence and the Minister for Veterans' Affairs; Senator the Hon Marise Payne, Minister for Foreign Affairs; and Senator the Hon Simon Birmingham, Minister for Trade, Tourism and Investment. The Committee also received evidence from officers from the relevant departments and agencies within the Defence Portfolio, including Veterans' Affairs, and the Department of Foreign Affairs and Trade.

1.8 The Committee expresses its appreciation for the assistance of the Ministers and officers who appeared.

1.9 Over the course of the hearings, the Committee took evidence from the following departments and agencies:

Defence Portfolio (including Veterans' Affairs)

- Department of Defence
- Australian Signals Directorate
- Department of Veterans' Affairs

Foreign Affairs and Trade Portfolio

- Department of Foreign Affairs and Trade.

1.10 Defence Housing Australia and the Australian War Memorial were scheduled to appear on 10 April 2019 but were released without examination on the day.

Questions on notice and Hansard transcripts

1.11 In accordance with Standing Order 26(9)(a), the Committee set 24 May 2019 as the due date for the return of answers to questions on notice.

1.12 The transcripts of these public hearings and answers and additional information are available on the Committee's website at:

https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadt/2019-2020_Budget_estimates

1.13 In this report references to Hansard page numbers are to the proof transcripts. Page numbers may vary between the proof and official Hansard transcript.

Defence Portfolio, 5 April 2019

Department of Defence

1.14 Topics examined during the hearing included:

- Management and remediation of per- and poly-fluoroalkyl (PFAS) contamination at Defence bases, including budget across the forward estimates, number of staff and contractors allocated, and compensation and settlements (pp. 5-9)

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- Number of service providers, consultants and contractors, and inability of Defence systems to provide a current figure (pp. 9-12)
 - Impact on delivery of capability as a result of the re-profiling of \$620 million from 2019-20 to bring forward to 2018-19 (pp. 12-15)
 - Incident concerning *HMAS Adelaide* breaking from its moorings during a storm in Townsville (pp. 16-18)
 - Findings of the investigation into fraudulent behaviour by an officer working at the Future Submarine Office in Cherbourg, France, and their subsequent termination (pp. 18-19)
 - Mine warfare capability, including the sale of two minehunter coastal vessels (p. 19)
 - Future Submarine Program, including contracts signed and requirements for Australian content, contractual contingent liabilities, progress on the development of pump jet propulsion design and combat system (pp. 20-22, 28-32, 39-41, 49-50)
 - Submarine capability, including the estimated costings and contract arrangements for the life of type extension for the Collins class (pp. 32-39, 50-51)
 - Status of the project to develop a flotation system for the Tiger Helicopter by the company One Atmosphere (pp. 22-26, 44, 57-59)
 - Defence infrastructure spending in the Northern Territory (pp. 27-28)
 - Sustainment arrangements for the fleet of eight ANZAC class frigates (pp. 42-47)
 - Status of the Growler aircraft following the crash at Nellis Air Force Base, including cause, replacement and insurance claim (p. 49)
 - Infrastructure upgrade at Tindal Air Force Base (p. 52)
 - Australian Defence Force support provided to Operation Sovereign Borders under Operation RESOLUTE (pp. 53-56, 59)
 - Milne Bay Museum in Toowoomba (pp. 56-57).

Australian Signals Directorate

1.15 Topics examined during the hearing included:

- Cybersecurity of the Australian Electoral Commission and compliance with the relevant mitigation strategies (pp. 47-48)
- Status of assessment of recent cyber breach of the Department of Parliamentary Services (pp. 48-49).

Department of Veterans' Affairs (DVA)

- 1.16 The Secretary, Ms Liz Cosson, AM CSC, tabled an opening statement.
- 1.17 Topics examined during the hearing included:
- \$171.6 million in offsets in the 2019-20 Budget to be delivered through efficiency measures (pp. 62-64)
 - Funding in the 2019-20 Budget for information and communications technology reforms (pp. 64-65)
 - Consultation and decision processes for the proposed time change for the Anzac Day Service at Villers-Bretonneux (pp. 65-66)
 - Australian Veterans' Card, including businesses confirmed, consolidation of existing veterans' discounts arrangements, and timeframe for roll out (pp. 66-67)
 - Allied health referrals pilot (pp. 67-68)
 - Implementation of the Veteran Payment for interim financial support following lodgement of a claim for a mental health condition (pp. 68-69)
 - MyService online claiming capability (p. 69).

Foreign Affairs and Trade Portfolio, 5 April 2019***Department of Foreign Affairs and Trade (DFAT)***

- 1.18 Topics examined during the hearing included:

Non-trade programs

- Declaration of interests by the Hon Joseph Hockey, Australian Ambassador to the United States (US) (pp. 74-78)
- Use of official diplomatic residences for the conduct of private business (pp. 79, 81-82)
- Australia's strategy for the abolition of the death penalty (pp. 79-81)
- Implementation of Sharia law in Brunei, including the impact on the LGBTIQI community, travel advice, and Australian representations to Brunei (pp. 82-85, 87-89)
- Representations to China regarding the detention of Uighurs (pp. 85-86)
- Australians detained by exit bans in China (p. 86)
- Reduction in aid funding in the 2019-20 Budget (pp. 89-96)
- InnovationXchange and the mainstreaming of innovation across the department (pp. 96-97)
- Australia's decision not to sign the United Nations International Women's Day Statement (pp. 96-101)
- Departmental work to identify suitable premises in West Jerusalem for the Australian embassy (pp. 101-102)

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- Arms export sales to Saudi Arabia and DFAT assessments under the Arms Trade Treaty (pp. 102-103)
 - \$17 million contract for Free TV in relation to broadcasting Australian content in the Pacific, and update on the Soft Power Review (pp. 103-104)
 - DFAT assistance provided to the Member for Dawson during visits to the Philippines (pp. 104-105)
 - Family planning and reproductive health care aid funding (pp. 105-110)
 - Possible removal of Mr Julian Assange from the Ecuadorian Embassy in London (p. 110)
 - Representations to China regarding the detention of Mr Yan Henjun and consular assistance (p. 111)

Trade programs

- Recent fluctuations in the level of coal exports to China (pp. 112-113)
- Geographical indicators in the Australia-European Union Free Trade Agreement negotiations (pp. 113-115)
- Regional Comprehensive Economic Partnership negotiations (pp. 115-117).

Defence Portfolio, 10 April 2019

Department of Defence

1.19 Topics examined during the hearing included:

- Status of the project to develop a flotation system for the Tiger Helicopter by the company One Atmosphere (pp. 4-5)
- Defence 2017-18 annual report, including:
 - Variation in the annual expenditure on consultancies and contracts over the period 2015-16 to 2017-18 (pp. 5-6)
 - Instances of fraud, including the dollar amount and publicising outcomes as a deterrence (pp. 6-8, 66-67)
 - Achievement of key performance indicators, including for recruitment targets, and enhanced linkages with DVA (pp. 8-11)
- Recruitment strategy to increase representation of people from diverse backgrounds (p. 11)
- Level of Indigenous employment and procurement (pp. 11-14)
- Availability of data regarding the level of local industry engagement and impact of Defence training activities for regional Australia (pp. 14-15)
- Future Submarine Program, including local content requirements in contracts, cost of pausing the program if there were a change of government, progress on infrastructure build in Adelaide, approval processes for contracts entered into by Naval Group under the Strategic Partnering Agreement, staffing

profile of officers working in the office in Cherbourg and their conditions of service, timeline for development of the combat system, Submarine Advisory Committee, and processes for signalling to industry about future technological needs (pp. 15-23, 28-37, 41-47, 64-65)

- Size of the defence industry workforce (p. 22)
- Processes for appointments to Defence related boards, particularly in relation to the appointment of Ms Kate Carnell AO as Co-Chair of the Centre for Defence Industry Capability Advisory Board (pp. 23-28)
- Update on Operation OKRA and impact of the US drawdown of forces in Syria and the territorial defeat of Islamic State (pp. 37-41)
- Impact on operations of President Trump designating the Iranian Revolutionary Guard as a terrorist organisation and Iran's response by labelling US Central Command as a terrorist organisation (pp. 47-48)
- Update on Australia's contribution to the North Atlantic Treaty Organisation led Resolute Support Mission in Afghanistan through Operation HIGHROAD (pp. 48-51)
- Defence engagement in relation to the decision to grant a 99-year lease for the Port of Darwin to Landbridge Group Australia (pp. 48-54)
- Breakdown of additional Defence funding under Operation RESOLUTE in support of Operation Sovereign Borders (pp. 54-56)
- Increase in investment for additional naval related industrial infrastructure and sustainment in Western Australia from original announcement of \$100 million in February 2017 to the current amount of \$1.5 billion (pp. 56-57)
- F-35 Program, including the crash of a Japanese F-35 stealth fighter in the Pacific Ocean in April 2019, and reports of removal of Turkey from the program (pp. 57-58)
- Use of VIP aircraft during election campaigns (pp. 59-60)
- Naval exercises in the South China Sea and transits of the Taiwan Strait (pp. 62-64)
- Defence contribution to Operation SOUTHERN DISCOVERY in Antarctica (p. 63)
- Compliance with the directive banning the use of death symbols in the Army (p. 66)
- Departmental usage of credit cards, fuel cards, cabcharge, eTICKETS and FASTCARDS (pp. 67-70)
- Defence enhanced engagement in the Pacific under the Pacific Step Up program, including budget, proposed programs, arrangements for working with the Office of the Pacific in DFAT, and requirement for the new humanitarian assistance and disaster relief vessel (pp. 70-81)

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- Safety concerns regarding the *HMAS Albatross* naval band's participation in the Greenwell Point Anzac Day dawn march (pp. 81-82)
 - Defence role in the Sustainable Development Goals process and incorporation of the goals in the corporate planning process (pp. 82-83)
 - SEA 5000 Future Frigate Project, including progress, expenditure to date and level of local content (pp. 83-85)
 - SEA 1180 Offshore Patrol Vessels, including expenditure to date and level of local content (pp. 86-87)
 - SEA 2400 Hydrographic Data Collection Capability project and decision to build the military oceanographic survey vessel in Henderson (pp. 87-88)
 - Availability of childcare facilities for Defence personnel in South Australia (p. 89)
 - Training undertaken at the Submarine Escape Training Facility at *HMAS Stirling* (pp. 89-91)
 - Australian officers undertaking training in the Submarine Command Course run by the Royal Netherlands Navy (pp. 91-92)
 - Defence advice regarding the location of the full-cycle dockings for the Collins Class submarines (pp. 92-94).

Australian Signals Directorate

1.20 Topics examined during the hearing included:

- Implementation of the Secure Internet Gateway Program (pp. 94-95)
- Internet gateway arrangements and gateway certification (pp. 96-97)
- Cyber Security Strategy 2016 (p. 97).

Department of Veterans' Affairs

1.21 Topics examined during the hearing included:

- \$171.6 million in offsets in the 2019-20 Budget to be delivered through efficiency measures, including a staffing reduction, provision of community based rehabilitation, monitoring of hospital billing processes, medico-legal reporting, and rationalising items on the aids and appliances schedule (pp. 98-104)
- Budget allocated for consultants in 2019-20 (pp. 103-104)
- Changes to allied health treatment model and feedback processes for veterans' organisations and engagement with providers (pp. 105-106, 114-115)
- Progress on implementation of the Veterans' Card (pp. 107-108)
- Veteran Payment for interim financial support following lodgement of a claim for a mental health condition (pp. 108-109)

- Independent review of the implementation of the recommendations of the Joint Defence/DVA Inquiry into the Jesse Bird case (pp. 109-110)
- Impact of the non-passage of the Military Rehabilitation and Compensation Amendment (Single Treatment Pathway) Bill and the Australian Veterans' Recognition (Putting Veterans and their Families First) Bill through the Parliament (p. 110)
- Draft KPMG report on the level of Totally and Permanently Incapacitated (TPI) compensation payments (p. 110-111)
- Consultation process around the proposed time change for Anzac Day Service at Villers-Bretonneux (p. 112)
- Establishment of a commemorative memorial on the Greek island of Lemnos to recognise the services of Australian nurses during war (pp. 112-113)
- Extension and evaluation of the provisional access to medical treatment trial (p. 113)
- Input to the Productivity Commission's inquiry into compensation and rehabilitation for veterans following the release of the draft report entitled *A Better Way to Support Veterans* (p. 114)
- Impact of the Medicare freeze on the repatriation medical fee schedules (pp. 115-116)
- Processes for the establishment of the Council for Women and Families United by Defence Service (pp. 117-121).

Senator the Hon Eric Abetz
Chair