



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

COMMITTEES

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

Report

SPEECH

Thursday, 11 October 2012

BY AUTHORITY OF THE SENATE

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Questioner
Speaker Fawcett, Sen David

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Senator FAWCETT (South Australia) (18:36): I rise to address the Foreign Affairs, Defence and Trade Legislation Committee final report on the Defence Trade Controls Bill 2011. The coalition has dissented from the majority report in this case. There are a number of reasons we have done that. I would like to state up-front that we support unconditionally our relationship with the United States. We think it is a vital part of our national security strategy, but we are concerned at the process that has been adopted by the government in this case.

The House passed the legislation, and threw it across to the Senate. The reason they passed it so quickly, they said, was so that the Senate would have a chance to look at it through the legislation committee. Having given us that task the government then sought to expedite this bill, to the point where this tabling is a full 20 days earlier than requested by the Senate. The government have not allowed the committee time to review their proposed amendments which, at the time of the submission of this report, had not been viewed by any of the members of the committee. That is really significant, because what the committee has uncovered, throughout this inquiry, is that there is deep concern in the Australian community—in both the academic and research communities as well as parts of the defence industry—about the implications of this report.

So, whilst we support the principle of the treaty—and this legislation is aimed to give effect to the 2007 Australia-United States Defence Trade Cooperation Treaty and reduce administrative burdens that have hampered our relationship: the ability of companies to share information and classified products that fall under the ITAR scheme—the legislation, because of the government's lack of effective consultation, has raised concerns in sectors such as research because the terms of the legislation go to things such as intangibles. So it is no longer a piece of equipment that is controlled. Even discussion about the concepts or the enabling research behind something that may be on the military list, or even the classified commercial list, can land universities or research establishments in trouble.

Now, in an era where we are seeking to have Australia become a smart country, with smart manufacturing—and everyone is talking about the fact that the future of manufacturing is going to be in areas of

high technology—the last thing we should be doing is placing a restriction on the ability of people who are working in universities, industry and research establishments to develop high technology, and partner with other people who are developing high technology.

The University of Sydney has brought in legal advice showing that Australian research will be at a comparative disadvantage to universities in the United States, for example, under this legislation. Yet the committee has not had a chance, yet, to consider that advice in terms of the report. That is why the coalition has dissented.

Defence industry is a crucial part of our national defence capability. Right at the moment it is under significant stress. That is partly driven by an attitude of the government which sees the defence industry at an arm's length, and thinks that the government should not be concerned, necessarily, about that industry's viability because we operate in a free market and want the best value for money. But that ignores the fact the industries onshore do play a vital part. They play a huge part in the through-life support and the sustainment of our capabilities. And they also play a vital role in making sure that Australia can remain an informed and intelligent customer, even for those things that we buy offshore, but particularly when there is either an opportunity or, as often is the case, a need to develop, modify, certify and use equipment here in Australia.

One of the reasons defence industries are under stress at the moment is the \$5.45 billion in budget cuts that occurred this year. That was despite the comments of the government that sound a little bit like Baghdad Bob. As the tanks rolled behind him in Baghdad he said, 'We're still winning this war.' The government is saying, 'This will not affect capability; it will not affect operations,' yet in a blog today ASPI came out and yet again highlighted that this completely misses the point.

The CEO of Raytheon came out recently and highlighted the impact of these deferrals in spending on industry, with a loss of some 5,000 jobs in the sector. In South Australia in particular we have a number of firms which have been encouraged to invest in capital equipment and build up their capability in the expectation of the need for capabilities that government were promising through the defence capability plan, just to be given a double whammy of

(a) deferrals, and then (b) government decisions around acquisitions being driven by a very short-term agenda of looking for the best value for money in terms of the cash price rather than looking at the longer-term implications of where we invest the taxpayer dollar.

I argue that where there is a small price differential in relative terms for defence equipment, it is counterintuitive, on the one hand, to provide funding—taxpayers' money—against what the government would call strategic or priority industry capabilities, but then, on the other hand, to decide to buy equipment offshore when there are viable Australian options. Why would you not sustain those priority and strategic industry capabilities by making a decision to purchase that equipment here in Australia, so you are investing the taxpayer dollar in growing skills and capability with industry?

As I have said in this place before, it is an issue of sovereignty. Australia will never be able to be a superpower like the US, where they can design, make and maintain everything they need. But nor do we wish to be at the other end of that spectrum, which is being like a third-world country that has no option but to accept the things that somebody else at some point may choose to sell us to the standard that they choose, without the ability to understand it, where necessary modify it, repair it, certify it and use it. That is one of the capabilities that differentiates a first-world country from a third-world country, and we do not want to be at that left-hand end of the spectrum.

What that means is that at some point governments of either persuasion need to put a stake in the sand and say, 'This is where we will maintain the investment in our indigenous capability—in our own industry, in our own uniformed people, to have the technical competence.'

The delays that we are seeing at the moment through these budget cuts and that are putting so much stress on industry are having the impact that we hear about again and again of causing the peaks and troughs in workload. It is those peaks and troughs that industry cannot sustain without a regular cashflow. They cannot sustain the workforce and the skills. That directly drives up risks and costs to the taxpayer because, as sure as night follows day, they will at some point, whether it is in the near future or in the medium term, require those skills from industry again. And guess who will pay for the mistakes that will be made? We have seen just recently that the Warfare Destroyer blocks at the BAE shipyards have been allowed to run down because there was no work. Who pays for that? The taxpayer pays for that.

So it is very short-term to be saying, 'We'll just defer projects, we'll buy things offshore', as opposed to

taking a long-term view and asking: where is it smart and sensible for us to keep a workflow going so that we actually drive down cost and drive down risk to the taxpayer? Choosing to invest here means that we are supporting the development of capability and jobs here in Australia that directly contribute to the resilience of our own national defence capability.

The Defence corporate plan for 2012-2017 that has just been released highlights that with this decreasing budget there will be decreasing capability and a decreasing scope of operations that the ADF can be engaged in. That directly contradicts the rhetoric that has been coming from the minister. It also highlights that at exactly the same time that we are decreasing spending—and therefore we must, logically, decrease our capability and scope of operations—countries in the region are increasing their spending. Their economies are growing. They are increasing their spending and getting more capability. The Defence corporate plan goes on to say that we must fund the ability to have a self-reliant defence force. Obviously that scope will vary, but key to that is making decisions that work for people in terms of research, development and industry. That goes to the heart of not rushing through legislation like this, which is why the coalition has chosen to dissent on this report so that we can get it right in the interests of Australia's national security. I seek leave to continue my remarks.

THE DEPUTY PRESIDENT: In accordance with my statement at the commencement of this segment in relation to documents, reports and responses, we deem that all those items, apart from number 8, are discharged from the *Notice Paper* on page 6. Are there any items on page 7?