



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE
LEGISLATION COMMITTEE

Consideration of Budget Estimates: Supplementary Hearings

THURSDAY, 2 DECEMBER 1999

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Thursday, 2 December 1999

Members: Senator Brownhill (*Chair*), Senator Hogg (*Deputy Chair*), Senators Bourne, Calvert, Payne and Schacht

Senators in attendance: Senators Brownhill, Calvert, Faulkner, Hogg, Quirke, Schacht and West

Committee met at 9.05 a.m.

DEFENCE PORTFOLIO

DEPARTMENT OF DEFENCE

Proposed expenditure, \$14,277,978,000 (Document A)

Proposed provision, \$1,278,230,000 (Document B)

In Attendance

Senator Newman, Minister for Family and Community Services

Department of Defence

Portfolio overview and major corporate issues

Mr Robert Tonkin, Deputy Secretary, Resources and Management

Air Marshal Doug Riding, AM, Vice Chief of the Defence Force

Dr Ian Williams, First Assistant Secretary, Resources and Financial Programs

Chief of Navy

Output 4—Capability for patrol boat operations

Output 5—Capability for submarine operations

Output 9—Capability for amphibious lift

Group 2—Navy

Vice Admiral David Shackleton, RAN, Chief of Navy

Rear Admiral Peter Briggs, AO, AM, CSC, RAN, Head, Submarine Capability Management Team

Mr Les Wallace, Assistant Secretary, Resource Planning—Navy

Chief of Army

Output 10—Capability for special forces operations

Output 11—Capability for land task forces operations

Output 12—Capability for logistics support of land operations

Output 15—Capability for ground-based air defence

Group 3—Army

Major General Peter Abigail, AM, Deputy Chief of Army

Mr Peter Lush, Director General, Corporate Management and Planning—Army

Chief of Air Force

Output 13—Capability for air strike/reconnaissance

Output 14—Capability for tactical fighter operations

Output 16—Capability for strategic surveillance

Output 17—Capability for maritime patrol aircraft operations

Output 18—Capability for airlift

Output 19—Capability for combat support of air operations

Group 4—Air Force

Air Commodore, John Blackburn, Director General, Policy and Planning—Air Force

Commander Australian Theatre

Output 1—Command of operations

Air Vice-Marshal Robert Treloar, AM, Commander Australian Theatre

Vice Chief of the Defence Force

Output 6—Military geographic information

Air Marshal Doug Riding, AM DFC, Vice Chief of the Defence Force

Air Vice-Marshal, Peter Nicholson, AO, Head Command Control Communications
Computers Intelligence Surveillance Reconnaissance and Electronic Warfare

Output 21—Effective contribution to national support tasks

Air Marshal Doug Riding, AM, Vice Chief of the Defence Force

Air Vice-Marshal Robert Treloar, AM, Commander Australian Theatre

Deputy Secretary Strategy

Output 20—Effective international defence relationships and contribution to international activities (Deputy Secretary Strategy and Intelligence only)

Mr Hugh White, Deputy Secretary, Strategy and Intelligence

Mr Allan Behm, Head, International Policy Division

Vice Chief of the Defence Force/Deputy Secretary Strategy

Output 22—Strategic policy and direction

Air Marshal Doug Riding, AM, Vice Chief of the Defence Force

Mr Hugh White, Deputy Secretary, Strategy

Dr Ian Williams, First Assistant Secretary, Resources and Financial Programs

Rear Admiral Chris Ritchie, AM, Head, Capability Systems

Dr Ralph Neumann, Acting Head, Capability Analysis and Options

Group 1

Mr Robert Tonkin, Deputy Secretary, Corporate
Mr Hugh White, Deputy Secretary, Strategy
Dr Ian Williams, First Assistant Secretary, Resources and Financial Programs
Rear Admiral Chris Ritchie, AM, Head, Capability Systems
Dr Ralph Neumann, Acting Head, Capability Analysis and Options
Mr Claude Neumann, Inspector-General
Mr Allan Behm, Head, International Policy Division
Air Vice-Marshal Col Hingston, Head, National Support Division
Mr Jason Brown, Assistant Secretary, Security

Chairman Defence Intelligence Board

Output 2—Strategic intelligence

Group 5—Intelligence

Mr Martin Brady, Chairman Defence Intelligence Board
Mr Frank Lewincamp, Head, Defence Intelligence Organisation

Groups

Group 6—Support Command

Major General Des Mueller, AO, Commander Support

Group 7—Defence personnel executive

Major General Peter Dunn, AO, Head, Defence Personnel Executive
Colonel Wayne Ramsey, AO, CSC, Director General, Defence Health Services

Group 8—Acquisition

Mr Mick Roche, Under Secretary, Defence Acquisition
Air Vice-Marshal Ray Conroy, AM, Head, Systems Acquisition (Aerospace)

Group 10—Defence Estate

Mr Rod Corey, Head, Defence Estate
Mr Ross Bain, Assistant Secretary Property Management

Group 12—Defence Corporate Support

Mr Peter Sharp, Head, Defence Corporate Support

CHAIR—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Newman, the Minister representing the Minister for Defence, and officers of the Department of Defence. The committee has before it a list of topics nominated by senators for consideration at the supplementary hearings. The committee will consider the topics nominated under Portfolio Overview of the Department of Defence and then consider outputs in numerical sequence.

In order to assist *Hansard* in the early publication of the transcript of these hearings, the written questions on notice will not be incorporated in the proof *Hansard* transcript. The chair will state for the record that written questions have been received from a particular senator and that these questions will be forwarded to the department for answer.

Once an output or group has been finalised, the officers present for that output or group will no longer be required, provided that they are not required to be present for another topic later in the proceedings. When officers are first called upon to answer a question, they should state clearly their names and positions. The committee has resolved that answers to questions on notice are to be lodged with the committee by Friday, 14 January 2000. Today's proceedings will be suspended from approximately 12.30 until 1.30 for lunch. Minister, do you wish to make an opening statement?

Senator Newman—No, thank you, Mr Chairman.

Senator HOGG—Mr Chairman, before we begin, I would like to make a brief statement. I would like to pay tribute to all the men and women of the Australian Defence Force who are currently deployed overseas doing such great work. I think it is important that at a time like this when we have more troops deployed overseas than since the Vietnam War they realise they have the support and good wishes of all the members of this committee. I think it is important to state that this does not just refer to those troops in East Timor but also to all other ADF troops serving in a variety of spots throughout the world undertaking important humanitarian and peacekeeping duties. It is equally important to pay credit to ADF personnel here in Australia, who play an equally critical role to ensure that the ADF is able to support those operations. I think it is important to place that on the record at the outset of these proceedings. Before I proceed with general questions, I know Senator Faulkner has a number. [9.08 a.m.]

Portfolio Overview and Major Corporate Issues

Senator FAULKNER—I want to ask a few questions that go to the removal of the previous secretary to the department. Perhaps we could hear from one of the senior officers at the table a very brief outline of the processes the department understands of the events surrounding Mr Barratt's removal.

CHAIR—I would imagine that the minister might like to respond.

Senator Newman—I have not heard the question yet. What specifically is your question?

Senator FAULKNER—I wondered if we could have a brief overview of the events, from the department's perspective, surrounding the demise of the previous secretary, Mr Barratt.

Senator Newman—I will ask Mr Tonkin if he has anything to contribute. I do not know whether he does.

Mr Tonkin—As to the processes relating to the termination of Mr Barratt's appointment as secretary, the secretary is appointed by and terminated by the Prime Minister. It is not something within the administration of the Department of Defence in terms of the initiation or execution of that action.

Senator FAULKNER—I am aware that it was not initiated by the Department of Defence, but I thought at least we might hear the time lines involved, which is a matter for the department. Perhaps that could be outlined for the benefit of the committee.

Mr Tonkin—Mr Barratt ceased to be the secretary at the end of August, following a series of court proceedings which were not part of the responsibilities of this department. When Mr Barratt's termination was imminent, I authorised a series of administrative actions relating to the administration of his termination—for example, the payment of one month's notice of rent on the apartment which we provided for Mr Barratt in Canberra. As you will recall, Mr Barratt used to commute from Melbourne to Canberra on a weekly basis. We organised a recovery

of the security devices in that apartment. I authorised that he would receive one additional business class airfare—the normal class of travel for a secretary—between Melbourne and Canberra so he could move out of his accommodation.

I organised that he would retain in Melbourne for six months the secure telephone connection in case there was any need for subsequent contact between his successor or the Chief of the Defence Force. I put in train a process to review whether it was cost effective to remove the security devices in his house. The judgment is that it would cost more to take them out than it would to leave them there.

In accordance with arrangements which are typical for senior executives who leave, we tend to provide them with the cost of financial advice—that is one of the key issues for people leaving—and some reasonable level of retraining. In Mr Barratt's case, it was financial advice. We have a bill in process of being paid for about \$700. He attended a company directors course at a cost of \$4,950. Apart from that, the only other action undertaken by the Department of Defence was the payment of Mr Barratt's specified entitlements, which was his termination payment, his unused recreation leave and unused long service leave.

Senator FAULKNER—Thanks, Mr Tonkin. That is helpful for the committee. Could I ask whether these administrative actions were taken on your initiative or on the initiative of someone else?

Mr Tonkin—In respect of all but the payment of the termination payment which followed the Prime Minister's decision to terminate his appointment, they were taken on my initiative, taking into account that it was fairly clear at that point that Mr Barratt would be terminated within a few days.

Senator FAULKNER—Did you consult the minister before making those decisions?

Mr Tonkin—No.

Senator FAULKNER—Was the termination payment a matter that the minister or the minister's office was involved in?

Mr Tonkin—Not to my knowledge. It was a straight administrative process.

Senator FAULKNER—For the record, you might make clear who had responsibility for that process.

Mr Tonkin—I have responsibility for the process. In the Department of Defence, it comes under my area of responsibility.

Senator FAULKNER—Who made decisions in relation to that process?

Mr Tonkin—It was my decision.

Senator FAULKNER—Sorry, I thought you were drawing a distinction between that and the other administrative actions in terms of the decision making process.

Mr Tonkin—The only distinction I would draw is between the administrative actions which, by a few days, preceded Mr Barratt's termination—so that those arrangements would be put in train at the appropriate time—and the other actions, which flowed as a straight administrative consequence of the Prime Minister's decision. The decision of the Prime Minister is the executive action which initiated a series of payments which were then made.

Senator FAULKNER—Minister, are you able to explain to the committee when the defence minister, Mr Moore, first indicated his displeasure with Mr Barratt's performance?

Senator Newman—No, I am not able to.

Senator FAULKNER—Are you able to inform the committee to whom Mr Moore first indicated his displeasure with Mr Barratt's performance?

Senator Newman—No, I am not able to.

Senator FAULKNER—Would you be able to take both those questions on notice?

Senator Newman—I will take them on notice.

Senator FAULKNER—Minister, are you able to inform the committee why Mr Barratt was chosen to be promoted from Secretary to the Department of Primary Industries and Energy to Secretary to the Department of Defence?

Senator Newman—No, I am not able to.

Senator FAULKNER—Would you be able to take that on notice also?

Senator Newman—I think these are matters for the Prime Minister, and they are not matters for which you can expect to get answers. If you want to put it on notice, that is up to you.

Senator FAULKNER—The last question I asked is a matter that the Prime Minister has a direct involvement in. The other questions I have asked are matters that are appropriately answered either by the minister at the table here or—in this case, if you are unable to answer them—by properly being taken on notice. It goes directly to Mr Moore's responsibility, not to the Prime Minister's. Can I ask when the Department of Defence became aware of the minister's intentions in relation to removing Mr Barratt?

Mr Tonkin—Apart from the media coverage of the issue, I am not aware of any other information. The Department of Defence became aware of it when it became a matter of public discussion.

Senator FAULKNER—As far as the Department of Defence were concerned, was this all news to you when it was on the front page of a major Australian newspaper?

Mr Tonkin—That is correct.

Senator FAULKNER—What about formally? You became aware of it because you read it in the newspaper. When did you as deputy secretary, Mr Tonkin, become more formally aware of these issues?

Mr Tonkin—I do not recall receiving any formal piece of correspondence, but I do recall the conversation with the minister's office pretty close to after it appeared in the newspapers. Towards the end of that week, there was a conversation in which the department were asked whether we were aware that the process was ongoing. That was about it. We determined to carry on the normal business of the department in support of the minister.

Senator FAULKNER—Could you provide us with a little more detail of what the minister's office said to you at this time? You received a phone call. Do you recall when?

Mr Tonkin—It was simply a phone call to say, 'You have seen what's in the newspapers. This is not a matter for the department.' The expectation was that we would continue to provide the support we always provide to the minister. That was the beginning and the end of the conversation. It was not a matter for the department; it was a matter relating to Mr Barratt himself.

Senator FAULKNER—Who contacted you from the minister's office?

Mr Tonkin—From recollection, probably Mr Loughnane, the minister's chief of staff.

Senator FAULKNER—Could you tell us when that contact took place?

Mr Tonkin—I do not think I have a record. I think it was the end of that week. It could have been early in the next week. It was in the time frame when it became part of the public domain.

Senator FAULKNER—What efforts were made to ensure the wheels of the department were turning smoothly at this time?

Mr Tonkin—Simply to ensure that there were no delays in the movement of material between the minister's office and the department and that the actions required by the department continued to proceed.

Senator FAULKNER—Was there any change at all to the secretary's role during the period after the publication of the newspaper article?

Mr Tonkin—The secretary remained the secretary to the department, so there was no change to his role.

Senator FAULKNER—I am aware that the secretary remained the secretary to the department, but was there no change at all to the full suite of functions that the secretary was responsible for?

Mr Tonkin—No, not that I am aware of.

Senator FAULKNER—But if there was, I assume that you would be aware of it?

Mr Tonkin—I would think so. So I do not believe that there was any change to the activities and functions that he undertook.

Senator FAULKNER—The actual date that Mr Barratt left the department was, I think, towards the end of August?

Mr Tonkin—It was 31 August.

Senator FAULKNER—Was there any change between the time that we are speaking of and 31 August in the conduct of the secretary's functions?

Mr Tonkin—Again, not that I am aware of.

Senator FAULKNER—So, as far as the Department of Defence was concerned, it was just standard operating procedure—even though all of this was washing around in the public arena and obviously in Defence itself?

Mr Tonkin—That is correct.

Senator FAULKNER—You had that first contact from the minister's office. Was there ongoing contact that you are aware of between the minister or the minister's office on the one hand and the Department of Defence or ADF on the other hand?

Mr Tonkin—There was the normal ongoing contact on departmental and ADF business between the minister and the department and the Defence Force, and between the minister's office and the department and the Defence Force.

Senator FAULKNER—Specifically in relation to matters relating to Mr Barratt, was there any such contact that you are aware of?

Mr Tonkin—I am not aware of any contact on that specific issue.

Senator FAULKNER—Were there meetings between the minister and the CDF, for example?

Mr Tonkin—I do not know. I would have to take that on notice.

Senator FAULKNER—It was pretty widely reported in the newspapers.

Mr Tonkin—The minister and the Chief of the Defence Force meet frequently.

Senator FAULKNER—I accept and understand that. Perhaps the acting VCDF, Air Vice Marshal Nicholson, can assist us on this—but I think it is fair to say that these matters were fairly widely reported, Mr Tonkin.

Air Vice Marshal Nicholson—No, I cannot answer that question. I will have to take it on notice. I am not aware of specific meetings or the subjects of the conversations between the CDF and the minister.

Senator FAULKNER—If you could take that on notice, I would appreciate it. Just so I understand: are there any particular costs borne by the Department of Defence or the ADF in relation to Mr Barratt's dismissal? Obviously there are some costs in relation to his termination, but perhaps you could outline what they are for the benefit of the committee.

Mr Tonkin—I believe that I already outlined the costs relating to the termination of the accommodation arrangements for Mr Barratt in Canberra.

Senator FAULKNER—And what was that?

Mr Tonkin—That was in the order of \$1,200, which is then offset by the fact that we are not paying the rent for the balance of the financial year. There was the cost of the business class airfare from Melbourne to Canberra and back.

Senator FAULKNER—What was that cost?

Mr Tonkin—I cannot give you the precise cost of that, but it was around \$500 or \$600. The cost of financial advice was around \$700, the company directors course costed \$4,950 and there were Mr Barratt's entitlements: long service leave, an eligible termination payment and recreation leave.

Senator FAULKNER—And the cost of that was?

Mr Tonkin—It was in the order of \$270,000.

Senator FAULKNER—Don't you have the precise figures for these?

Mr Tonkin—It was precisely \$266,700.

Senator FAULKNER—Were there any legal costs borne by your department on this matter?

Mr Tonkin—No.

Senator FAULKNER—What sort of contact did you have with the Department of the Prime Minister and Cabinet through this period?

Mr Tonkin—I had no contact with them.

Senator FAULKNER—No contact with them on this issue?

Mr Tonkin—I had no contact with them on this issue.

Senator FAULKNER—Did the ADF have contact with the Department of the Prime Minister and Cabinet on this issue over this period?

Air Vice Marshal Nicholson—Not to my knowledge.

Senator FAULKNER—Thank you for that, but the problem with that answer is that there may have been contact and you might not have been aware of it—but I appreciate that you would inform the committee if you were. Would you be able to take that question on notice, just in case there was contact that you were not aware of and, if there was, I would appreciate it if you might also take on notice what the nature of that contact was, when it took place and with whom. There may well have been no contact—and I know that you would provide that

information if you had it—but I would just like to close the door that is slightly ajar in your answer. For the benefit of the committee, Mr Tonkin, could we just be clear about how that figure of \$266,700 was calculated?

Mr Tonkin—Mr Barratt was entitled to one year's salary under the terms of his contract—that is the eligible termination payment—and that was \$205,000. He was entitled to the one year's recreation leave that he had accumulated and not taken advantage of at that point. He was also entitled to the long service leave that he had accrued during his period as secretary, in the two appointments that he had had. That accrues and you are entitled to that when you are paid out. So that is how that was calculated. Do you want the split of those payments?

Senator FAULKNER—If you have it.

Mr Tonkin—I can give it to you to the cent if you wish. It was \$40,900 for recreation leave, \$20,800 for long service leave and \$205,000 for the eligible termination payment.

Senator FAULKNER—Apart from those costs that you have outlined, are you aware of any other cost to the department or the ADF from the dismissal process?

Mr Tonkin—No.

Senator FAULKNER—Did the Department of Defence instigate any inquiry into the leak that occurred on Mr Barratt's sacking?

Mr Tonkin—No.

Senator FAULKNER—Why not?

Mr Tonkin—The information alleged to have been leaked—the source of the newspaper articles—was not a matter or a subject which was within the knowledge or control of the department or the Defence Force at the time. There was therefore no point in conducting an investigation.

Senator FAULKNER—But it was not alleged to have been leaked; it was clearly leaked. As you said yourself, you did not know anything about this.

Mr Tonkin—I am not aware what the source of the story was—whether it was a leak or whatever.

Senator FAULKNER—But that is why you have an investigation—when people are not aware of the source of the story. You try to find the suspect.

Mr Tonkin—That was not a matter for the department or the Defence Force, so an inquiry was not undertaken.

Senator FAULKNER—But why are you so confident that that is the case? I do not doubt that for a moment, but why are you so confident that they could not have been the source of the leak?

Mr Tonkin—In previous questions, I believe Senator Faulkner asked whether we were aware in advance of these issues. The answer to that was no. If information of that nature had been within the department or the Defence Force, then I could not have answered as I did.

Senator FAULKNER—So what you are saying is that the leak could not have come from the Department of Defence?

Mr Tonkin—The information was not with the Department of Defence.

Senator FAULKNER—Yes, so the leak could not have come from the Department of Defence?

Mr Tonkin—I think that is a reasonable conclusion.

Senator FAULKNER—I agree with you absolutely. I think anyone who could read the newspaper at the time knows who was involved in the discussions that were retailed in the public arena. What, if any, involvement might the department have had in the processes to appoint a new secretary?

Mr Tonkin—Again, I believe that the department was not involved in that process.

Senator FAULKNER—Are you aware of any significant changes—and I assume you would be here—in the remuneration package that the new Secretary to the Department of Defence would have compared with the previous secretary to the department?

Mr Tonkin—I am not aware of any variation. I would need to take that on notice to assure myself of that fact, but I am not aware of any change to those arrangements.

Senator FAULKNER—There is at least a variation, isn't there, that has again been in the public arena in relation to the length of term of the appointment?

Mr Tonkin—I would not regard the term of the appointment as being pertinent to the level of remuneration, which is an annualised figure.

Senator FAULKNER—It is an annualised figure, that is true, but clearly there is quite a significant difference between what has previously occurred and what was the case in relation to Dr Hawke's appointment. It is in the eye of the beholder, I suppose, as to whether you consider a three-year appointment as markedly different to a five-year appointment. Senator Newman, would it be right that, because Minister Moore is now the Minister for Defence and he goes through secretaries like a hot knife through butter, you may as well make the appointment period for the secretaries as short as possible? It would save time.

Senator Newman—That is not a matter for me to answer. It is idle speculation.

Senator FAULKNER—Is that the reason that Dr Hawke's appointment was—

Senator Newman—Of course not.

Senator FAULKNER—Mr Moore has seen the demise of the previous Secretary to the Department of Primary Industries and Energy. He has got rid of Mr Barratt. You may as well appoint them for a pretty short time because they are not going to be hanging around for long, according to the previous track record. Would that be right?

Senator Newman—I do not think that matter is within my competence to answer.

Senator FAULKNER—Can anyone tell me then why Dr Hawke's appointment is for three years? That is the assumption I have jumped to—I hope not unfairly.

Senator Newman—It is a matter for the Prime Minister anyway. The appointments, the length of appointments and the cessation of appointments are matters for the Prime Minister. You would know that as a former minister, I presume.

Senator FAULKNER—So you cannot assist us on that? Can anyone assist me in relation to who approached Mr Barratt to become the Secretary to the Department of Defence?

Mr Tonkin—I do not believe we have that information.

Senator FAULKNER—I see. What is the status of Mr Jones at the moment?

Mr Tonkin—Mr Jones took a package. He is no longer a public servant; he is a private citizen.

Senator FAULKNER—Did you say Mr Jones took a package?

Mr Tonkin—Yes, I think formally it was in the middle of September.

Senator FAULKNER—What do you mean by ‘formally’?

Mr Tonkin—I am just trying to remember the date. It was about the middle of September when he actually ceased to be an officer of the Commonwealth.

Senator FAULKNER—I see. So he does not have any association with the Department of Defence now?

Mr Tonkin—He is on a contractual retainer for a two-year period to do work as directed. That is his only relationship with Defence.

Senator FAULKNER—What do you mean by ‘only’? It is a substantial one, isn’t it?

Mr Tonkin—Yes, you could say it is a substantial relationship, but that is his relationship with the Department of Defence.

Senator FAULKNER—What do you mean by ‘a contractual retainer’?

Mr Tonkin—There is a contract with him under standard Defence contractual arrangements to provide advice and to undertake work to the value of \$45,000 a year for two years.

Senator FAULKNER—How was this contract let?

Mr Tonkin—It was let at the direction of Mr Barratt, while Mr Barratt was still the secretary. It was let in recognition that Mr Jones has very considerable experience and background knowledge across a wide range of Defence activities, that that knowledge has a substantial value for Defence and that it would be in the Commonwealth’s interest to retain access to that advice. He is employed on a daily rate equivalent to the rate payable to deputy secretaries. That is \$1,800 a day. If we wish to employ him for more than \$1,800 a day, divided into \$45,000, we would pay him at a similar daily rate.

Senator FAULKNER—Does he operate in or out of the department for that, or both?

Mr Tonkin—We are presently providing him with an office and a computer but no staff or anything else in the National Capital Centre in Civic. That is a transitional arrangement. When he is doing work for us, the arrangements of the contract require that we provide the normal administrative or travel support that we would for any other person doing the same sort of thing.

Senator FAULKNER—Could you remind me of the precise details of the position that he held in the Department of Defence?

Mr Tonkin—He was Deputy Secretary, Acquisition.

Senator FAULKNER—What has happened in relation to that particular position in the department?

Mr Tonkin—That position has been replaced by the position of under secretary for Acquisition, which is paid at the level of a secretary to a department. It is the standard rate of secretaries to the smaller departments.

Senator FAULKNER—Is that position filled?

Mr Tonkin—That position is filled by Mr Mick Roche.

Senator FAULKNER—So when did Mr Roche come on board?

Mr Tonkin—It was 10 November.

Senator FAULKNER—Thank you. You mentioned that Mr Jones formally left the department in the middle of September. Could you be any more precise about that?

Mr Tonkin—I would like to take that on notice. We could probably find out and get back to you within the hour.

Senator FAULKNER—If you could, that would be useful. What were the departmental processes in relation to the filling of the position that was then Deputy Secretary, Acquisition?

Mr Tonkin—Again, the position of Deputy Secretary, Acquisition is a departmental head position. It was filled through the process with the Prime Minister, in the same way that other secretary positions are filled. It is not a departmental process.

Senator FAULKNER—Did the department provide advice in relation to the filling of this provision?

Mr Tonkin—I am not aware of any departmental advice on that matter.

Senator FAULKNER—If there was departmental advice, I assume you would be aware of it.

Mr Tonkin—I may not have been aware of it. That might not necessarily apply. But we can check if you wish.

Senator FAULKNER—I would like to know.

Mr Tonkin—I will take that on notice.

Senator FAULKNER—I would like to know if there was any departmental advice and, if there was, how it was generated and who it was provided by. I would like to know who it was provided to, and I would like to know about the nature of that advice.

Mr Tonkin—I will take that all on notice.

Senator FAULKNER—I would appreciate that. Air Vice Marshal Nicholson, when did the ADF actually become aware of this matter of the pending removal or dismissal of the Secretary to the Department of Defence?

Air Vice Marshal Nicholson—I cannot speak for the Chief of the Defence Force. But for the ADF as a whole, it was when it was in the public domain in the newspapers and other media.

Senator FAULKNER—So, in a similar vein to what Mr Tonkin has told us, there was no prior knowledge within the ADF prior to the leaking of that newspaper story?

Air Vice Marshal Nicholson—That is correct.

Senator FAULKNER—There has been a lot of newspaper speculation about morale in the ADF having been affected very negatively by what has occurred. I wonder if you might care to comment on that, Air Vice Marshal.

Air Vice Marshal Nicholson—The opinion of the commanders in the field is that morale has not been adversely affected. In fact, at the moment morale is at a very high level, because of the operations in Timor.

Senator FAULKNER—Are you aware of the views that CDF expressed to the Minister for Defence on this issue after the matter became public? I wonder if the committee could be apprised of the views that CDF communicated to the minister on behalf of the ADF.

Air Vice Marshal Nicholson—No, I am not—

Senator FAULKNER—Obviously, the CDF is not here. I have no alternative but to ask you, Air Vice Marshal. I appreciate you are acting as VCDF.

Air Vice Marshal Nicholson—No, I am not aware of the detailed content of discussions between the Chief of the Defence Force and the minister.

Senator Newman—Discussions between the chiefs and the minister are not matters for the estimates committee.

Senator FAULKNER—Why not?

Senator Newman—It is advice to government, of course.

Senator FAULKNER—It may or may not be advice to government. These matters are often canvassed at estimates committees, and so they should be.

Senator Newman—Would you like us to take it on notice and you can get that in writing?

Senator FAULKNER—I do not want to hear that in writing. In the fullness of time—Rome was not built in a day—these are matters that will be canvassed at great length, I can assure you, in the months and years to come. But, given that Air Vice Marshall Nicholson has said that he is unable to inform the committee—I am not surprised to hear that, because obviously he was not a first party to the discussions—it seems to me appropriate to take on notice. I would hope that the CDF might be able to assist the committee. So if that is the spirit in which it is being taken on notice, that is fine. But, if it is being taken on notice by you so you can just provide an answer that there will be no answer provided, let us not waste our time. Given, Minister, that you appear to be unable to present the minister's view to the committee, we have little option but to try to ensure that the minister provide this sort of information.

Anyway, Minister, can you now inform the committee what the minister's response to the publication of this issue on the front page of a major Australian newspaper was? What did the minister do to ensure that relations between the minister on the one hand and the department and then the ADF on the other were not damaged in any way by the unfortunate leaking of this newspaper story?

Senator Newman—I cannot advise you of that.

Senator FAULKNER—You cannot advise me what the minister did?

Senator Newman—Because I do not know.

Senator FAULKNER—Could you find out? If you are not willing to inform the committee about these important matters—in which I think there is a very significant and public interest, not to mention a proper interest by members of parliament, the parliament itself and the committees of the parliament—one has very little alternative but to try to ask the officers at the table, who are at least willing, where they are able, to assist the committee and provide answers. One has little alternative but to try to elicit the information in this way—although it is not the preferred route—because you are either unwilling or unable to assist.

Senator Newman—I am in a similar position to the officers. I was not party to the matters that you are questioning on. If you want me to take it on notice, I will certainly draw it to the attention of the minister and see if he is prepared to give an answer.

Senator FAULKNER—It is an important issue, do you not think, Minister?

Senator Newman—You appear to think so.

Senator FAULKNER—I do think so. And I suspect very many other people, both inside and outside the Defence Force, would think so also, particularly at this time. A good working relationship between the Minister for Defence and his department and the ADF seems to me to be absolutely crucial and in the best interests of defence. I would hope you would agree. So when a damaging article appears in the press of a leak such as occurred in relation to Mr

Barratt one would assume a proactive and sensitive minister would be willing to take some action. All I want to know is what he did.

Senator Newman—I will draw your question to the minister's attention.

Senator FAULKNER—Do you know what he did?

Senator Newman—No, I do not know what he did.

Senator FAULKNER—Can anyone assist me with what actions the minister took as a result of this article appearing?

CHAIR—I think that they have actually taken it on board.

Senator FAULKNER—No, the minister at the table does not know what occurred as a result of this. I wondered if anyone else did.

CHAIR—Where are we up to?

Senator FAULKNER—I have just asked a question and I am waiting for the answer.

Mr Tonkin—We are unable to assist the senator on that matter, Mr Chairman.

CHAIR—I understood that the minister said that, if you wanted to take it on notice, you would take it on notice. Is that correct, Minister?

Senator Newman—There was a subsequent question to see whether there were any officers at the table who could assist, and they have been unable to.

Senator FAULKNER—I find that rather surprising; not that the officers cannot answer the question but that the minister is not willing to explain to the committee what the government has done to ensure that there is no breakdown in relations between the minister, the government, the ADF and the Department of Defence. But if you are not willing to add to that question or even treat it seriously, I suspect that says it all.

Senator Newman—Nobody is suggesting that your questions are not taken seriously. I think I have been very ready to offer to take your questions to the minister for his attention. But you cannot expect a minister representing him to be privy to the meetings or the thoughts that he has about issues that occur.

Senator FAULKNER—I do not expect you to be privy to meetings. I do not expect you to provide details of meetings that you are not present at. But what I do expect you to do is explain to the committee, given the very unfortunate circumstances in which Mr Barratt's prospective dismissal became public, what steps and efforts Minister Moore took to ensure that relations which appeared to be seriously damaged between himself on the one hand and the ADF and the department on the other not did not further spin out of control. That is a pretty reasonable question, and I am disappointed—

Senator Newman—The Air Vice Marshal has already answered your question on this subject in so far as it might apply to the ADF. You asked about morale, as to whether this had affected it, and the Air Vice Marshal said that morale in the Defence Force is very high.

Senator FAULKNER—Yes.

Senator Newman—You have not asked that question of the civilian officials here. It is not my place to determine what their morale situation is, but I know that the minister and the government would want to see good, close working relationships between the ADF, the civilian element and the government.

Senator FAULKNER—There is a timing issue here. I did hear what the Air Vice Marshal said. I think with very good reason he indicated that morale was high as a result of the

deployment in East Timor. I think everyone around the table would hope that that is the case and acknowledge that it is. I think everyone would be very pleased to hear the assurance that Air Vice Marshal Nicholson has given the committee. In relation to this matter that we are talking about, I think you need to take into account the timing of the newspaper article. There were public statements in relation to the impact of the prospective sacking of Mr Barratt on Defence morale. My question went to what had occurred at the time of the publication of the newspaper article. I am sure we are all gratified to hear the response of the Air Vice Marshal in the terms that he gave it.

My question was directed specifically at the sacking of Mr Barratt. I did not press the Air Vice Marshal on that deliberately. I could have, but I decided not to because I thought it was more appropriate, Minister, to ask questions of you in relation to actions that the minister might have taken in relation to morale both in the ADF and in the department itself. But if you are unable to assist us and if no-one at the table can assist us with any initiatives that might have been taken in this area, we might progress that in other forums. But I would appreciate you taking it on notice. It might at least be a small indication that the government does take such issues seriously.

Senator Newman—I can point out to you, for example, that the government has taken morale in the defence forces very seriously, as well as morale in the country, by the announcement of two extra battalions and, prior to that, the upgrading of readiness of a second brigade. Those are very significant matters for Defence Force personnel because they demonstrate that the government has always been committed to turning the results of the defence reform agenda, the efficiency reforms, into more warriors and better equipped and trained warriors. We are now starting to reap the benefits in readiness and numbers of fighting units. That is, I would say, how the Defence Force would judge a government; not running them down, as happened previously.

Senator FAULKNER—Minister, this is not the forum to have a debate about that. My question went to morale surrounding the removal of Mr Barratt, as you are aware, and it is that particular issue that I would like the minister to comment on and indicate to the committee what positive action he has taken to try to repair the damage that he has wreaked upon both the ADF and the Department of Defence in the way he has handled the sacking of Mr Barratt. Air Vice Marshal Nicholson, when in a formal sense was the ADF apprised of the minister's intentions to remove Mr Barratt?

Air Vice Marshal Nicholson—I would have to take that on notice. I think the minister's formal announcement of it would have been the first time.

Senator FAULKNER—Do we know when that was?

Air Vice Marshal Nicholson—No, I cannot answer that question now. I will find out.

Senator FAULKNER—Did the minister make a formal announcement in this regard? Can you help us with that, Mr Tonkin?

Mr Tonkin—I cannot recall the minister making a formal announcement. The actions—

Senator FAULKNER—Most of it was done by newspaper leaks.

Mr Tonkin—As I recall, there was a legal process which went on which I believe specified the various dates that actions were taken. It is part of the evidence tendered.

CHAIR—I make a suggestion: if you could come back to the committee with those dates. If you say there was a formal thing, that might help Senator Faulkner clear that up.

Senator FAULKNER—I have read the affidavits; I know what is in the affidavits. Were the Department of Defence and the ADF supposed to read the affidavits for a court case to find out what the hell the minister was doing? Is that what you are saying? The whole thing is extraordinary. That is the only conclusion I can draw from what you are saying, Mr Tonkin: that everyone in the Department of Defence and the ADF, the senior officers in both the department and the ADF, have to go and flick through a whole lot of court documents to find out what the hell the minister's intentions are in relation to this important question of who is the leader of the Department of Defence.

Mr Tonkin—Mr Chairman, until such time as Mr Barratt's appointment was terminated by the Prime Minister, Mr Barratt was the Secretary to the Department of Defence.

Senator FAULKNER—When did the defence minister formally indicate to the ADF that action was being taken to remove the Secretary to the Department of Defence? That is the question I am asking. Can someone just help me with that? I know everybody has read it in the newspaper articles. We all had the advantage of doing that. That was the whole idea. That was the fix that was put in. But I just want to know when the wheels moved or turned and a formal indication came from the minister, if it came.

Mr Tonkin—Mr Chairman, I think we should take that on notice so that we can be assured that any advice we give the senator is as accurate as possible.

Senator FAULKNER—Does anyone have a rough idea?

Senator Newman—I think that is the best answer the Senate could get today.

CHAIR—As I said a little while ago, if we could have those dates taken on notice and given back to the committee, we would be very appreciative.

Senator FAULKNER—What we are hearing is there was a complete breakdown between the minister, the department and the ADF.

Mr Tonkin—No. Mr Chairman, I said earlier in evidence that there was a continuation of relations between the minister and his office on the one hand and the Department of Defence on the other with the objective of ensuring that the business of the Defence portfolio proceeded effectively, and that communication, that relationship, did continue.

Senator FAULKNER—When was the ADF formally informed, as opposed to reading affidavits or having an opportunity to look at leaked newspaper stories, of the minister's intention in this regard? When was Admiral Barrie informed?

Mr Tonkin—We have already said we would take that on notice.

Senator Newman—Prime ministers appoint secretaries and prime ministers get rid of secretaries. It is not a matter for the minister to be informing the ADF.

Senator FAULKNER—You are wrong there, Senator Newman. Minister Moore got rid of Mr Barratt in the most sneaky and underhand way imaginable. That is what happened.

Senator Newman—That is purely what you have to say about it, but the true position is that the Prime Minister appoints and the Prime Minister removes a secretary from that position. Therefore, the minister's intentions are not matters for speculation ahead of whatever the Prime Minister decides to do. So, until such time as the Prime Minister announces it, it is not appropriate for the minister to be informing anybody of the future of the current secretary to the department. You know that full well.

Senator FAULKNER—Thank you for that, Senator Newman.

Senator Newman—It is procedure you seem to be forgetting about.

Senator FAULKNER—Can you then explain to the committee why the Prime Minister approached Mr Barratt, who was working in the private sector, to come back into the Australian Public Service and become Secretary to the Department of Primary Industries and Energy? After you have explained that, can you explain why the Prime Minister promoted Mr Barratt from secretary to that department to Secretary to the Department of Defence?

Senator Newman—I cannot comment on the Prime Minister's thoughts and actions. I am not privy to those. Though I have seen the claim in the press over and over again that he was asked by the Prime Minister to come back to Canberra, I understand that is not correct. I understand that his coming back to Canberra was his own initiative. I cannot answer any more of the question.

Senator FAULKNER—Who promoted him from departmental secretary to DPIE to Defence? Was that his own initiative too?

Senator Newman—Of course it was not his initiative, no.

Senator FAULKNER—Of course it was not. That is right.

Senator Newman—I answered one part of a two-part question.

Senator FAULKNER—Of course it was not his own initiative. The truth of the matter is that it was Mr Moore, not the Prime Minister, who chopped Mr Barratt's head off. We all know what the roles of the Prime Minister and the Secretary to the Department of the Prime Minister and Cabinet were in relation to this debacle. So now we come back to the substantive question: can anybody tell me when the Minister for Defence informed the Australian defence forces of his intentions in this regard, if he bothered to inform them?

CHAIR—I think that has been taken on notice.

Mr Tonkin—As I said previously—

Senator FAULKNER—You may not know about this, though, Mr Tonkin, with respect, because I think you have indicated you were not in the loop. I accept that you were not in the loop.

Mr Tonkin—I am not answering on my own behalf; I am answering on behalf of the Defence organisation and saying that we will take the senator's question on notice.

CHAIR—To give the correct dates, if they are available?

Mr Tonkin—Yes.

Senator FAULKNER—Mr Chairman, on this particular matter, there are very many questions I wish to progress. But what I might do, given that we are going to reconvene in the not too distant future, is examine the answers to the questions on notice in relation to Mr Barratt and progress them at a later stage. But I would urge the minister to treat the questions seriously—they are serious issues—and try to provide some sensible and accurate responses to the questions that have been asked.

I wanted to ask some questions in relation to the new Defence intelligence arrangements that were announced by the minister on 28 October 1999. Can someone just tell me the background to that? The press release I have is dated 28 October 1999, and it says that the minister:

... announced new arrangements for the senior level management of defence intelligence functions.

When were decisions made in relation to those matters that were publicly announced on 28 October?

Mr White—The organisation had been in discussion with Mr Moore for some months about ways in which we could restructure the intelligence elements of the Defence organisation to improve its performance. This was a proposal that had evolved over some time. The final shape of the proposal should come to fruition over the few months preceding the announcement.

Senator FAULKNER—When you say ‘a few months’, could you be a little more definitive than that?

Mr White—I am not sure I could be very much more specific other than to say it would have been after the middle of the year. I guess it would be fair to say the announcement might have occurred earlier had we not been somewhat preoccupied with other things.

Senator FAULKNER—Would it be fair to say Mr Barratt was pretty involved in working up this framework?

Mr White—He was certainly involved in that process, yes, as were a number of other officers in the department and in the minister’s office and as was the minister himself.

Senator FAULKNER—Is this an area in which Mr Barratt was taking an initiative?

Mr White—I am not sure I could sensibly allocate shares of initiative in it. It was one of those issues like a lot of things that are the product of shared ideas and activity on behalf of a number of people.

Senator FAULKNER—This media release was drafted by the department, was it not?

Mr White—Yes, in the main, I think. Like most of these things, the drafts go backwards and forwards between the department and the office. But I think basic drafting was done in the department, yes.

Senator FAULKNER—Can you tell me when the original draft of this particular press release was sent from the department to the minister?

Mr White—I could not give you a precise date on that, but it was some time before it was released. As I said, we had a few other things on our plate at that stage.

Senator FAULKNER—Would it have been 28 July?

Mr White—It could have been. I would be absolutely guessing if I tried to put a date on it.

Senator FAULKNER—Could you take that on notice for me, please?

Mr White—I could not guarantee I would have a crisp answer for you because I am not sure whether we kept a record of when the draft went across. But, if there is a specific date available on the record, we will provide it.

Senator FAULKNER—The date I suggested does not sound outlandish to you?

Mr White—It does not sound outlandish. I would not want to go further than that. It sounds a bit early to me actually.

Senator FAULKNER—I think you will find it is right on the money in fact, Mr White. But I wonder why the press release did not go out. Can you assist me with that, Minister?

Senator Newman—No.

Senator FAULKNER—Can any of the officers at the table assist me with that? All these decisions were effectively made about the new Defence intelligence arrangements but were not in the public arena for a few months.

Mr White—Frankly, Senator, that is one of the reasons why I find your date a bit early. I think the principal reason why the release was not put out earlier was that there was so much around, including, of course, primarily East Timor, that we believed the issue would not get much public attention. So we thought it was best to wait until there was a somewhat quieter point in the cycle.

Senator FAULKNER—Mr Brady, you have been appointed the new Chairman of DIB?

Mr Brady—That is correct.

Senator FAULKNER—This was made public on 28 October 1999. When were you officially appointed to that position?

Mr Brady—It was, I think, four days earlier. Until that time, I had been acting as Deputy Secretary, Strategy while Mr White was acting as Secretary to the Department of Defence. So when Dr Hawke was appointed Secretary to Defence, Mr White resumed his position of Deputy Secretary, Strategy and I then took up the position of Chairman of the Defence Intelligence Board.

Senator FAULKNER—Can you assist me with when these new Defence intelligence arrangements were basically worked up originally?

Mr Brady—My recollection is the same as Mr White's. It was in the period following the reorganisation of the Defence headquarters when Mr White would no longer have responsibility for intelligence as well as strategy. My recollection is that there were discussions within the Defence headquarters which involved Mr Barratt, Mr White and, I understand, the minister about how the intelligence function would be managed in this new environment. Again, like Mr White, I believe the date of 28 July sounds early to me, but we have undertaken to check that.

Senator FAULKNER—But you had known you were going to become the Chairman of the Defence Intelligence Board for some time?

Mr Brady—Yes, I had, but I do not think I knew as early as 28 July.

Senator FAULKNER—Could you tell us when you did know?

Mr Brady—I would have to check my diary on that.

Senator FAULKNER—But we are talking about some months, are we not?

Mr Brady—Yes, but I was also Acting Deputy Secretary, Strategy for some months.

Senator FAULKNER—The other members of the Defence Intelligence Board include Mr Bonington, Mr Lewincamp and Mr Stephens. Was Mr Stephens a former Army officer? It is hard to be absolutely sure from the press release, but it said that he had extensive experience in the Army, intelligence and the private sector. I wondered whether he had been a former Army officer.

Mr Brady—Yes.

Senator FAULKNER—Are you aware of any selection committees involved in relation to establishing the members of the board?

Mr Brady—The board membership comes really from the positions that the people hold.

Senator FAULKNER—So there would be a selection committee in this case for the Director of the Australian Imagery Organisation, which is Mr Stephens' position?

Mr Brady—Yes.

Senator FAULKNER—Do you know when that occurred?

Mr White—It was around the middle of the year. I in fact chaired the committee, but I do not recall the precise date. It was around the middle of the year, and likewise for the Director of DIO, the position Mr Lewincamp now occupies.

Senator FAULKNER—So this has been around for quite a few months. I am interested in why the announcement has been held up so long.

Mr White—I think the point that Martin has made is exactly it. That is, a lot of things in the Defence organisation went on hold when we got extremely busy a few months ago. As Martin has explained, he was acting in my job and I was acting in a different job, and we had a significant uncertainty about the degree of media attention we would get for something which we thought was a significant initiative and deserved to get a little bit of attention. For that reason it seemed sensible to defer the announcement until quieter times.

Senator FAULKNER—Hasn't Mr Moore been saying that we have not had enough reform in the Department of Defence and that is why Mr Barratt was given the flick? Here we have a reform that was held up for months. Can you help us with that one, Minister?

Senator Newman—What is your question?

Senator FAULKNER—I asked—

Senator Newman—No, you made a statement. What is your question?

Senator FAULKNER—I asked why Minister Moore was saying publicly that he was dissatisfied with the rate of progress in reforming Defence and using that as an excuse for removing Mr Barratt. But here you have a reform in relation to the Defence intelligence arrangements and the establishment of the board and so forth that obviously Mr Barratt was very much involved in, but the announcement was held up. I just wonder why that would be the case.

Senator Newman—I do not think you are distinguishing between whether reform was proceeding and when and why it was announced. You have heard the answers from the officers. To me, that time was terribly busy with increasing readiness of forces and East Timor on the boil. I can well understand that the officers would want to wait for some clear air to publicise what had been going on.

Senator FAULKNER—Is it not true that Mr Barratt drove this reform?

Senator Newman—To whom are you directing that?

Senator FAULKNER—To you.

Senator Newman—I have no idea.

Senator FAULKNER—Perhaps you could ask someone who does have an idea.

Senator Newman—Can anybody answer that? I do not know whether Mr White drove the reform.

Mr White—It is complicated to answer a question like that because, as I said, these sorts of things are genuinely teamwork. But I do not believe it would be correct to say this was reform that was driven primarily by Mr Barratt.

Senator FAULKNER—The fact of the matter is that, in relation to the Defence intelligence arrangements, these matters were decided well before Mr Barratt was dismissed. You have the Minister for Defence, Mr Moore, saying, 'We've got to get rid of Mr Barratt because he's not driving reform in the Department of Defence.' Then Minister Moore holds up the announcement for months because of course, if these sorts of announcements are made earlier,

it puts the lie to the position that the minister has been retailing in the public arena. That is the truth of it.

Senator Newman—Nobody has given evidence that the minister held it up.

Senator FAULKNER—I am sorry?

Senator Newman—Nobody has given evidence today that the minister held up the announcement.

Senator FAULKNER—The draft press release, Minister, went from the Department of Defence to the minister's office on 28 July.

Senator Newman—The officers have undertaken to check that date, but nevertheless they have given you a totally different reason for why it was delayed. The minister's office was not part of the equation in the evidence they have given this committee.

Senator FAULKNER—It is because the minister was retailing in the public arena that Mr Barratt was not a reforming Secretary to the Department of Defence.

Senator Newman—Are you suggesting the officials have lied to this committee?

Senator FAULKNER—No.

Senator Newman—Well, that is the implication from what you are saying.

Senator FAULKNER—It is not—

Senator Newman—Yes, it is. They have given you evidence as to why they delayed it, not why the minister did.

Senator FAULKNER—It is not an implication of what I am saying at all; in fact I think the officials have been very honest and frank, to the extent that they are able to be.

Senator Newman—Good, nice of you to say so.

Senator FAULKNER—It is a pity you do not learn from them. The point of the matter is that Minister Moore deliberately held this up because Mr Barratt—

Senator Newman—That is your allegation. That is not the evidence you have been given this morning.

Senator FAULKNER—was driving these reforms. But Mr Moore was claiming that Mr Barratt was not a reforming or progressive Secretary to the Department of Defence and he held this up because you could not have a reform like this being made public because it would be another example of putting the lie to what Mr Moore, the Minister for Defence, was saying publicly. Just another cover up.

Senator Newman—Mr Chairman, that is yet another allegation that the officials this morning have lied to the committee.

Senator FAULKNER—Just another indication of what an underhand operation Minister Moore operates.

Senator Newman—Mr Chairman, that is again an inference against the honesty of these witnesses.

Senator FAULKNER—It is not an inference; it is a statement that we have a very underhand Minister for Defence.

Senator Newman—That the officials have lied as to the reason it was delayed? That is what you are saying in effect.

Senator FAULKNER—I am saying he is underhand.

Senator Newman—No, you are saying these officials have lied to the committee.

Senator FAULKNER—Not the officials, the minister.

Senator Newman—They have given you the reason.

Senator FAULKNER—Minister Moore runs a sleazy and underhand operation; that is what I am saying.

Senator Newman—Don't you try that stuff.

Senator FAULKNER—I have said it very clearly, just so you know.

Senator Newman—You are just using your normal old bully tactics. Standover merchant.

Senator FAULKNER—It is true. It just happens to be true, Minister. You might not like it.

Senator Newman—It was not the evidence you were given this morning by the officials.

Senator FAULKNER—Try to defend the minister. The officials are more than capable of looking after themselves.

CHAIR—Senator Faulkner, can I just bring you back to your questioning, please.

Senator FAULKNER—I have asked questions in relation to that.

CHAIR—You have asked the questions, and I think you have answered in your own way sometimes too.

Senator FAULKNER—The minister at the table does not have an answer.

CHAIR—The point is that some of the questions you have asked have been taken on notice.

Senator FAULKNER—With respect, that is another issue. The point I am making, and what I am asking the minister, is: isn't it true that Mr Barratt was very involved in these reforms but, because Minister Moore was trying to make a public case that Mr Barratt was not a reforming Secretary to the Department of Defence—and that was one of these excuses for chopping Mr Barratt's head off—he held up the announcement of these reforms deliberately to try to get a bit of cover on this issue? How pathetic.

Senator Newman—Mr Chairman, you have already heard evidence from Mr White that Mr Barratt was not driving these changes that we are referring to now and also from two officers as to the real reason for why the department delayed the release of this announcement. That is on the record.

Senator FAULKNER—What about the reform of the Defence headquarters that was proposed in May? I think it was proposed about then, I might be wrong. There was a major announcement at the National Convention Centre. Can someone give me a bit of background on that issue?

Mr Tonkin—There was a briefing of the staff of the headquarters at the National Convention Centre. The date escapes me. It was the end of June or around about that period. The briefing was conducted by the Chief of the Defence Force, by the then secretary, by the vice chief, by Mr White and by myself. It was the product of a process that had been ongoing for several months, looking to how we could improve the operation of the headquarters overall.

The outcome of that was a view that we wanted to ensure that all the relevant functions were included in the headquarters, and the headquarters were restructured under three staff—the strategy staff, under Hugh White; the capability staff, under the Vice Chief, Air Marshal Riding; and the resources staff, under my direction. The purpose of the briefing was to advise the members of the headquarters how we wished the headquarters to operate, which was to

say that it was one overall staff there to support the secretary and the Chief of the Defence Force, that the linkages horizontally were more important than vertically and so on.

Senator FAULKNER—I appreciate that, Mr Tonkin. That is as I understand the situation to be. Did these changes come from the CDF and the then secretary? Were they driving these changes?

Mr Tonkin—I think it would be more accurate to say that a lot of these changes actually came from the staff. It was virtually a bottom-up driven exercise. It was part of the process. It was done collectively; there were consultations, seminars and all sorts of things.

Senator FAULKNER—And having had that filtering up process, then it was—

Mr Tonkin—It was discussed between the secretary and the CDF and the rest of us, then briefed to the minister and action was taken.

Senator FAULKNER—So a brief went to the minister?

Mr Tonkin—Yes.

Senator FAULKNER—Did the minister try to stop the meeting taking place in the Convention Centre?

Mr Tonkin—Not that I am aware of.

Senator FAULKNER—Was contact made with the Department of Defence by the minister or the minister's office to try to hold up this particular event taking place?

Mr Tonkin—I am not aware of that at all, and my staff were doing the organisation. I am not aware of any delay. If I remember the timing, it was timed so we could ensure that Mr White, myself and Air Marshal Riding were all present because there were overseas trips, leave scheduled, et cetera.

Senator FAULKNER—Did the minister's office and the minister contact the then Secretary to the Department of Defence to pull the plug on the function?

Mr Tonkin—I have absolutely no knowledge of that.

Senator FAULKNER—Could you take that on notice?

Mr Tonkin—I will certainly take that on notice.

Senator FAULKNER—Isn't that maybe another example of the fact that the Minister for Defence was again in there, putting in the fix, trying to stop reform taking place.

Senator Newman—Mr Chairman, I object to that statement. It is quite clearly just a rhetorical statement, but it does leave it on the record that somehow the minister has tried to intervene in this. Senator Faulkner has already had evidence from Mr Tonkin, who was responsible for organising this, that he has no knowledge of it at all. I think the surprise in his voice when he answered the first question was pretty indicative of that, and I think it is quite unconscionable for Senator Faulkner to make that allegation and let it just lie on the record.

Senator FAULKNER—I am not making an allegation and I am not lying. What I am saying and asking is absolutely clear—that is, that the Minister for Defence and his office tried to put in the fix to pull the plug on these changes that were being announced at the National Convention Centre. That is the point of my question. It is yet another example of this minister not allowing the reform process of the department to progress. It is quite clear.

Senator Newman—It spoils your case a bit, doesn't it, when Mr Tonkin is not able to endorse your rhetorical statement?

Senator FAULKNER—I did not expect Mr Tonkin to know because he was not a direct party. That is why I have asked him to take it on notice.

Senator Newman—Then don't you go on talking as though it is a fact. You are waiting for an answer.

Senator FAULKNER—It is a fact. I am very confident it is a fact.

Senator Newman—Good on you. You make a lot of claims about things that are facts that are not.

Senator FAULKNER—I cannot ever recall doing that.

Senator Newman—You spend your life at it.

Senator FAULKNER—Really? Minister, we know that you do not know anything about this. You are not willing to take a glove to defend Mr Moore, and I do not blame you for that. On this occasion, you have backed the right horse.

Senator Newman—On the contrary, I think Mr Moore is a very effective minister.

CHAIR—Senator Faulkner and Minister, you both should come back to actually asking the questions and answering the questions.

Senator FAULKNER—Mr Tonkin has taken the question on notice and that is fine. The point is that I do not expect Mr Tonkin to be able to answer it directly. I do not expect him to be able to answer it directly because he was not a first party to the issue I am speaking about. I would like to ask Air Vice Marshal Nicholson whether he is aware of the minister's, or the minister's office's, attempt to try to stop from an ADF perspective that meeting at the National Convention Centre going ahead?

Air Vice Marshal Nicholson—No, I am not aware of it.

Senator FAULKNER—Thank you. I want to touch on one other issue, Mr Chair, because time is moving on. It relates to the Defence Intelligence Organisation. In the minister's press release on the new defence intelligence arrangements, it is not entirely clear to me how DIO fits into the Defence Intelligence Board. Mr White, could you briefly explain that so I can understand it a little more?

Mr White—Yes, certainly. As you know, the defence intelligence system as a whole consists of DIO, DSD, AIO and a range of other functions that are performed elsewhere, particularly in the services themselves. Our key intention in this was to increase the cohesion and focus of the Defence intelligence apparatus, because intelligence is such an important part of modern capability in particular.

So our intention in establishing the board was to provide in the person of the chairman and a very small staff working to him a way of pulling together that effort and making sure it was properly focused together on achieving the organisation's objectives, both in terms of serving the national requirements for intelligence that come out of the Defence agencies but also in making sure we better serve the ADF and particularly the ADF on operations.

Against that set of objectives, what we did was establish a board with Martin as chairman which would function as a coordinating, pulling together, refocusing and directing sort of element. It is not a huge bureaucracy we have established. It is really just Martin and a few helpers, so the responsibilities of DIO, and Frank Lewincamp as Director of DIO, for the management and running of their own organisations as such are not in any respect eroded. What we are doing is adding on top of that a central guiding intelligence in the person to my right, Martin Brady.

Senator FAULKNER—Is General Crews still the head of DIO?

Mr White—No. General Crews retired from that position and indeed the Army in May, and Frank Lewincamp was appointed as his successor.

Senator WEST—Can I suggest that your annual report is a touch out of date then. The one that finishes as of 30 June this year still lists Major General Crews as the DIO.

Mr Lewincamp—I took up the position at the end of July, so General Crews was the director for all but a few weeks of the last year and that is why his name is in the annual report.

CHAIR—So what you are saying is that your appointment took place on 1 July?

Mr Lewincamp—The end of July. The position was vacant for a period of about two months.

Mr White—Dr Doug Kean acted in the interim.

Senator FAULKNER—You were the First Assistant Secretary, Resources and Financial Programs?

Mr Lewincamp—Yes, I was.

Senator FAULKNER—So when was the appointment process for the Director of DIO conducted?

Mr White—We advertised late last year and interviewed, as I said, in the first half of this year. I forget exactly when that was. We then undertook a number of measures to ensure we got the best candidates we could. The process was finalised on Frank's appointment.

The process took up a fair proportion of the first half of this year. I would make the point that we were strongly focused on getting the absolute best candidate for the job. As I mentioned, the organisation as a whole and the minister and Mr Barratt had a very strong focus on making sure that this very important aspect of our overall organisational and national capability was getting absolutely the best leadership we could put into it. We saw the appointment of a new Director of DIO, the appointment of Martin's replacement in DSD, the appointment of a Director of AIO and the filling of Martin's position very much as part of a package of measures to improve the overall performance of the intelligence function.

Senator FAULKNER—That is what I was going to ask. Obviously, these new intelligence arrangements that we have been talking about—the board and so forth, Mr Lewincamp and the other appointments you have mentioned to us—I assume were perceived to be part of a package, to use your terminology.

Mr White—Yes, we were very much seeing that as a package to improve the performance of the operation overall.

Senator FAULKNER—So all these appointments were concluded before Mr Barratt left the department, for example?

Mr White—I am not sure about that. I am not sure about the timing.

Senator FAULKNER—Mr Lewincamp's was obviously, given the timing he has just told us about.

Mr Lewincamp—Yes, mine was.

Mr White—I am not sure they all would have been. I am not sure.

Mr Brady—Mr Lewincamp's appointment was the first that was finalised and he took that up at the end of July, as he mentioned. Mr Stephens's appointment was formalised some time

after that; it might have been six weeks or so. I can obtain for you the actual date. Mr Bonighton did not take up his appointment until early October.

Senator FAULKNER—I might follow some of those issues through at a later stage. I did promise Senator Hogg that I would conclude eight minutes ago

Senator HOGG—No, you keep going.

Senator FAULKNER—No, I would not want you to think I did not honour my commitments. I might return to this issue at a later stage, but thanks for your information.

Just before you do go, I am very interested in this and the timing surrounding it, and I have a range of other issues that I might progress. Apart from Mr Moore's press release of 28 October 1999, are there any other papers or reports that you might be able to draw to my attention that I could have a look at to get a broader understanding of the background to and the need for the new arrangements? There may not be, but if there are?

Mr White—Notwithstanding our openness in putting out a press release, we are still retaining our traditional reticence about intelligence arrangements and things. I do not think any other substantive documentation is publicly available on this. The rationale is very much as I have explained it. There is not much more to it.

Senator FAULKNER—As can you see, I am not canvassing matters that are not appropriately canvassed at an estimates committee. I am interested in the new arrangements and the background to them. I am not going to functions and a range of other issues. It is the only thing I have found. I have wondered whether there is anything else.

Mr White—That is it.

Senator FAULKNER—Otherwise, just look for the leaks in the newspaper.

Mr Tonkin—One of the questions asked by Senator Faulkner was the date of Mr Jones's separation. I said that I would get it for him. The answer is 10 September.

Senator FAULKNER—Thank you.

CHAIR—I suggest that the committee have a 10-minute break.

Proceedings suspended from 10.41 a.m. to 10.53 a.m.

CHAIR—If everyone is in agreement, we will change the luncheon break. Instead of it being from 12.30 to 1.30 p.m., we will make it from 12.45 to 1.30 p.m., if you are happy with that, Minister.

Senator Newman—Yes.

CHAIR—That might give us a little more time now rather than later tonight.

Senator HOGG—The first issue that is to be covered is the DRP. I just want to acknowledge that the other week I had a briefing with Dr Williams and officers from the department. I have only just now had drawn to my attention the consolidated document which you followed on from Mr Lewincamp in presenting to me. If we can keep that up, then that answers a substantial number of my questions, and that is a very good and healthy thing.

Senator Newman—Thank you very much for that. People on the table often get a bit of a flick, but it is nice to have that said.

Senator HOGG—Minister, I think you will find that I am relatively reasonable on those matters.

Senator Newman—Civilised?

Senator HOGG—No, no. I am fair. I acknowledge where the department has cooperated.

Senator Newman—I am just saying thank you for doing that. That is all.

Senator HOGG—One of the issues I raised at the briefing the other day was what impact our involvement in East Timor may have had, if any, on the Defence Reform Program. Has it caused any change in the strategies that are being adopted; has it accelerated the program; has it slowed the program up; or is the program operating fairly independently of our involvement in East Timor? I am looking to see whether our involvement has had any impact at all on the DRP or the reallocation of resources saved as a result of the DRP.

Mr Tonkin—The principal impact of the East Timor preparations and then deployment is in the area of reinvestment. There has been no impact on the reform program itself in terms of market testing and so on. That is proceeding. In fact, we would like it obviously to proceed to the maximum speed possible, as it generates efficiencies and so on.

The primary effect is in the reinvestment area. As a result of the requirement to bring the 1st Brigade, centred largely in the Northern Territory, to 30 days notice from 28 days notice, we changed the reinvestment so that we are spending, of the available DRP money, \$89 million in the current financial year and a further \$69 million in the next financial year as part of the cost of increasing that brigade's readiness. That was money which had previously been directed largely to other logistic improvements. We changed the priority. So that is the predominant effect of Timor. The ongoing costs of Timor are being met separately.

Senator HOGG—Those other logistic improvements: does that mean that they will not receive that money in the longer term, or the improvements will be delayed?

Mr Tonkin—It is probably that they will catch up in the longer term. We were reinvesting money in what we call capability related logistic improvements; that is, reducing shortages and shortfalls in equipment and spares and so on. We would hope to recover that, but it does increase the pressure in that area.

Senator HOGG—But, apart from that, there has been no other significant impact on the DRP program.

Mr Tonkin—No.

Senator HOGG—In terms of market testing, you said that it is proceeding at the current pace that you had originally under the DRP. As a result of the involvement in East Timor, have you had to claw back any things that were market tested and maybe outsourced?

Mr Tonkin—No.

Senator WEST—You have not had to supplement them in any way?

Mr Tonkin—In some of the activities, there will have been increased rates of effort going on in functions which had already been outsourced—garrison support activities in Northern Queensland and the Northern Territory. That is an increase in the rate of effort under the contract. The contracts all allow for that sort of surge capacity, and the best of my advice is that that surge has taken place. Our contracts for things like garrison support have been capable of surging. We saw that slightly earlier with the Kosovars. We found 4,000 beds and delivered them, provided them, within about a week. That was done by a mix of contractor personnel and our own internal Defence people.

Senator WEST—To what extent have you had to use internal Defence people to supplement?

Mr Tonkin—This is not DRP related, but there have been transfers of military personnel from supporting functions, communications and so on, into combat units. That has had an effect on our overall activities. But that is not a DRP related function; it is through the fact of our wanting to put our people into the combat positions.

Senator WEST—What are the contractors saying about the fact that you have had several surges that really were unable to be anticipated when they were negotiating the contracts?

Mr Tonkin—We could seek more detail, but I believe the contracts envisage the capacity to be able to do that. I am not aware of contractors complaining about getting more work.

Senator WEST—None of them have asked for more money?

Mr Tonkin—They get paid more money for more work. The price goes up.

Senator HOGG—And their capacity to do the work?

Mr Tonkin—I am not aware of any shortfall, but I will check with the other officers who are lurking and see whether there is anything else I can add shortly.

Senator WEST—What has been the standard of the work? Has the standard of the work remained high?

Mr Tonkin—Again, I think I will ask the same lurkees the same question.

Senator WEST—I am happy for them to be asked the same question, but I would like to know that particular aspect.

Senator HOGG—I have only another couple of questions on the DRP. Under the DRP, if the government had not decided to reinvest the DRP savings into maintaining the ADF personnel numbers at 50,000, what would the total permanent force have been reduced to under the DRP?

Mr Tonkin—There is no sensible answer that can be given to that question, because the ultimate size of the Defence Force would have been a function of whether or not, in respect of each market testing activity, an in-house option or a commercially sourced option was successful. You do not know that until you complete the processes. A number of those processes are still in train. The figure that has been around in the past was 42,700. The assumption was that, if every activity to be market tested under the reform program was market tested and outsourced, that was a potential figure that the ADF could have fallen to. There was not an objective of what we were seeking. That is simply a calculation.

Senator HOGG—That was the potential had everything come out as you had hoped.

Mr Tonkin—Yes.

Senator HOGG—You would have expected that the number would have been in the order of 42,700.

Mr Tonkin—That was the estimate.

Senator HOGG—Have there been any adjustments to the DRP savings estimates for this and future years?

Mr Tonkin—No. By holding the Defence Force at 50,000—now essentially at 53,555 as a consequence of Timor—you have a greater shift of the reinvestment of those savings into the maintenance of those personnel numbers. That is the consequence. The cost of retaining the 50,000 ADF is a significant component and has been shown in the tables we have provided to you of the reinvestment.

Part of the art in the Defence Reform Program is accurately identifying those positions which are now to be retained and making sure they are counted rather than simply moving from a support or headquarters function directly to a combat function and no-one counting them as they pass by. We are quite attracted to capturing them and counting them because it is all part of our achievement of the objective savings target.

Senator HOGG—Has there been any change in the reinvestment program of the DRP since the minister made his statement in the House of Representatives several months ago about the DRP? Have there been any significant changes?

Mr Tonkin—Other than the redirection towards the readiness?

Senator HOGG—That would be about March this year.

Mr Tonkin—The redirection I think was after that, in February. Since that time, no.

Senator HOGG—Has any work been done on how the DRP savings, minus the cost to maintain the ADF at 50,000-plus, will be expended in the future years?

Mr Tonkin—There is a program of investment which is again spelt out in the reinvestment table and which will be provided—the adjusted one—when the additional estimates come out. But it is at the margin in terms of dollars, other than that reinvestment on readiness. It is open to us, within the categories that we have identified, to perhaps change some of the consequential effects. What is the money in new investment buying? What we are doing in the reform program is providing some additional money to the new capital investment program. That essentially goes into the resources, some to that new investment.

Each year the government makes different decisions on how that new investment money is spent. In that category, there could be some change. In logistics, again, we have allocated a level of resources for improvements in logistics. Changed priorities year on year might result in some change in the precise nature of where that money is going. That is an evolving thing. The first step is to find out how much money we can afford to put into those areas in response to identified demands. Then we might adjust it as we go along.

Senator HOGG—When will we see the savings from the DRP come to maturity?

Mr Tonkin—I was going to say they will come to maturity several years hence. There are two predominant parts to the reform savings. There are those which are possible within the current structures and arrangements and some which are dependent on issues such as base closures, selecting a site and establishing the co-located joint headquarters, which will be some years off. You do not achieve the mature savings until you get there. It is the same with base closure programs and rationalisations of training schools. They will lag a bit. I think the one-off savings are lagging a bit. Again, the sales of bases which you no longer require will lag. We would expect that we will have achieved the first level of the DRP savings. If you go back to the famous thin book—

Senator HOGG—I just did, as you can see.

Mr Tonkin—and look at the table, you will see two columns in that table. One column, from memory, is some \$773 million.

Senator HOGG—Sorry?

Mr Tonkin—If you look at the table at the back, you will see a column about three in from the left which says \$773 million. Then it says potential additional savings, about two columns further across, which is \$146 million. We expect that by the end of 3/4 we will have achieved

the first column. The balance of them will follow that. So we will get the \$770-odd million, we are pretty strongly confident, by about that period.

Senator HOGG—We will wait with interest to see those savings come about. On the issue of the increased readiness costs and East Timor costs, at the last estimates the department was still finalising what the increased readiness of the 1st Brigade costs were going to be. I am sure that the East Timor deployment has blurred those lines in some way. Can the department now tell the committee what the final cost was of bringing 1st Brigade and the associated units up to 28 days combat readiness?

Mr Tonkin—The number in my memory bank is \$269 million, but I would like to check that.

Dr Williams—I can check that. The figure we have down, which is the official figure, is about \$238 million. Picking up Mr Tonkin's comment, one has to bear in mind that there is a degree of greyness as to what costs may be absorbed or not reflected in that and some of the boundaries between moving into Timor activities.

Senator HOGG—Could you enlighten us as to what might cause the greyness? Where are the crossovers?

Dr Williams—We generally get bids in for net additional costs. So to some extent some areas might be able to absorb some elements of it by redirecting activities. My understanding is that the \$238 million reflects the bids, the net additional costs, that the area has sought.

Senator HOGG—In respect of East Timor, could you outline the extra costs that have been announced to date for the East Timor operation for this financial year and the budget outyears? Could you give a breakdown of those costs and explain to the committee the expected costs involved in raising two further battalions to 28 days combat readiness?

Dr Williams—Yes. At the moment, the costs we have estimated for the current year are broadly in three categories. The first category is for the deployment itself. The figure we have for that is in the order of \$430 million. Essentially, that covers things like the allowances that are paid for the forces in Timor and the immediate environment. It also covers things like fuel and additional costs of supplies, spares and that kind of thing. As with the previous figures I quoted, it is a net additional cost. There is an element of scaling back in other activities that those forces are not doing because of the activity.

Senator HOGG—Is there an element of transfer costing there, where you take the cost that was allocated for some other exercise?

Dr Williams—The cost that I have quoted there, the \$430 million for the deployment, is the net additional cost. It is very difficult to try and identify anything other than that because there is greyness again in what we are not doing. So that is largely allowances, fuel supplies and the like. The second area is investment. The figure we have is about \$135 million for that. That covers items that we are acquiring for two purposes. One is for the forces in there—some items we are rounding up, additional items for particular operations. It also is partly to cover the cost of the additional battalions that are being raised and some of the additional equipment there. The third element is the mobilisation element. That is essentially the cost related to the two additional battalions, to the Air Force growth, et cetera. The first figure was precisely \$431 million. In total, it gives you \$845 million as the full cost.

Senator HOGG—Just go through those figures again.

Dr Williams—The \$431 million is the precise figure for the deployment as we have it, the investment was \$135 million and the mobilisation component was \$279 million. That brings the total to \$845 million.

Senator HOGG—Is that that figure of \$860 million?

Dr Williams—I think the difference there includes the capital use charge which, in a sense, is money in, money out. I have reflected the actual cost to the department.

Senator HOGG—I understand that is going to come before us in the Appropriation (East Timor) Bill 1999-2000.

Dr Williams—My understanding is that is being developed, yes.

Senator HOGG—Has the department got an estimate of the likely total cost of Australia's involvement in the INTERFET operation?

Dr Williams—The big factor is the duration, the level of effort, et cetera and when we transition from the current activity to the UNTAET. When we move to the new arrangement, there is also an issue of the rate at which we are likely to get funds back from the UN. To some extent, it is a bit speculative. The figures that we have been working on are based on an assumption that, at the end of February, we would drop back down to a lower rate of effort and then maintain that, at this stage, indefinitely.

The sorts of figures we are looking at are slightly more next year because of some of the investment that would peak as we are getting the new battalions. So we move up towards \$1 billion and then perhaps, if it continued at the same sort of rate, again back to figures of \$800 million to \$900 million thereafter. But, as I say, that is heavily dependent upon the reality of what happens—when we transition and what level of activity we maintain—and that is constantly under review in terms of the cost impact.

Senator HOGG—When it becomes a fully-fledged United Nations operation next year, will Australia continue to pay for the Australian contingent that will stay on in Blue Helmets?

Dr Williams—Australia will get some funds back from the UN at what are the standard UN rates. It is a little difficult to give a precise figure, because it depends on the nature of our contribution. In broad terms, our estimate is we may recoup about a third of the net additional cost we faced. That is in part because the money paid for allowances is less than we would be paying our forces. There are also some areas where the formula used by the UN does not fully cover the costs as we will incur them.

Senator WEST—When are you going to know what Australia's financial commitment will be to the UN? When will you know how much you are going to get back?

Dr Williams—We are making estimates at the moment. Perhaps I will hand over to Mr White.

Mr White—That will depend on the final arrangements which are reached with the UN both for the timing of the transition from INTERFET to UNTAET, as Dr Williams has explained, and for the scale and nature of our contribution. Different types of force element contributions attract different levels of costs and different levels of reimbursement. Those are issues under active consideration at the moment and, until those things are finalised, it will not be possible for us to put an absolutely precise dollar figure on how much it is going to cost us.

Senator HOGG—Following that answer, where does that leave us in terms of the \$860 million that will be raised by the bill that will come before us shortly and the additional costs which undoubtedly will be there? Will there be a gap? If so, how big a gap do you predict?

Mr White—As things stand at the moment, we are reasonably confident that those estimates are going to come in pretty close for two reasons—first of all because, as it happens, the estimate we made some months ago about the most likely point of transition is, on present planning, looking reasonably optimistic and reasonably credible. So we would hope to transition early in the new year—February or perhaps March. We believe we have a good chance of having the transition take place at that time.

Secondly, we are reasonably confident of that because we based our estimates on a contribution to UNTAET, after the INTERFET operation had concluded, of something in the vicinity of 1,500 personnel or perhaps a few more. As our discussions with the UN are progressing and the shape of UNTAET becomes apparent, that estimate is becoming increasingly credible, if I can put it that way. So we are now reasonably confident that we will be within quite narrow margins of hitting both our estimates on the time of transition and our estimates on the scale of our subsequent contribution. As things stand at the moment, we think the numbers we are working on have come out all right.

I should make the point, though, that military operations always have an element of uncertainty in them. When we put these estimates forward to government progressively—as the INTERFET operation built up and as we started to think carefully about our provision of forces and funding for the ADF to continue to play this role—we made clear to the government that these were based on some estimates and that there had to be an element of uncertainty about them. This is an area of financial planning where you have to be a little bit prepared to take the unexpected as it comes along.

Dr Williams—If I could just clarify one aspect of the figure for this year—the \$860 million, or \$845 million without the capital use charge—for the part of that which relates to our current activity, we do not have any flexibility to get money back from the United Nations. Essentially, it is an Australian led activity.

Senator HOGG—No. We understand that clearly. The line of questioning was pursuing what happens once we go to Blue Helmets. We understand where we are with that \$860 million. What are the items of equipment that the ADF had to procure or had to source from other places as a result of the commitment in East Timor? Why was it that the ADF did not have these types of items in store, items which were clearly needed for an operation by the ADF? Can you list those? I can help you out: flak jackets were one.

Dr Neumann—A range of equipment was bought. Some of it is to do with raising the size of the land force from the four regular units to six regular units. We would not have held that sort of equipment as spares of contingency, because it was not required in the force. A range of equipment is also being looked at to deal with the increased communications demands between Australia and the East Timor operation. So that is another set of the sorts of equipment. Further things are being examined—logistics equipment that may be needed because the infrastructure of East Timor is totally demolished and the wet season is upon us. That very unfortunate accident with the New Zealand soldier just reinforces the point about the need to help restore some of that infrastructure for our own safety as well as our own operations.

Senator HOGG—Are you able to give us some idea of what the items were and what they cost? You talk there of increased communications equipment. That is just one item.

Dr Neumann—No. A number of things were related.

Dr Williams—Clearly, I cannot at this stage give you full details, because some of these are commercial-in-confidence things that are going to contract. But I can give you the general

flavour. On the sorts of projects that we have, some of these are, as Dr Neumann said, items that we need now because of the extra battalions—things we did not previously plan for. Some other items were things that we had in our planning process that, because of Timor, we decided we wanted to bring forward.

Senator HOGG—So these were expenditure items being brought forward. Were they in the current budget or in the out years?

Dr Williams—In general, they are in our pink book—in the future investment program.

Senator HOGG—So they are in the out years.

Dr Williams—Yes, and we have brought those forward. The others, as I say, are new items in recognition of the additional units, et cetera.

Senator HOGG—I presume that we will see an adjustment for these in the additional estimates?

Dr Williams—I am not sure how far the additional estimates will pick that up. We would certainly be reporting back. I guess it is just an issue of timing. It could be in the additional estimates or in the next budget, but the information, as it develops, will come forward. The kinds of things that we have include the battlefield command support system. In recent years, the Army has been introducing an information system for soldiers in the field. We were part way through the introduction of that and, as a result of Timor, clearly it was desirable to accelerate that to fully equip the units and the units that may go up to replace the current forces.

Senator HOGG—That leads me back to my original question about the DRP. Was any DRP funding used to accelerate that or is that different money again—or can't one be as precise as that?

Dr Williams—In due course, all the items that I have listed will be supplemented. There is a transitory period, if you like—some action that we are taking now before the appropriation comes through.

CHAIR—I would like to follow up there. Is there any chance of the defence forces recouping any reconstruction work, if you like, through the World Bank for road building and that sort of thing in the future or is it something that is just part of defence capability and that comes out of the budget?

Mr White—From a policy point view, I would be surprised if the government sought to recoup the costs to the ADF for the sorts of civil works that have been undertaken by the ADF as part of the East Timor INTERFET operations. First of all, I think it would be a very complicated accounting proposition to separate out those works done in support of the committee and those works done in support of INTERFET. I also think—if I could venture the opinion that it would be inconsistent with the government's approach in general—the government has seen the ADF effort, the Australian national effort, in supporting the ADF in East Timor as a sort of national contribution to helping East Timor get back on its feet. The government would be unlikely to want to bid for funds from the World Bank that would be diverted from other East Timor activities in order to recoup the costs of the ADF in undertaking those operations. That is not quite the spirit in which these activities have been undertaken.

CHAIR—I was not recommending it. I just wondered whether, in a future trading type of environment, the engineers could—say, in three months time and because of the knowledge that they have now—put that to the test.

Mr White—The government is more focused—although this is not something in which we have been directly involved—in ensuring that Australian industry has a very good opportunity to participate in whatever work is being undertaken. I know that our colleagues in the Department of Foreign Affairs and Trade have managed a forum, or perhaps a series of forums, to acquaint Australian industry with these opportunities, but we would not see the ADF competing with Australian industry for those sorts of the opportunities in East Timor.

CHAIR—Thank you.

Senator HOGG—Dr Williams, could I take you back to the list that you had for us.

Dr Williams—Yes, I can continue on that. It is not a comprehensive list, but I can give you the major items. I already mentioned the battlefield command information system, which is a fairly significant item. The list includes some of the communications equipment that Dr Neumann mentioned and items to provide satellite and other communications for the headquarters element. We also have some night vision equipment. We have considerable stocks of this in the ADF and we had further projects in train to acquire more. Again, we are trying to bring some of that forward.

The list also includes items like army vehicles. Again, partly because of the additional battalions and partly because of the operation in Timor, we are acquiring some additional vehicles, particularly some specialist vehicles for bulk liquid distribution, for example. This was a project that we had in train, but clearly its importance has been accelerated as a result of Timor. There is a bit of expenditure on things like GPS equipment. Again, we have substantial stocks but, in order to not have to have forces leave equipment up there and so that we can have training and so on back here, we wanted to expand our stocks. We have some radios, both single-channel radios and things like the wagtail radios, and some battlefield systems. We also have a couple of projects to improve some of the theatre logistics—some of the information systems that we need to be able to ensure efficient distribution of stores, et cetera, in the area of operations. I think there are probably a number of other communication items, as I go through the list, and some deployable medical equipment.

Senator WEST—What sort of medical equipment?

Dr Williams—What I have here is only fairly sketchy, but I think it includes things like air medical evacuation kits for Black Hawks. That is one example given. There is also some equipment for ambulances, et cetera. A large part of the list comprises a range of communications and information support systems. They are the dominant items—if not in cost, certainly in number. There has also been some work to bring forward a couple of projects involved in providing or upgrading some of our armoured vehicles—additional ASLAV vehicles, for example. We are now looking to advance that particular project and some of the upgrades. Apart from a couple of intelligence areas, they are probably the major items.

Senator HOGG—You didn't mention tents.

Dr Williams—There are range of minor items that are not included.

Senator HOGG—I raise this issue because I have had a constituent contact my office about a leaking tent. It has been good to hear about all of this, but I would still raise this issue. The constituent was not the mother or father of the person affected in East Timor. I have already written to the minister about this. They complained about two things: food and leaking tents. It is interesting to hear about all this great expenditure being brought forward, but I do not know how widespread leaking tents are in East Timor.

Dr Williams—Air Vice Marshall Nicholson can probably give some more detail, but essentially I have listed the major items. These are the major projects that have central scrutiny through our Defence processes, such as our pink book, et cetera. There is also quite a significant amount of expenditure included in that \$845 million for minor items which the army would manage internally. It may be that perhaps Major General Abigail is the best person to comment on that.

Mr White—Before we ask Major General Abigail to comment, I would just make this point: of course, an operation of the scale, complexity and suddenness of INTERFET has pressed the ADF and the Defence organisation in some respects. It would be very surprising if it did not. I guess the key issue for us is: could we do the job? Although we have been keen to make sure that the elements up there had everything we could get together for them—including taking steps to make sure that we took some urgent procurement action, as Dr Williams has described—in the end, the forces got there, they did the job that they needed to do and they had adequate equipment to do it. But we would not say that it was without some discomfort in some circumstances. I will await Major General Abigail's comment on the leaking tents, and I have eaten some of the food myself and it is not that flash, but I think the key thing is to put all of this against the background that the ADF had the capability to do the job under exceptional circumstances.

Senator HOGG—I am sure that, if you have eaten the food, Mr White, we can expect the food to improve in the future.

Mr White—I am very tolerant about food; I have low standards.

Senator WEST—On the issue of food: haven't we, in the last 18 months or so, had a review of ration packs and food nutritional requirements? What is the linkage in the food problems to those changes that took place?

Air Vice Marshal Nicholson—I do not think the leaking tents or the food are a general problem. There may be isolated incidents. I assume that you are talking about a soldier living in a tent, not someone from a non-government organisation.

Senator WEST—Not someone who was not an officer.

Air Vice Marshal Nicholson—Fortunately, our expert has arrived. We will ask him to talk to the ration packs.

Major Gen. Abigail—I look forward to the ministerial on the leaking tent.

Senator HOGG—I cannot give you the number of the tent.

Major Gen. Abigail—I can perhaps make a general comment in two parts. The first is following on from what Mr White has already said. The Timor commitment is of a scale beyond what the Defence organisation had been contemplating in our strategic planning over a considerable period of time. Decisions about priorities in terms of funding have been made over the last decade, premised on certain expectations of the likelihood of military operations and their scale. The raising of the readiness of the 1st Brigade in the first six months of this year foreshadowed a change in priorities, but that change in priorities can be made much more quickly than the procurement process can match the scale of the operation that we are looking at.

We are in the process of increasing our stock holdings and maintenance pipeline across almost every aspect of support of military operations, primarily through the auspices of Support Command. There was an immediate surge in the large number of supply contracts to meet the increased demand that the deployment of 4,500 ground troops, plus other elements, placed on

us. In the early days of that deployment, there were circumstances where the demand did exceed the ability of the organisation, both in Australia and in East Timor, to meet it. But progressively what were identified as logistic problems in the early stages of the commitment have been redressed.

My second general comment is that, no matter what we do, there will probably be a leaky tent somewhere. There will be an individual who does not like a ration pack or part of it somewhere. You can spend as much money as you want on new boots, and someone will not like that boot.

Senator HOGG—So boots are a problem too?

Major Gen. Abigail—No, boots are not a problem. Boots have made it into the papers, though.

Senator HOGG—That is why I asked. Boots have been a problem in the past.

Senator WEST—For a long time, for decades.

Major Gen. Abigail—The point is that we are producing now a top-line army combat boot. I would suggest that it is the equal of any army combat boot anywhere in the world. I can probably go out and find three soldiers who do not like it because they would rather have a hiking boot or something like that. You will never satisfy everybody's individual needs. What we are providing is the best that we can with the technology and the resources available to us. I know you would have a list there of items that have been in the newspaper. All of those have been addressed, or are being addressed, through action, primarily in Support Command.

CHAIR—We will have to change everyone's feet a bit. We have to pay for the boots. Nobody has the same sort of feet, have they?

Senator WEST—The boots are fine; it is the feet.

Major Gen. Abigail—I do not want to get into the technicalities of footwear sizing, but this is part of the issue in terms of trying to come up with a system of sizing of boots that actually meets the widest possible range of foot profiles.

Senator HOGG—It would be fair to characterise the situation by saying that our resources were stretched. You are telling us now that, where those resources have been stretched, you have met the requirements or are in the process of meeting the requirements?

Major Gen. Abigail—I would say that is a fair summary of the situation, yes.

Senator WEST—Have there been failures of elements of kit that you have had to address and that you had not anticipated?

Major Gen. Abigail—Not that I am aware of, unless you are referring to the early report about a problem with combat helmets. There was an issue of a batch of combat helmets that were received from the supplier. On inspection, they did not meet full specifications. They have been withdrawn. Only a handful, as I understand it, of that particular batch made it to East Timor. They have been replaced, and the manufacturer is replacing the faulty helmets as part of the contract.

Senator WEST—No, I was thinking in terms of the camouflage, the 'can't see me' gear, that is made of poly-cotton.

Major Gen. Abigail—The DPCU combat clothing is, I think, a 50 per cent cotton and 50 per cent polyester blend. In the particularly high humidity environs of East Timor, it is causing some discomfort. There are other options being examined at the moment with respect to that.

Senator WEST—Is it causing an increase in skin fungal infection rates?

Major Gen. Abigail—I could not comment. I do not have that information.

Senator WEST—Okay. We will follow that up at a later stage then.

Senator HOGG—Are there any significant items that have been requested by ADF officers for Australian troops in East Timor that the ADF have not yet supplied or are unable to supply?

Dr Neumann—There is a range of equipment which we have taken steps to procure which has not arrived yet. Some of it is logistics equipment, and some of the communications equipment is still to arrive.

Senator HOGG—Are you able to detail that equipment for us?

Dr Neumann—As an indication of the sort of equipment that is involved there, there is the bulk liquid distribution. We are still working primitively in East Timor to off-load fuels from ships. We are in the process of acquiring flexible hosing and bladders to take it onto the beach and some barges for circumstances where the flexible hosing is not suitable in the tidal conditions. That is an example of the sort of thing that has not arrived there yet.

Senator HOGG—Are we paying for or supplying items for non-Australian forces that are part of the INTERFET, such as fuel and other general supplies?

Dr Williams—As the lead nation, Australia has certain responsibilities. We would probably bear some funds because of that.

Senator HOGG—Are they significant funds?

Dr Williams—I was going to get on to that. They could amount to some tens of millions. I will perhaps outline the basis. There are a few items that we might wish to bear because, for example, for our own reasons we prefer forces to come through Townsville and then redeploy to Darwin. The added cost of that bit of deployment we might consider as something we should bear. There are a range of other costs. Countries that are not self-funding will incur costs, and Australia will initially meet those. Our expectation is that they will be refunded from the United Nations trust fund. At the moment, the major contributor to that is Japan. There would be a time delay between when we might make the payment on behalf of those other countries and when we recoup the money from the trust fund. There are also, of course, the countries that are self-funding, notably New Zealand, the UK, the United States, et cetera. In those cases again, there may be some areas where we would initially make the payment or provide the supplies. In those cases, there are very clearly defined processes for repayment. Again, there would perhaps be a slight delay but not as great as one might get from the UN when recouping.

Senator HOGG—You say ‘expectations’. Is there something more solid than an expectation?

Dr Williams—The trust fund is to be established. I understand there has been a promise from Japan of the order of \$US100 million. Provided all that goes ahead, there is no reason to expect that we will not be able to recoup up to that amount. There is obviously a bureaucratic process that we need to go to, but we have processes in place to deal with that internally and in linking into the UN. For self-funding nations, there are certainly very clearly defined arrangements, and there is a fairly long accepted process for recouping money from those areas.

Senator HOGG—Thank you. I want to turn to the Wispelaere matter. Without wanting to revisit the Wispelaere matter in any detail, is it possible for you to tell the committee whether

there have been any corrective actions or changes to processes made as a result of the breach of security by Mr Wispelaere?

Mr Brady—The Inspector General of Intelligence and Security has been commissioned by the Prime Minister to review the security implications—not only for the intelligence community but for the government as a whole—of the Wispelaere case. He has started that work, but it has not been completed.

Senator HOGG—Roughly when was it started? Do we know?

Mr Brady—I am not absolutely sure. It was shortly after the arrest of Mr Wispelaere.

Senator HOGG—When is it expected to be concluded by?

Mr Brady—I am not certain of that.

Senator HOGG—Is there a time frame?

Mr Brady—There is no set time frame for completion of that review. In the meantime where it is obvious to the intelligence community what they need to do to improve their security—which is their ongoing practice—those measures are being undertaken.

Senator HOGG—Who is undertaking that? Is it an external review or an internal review of the processes?

Mr Brady—The only external review of the processes is the review being conducted by the Inspector General.

Senator HOGG—So, apart from the Inspector General's review, one can assume there is some form of interval review process awaiting the outcome of the Inspector General's review. Is that correct?

Mr Brady—Yes, but where there are measures that should sensibly be taken we are not holding up the implementation of those measures pending the Inspector General's review. There is always an ongoing process of improvement in security procedures within the intelligence community, and that process is continuing.

Senator HOGG—Have any of our allies that we have intelligence exchange arrangements with made representations to Defence raising concerns on the matter?

Mr Brady—No.

Senator HOGG—None at all?

Mr Brady—No.

Senator HOGG—Have assessments been made of security procedures in all of Defence's security and intelligence agencies and sections in the light of the Wispelaere case—that is, outside of the Inspector General's review?

Mr Brady—What has happened is that, as part of the Inspector General's review, each of the agencies was required to respond to a series of questions posed by the Inspector General as part of his review. So that process itself constituted an internal review of processes.

Senator HOGG—Has that led to a change in the security procedures?

Mr Brady—It has led to some adjustments. To illustrate, in particular an area that is subject to continuous improvement as technology allows is computer and network systems security. So that is an ongoing process of improvement.

Senator HOGG—I will not pursue that, for obvious reasons. I just want to move on to the matter of Mr Jenkins, which is sensitive. I know an investigation was being undertaken earlier

this year with regard to some incorrect document handling issues by Defence personnel at our Washington post, which was then followed by the tragic event of Mr Jenkins's death, which I have raised here before. Was a further investigation carried out, and have any findings or recommendations relating to that case been implemented?

Mr Brady—The original investigation was conducted jointly by the Department of Foreign Affairs and Trade and Department of Defence in the period preceding the death of Mr Jenkins. We are proposing to commission an independent review of that investigation and are consulting Mrs Jenkins before initiating that independent review.

Let me, though, make a couple of points about this. One is that the original investigation was carried out in accordance with the standard procedures for such investigations and in the normal course of events would have been considered by senior Defence people before any action was taken. The events that were under investigation essentially involved document information handling procedures, as you mentioned. There was no question of Mr Jenkins's integrity or his commitment to Australia's national security being at issue.

Senator HOGG—I just want to break in there and say that that was never in doubt.

Mr Brady—I think it is important to emphasise that point.

Senator HOGG—I think it is too.

Mr Brady—From my own review of the material—I and a number of other senior people have looked at the material available—the issues that seemed essentially to be at stake were ones of handling procedures, matters of judgments on the part of individuals and some matters of work relationships at an overseas post. I do not want to say too much more about that, given that we are intending to have an independent review of the investigation. But, again, let me repeat that Mr Jenkins was a fine Australian. His commitment and loyalty as a member of the defence community was a very strong attribute of his over many years. He was a loyal member of that community. Everyone who knew him regards his death as a very great loss.

Senator HOGG—I can only concur with your comments. I will say no more on the issue, other than: can you give us some sort of time line? If you cannot give it to us now, can you take that on notice, so that we have some rough idea as to when you expect the review to start and finish? I say that in due deference to your consultation with Mrs Jenkins.

Mr Brady—It is our hope that, subject to that, the review could be started as soon as possible and completed in the first part of the new year.

Senator HOGG—Thank you. I move on to classified document leaks and investigations. There seems to be a large number of leaks of classified and sensitive documents occurring over the last six months—these were not in tents, of course!—particularly of DIO cables and the like. What action is Defence taking to stop this? It is very concerning.

Senator QUIRKE—Especially for the opposition.

Mr Brady—Let me say that we take this very seriously.

Senator HOGG—So do we.

Mr Brady—The apparent leaking of classified intelligence material is a very serious matter, particularly when sustained over a period. We are very concerned to get to the source of the problem. But perhaps the head of security, Mr Brown, might like to add some comments.

Senator HOGG—I do not want you, necessarily, in responding to the question to threaten the integrity of any investigations. I am not asking that. But, without compromising anything

that you are undertaking, I would ask you to tell us what actions you are taking and maybe what investigations have been carried out.

Mr Brown—We do not have statistics on previous processes or leaks, but there have been up until November 27 what I would call significant leaks of material that was either classified under national security classifications or related to cabinet material. These documents are not necessarily from Defence, and each one is being investigated. The secretary has a policy that all leaks of national security classified material that may be associated with Defence are investigated. As a result of this, additional staff is being provided to the branch. I do not want to go into details of numbers or attributes of such staff at this point.

In addition to that, the secretary has commissioned and enhanced a Defence security briefing program directed to educate all officers in Defence, in particular senior officers, as to the threats to security and the leadership and management responsibilities for managing security information. That will commence in December and will run through until all senior officers are covered. There is also already in place a range of security training. Defence responds to the *Commonwealth of Australia Protective Security Manual* and implements a series of security manuals. These are in a constant state of revision to meet general requirements or changes. Of the nine manuals, three have been revised in the last 11-month period to enhance security arrangements.

Senator HOGG—Have there been any charges laid or disciplinary actions taken against Defence personnel during the last 12 months over the leaks?

Mr Brown—Yes, there have.

Senator HOGG—Do we know how many? Is that available?

Mr Brown—We have completed four investigations resulting in charges against one service officer, and a charge against a civilian under the Defence Industry Security Program. These charges were processed. Appropriate action was taken and remedial action where there were process problems, systemic problems, in the handling of the information.

Senator HOGG—You said, as I understand it, one civilian charged, one officer charged. Have they been before the appropriate courts?

Mr Brown—These matters were not matters that would go to court. They were administrative charges resulting in caution counselling and/or discipline in the service—

Senator HOGG—That is two of the four investigations. What happened to the other two?

Mr Brown—The other investigations that were completed were systemic issues in terms of handling, and these matters have been addressed in revisions of the procedures.

Senator HOGG—But there were no charges laid or disciplinary actions taken against them?

Mr Brown—We have some extant charges at the moment that are awaiting answer, so I would still consider them as being currently under investigation until they answer those charges made.

Senator HOGG—Last but not least, does Defence believe it can improve on the document security that they have at the moment? Obviously there are problems there.

Mr Brown—On the issue of document security, the procedures in place are adequate when they are followed. That is why the education campaign is quite critical in ensuring we get some improvement. The ones in place in fact exceed Commonwealth standards under the *Protective Security Manual* and meet the requirements of all our allied arrangements.

Senator HOGG—That is it for that issue. Now I am moving on to personnel changes in the secretary's office. I do not know who will answer this—it might be a question for the minister. Did the minister, anyone from the minister's office or anyone representing the minister direct that Mrs Barrie, the former personal assistant to the former secretary, be sacked or encouraged or asked to resign?

Mr Tonkin—Not that I am aware of.

Senator HOGG—My reading between the lines of an article that made mention of this situation some months ago gave me the impression that Mrs Barrie, through no fault of her own, was pretty shabbily treated, to put it bluntly. I do not know Mrs Barrie—let me say that right at the outset. She was previously with Mr Barratt as his personal assistant for a number of years, and Minister McLachlan, when he was the Minister for Defence, agreed that Mrs Barrie could be taken across as Mr Barratt's personal assistant as the secretary. I am just asking if there was intervention from the minister's office. I heard your answer, but what about anyone representing the minister's office? Did anyone make it clear that she should be sacked or encouraged or asked to resign?

Mr Tonkin—There are two points. First, the appointment of officers within the office of the secretary or anywhere else in the department is not a matter for the minister; it is a matter for the secretary to the department under the Public Service Act. That is the first procedural point. Secondly, I am not aware of any approach which would suggest any of the circumstances that you outline. Thirdly, Mrs Barrie, on her own volition for her own reasons, chose to leave the Public Service. She was not pushed, encouraged or anything else of that nature. It was her personal decision for her own reasons.

Senator HOGG—Thanks, Mr Tonkin. I am aware of what you have said. Unfortunately, I have lived in the real world. You talk about procedural fairness, and I have got no doubt about what you have said. But it seems to me that there is a doubt there. I know the real world. The minister does not have the right in that sense to interfere in that process, but in the real world—'wink, wink, nudge, nudge, say no more'—people get the message and these things happen. So, reading between the lines, I was curious as to whether or not there might have been that encouragement. You indicate there was not.

Mr Tonkin—I can indicate to you that the inference you draw from the information you have read is incorrect.

Senator HOGG—Incorrect? That is interesting. Thank you very much for that. That is good to hear.

Senator SCHACHT—When Mrs Barrie left, resigned, how long after Mr Barratt received the publicity that he was about to be sacked did that occur?

Mr Tonkin—I would have to take that on notice as to the precise timing of when Mrs Barrie tendered her resignation.

Senator SCHACHT—But she did not tender her resignation before the publicity occurred in the press that Mr Barratt was for the high jump?

Mr Tonkin—Again, I would have to take it on notice to be sure of the precise date.

Senator SCHACHT—Mr White, do you have any knowledge of that?

Mr White—No, I do not recall the date.

Senator SCHACHT—So no-one among the serried ranks sitting behind has an idea or a view to state about the controversy about this matter?

Mr White—I can try to help you a little bit. My clear recollection is that Mrs Barrie indicated her decision, for the personal reasons that Mr Tonkin has referred to, before the issue of Mr Barratt's departure became public.

Senator SCHACHT—Became public?

Mr White—Became public—before the newspaper articles about which we had such a long discussion before morning tea.

Senator SCHACHT—You are assuring me, then, that Mrs Barrie had indicated—

Mr White—I am sharing with you my recollection that Mrs Barrie had—

CHAIR—But, rather than recollections, you are going to get back with dates?

Mr Tonkin—Yes.

Senator HOGG—Thanks. That is that issue. The next issue that I said I would be raising is ministerial travel. Could the committee be told where the minister has officially travelled overseas since the last round of estimates, who he visited with during those trips, who accompanied him on those trips, the primary purpose of the trips, the duration of each of those trips and the cost incurred to Defence as a result of those trips?

Mr Behm—Since the last meeting of this committee the minister has visited East Timor to visit the INTERFET operations. He visited the United States to attend the Australia-US ministerial meeting. He visited Canada to meet his counterpart and discuss with him INTERFET UN operations in East Timor. He also visited Germany, Italy, France and the United Kingdom where he held counterpart discussions on the same matters, and he also discussed some other bilateral defence issues.

Senator HOGG—So what was the prime purpose in Germany, Italy, France and UK?

Mr Behm—They are contributors to INTERFET. And the minister was discussing those contributions and the nature of the operations with his counterparts.

Senator HOGG—When would these trips have taken place? Have you got dates?

Mr Behm—Yes. His visit to East Timor was on 29 October 1999. From 30 October until 4 November the minister was in the United States attending the Australia-United States ministerial meeting. On 5 November he visited Ottawa. Then he came back into the United States from 6 to 8 November to discuss INTERFET matters at the United Nations in New York. From 9 to 10 November the minister visited Germany for the reasons I have previously stated. From 11 to 12 November he visited Italy. From 13 to 16 November the minister was in France. From 17 to 19 November the minister was in the United Kingdom and on 21 November he returned to Australia.

Senator WEST—What was he doing in the US on 6 to 8 November?

Mr Behm—At the United Nations in New York. The minister held discussions at the United Nations relating to Australia's contribution to INTERFET and how the transition into the UNTAET force would be conducted.

Senator WEST—Wasn't the 6th and 7th a Saturday and Sunday?

Mr Behm—They may well have been. I cannot remember, Senator.

Senator WEST—They were.

Senator Newman—So?

Senator WEST—So the UN was meeting on a Saturday and Sunday.

Mr Behm—I have not got the details of the minister's program, but it would not surprise me that he had meetings on the Saturday and/or the Sunday on these matters. But he certainly had meetings on the Monday.

Senator WEST—I would like to actually see the program then please, because there will have to be another weekend seven days on from then, won't there—the 13th and 14th in France was a weekend?

Mr Behm—I have not got the details of the minister's program for those weekends.

Senator WEST—If you can get the details, that will be fine.

Senator HOGG—And who accompanied the minister? Is that information available?

Mr Behm—Yes. I have not got the details in front of me. I will provide them in the course of today.

Senator HOGG—Someone said to me—and you might be able to dispel this—that within Defence this was being called the minister's last hurrah trip. Is that right?

Mr Behm—I have no comment on that.

Senator HOGG—You have not heard that.

Mr Behm—No, I have not.

Senator HOGG—On another issue, at any stage during any part of that trip did the minister use extended entitlements beyond the appropriate level, if not for him then for someone travelling with him?

Mr Behm—I will make inquiries, but I am not aware of the minister exceeding any entitlement.

Senator HOGG—I understood that in one place there was an entitlement that the minister was entitled to or someone travelling with him was entitled to and that in excess of the entitlement was used. The quaint practice happened, as I am told, that the excess that was used was buried and paid for by Defence. I presume what was buried can be dug up. If it was buried, I would be interested if you could search through the records of the trip and find out if at any stage there was the use of not just the entitlement but something that went beyond the entitlement that Defence met the cost for. And can you tell me any costs that were incurred by Defence as a result of that trip?

Mr Behm—May I take all those questions on notice, please?

Senator HOGG—I would be only too pleased. I know precisely where it is and where it is buried. I hope you can find it as well.

Senator Newman—You might tell us.

Senator HOGG—No. I want confirmation from the department first.

Senator Newman—I think you would save the Commonwealth a great deal of time and effort if you would locate where you think it is.

Senator HOGG—It would be better if I said that I have a good idea where it is.

Senator Newman—You might help the officials so you can speed up their search.

[12.06 p.m.]

Chief of Navy

Output 4—Capability for patrol boat operations

CHAIR—We now move to Navy. We begin with Output 4—Capability for patrol boat operations. The topic is patrol boat hours and interdictions; patrol boat upgrade/replacement.

Senator HOGG—I understand that the Anzac war fighting improvement project has been modified with regard to anti-ship missile defence and that alternative options are being investigated to provide a long range warfare capability. Defence's media release on this states that the upgrade originally proposed was 'not achievable within acceptable costs and risks for the capability improvement sought'. Can you explain to the committee exactly what was meant by the statement and what other possible options might be put in place instead?

Vice Adm. Shackleton—That is the case, but I think to give you the more technical answers I will ask Rear Admiral Chris Ritchie to give you some details.

Rear Adm. Ritchie—The Anzac WIP was envisaged to provide an air warfare capability to the Anzac ship. It was envisaged to provide it to all eight Anzac ships and it was envisaged to do it at a cost of about \$2 billion. When the project had been out for request for proposals from industry it became pretty obvious that we could do at best three to four ships for that sort of money and that the capability we would get would not be anything like the capability that we had envisaged. In particular, the Anzac ship is a 3,500 tonne ship—it is very small—and to try to put the fire power into it that you would need to provide a true air warfare capability seemed to be unrealistic and that was even with the option of what they call 'plugging the ship'—that is, cutting it in half and making it longer.

Senator HOGG—So there wasn't the space?

Rear Adm. Ritchie—There just wasn't the space. There was a degree of technical risk and we would not get for the money what we had originally sought. So it was proposed that the Anzac WIP be put aside, that we go into a study process, which we are currently engaged in, firstly, to decide on the necessity for this particular capability in the Navy—so that is part of the study—and, secondly, to look at options that you might take up in order to provide that capability should the study part of it prove that the capability is needed. And all of that is currently under way. There was one other part of that which was to provide an anti ship missile defence upgrade to the Anzac ships as well. That is part of this study. So we anticipate that there will be a partial upgrade to the Anzac ships. There will be a study, which is under way, to see whether we need to go the full air warfare capability in Navy, and part of that study will be to address options other than the WIP for providing that capability.

Senator HOGG—When will the study be completed and who is doing the study?

Rear Adm. Ritchie—The study will be completed about April next year. The intention is that the study will be able to inform the white paper process and that any decision on the necessity for this capability and how it might be achieved will be part of the white paper outcome.

Senator HOGG—The information that I have is that even with the upgrade it is likely that the Anzacs will still be vulnerable. Is that part of the problem?

Rear Adm. Ritchie—With the WIP?

Senator HOGG—Yes. Is there a level that we have got to go to beyond which it is really economically viable to proceed?

Vice Adm. Shackleton—There are really two aspects. One is the ability of the ship to defend itself against the sorts of threats that we expect in the time frame. That is the part of the WIP which is still proceeding through the approvals process. The other aspect of that is the air warfare capability, which is the longer range area air defence capability, which is part of this study which Rear Admiral Ritchie referred to. So the part that we are expecting to proceed, subject to the approval process, is the upgrade of the ship's self-defence capabilities

to defend itself, and that process ought to lead to a ship which is quite defensible in the time frame we are considering.

Senator HOGG—When will that upgrade start?

Vice Adm. Shackleton—It is subject to budget processes.

Senator CALVERT—Was the purchase of those Kidd class destroyers that the Americans had surplus to requirements ever considered?

Rear Adm. Ritchie—The purchase of the Kidd class destroyers is one of the options that is under consideration in the study for provision of this air warfare capability should it be agreed that we need to have that capability.

Senator CALVERT—Would they be capable of being upgraded? I suppose that is one of those things you will come up with in the study.

Vice Adm. Shackleton—They are already very capable ships.

Senator SCHACHT—What is the rust content like of these ships compared with—

Senator Newman—The ones you bought?

Senator SCHACHT—I knew you would come in like that, Minister, but I am interested in finding out what is best.

Senator Newman—We pursued those through estimates for a long time and it is even worse than we were told at the time.

Senator SCHACHT—Yeah, all right, we got a cheap ship.

Senator WEST—We have heard all this. We are now on a different ship.

Senator SCHACHT—We are now on a different ship and I presume, Minister, in view of your great interest, you will be trotting over with a magnifying glass looking at the ships to see that there is no rust in view of the fact that you appear to be an expert.

Senator Newman—I would like to see Australia get a better buy on whatever it buys than it got last time.

Senator SCHACHT—When you lot were in government previous to when we were in government you used to buy off the shelf from everywhere else overseas and we had no defence capability for building in Australia at all hardly.

Senator Newman—You mean like submarines.

Senator SCHACHT—At least they are built in Australia.

Senator Newman—With defective systems—come on.

Senator SCHACHT—And who put the defective command systems in? It was an American company, I understand, that bid. The Australian suppliers have done very well in the Collins class submarines.

Senator HOGG—Can I follow on from Senator Calvert's question about the Kidd class? Are there active discussions and negotiations going on with the Americans currently and, if so, how many ships are we looking at? I think there was a report in one of the newspapers that we can spend \$2 billion and on the shopping list are four—two of them are readily available apparently and two need some remediation, as I understand it.

Rear Adm. Ritchie—The fact is that there are four Kidd class—three of them are in good condition and one of them is not something you would consider as an option. We have asked the American Navy, without any commitment whatsoever, to be allowed to investigate the

suitability of those ships. As I said earlier, part of the study that is being done on this whole notion of air warfare capability is to look at those three ships and to see whether they do present a viable option. That would include a very thorough examination of the ships, and if they are not up to scratch and they are not in good nick then that option would no longer be an option.

Senator QUIRKE—What is the tonnage of the Kidd class ships?

Rear Adm. Ritchie—The Kidd class is in the order of 10,000 tonnes.

Senator QUIRKE—So they are a fairly big destroyer?

Rear Adm. Ritchie—They are a large destroyer.

Senator QUIRKE—Are they oil fired?

Rear Adm. Ritchie—They are LM 2500 gas turbines—the same as we have in our FFGs.

Senator QUIRKE—So the same as the FFGs but double the size?

Rear Adm. Ritchie—Yes—double the size.

Senator WEST—They are fairly old, aren't they?

Rear Adm. Ritchie—They were commissioned in 1981-82.

Senator WEST—What is the life expectancy of a vessel like that?

Rear Adm. Ritchie—In a vessel like that the life expectancy is at least 30 years. These you could extend out to about 2020.

Senator WEST—So we are looking at about another 10 to 12 years without refurbishment and refit?

Rear Adm. Ritchie—You are looking at another 18 years life out of these ships, but that would not be without refit. All ships are refitted about every four or five years.

Senator WEST—You have just told me that they have a life expectancy of about 30 years and then you are putting these ones out to 2020 but, given that they were launched in 1981, that is closer to 40 years, which is why I am saying 12 years more life expected and you are telling me there is nearly 20 years more life expected in them.

Vice Adm. Shackleton—The ships we have at the moment are able to run for 35 years—the ships that we are paying off now. So it is not unreasonable for these ships to go to that age.

Senator CALVERT—I understand that there are very limited numbers of countries in the world America would sell these ships to—is that correct—because of their technology?

Rear Adm. Ritchie—That is probably correct. The ships are on offer to Greece, or Greece has expressed an interest in buying these ships.

Senator SCHACHT—Are they on offer to Turkey as well, as a fellow NATO partner?

Senator CALVERT—No. They are airconditioned too, aren't they, Admiral?

Vice Adm. Shackleton—Absolutely. Can I perhaps clarify this? The Greeks have been considering these ships. The US has a position where it will not sell part of the armament to the Greek government. The Greek interest was due to expire at the end of November. I am not sure whether that has been the case or not. It will only be when the US are in a position to decline the Greek interest that they will be able to take our interest seriously.

Senator SCHACHT—But the Greeks offered the interest first; it was not the US trying to sell to the Greeks?

Vice Adm. Shackleton—No, the Greeks expressed interest in the ships.

Senator CALVERT—I was going to make the point that they are cheap as chips and the armaments are worth the price they are asking if you can get hold of them. I thought they were a good buy.

Senator Newman—Labor thought it was a good buy to buy the ships for \$63 million. We have now learnt that it cost \$400 million, so you have to be terribly careful about what you buy in those circumstances. I would hope our government would be smarter than the last one.

Senator CALVERT—These ships are a lot younger. I have faith in the Navy to make sure that they purchase what they think is correct.

Senator Newman—Just remember the lesson of the past.

Senator HOGG—Moving on now to patrol boats—

Vice Adm. Shackleton—Before we finish that, perhaps I could add that, as much as we are talking about second-hand ships, the *Manoora*, which has been under refit at Newcastle, sailed from that dockyard today to sea trials. So these things are quite capable of doing what we said they would do.

Senator HOGG—That is excellent news. On patrol boats, I note that on page 193 of the annual report it says that the government has approved a life of type extension for the Fremantle class boats to allow them to remain in service for another eight years. Yet recent media reports—and this was in the Australian *Defence News*—have cast doubts as to whether the upgrade will take place or whether the Navy is considering other options. Just what is the situation?

Vice Adm. Shackleton—Navy is considering other options through the capability development process. There are other options to proceeding with the life of type extension. I think cost benefit and time are the criteria that we are interested in. Again, perhaps I could ask Admiral Ritchie to comment, and Acquisition members might like to contribute to this answer as well.

Rear Adm. Ritchie—The decision to life of type extend the patrol boats was taken after the project to build offshore patrol vessels with Malaysia fell through. There was a need then to do something reasonably quickly, because the patrol boats were built with a life which is due to expire between about next year and 2004. It was thought at the time the decision was taken for a life of type extension that that was about the only way we could actually get something quickly enough, if you like, to fit in that time frame.

Since the life of type extension was agreed by government, it has been discovered that it may well be possible to build within the short time frame we are talking about non-military specification patrol boats, which the Navy would be happy with, which would serve the purpose and which, in the end, would be considerably cheaper than, firstly, life of type extending the Fremantles for eight years and then in eight years buying another class of patrol boat. So we are looking here at one deal rather than two in a period of eight or nine years. That proposal is in the department at the moment. It does not yet have any particular government approval.

Senator WEST—Is it true that you are also looking at leasing or private financing options to buy new patrol boats instead of upgrading them?

Rear Adm. Ritchie—One of the options for procuring patrol boats in the time frame we are talking about might well be to go to some sort of private financing initiative, and we would look at that wherever we can in any sort of project.

Senator WEST—How would you undertake a private financing arrangement?

Rear Adm. Ritchie—It could be some sort of leasing arrangement; it could be some sort of payback arrangement where somebody else provides the money upfront.

Senator WEST—Who would provide the money upfront for a patrol boat? There is a fairly limited—

Mr Tonkin—Mr Chairman, what we require is a particular piece of capability and we want to get that piece of capability in the most cost-effective fashion possible for the government. If it is possible for industry to offer arrangements whereby they can guarantee to provide a certain number of vessels for a certain number of days a year—an arrangement which is a lease or where they fund them and charge us over a period of time for those vessels—we are interested in exploring all those options to get the most cost-effective outcome. It is the same arrangement that airlines use for the acquisition of aircraft.

Senator WEST—Yes, but there is a difference between an aircraft—

Senator SCHACHT—But Qantas do not get their aircraft shot down, we hope. How do you cover the insurance arrangements in the leasing of defence—

Mr Tonkin—That would be part of the financial analysis you would do to see whether the particular capabilities you require would be in the circumstance where it might get shot down or sunk in the case of a patrol boat and where those vessels are to be used—you would put that all into the equation and work out what is the best deal. All we are saying is that we are open to the full range of possibilities to acquire these sorts of capabilities in the most cost-effective manner.

Senator WEST—Does any other country undertake this type of arrangement?

Rear Adm. Ritchie—The UK has procured quite a lot of capability under this sort of arrangement.

Senator WEST—For vessels such as patrol boats or—

Mr Tonkin—Air-to-air refuelling for fighters and bombers in the United Kingdom is an example of private financing.

Rear Adm. Ritchie—Tank recovery vehicles to get into the battlefield to pick up disabled tanks, tank transporters, air-to-air refuelling aircraft—these are things that are not necessarily generated by defence departments but industry come along with these sorts of propositions. It is a matter of looking to see whether that becomes the most cost-effective way of procuring the capability.

Senator SCHACHT—So the manufacturers put it up as a way of encouraging purchase by the defence forces; they will do this leaseback arrangement to encourage you to buy more of their product?

Rear Adm. Ritchie—They put it up as a way to try to sell their product. We look at whether it is more cost-effective for us to do it that way. If it is not, we clearly would not go ahead with it.

Senator SCHACHT—Does it affect your analysis of capability—

Mr Tonkin—No.

Senator SCHACHT—That will always come first, will it? We are pleased to hear that.

Mr Tonkin—Yes, it is a matter of what capability we require, how much we can afford and what is the best, most effective way of doing it.

Senator SCHACHT—Mr Tonkin, you are telling me that there are international insurance companies that are willing to do the actuarial sums to provide the insurance for something when you could lose the lot in a combat?

Mr Tonkin—I am not aware that there has been a private financing arrangement done in respect of direct combat equipment. The point I would make about the patrol boats is that it is not in that category.

Senator SCHACHT—But the patrol boat is designed to be in combat from time to time. I hope it never is, but it is designed to be in combat from time to time, otherwise we would not have it, would we?

Vice Adm. Shackleton—A certain amount of this is obviously speculation. I think the funding arrangements for the procurement of a patrol boat would have to take into account the risks and what the cost of money might be. What we are talking about here is a novel proposition that has been put to Defence. It will be considered and, if it is not capable of standing on its own feet, then we will dismiss it.

Senator WEST—Was the proposition put to Defence or was Defence out there asking industry about various financing options?

Dr Williams—Perhaps I could answer that. We have in the department at the moment a study under way to look at the possibility of using private financing initiatives more generally. That is looking at the process aspects and the practicalities taking account of capability. We have a report we are looking to consider—internally at least—early next year. Just looking at the UK example, how sharp you go in capability in terms of combat can be in question, but certainly air-to-air refuelling is an example where the UK have looked quite actively.

Senator WEST—You say the UK have looked actively at it?

Dr Williams—I have a list of a range of things that the UK are progressing. I am not sure at the moment; I cannot confirm whether they have completed or are still reviewing the air-to-air refuelling. As an example, an arrangement like that can certainly be beneficial to Defence because, in general, you do not require a high level of activity during most of the period. So to pay for an asset to sit there not used is obviously expensive. If a private company is able to make use of that asset—for transport, for example—then they can offset the costs. It can still be attractive to the company and to the defence organisation because of that sharing of the workload.

Other examples are things like simulators where, if you have a 707 simulator, it may have application beyond a particular defence force into the commercial market or other defence forces. Again, there are possibilities where a private company can actually run a system and get a better rate of return so that there is benefit to them and to the defence organisation. We are reviewing all of those opportunities at the moment. We have not gone very far down the process ourselves, although the port services contract is perhaps one we have looked at that is private financing of a sort.

Senator WEST—Can I just return to the UK because I got the impression from the first answer—I think it might have come from Admiral Ritchie—that the UK had already progressed down the path and actually had in operation a number of these arrangements. I get the impression from you, Dr Williams, that the UK is looking at the option but has not progressed—

Mr Tonkin—It is somewhere between the two. My understanding from discussions with UK officials and with some of the companies involved in this business is that that is the

pathway they are following for that capability, but I do not believe the capability is yet fielded. It is all part of this sort of innovative management that we are being encouraged to pursue.

Senator SCHACHT—The what management?

Mr Tonkin—Innovative management.

Senator SCHACHT—Did Mr Barratt follow innovative management or did he fall at the first hurdle in innovative management?

Senator WEST—I am sure we will be able to pursue this further in two months time.

Senator HOGG—I have one more question on patrol boats. I note that the Navy was involved in the interception of some 22 illegal entry vessels last financial year. I am interested in the surveillance that led to the apprehension of those vessels. Were the majority of those vessels identified by Coastwatch, Defence, the Indonesian authorities or some other agency? Can you give me some idea?

Vice Adm. Shackleton—You would be asking me to comment on operations and some of that would obviously involve intelligence, so I prefer not to. I think the interception and subsequent apprehensions we make are a combination of the efforts of all of those organisations that you talked about, with probably the exception of the Indonesians at this stage.

Senator HOGG—Thank you.

Senator SCHACHT—Can I return to the upgrade which Senator Hogg raised about the Newcastle patrol boat being extended. What is the difference in the design of those patrol boats and those that we provided to the South Pacific countries during the 1980s and early 1990s; are they a similar boat?

Mr White—Yes, Senator. The Pacific patrol boat was a much smaller vessel of 31.5 metres and has significantly lower capability than in the Fremantles which we have in service at the moment.

Senator SCHACHT—Are all of those ones that we provided to the South Pacific countries still effectively in operation?

Mr White—I would not want to give you an answer on whether they are serviceable today but, as a broad proposition, yes, they are all still in service. A high proportion of them have had a half-life refit—perhaps all of them have had a half-life refit—and we are now looking at a life of type extension for those boats.

Senator SCHACHT—Which we will have to pay for?

Mr White—Which we would, if government approves, intend to pay for as part of the Defence Cooperation Program.

Senator SCHACHT—Do we still have Navy officers seconded to serve on those boats?

Mr White—Typically, in most countries operating the Pacific patrol boats, there would be a naval officer, perhaps a lieutenant commander, and one or two chief petty officer technicians working with the country's crews to manage those boats.

Senator SCHACHT—Mr White, correct me but I understood back in the 1980s in this program that those officers would be there for a period to assist in the running of the boats and training until the host country's navy, defence force or police force—whichever it was—reached a capability to do it and then they would be returning home. Are you telling me that that has not occurred and that we have had to continue to supply Navy officers to maintain those boats and some operational capability?

Mr White—We have been happy to do that where countries have requested it. It has provided not just an opportunity to optimise the continued running of the boat but also provided us with an opportunity to maintain a defence presence and visibility throughout the south-west Pacific, which is a significant Australian strategic interest.

Senator SCHACHT—But no country has reached the stage yet where either you feel confident or they feel confident to say, ‘Thank you very much, we have appreciated the assistance’—

Mr White—I am not sure about that.

Senator SCHACHT—You mentioned about the upgrade to extend the life of these Pacific island patrol boats. What is the rough parameter of what that would be as a budget item—again, accepting the government has not approved?

Mr White—We have done some preliminary estimates on the scale of that, but I do not have the figure in my head. I will take that on notice for you.

Senator SCHACHT—Will the upgrade be done in Australian naval yards or will we attempt to do some of it, in some form, in the countries?

Mr White—I would expect that the bulk of the work will be done in Australia in commercial yards, not in naval—

Senator SCHACHT—In commercial yards, thank you.

[12.33 p.m.]

Output 5—Capability for submarine operations

Senator HOGG—I understand that cabinet will consider recommendations for upgrading the Collins class submarine before Christmas in order to ensure that we have two fully combat capable Collins class by December 2000. It has been suggested that the INTERFET operation has distracted cabinet from dealing with the issue. Do you people consider that that is the case?

Vice Adm. Shackleton—I will start off. I think the work on the Collins has progressed very well. There are a number of things still outstanding as there are some items still to be processed by government and cabinet. Perhaps Admiral Briggs can give you a fuller answer on that.

Mr White—If I could just comment on an element of the senator’s question: I do not think it is appropriate for us to comment on cabinet business lists or business loads.

Senator HOGG—I have always understood that. I was going to hear from Admiral Briggs.

Rear Adm. Briggs—The proposals that have been put forward to government, as Mr White has said, are under consideration by cabinet and I cannot go to the detail of that. It is true to say that we have recommended the fast-tracking of two submarines to provide a minimum level of operational capability by the end of next year. That is an aggressive, ambitious schedule; it is one we will have to drive hard to achieve; we believe we can still do so.

Senator HOGG—Is there a normal operating budget for this program? Can it be found in the PBS somewhere?

Rear Adm. Briggs—Project 11.14 is the new submarine project; related projects are C14.46, which is the modifications being trialled in Collins. There are a number of minor projects associated but those two—

Senator HOGG—So all the upgrades that you are envisaging will take place would be encapsulated in that?

Rear Adm. Briggs—No, there is a third one, which is C14.49. The projects 11.14, 14.46 and 14.49 would be the three projects involved principally.

Senator HOGG—Thank you. That is all my questions on that.

CHAIR—We will move to Output 9 dealing with the Jervis Bay contract and performance.

Senator HOGG—That is not what I have next.

CHAIR—No further comments on that then?

Senator WEST—Hang on.

Mr White—While they are looking for that, if I can just provide Senator Schacht with an answer on the costings of the life of type extension for the patrol boat. We are talking about \$2 million per boat.

Senator SCHACHT—There are how many boats?

Mr White—There are 22 boats at the moment.

Senator SCHACHT—\$44 million.

Mr Tonkin—Also while we are looking for the next item, Senator Hogg asked the question about Mrs Barrie's resignation. She submitted her indication on 9 July, and her resignation took effect on 4 August.

Senator HOGG—Thank you.

CHAIR—We will just leave that and move on the running sheet to Group 2—Navy dealing with ship and aircraft availability, submarine correction program, et cetera. We can come back to output 9 later on.

[12.37 p.m.]

Group 2—Navy

Senator HOGG—In the annual report—appendix B page 50, which is the ship and aircraft availability—first of all I would like to know about the ship availability. I note from one of the footnotes that the predicted availability is the average number of fleet units available at any one time during the financial year that is not undergoing scheduled maintenance depot. This availability does not take into account the unavailability due to personnel, equipment, equipment condition or collective training shortfalls. Can I conclude from this that the achieved availability is the actual time when assets are available, or does it not include unavailability due to personnel, equipment and equipment condition or training shortfalls? In other words, are those things excluded; and, if so, why are they because there must be times when those are contributing factors to the availability?

Mr Wallace—The table that you refer to is the last time that we would expect to see availability published in this form, because in the form of output presentations—as I think we discussed at the last hearing—we have moved to a different measurement of availability which measures the capability, which would take into account whether or not personnel were unavailable for the right stations with the right skills, or equipment, equipment condition and so on. The description is a bit ambiguous in the sense that the measurement of availability does not take account of those shortfalls or shortcomings, if you like. In a sense, that is why we have moved from a simple availability measure to a more robust measure of the capability of the ship taking into account whether or not those shortfalls do exist.

Senator HOGG—Thanks very much for that. If we look at table B1, there were planned flying hours for the Bell 206B of 1,100, achieved flying hours of 834 and a variation of 38.

I note from footnote 1 that that had been adjusted down to 872. There are a number of other variations, all of which seem to indicate that the achieved flying hours—whether it be for the Bell, the SK50 or the SK50A—have not been achieved. Can you give me some insight as to the impact on operations that has had and other reasons?

Vice Adm. Shackleton—The combination of notes 1 through 10 try to explain all of that. In essence, the hours that we fly are the hours that we need rather than the hours that we could possibly fly. They are geared to a combination of pilot training, continuation training and ship training. As you can see in note 6, for instance, one major exercise was cancelled due to an F111 incident. So we will vary the amount of hours that we fly in accordance with the circumstances that we find ourselves in. The amount of hours that we fly each year is geared to keeping pilots and aircrew proficient. By that, I mean also the ship flight deck crews, command teams and those other people who use aviation as part of their normal daily business.

Senator HOGG—Note 7 refers to the suspension of flying due to maintenance manual problems.

Mr Wallace—I do not have any particular information of that, only that explanation.

Senator HOGG—A shortage of qualified helicopter instructors as well.

Vice Adm. Shackleton—I can talk to the manuals. We have a fairly stringent safety regime in the aviation world, as we do in others, but aviation is particularly stringent. There was a time we thought that some of our aviation manuals were out of date. So we stopped flying until that was proved not to be the case.

Senator HOGG—I have some other questions on those tables, but they will have to wait until the appropriate groups come forward. The Sea Kings failed to meet their target because of aircraft unserviceability. What was the problem there?

Vice Adm. Shackleton—I do not have the specific details of the unserviceability.

Senator HOGG—Perhaps you could take that on notice and provide it.

Vice Adm. Shackleton—We can provide that.

Senator HOGG—I think we have covered the hours of the Sea Hawks not being met by 162 hours because of difficulties which were due to logistics, a shortage of qualified helicopter instructors.

Vice Adm. Shackleton—Yes.

Senator HOGG—I have before me a media report on the *Westralia* dated 21 August. It states that 40 workers from the *Westralia* refit walked off the job last August, following the discovery of asbestos in the accommodation area on board the ship. Is this true? If so, what action has been taken to remedy the situation to protect those working on the refit and those Defence personnel who will serve on her in the future?

Vice Adm. Shackleton—We have the details of that, and my friend from Support Command could provide some more.

Major Gen. Mueller—On 19 August this year asbestos was identified by a subcontractor who was cropping panels in the ship's accommodation space. To ensure the safety of the ship's company and subcontractors, a decision was made to seal off the entire five decks of the accommodation area until the full extent of the problem could be ascertained. Accredited OH&S consultants specialising in the assessment of asbestos affected materials and WorkSafe Western Australia were invited to inspect the situation, and the bulk of on board contractor work ceased p.m. on 20 August 1999.

Extensive sampling revealed that asbestos was present in areas on four decks in the superstructure area. Contamination was found to be predominantly in the installation material of the bulkheads and was also present in the laminate material of some panels. An asbestos management plan, which is usually developed in such circumstances, was developed in conjunction with the OH&S consultants, WorkSafe Western Australia and Comcare representatives.

A remediation which involved the removal and sealing of panels, based on the consultants' recommendations, addressed both safety and value for money considerations. A total of 50 areas of contamination were removed and approximately 35 sealed and appropriately marked. Remediation work was completed on 29 August and on board work was then recommenced. Overall, one week was lost in the refit plan that was scheduled through this incident, but that lost time will not impact on maritime commander's latest operational date for HMAS *Westralia* which is 28 January next year.

Vice Adm. Shackleton—I would add that WorkCover Western Australia advised us informally that that was one of the best asbestos management programs they had seen take effect.

Senator HOGG—I understand that there was an investigation into a fire in the gun turret on the HMAS *Brisbane* in August this year in which five crew members were treated for smoke inhalation. Is the investigation complete, and what are the findings?

Vice Adm. Shackleton—The investigation is complete. The findings are that proper practice was not followed, and proceedings were taken against the individuals concerned who are responsible for formally checking gun functioning before these firing exercises. Remedial action has been taken in the form of drawing this to the attention of people on training courses, and more explicit instructions have been promulgated to people in preparing guns for firing exercises.

CHAIR—The hearings are suspended until 1.30 p.m. when we will resume with Chief of Army, Output 10.

Proceedings suspended from 12.47 p.m. to 1.31 p.m.

Chief of Army

Group 3—Army

CHAIR—I call the committee to order. We will deal with outputs 10, 11, 12 and 15 under Chief of Army and Group 3 under Army in one block. Air Marshal Riding, it is very good to see you here. You were very well represented in your absence this morning on another matter. We also thank Air Vice Marshal Peter Nicholson for appearing this morning.

Senator HOGG—My first question goes to an item in the annual report. I spoke earlier with Navy representatives about ship and aircraft availability. The Army aviation flying hour program shows that the Black Hawks underachieved their planned flying hours by about 1,350 hours. It was about the same for the 022 Squirrels as well. The footnote says that no adverse effect caused this underachievement. Could this be explained? Why was there, firstly, such a significant underachievement by the two aircraft? Secondly, why did that underachievement not have an adverse effect?

Major Gen. Abigail—Note 1 underneath table B3 on page 51 of the report gives as much information as I can provide at the moment. I will clarify it a little more. The Squirrel air hours are related to what is described as the reduced training liability. The Squirrel is used

at the ADF helicopter school for training pilots. There was a reduction in the requirement. I do not have any more details with respect to that. If you require them, I can get that additional information.

The Black Hawk hours are related to the cancellation of lower priority training activities, which would not relate to high preparedness and high readiness requirements. I do not have any further clarifying detail with respect to that. The note with respect to F18 squadrons and pilots has nothing to do with the helicopters, from what I can judge. It is misplaced.

Senator HOGG—That is fair enough. If you can get that extra information for me, it would be helpful. The B200 King Air also underachieved the planned flying hours by 287 hours. Can you explain that?

Major Gen. Abigail—I cannot give you an explanation. In general, we are dealing with the planned flying hours identified at the beginning of the financial year, reassessed at AE's time and what then transpired in the following six months. I will seek clarification against all those three aircraft types for you.

Senator HOGG—In the massive search undertaken for the snowboarders on the New South Wales ski fields—we now know those snowboarders unfortunately and tragically died—there was some public controversy over the issue that one of the B200 King Airs was equipped and testing new thermal imaging equipment. The army did not offer the use of the aircraft to the New South Wales police as part of the search. Can you clarify for us what exactly happened in that situation?

Major Gen. Abigail—I am going from memory here. The first point I would make is that the equipment on board that aircraft was part of trials related to one of our major white area focal surveillance procurement tasks. It was optimised in a technology sense for hot tropical environs. I understand that there was a question about how useful it would be in a snow scene. That is the first point.

The controversy that occurred in the press, from my understanding, considerably overplayed the situation as it transpired. As it turned out, the offer of the aircraft emanated from the Army. A senior NCO in an aviation unit suggested in a conversation to a police colleague that this equipment was being trialled and might be of some use. It then took some time for the request for it to actually come through the system from the New South Wales police. That is my understanding of it, but I am going from memory at the moment.

Senator HOGG—It might be interesting, purely for the sake of the record, if you can find out more accurately the details of what happened. Take the question on notice.

Major Gen. Abigail—We will take it on notice. We have that information.

Senator HOGG—I am sure you have. I am not asking you to go from memory on that issue. You can get back to us.

Mr Lush—Referring back to the table on air flying hours, in the bowels of the annual report at page 203, against particularly the Black Hawk, Squirrel and King Airs is a more detailed explanation of the reasons for the shortfall in flying hours. I think that will satisfy you.

Senator HOGG—Okay. I will read that. If it does not, we will get back to you. There is the issue of the two extra combat battalions. As part of the Prime Minister's statement about funding for East Timor last week, he said that two further battalions would be raised to 28-day combat readiness. Is that correct? If so, will they be from existing battalions, or will they be new ones altogether?

Major Gen. Abigail—It is correct that two additional battalion groups—that is, groups of forces, including combat support and service support units, structured around two infantry battalions—will be raised to the operational level of capability for potential deployment to operations in East Timor over the duration of the UNTAET commitment. They are existing battalions. All the elements involved are in existence but at much lower readiness at the moment. There is the procurement of additional equipment and the influx of additional personnel into those units to bring them up to an operational level of capability. The minister also announced the broad time frames with respect to those two.

Senator HOGG—What are the battalions?

Major Gen. Abigail—The battalions are 6RAR based in Enoggera, and the supporting units with 6RAR are essentially based in Enoggera, Brisbane, and 4RAR is based in Holsworthy, New South Wales.

Senator HOGG—Were any part of those battalions used in raising the readiness of 1st Brigade?

Major Gen. Abigail—The short answer is no. There may well have been some movement of individual personnel into units in Darwin during that particular exercise, but that would probably have been part of the initial raising of the 1st Brigade. It has been recovered by additional personnel coming into those other units since.

Senator HOGG—You mentioned 6RAR as one of the battalions. As I understand it, that is part of the 7th Task Force; is that correct?

Major Gen. Abigail—Part of 7th Brigade, yes.

Senator HOGG—Has that changed its name again?

Major Gen. Abigail—It has indeed, Senator.

Senator HOGG—That was one thing I was going to clarify. It has gone back to being 7th Brigade?

Major Gen. Abigail—Yes, it has.

Senator HOGG—What is the significance other than the change of name from 7th Task Force back to 7th Brigade? When did that change of name occur?

Major Gen. Abigail—It occurred quite recently. I cannot recall the precise date. Chief of Army directed that that occur. 7th Task Force was the only formation we had with that title. You might recall that the title of task force came out of the concepts related to the Army 21 study conducted in the third quarter of the nineties. Since then, we have undertaken some RTA related trials looking at the application of those concepts. I think it is reasonable to conclude at this point that the notion of task forces as postulated in Army 21 is not the way we will go. So the Chief of Army determined that he would rename 7th Task Force as 7th Brigade to bring it in line with all of the other brigades.

Senator HOGG—Apart from the change of name, were there any other changes that took place as a result?

Major Gen. Abigail—Not with respect to that, no.

Senator HOGG—So basically it is the concept and the name that have changed rather than anything else?

Major Gen. Abigail—Yes. Whether we will migrate that concept through the rest of the Army was the issue at point. Chief of Army has determined that that is unlikely to occur.

Senator HOGG—To get these two further battalions up to 28-day combat readiness, how many troops do these two battalions need to make up the full strength? How many do they currently have?

Major Gen. Abigail—The final requirement will in some ways be influenced by the outcome of the discussion that was had earlier this morning about what our ongoing commitment to East Timor and to UNTAET will be. At this stage, our planning is that the 6RAR battalion group will total around 1,200 personnel. The 4RAR battalion group will total around 1,100 personnel. The difference is the inclusion of an armed personnel carrier element with the 6RAR group. The numbers of soldiers required to bring both of those formations up to those levels were, from memory, included in the minister's press release at the time of the Prime Minister's announcement. I do not have them in my memory precisely because they did go to three digits of accuracy. It was something in the order of 1,000 across the two formations.

Senator HOGG—Thank you very much.

Major Gen. Abigail—Those numbers are on the public record.

Senator HOGG—One other question arises out of this section that we have foreshadowed. I was hoping that my colleague Senator West may well be here because it was a question she had dealt with at a previous estimates. Seeing she is not, I will take it up on her behalf. The question is in respect to the DRP reinvestment. We could well have asked it at another stage but it occurred only last time. I want to revisit the question that was given on notice, question No. 3.5, as it was marked in the volume of answers to questions taken on notice.

The question that Senator West asked was for a further breakdown of the \$26½ million of DRP funds that were apparently being reinvested into Army for capability related logistics. My concern with the answer is that it seemed to list items that one would expect Army to have purchased anyway, and are not really providing this great capability boost that the minister is constantly harping about with regard to the reinvestment of the DRP.

How is Army—and this can be taken as a general question, if you like, about Defence—ensuring that the DRP savings are providing an increase in capability as opposed to simply buying the things that are needed but had to be cut in the first place to achieve the DRP savings? If you look at the answer, you will get the flavour of what I am talking about. There are things in the answer, such as other general stores and consumables \$3.2 million, weapons and support parts \$1.4 million, et cetera. It is in that context that I need the matter responded to.

Mr Tonkin—There are two parts to the question. The first part is that it is incorrect to assert that these sorts of areas were cut as part of the Defence Reform Program. The Defence Reform Program was focused on cutting overhead costs. These are not overheads and they were not cut as part of the Defence Reform Program.

The second part is that the Defence Reform Program is directed towards the increase in defence capability. That in itself forms two parts. One is new capability and the other is increasing the level of capability we can deliver and sustain with the existing force levels. The figures you see there go to the second part. The money is being used to ensure that we can provide a more sustainable and available force out of our existing force structure.

Major Gen. Abigail—I endorse what Mr Tonkin has just said. Those additions reflected there are additional funds deliberately applied to Support Command funding out of nominated

DRP savings to improve the sustainability of current forces, which is as valid an improvement in capability as buying new equipment.

Chief of Air Force

Group 4—Air Force

CHAIR—Thank you very much. That finishes the Chief of the Army. I now call the Chief of the Air Force. We will do outputs 13, 14, 16, 17, 18 and 19, and group 4 in one block group.

Senator HOGG—I have questions on the F-111 crash and the board of inquiry findings. What actions has the Air Force taken since the board of inquiry findings following the tragic F-111 crash this year? Are there any recommendations from the inquiry that have not yet been implemented or will not be implemented by RAAF? If so, why?

Air Cdre Blackburn—The board of inquiry report was released in the last couple of weeks. We are initiating all recommendations from that report. At the systemic level, we are in the process of developing a risk management policy for aircraft operations and a program to educate aircrew in the procedures and practices to be adopted in identifying risks, analysing, assessing, monitoring and controlling risk. Our plan at this stage is to implement all recommendations from the board.

Senator HOGG—Right, so there is no disagreement with any of the recommendations. It has been totally endorsed as you have said.

Air Cdre Blackburn—Yes.

Senator HOGG—What are the main lessons learnt by RAAF from this tragedy? Can you give us a brief synopsis of those lessons?

Air Cdre Blackburn—As has been expressed in some of the public announcements, it has been a wake-up call for us. We do have well-defined procedures for operations. However, when an accident of this type occurs, it makes us stand back and look at our overall system of operating and our risk management procedures. It has identified some deficiencies in the way that we manage risk as a total part of our operating capability. Essentially, it was a culmination of a series of events, which included crew failures, organisational deficiencies, some local factors and other individual contributing causes. So we are now trying to take a systems approach to identifying those and identifying how to manage the risk of those recurring in the future.

Senator HOGG—I have no more questions there. The C130J is the next area. Strong suggestions have been made to me and some of my colleagues that the current workload of RAAF C130 pilots is dangerously high because of the East Timor operations, compounded by the demand on crew with the introduction of the new C130J and the training requirements of that as well as by a shortage of pilots. What measures, if any, have RAAF put in place to ensure that pilots are not being severely overworked and putting themselves and others in danger?

Air Cdre Blackburn—The issues of high workload are fully acknowledged, and those are being managed at the squadron, the wing and the force element group level to ensure that the aircrews are complying with the aircrew limitations, the flying hour limitations, associated with current operations. We are staying within those limitations. As for the introduction of C130J to service, that is being managed in a progressive manner. As the C130Js enter service, the

C130Es will be progressively withdrawn to ensure that the overall operating workload remains consistent through that period.

Senator HOGG—How is that being phased in successfully, though, with the operations that are involved in East Timor? Surely you have training programs. Are you having shortages in the numbers of pilots that you need to fly the hours that you need for the East Timor exercise?

Air Cdre Blackburn—The initial load with East Timor was eight aircraft. That is now reduced to two aircraft assigned full-time to that operation—C130s. We have had to reassign tasks which were originally assigned to the C130 fleet to other transport aircraft. We are able to manage that task load now and also conduct the required level of training to replace crews and to introduce the C130J.

Senator HOGG—When will the C130J be introduced into full-time service with the RAAF?

Air Cdre Blackburn—The details of the total program could be addressed by Acquisition. Right now, we have six aircraft in operational test and evaluation, and we anticipate the first of those aircraft will enter operational service in March 2000. That would then be a progressive entry into service through the remainder of the year.

Senator HOGG—Has the test and evaluation been outsourced?

Air Cdre Blackburn—Operational test and evaluation is conducted by our crews using the first six aircraft delivered to Richmond.

Air Vice Marshal Conroy—We have contracted Raytheon Australia to develop an operational test and an evaluation plan, to manage the OT&E—as we call it—program and to provide appropriate follow-on support. So we have outsourced a lot of the assistance and management.

Senator HOGG—So they are doing only the planning stage. Is the actual testing still being done by your personnel?

Air Vice Marshal Conroy—Yes. It is always our personnel on board.

Senator HOGG—What is the extent of their involvement in the operation? Is this substantially their operation?

Air Vice Marshal Conroy—No, it is our operation. They are doing it on Acquisition's behalf.

Senator HOGG—Yes, I understand that.

Air Vice Marshal Conroy—They are basically managing the operational test and evaluation program in partnership with the operators.

Senator HOGG—Is that a standard procedure?

Air Vice Marshal Conroy—No, this is relatively new. But it recognises the factors that you were talking about before. We cannot pull too many people off the current operational force.

Senator HOGG—How was the outsourcer engaged? Was there a tender process?

Air Vice Marshal Conroy—My understanding is that it was a standard tendering process.

Senator HOGG—Thank you. That is the end of that issue. We will move on to aircraft availability. What are the main aircraft with which RAAF is struggling to meet the planned flying hours at the moment? What is the reason for this?

Air Cdre Blackburn—Our primary problems occur in airlift fleet, in the C130s, where we have a combination of modification programs to the C130H—which require aircraft to be

removed from service—and also the problems of an ageing C130E fleet, which are providing a significant increase in maintenance workload.

Senator HOGG—How is that hampering operational capacity?

Air Cdre Blackburn—That limits the number of aircraft available on line to be tasked. Therefore, we have to share the tasking amongst a smaller number of available aircraft.

Senator HOGG—What is the current state with regard to pilot shortages? How short is the RAAF from what you would consider as being your full strength requirement?

Air Cdre Blackburn—I do not have that information with me.

Senator HOGG—If you could take that on notice, that would help. Also, could you give the committee some idea as to with which aircraft your shortages mainly occur—where the shortages can be identified. How are retention rates going?

Air Cdre Blackburn—Our retention rates right now continue to be a source of concern. The detail of that may be handled by Defence Personnel Executive.

Senator HOGG—If there are shortages, what action are you taking to overcome the shortages and what action are you taking in respect of the shortages in special areas?

Major Gen. Dunn—If I could address the first question we took on notice in relation to the shortages, the shortages exist in the fast jet pilot stream. In each of the categories of fast jets, there are shortages. Last year we conducted a specific study into the remedies that might be applied to this particular issue.

Senator HOGG—Has that reduced from when we last inquired into it?

Major Gen. Dunn—The figure has not reduced, because we have not had the output from the pipeline. But we now have a vastly different selection process. We start in January next year with a special joint selection panel at Tamworth. We have changed the manner in which we recruit, assess and then process applicants for fast jet pilot training—and candidates who have applied for other forms of flight training, to channel those into fast jet training if they are found to be suitable. We will have to wait another 12 to 24 months to see the results of that. However, the advertising that has been undertaken, the recruiting work, the changed approaches to recruiting, et cetera, have led to a vast increase in the number of applicants for fast jet pilot positions within the ADF.

With regard to retention, your next question, it is an issue in the Air Force at the moment. We are moving upwards in terms of the separation rates. This is cause for concern, and we are looking at measures that can be undertaken across all three services to increase retention. One of the main drivers for the increasing separation rates is the booming economy and the amount of recruitment that is going on in the private sector of a whole host of occupational groupings within the ADF. We have recently undertaken a number of steps, including a very recently negotiated wage arrangement for the ADF, and we are looking at other conditions of service packages and management packages that will allow us to compete more favourably with private enterprise.

Senator SCHACHT—The other day at a hearing of the Joint Committee on Foreign Affairs, Defence and Trade inquiry on Army service—I know that we are discussing the Air Force, but you are here covering all personnel—I think Lieutenant General Hickling said that there was a scientific, objective, review presently under way about all the requirements that needed to be covered for women to serve in combat roles in the Army. Who is conducting that review?

Major Gen. Dunn—The review is being conducted within the Defence Personnel Executive and over the next 18 months we will engage, as appropriate, some external consultants to do that. The detail of that review is being scoped at this very moment.

Senator SCHACHT—So there is no terms of reference yet?

Major Gen. Dunn—We have a clear direction about what is required from the study that was presented to the Chiefs of Staff Committee in July 1999. We have already concluded, within the joint education and training organisation, a detailed review of competencies within the ADF. We now need to take that a step further, in particular to look at the four combat arms in the Army that women are excluded from at the moment, clearance divers, and airfield defence guard and ground defence officers in the Air Force. That scoping of the next stage is due to occur between February and April next year. That is geared up to commence. We will then do the detailed analysis of the competencies in each of those particular occupational groupings and report back to the Chiefs of Staff Committee at each stage.

In the second stage—when we are doing the detailed analysis—we believe that we will probably require some external assistance because we are breaking some new ground. By mid-2001 we will present to the Chiefs of Staff Committee our analysis of all those categories and that will allow us to make the decisions as to where women can or cannot be employed. There is, of course, a fundamental question for government at that stage as to whether the government would wish us to proceed in various areas. I do not know what the outcome will be.

Senator SCHACHT—The government would proceed in those areas only heavily on the advice coming from such a study and the joint chiefs?

Major Gen. Dunn—Yes, I would presume so.

Senator SCHACHT—So you would anticipate that this study would finish some time in the first half of 2001?

Major Gen. Dunn—I am required, or the DPE—the Defence Personnel Executive—is required, to report back to the Chiefs of Staff Committee by 2001. We have a two-year absolute deadline to come back.

Senator SCHACHT—By the beginning of 2001?

Major Gen. Dunn—No, by mid-2001.

Senator SCHACHT—On the subject of the Air Force, at a private briefing—and I do not think I am saying anything out of school—that the Air Force gave the Defence subcommittee of the joint committee on foreign affairs on the issue of women pilots in F18s and F111s there were quite frank comments made that, although—so far—they are open to women, for various reasons women have not proceeded through to become fully-fledged fighter pilots, F111 pilots, navigators, et cetera. Is that an area that your Defence Personnel Secretariat would want to look at—the reasons for this and whether there is anything generic about why women might not make it through to become fully-fledged fighter pilots?

Major Gen. Dunn—I have previously reported to this committee that, in the work that we did for the fast jet pilot study, we have some outstanding and, I would say, world leading research undertaken with our psychology organisation to indicate that women pilot candidates are excellent in all respects, but they are not quite as gifted in the spatial orientation area. However, they have extraordinarily high levels of competencies and gifts in almost every other area. I guess, by fact of history, the courses and the methods of training that we use have assumed a certain level of spatial orientation competency because males typically have that.

We are in discussion internationally on this in some of our technical cooperation groups and we hope in the future to actually test this. But we do believe there is some evidence—in fact, we know there is evidence now—to suggest that changes can be made in the way that the training is applied to actually teach people spatial orientation, and this may open a door.

Senator SCHACHT—So a spatial competency is not a genetic thing that people are born with?

Major Gen. Dunn—No, as a male you tend to have a higher level of competency in that area but, if you are below the average, it can be taught. Of course, what happens in the training programs is that no time is allowed for that. Women have much higher levels of comprehension, so you could envisage a circumstance where they are sitting there having fully comprehended the lectures they have received at a much faster pace than their male colleagues and they could be better spending their time developing their spatial orientation.

Senator HOGG—I have one final question for the Air Force about the near mid-air collision during the Sydney-Hobart yacht race rescue earlier this year. There have been public reports that a RAAF aircraft was involved in an incident during the rescue operations for the Sydney-Hobart yacht race last year that nearly resulted in a mid-air collision with an aircraft involved in the rescue. Can you tell us exactly what happened, how it happened and what actions have been taken following that incident?

Air Cdre Blackburn—An investigation has just been completed into that incident. The report is under review at the moment with BASI and we anticipate the release of that report and its presentation here within a fortnight. I am therefore not in a position, prior to the release of that report, to go into the details of the incident.

Senator HOGG—The investigation was done by whom?

Air Cdre Blackburn—Both the Air Force and BASI.

Senator HOGG—And there is a report due in a fortnight?

Air Cdre Blackburn—It is in final clearance stage right now.

CHAIR—And that report will come from BASI?

Air Cdre Blackburn—It will come from both organisations.

Senator HOGG—We await the outcome of that.

CHAIR—Thank you very much.

Air Marshal Riding—Before you move on to the next output, Mr Chairman, we took a question earlier relating to the search for the four snowboarders and I have our response. On Monday 9 August, four snowboarders were reported missing in the Snowy Mountains leading to a search conducted under the direction of the New South Wales Police. At 1012 hours on Monday 16 August the New South Wales State Emergency Operation Centre contacted Emergency Management Australia and advised them that the officer controlling the search had been contacted by an ADF junior rank officer about army thermal imagery equipment presently on trial. A formal request for assistance was initiated by New South Wales at 1030 hours. Following discussions with New South Wales, headquarters AST, the project office and the minister's office, a tasking order was issued by EMA at 1200 hours.

The aircraft imagery equipment is a component of joint project 129 which seeks to enhance the ADF's aerial surveillance capability for land operations. It involves the use of aerial sensors to detect, recognise and, if appropriate, identify vehicle-sized targets in the broad and focal areas of northern Australia. Part of the project involves a trial of a broad area aerial

surveillance system and an element of the broad area aerial surveillance system is the King Air 350 aircraft fitted with a British Aerospace forward-looking infra-red system. This was the capability deployed to the search site. The aircraft remained in the search area from Monday 16 August until Thursday 19 August, during which it flew four hours over the search area. While the aircraft located a number of hot spots, a ground search did not reveal any evidence of the missing skiers. A project officer advises that the sensor is optimised for use against vehicle-sized and similar type targets and was not well suited for the search operation in the Snowy Mountains.

CHAIR—Thank you.

[2.09 p.m.]

Commander Australian Theatre

CHAIR—We will now move to output 1, Command of operations.

Senator HOGG—How long have Australian troops been serving in the peace monitoring mission on Bougainville?

Air Vice Marshal Treloar—We have just celebrated the second anniversary of Australian troops in Operation Bel Isi.

Senator HOGG—What progress has been made in that time in achieving peace on Bougainville?

Mr White—Mixed, I think would be the best answer.

Senator HOGG—If you can expand on ‘mixed’, I would like that.

Mr White—I would be happy to. It has obviously been a long and difficult process. This is some significant good news. The cease-fire and truce which were established at the beginning of the two-year period have held and have been reinforced. The good news is that, in essence, peace has returned to Bougainville. From the point of view of the welfare of people on the ground, there has been significant success. The Truce Monitoring Group later transferring into the Peace Monitoring Group has been a key contributor to that. I think everyone involved in the process would say that it has been an essential element in terms of improving the quality of life for the people on Bougainville. It has been a significant success. That is the good news.

The bad news is that progress towards a long-term settlement of Bougainville’s status has been less steady, although there has been some progress. There was progress under the Skate government and, since Prime Minister Morauta took office in the middle of the year, he has taken some significant action to hurry that forward with some initiatives by his minister specifically responsible for Bougainville, Mr Somare.

Some of those processes have been thrown into a bit of turmoil in the last few days by a decision by the Supreme Court that the particular peculiar constitutional status given to Bougainville in the last few months is unconstitutional. That has thrown a little bit of uncertainty in to the extent to which the present process envisaged by the Morauta government can be continued. But our reporting from Port Moresby suggests that there is very strong will by the government, by the people on Bougainville and by Father John Momis—who, after the court case, now appears to be the legal governor of the province—to try to manage the peace process forward. Prime Minister Morauta had given a six-month deadline from September to establish a constitutional settlement for Bougainville. That appears a bit optimistic to us, but there is at least a sense of urgency and focus and a desire to get a result.

If you ask me to speculate about when that means the PMG can be withdrawn, the answer is that we do not know. We are keen to reduce its presence as quickly as we can and to withdraw it as quickly as we can. It is a significant undertaking for us. There are, roughly speaking, 250 ADF and other Australian personnel there. But the government has taken the view all along that, as long as we can contribute meaningfully to the peace process, that is something we are prepared to continue doing. Minister Scott is up there right now. I think today he is visiting Bougainville.

Senator HOGG—Do we have an exit strategy as such?

Mr White—Yes, we have given very careful attention all the time, from the point before the deployment was originally made when the initial decisions were being considered. All the way through we have paid very careful attention to the circumstances under which we withdraw, in terms of what sort of deterioration in the situation would prompt us to withdraw and what sort of improvement in the situation would prompt us to withdraw. As I mentioned, our strategy is to run down to reduce the numbers of people involved in the PMG at the fastest rate possible, consistent with the PMG continuing to achieve its function. That is still something we are strongly focused on.

There has already been a slight reduction in PMG numbers. We would hope over the early part of next year for that trend to be able to continue, but frankly that will depend on the progress in the peace process which the Morauta government has under way. I think it would be fair to say that the consistent view of the government on this has been that, keen as we are to reduce our commitment to the PMG, we are not so keen to do it that we are prepared to take significant risks with the possibility of Bougainville sliding back into the civil war that was such a humanitarian tragedy for 10 years until we got there.

Senator HOGG—What sort of strain does the focus on INTERFET, with its much larger requirements, place on the much smaller operation that is taking place in Operation Bel Isi?

Mr White—The Commander Australian Theatre might be better placed to comment on the specifics of that, but let me just make a general point. The government has been very careful in thinking about how we manage the INTERFET contribution and its successive contribution to UNTAET to ensure that we retain any adequate ADF resources, both to undertake other commitments like the Bougainville Peace Monitoring Group and also other possibilities that contingencies in other areas will arise—for example, services to assist evacuations that might be required—and to fulfil our undertakings to assist with the Olympics and all that sort of thing. Whilst we have been focusing on INTERFET and the decisions the government has made on INTERFET, we have always had very clearly in our minds and on the table the significance of maintaining these other contributions.

Senator HOGG—I will move on to the accommodation of reservists during Crocodile 99. A serving reservist has contacted the opposition. He alleges that he was amongst a group of reservists who replaced regular troops who were on stand-by for East Timor. Their task was in the transport area on their way to the exercise area, and they were expected to overnight in the lines in Brisbane. However, because either the security or base garrison function had been commercialised, the contractor required two weeks notice of their presence. The troops were forced to sleep outside under hutchies because sufficient notice had not been given. Does this sound like a likely occurrence? If it does happen, does it happen often? Has someone just fed us a good line?

Air Vice Marshal Treloar—This is the first time I have heard of that particular incident, and it is the first time I have heard of an incident of the type that you are talking about. There

were short notice changes to the conduct of exercise Crocodile 99 because of the East Timor issue appearing on the scene at the same time. Reservists were certainly changed in their field of exercise from Northern Australia into the Townsville area. That necessitated some changes to their route into the exercise area. However, I was not aware of any particular complaints or problems in that activity.

Senator HOGG—That was a complaint that someone asked me to raise here, so I have. Can you find out whether there is anything more to it?

Mr Tonkin—We will take it on notice.

Senator HOGG—Okay. In respect of Crocodile 99, could you outline for the committee how this was modified in the light of the East Timor operation?

Air Vice Marshal Treloar—There were three phases in Crocodile 99. The first phase was the command post exercise, which was conducted between Deployable Joint Force Headquarters and Headquarters Australian Theatre in Sydney and Brisbane. That part of the exercise went unchanged. The second part of the exercise was the work up of the 1st Brigade. That was called field training exercise West. That exercise was undertaken successfully. The third part of the exercise was field training exercise East. It had several components. Two of those components were the operation and exercising of the Australian fleet and the US fleet in the Coral Sea, and the activation of RAAF base Scherger to support that activity with P3 aircraft and F111. Because of difficulties with providing the appropriate fleet assets to support the exercise in the Coral Sea, that part of the exercise was cancelled. It was cancelled with the agreement of the American forces. At the same time, the activation of RAAF base Scherger was also cancelled as a supporting element of the Coral Sea activity. That required that we change the exercising for the 11th Brigade reservists from the Scherger area down into the high-range area at the back of Townsville. That exercising did occur.

Senator HOGG—So those were the only two major elements of that part of the exercise.

Air Vice Marshal Treloar—They were the only ones that were cancelled.

Senator HOGG—One part went ahead; the other part was cancelled.

Air Vice Marshal Treloar—Correct. The Shoalwater Bay training exercise was also downgraded in size, because some of the battalions that were to be used in the Crocodile exercise were redirected into East Timor. The exercise did go ahead in that segment, but it was predominantly US forces—Marines—doing an amphibious landing and then exercises beyond that. The 7th Task Force—as it was then, 7th Brigade—headquarters supplied the training support for the US Marines. We had some very good reports out of that.

Senator HOGG—Has this impacted greatly on our joint exercise objectives?

Air Vice Marshal Treloar—In all of the other parts of the exercises our objectives were achieved. In those areas we had cancelled, obviously, they were not achieved. The feedback from both the Australian forces that participated and the US forces was quite laudatory—in fact, they were very grateful for the exercising opportunity that we did afford them. The reports back have been of a high standard.

Senator HOGG—Because of the reduced nature of Crocodile 99, were there substantial savings to the budget as a result?

Air Vice Marshal Treloar—I think the portfolio allowed something like \$10 million for strategic lift and support activities. I think we only spent somewhere in the order of \$4.5 million in that area.

Senator HOGG—You have spent \$4.5 million, so what was the saving, just roughly?

Air Vice Marshal Treloar—It was \$10.4 million, I am told, by the portfolio provided funds. The indication is that the expenditure was in the area of \$4.5 million. That was for those aspects associated with the planning, controlling and associated strategic movement that were not available by service means.

Senator HOGG—Thank you. That is the end of that issue. The next issue is the role of the reserves since commencing the operation in East Timor. How important do you envisage the role of the reserve will be in sustaining our presence in East Timor? Whilst answering that, could you address also whether the reserves will be required to fill any specialist roles and, if so, what specialist roles will they be?

Air Vice Marshal Treloar—Primarily, the activities have been undertaken by the permanent force. There have been some personnel from the reserve forces used on a volunteer basis, in Australia particularly. I am not aware of any formed unit of reserves that have been used in support of East Timor, however.

Major General Dunn—We, of course, continue to send specialists to East Timor, particularly in the case of medical officers. We also have some transportation elements. We are placing a heavy reliance on our reserve, and they are providing us with excellent support to assist in sustaining the force in East Timor.

Senator HOGG—Are there any other specialist roles being used, other than in the medical area?

Major General Dunn—I have mentioned transportation already. There are individuals that have a variety of military specialist skills, ranging from operations officers in headquarters through to the more obvious ones that I have just mentioned. They are scattered throughout the headquarters and, as I said, in units.

Senator WEST—How long are these reservists that are supplementing regulars going to be working in the ADF? What is going to be their tour of duty?

Major General Dunn—It varies. In the case of the medical officers, it could be for several weeks or a couple of months, through to other individuals that are prepared to commit for up to two years. The choices is theirs. There is no fixed period of service that we ask them to enter into.

Senator WEST—What is their salary package? Are they going to continue to be on reservists' conditions and salary while they are in the regulars, or are they going to go up and be paid and have the same entitlements as the regulars?

Major General Dunn—On entering the force as a volunteer for full-time service they enter into the permanent force rates. There are some additions to that, however. The medical specialists, for example, do receive an allowance, should they require it, for such things as fixed practice costs, which has been the issue in the past—you might recall—and one of the major limiting factors to allow us to employ specialists, medical, legal or whatever. That has now been resolved, and some medical specialists are receiving their fixed practice cost allowance.

Senator WEST—You said the others who are not medicals are getting the same salaries; are they getting the same conditions? I am thinking in terms of the same treatment as far as leave entitlements, sick leave and some of those sorts of ancillary benefits go?

Major General Dunn—Absolutely; exactly the same package as the permanent forces deployed on operations would.

CHAIR—Thank you very much.
[2.25 p.m.]

Vice Chief of the Defence Force

Senator WEST—Earlier this year in one of these rounds it was mentioned that some review was being done on the issue of the use of contractors by the ADF and how contractors may or may not be used in operations and whether contracts for services that have been outsourced would cover the requirements of the defence force. Has this review been completed?

Air Marshal Riding—The review is not yet concluded. We expect to conclude it in March of 2000.

Senator WEST—Are there any contractors being used in East Timor?

Air Marshal Riding—My understanding is that there is a contract for the provision of communications services with Telstra that is now providing communications services in East Timor.

Senator WEST—Is it correct that when the ADF was first planning the INTERFET operation and was identifying what contractors would need to be taken with the troops it was discovered that the UN mandate did not cover civilians entering East Timor?

Air Marshal Riding—I am not aware of that constraint.

Senator WEST—Was it discovered that Indonesia would need to give permission for contractors going to East Timor, even with the UN mandate in place?

Air Marshal Riding—Until the transition of authority from the government of Indonesia to the UN for the administration of East Timor, all personnel who went to East Timor were in fact notified to the government of Indonesia.

Mr White—I think that is right. My understanding is that personnel who were attached to INTERFET and were operating under the commander control of INTERFET, whether military or civilian, were entering East Timor under resolution 1264. Civilians who were not operating or serving with INTERFET were in a different position. But I do not believe that was a constraint on us or on other countries deploying civilians into the AO.

Senator WEST—What are the problems that this exercise has highlighted to Defence with the use of contractors, especially if they are providing services to Defence that may need to be provided in an area of operation?

Air Marshal Riding—There have been no significant issues in respect of contractor support to the ADF that have impacted adversely on East Timor operations.

Senator WEST—But you have only had one contractor serving there.

Air Marshal Riding—Thus far. The initial circumstances in East Timor were such that we did not believe it would be appropriate, because of the security situation, to plan initially on deploying contractor support. Therefore, the support that was provided was from in-house ADF resources or coalition partners' resources.

Senator WEST—When did the ADF allow a contractor into East Timor?

Air Marshal Riding—I do not know the particular date for the deployment of the Telstra communications element into East Timor. The Commander, Australian Theatre may be able to provide that.

Air Vice Marshal Treloar—I do not have the exact date but it was about a month ago that we did the contracting work for Telstra to move into the area.

If I can go back to one of your previous questions, you talked about the earlier employment of contractors: given the security circumstance that we thought we would face in East Timor, the force that went forward went forward fully contained as a military operational force. Therefore, there was not the need for contractual support in that early phase of Operation Stabilise. It was only when it became obvious that the security situation had been controlled and that the level of threat was not the level of threat that was possible at the start of the operation that we could then move back and start to withdraw some of our own forces and replace those with contractors.

At that stage, through national support, the review went forward to look at the legal obligations of putting contractors into place in East Timor in a chapter 7 operation. That was done at the strategic level. When that was agreed interim policy we could go forward with people like Telstra and other contractors. The other contractors up there are supplying fresh food direct from Australia. There is the Telstra contract. There is weekly supply of food from Dili to the port of Com. There is provision of fresh rations by naval vessel into Suai. There was a gradual movement in of contractors as the situation ameliorated.

Senator WEST—So obviously there are operational exercises where it is not appropriate to have contractors?

Air Vice Marshal Treloar—That would be the case, yes. That would depend very much on the level of threat of a particular operation.

Senator HOGG—I turn to our relationship with Indonesia. In a joint statement and media conference some months back, the minister and CDF announced that certain joint exercises with Indonesian forces were being cancelled and that a full review of all joint exercises with Indonesian forces would be conducted. Has that review been finalised?

Mr White—Obviously the defence relationship with Indonesia has been under very significant stresses in recent months. Whilst the government remains committed to maintaining a defence relationship with Indonesia because of Indonesia's enduring strategic significance to us, it is taking a very deliberate and careful approach to the future of that relationship. In line with the approach the government as a whole is taking to the future of the relationship with Indonesia as a whole, we are seeking to develop a set of ideas as to what sort of relationship we should have with Indonesia in the future. Frankly, we are not aiming to rush that. There are still some very dynamic developments in Indonesia itself, and so it would be fair to say that the review process that was undertaken in mid-September in the immediate light of particular events in East Timor at that time has, if you like, transformed itself into a longer term re-examination of the nature of that relationship.

Senator HOGG—Were any exercises cancelled? If so, what were they?

Mr White—As was announced at the time, a number of exercises that were then pending were cancelled and we now have no exercises scheduled with Indonesia.

Senator HOGG—None whatsoever?

Mr White—We have no exercises scheduled with Indonesia.

Senator HOGG—The exercises that were cancelled: were any of those recurring annual exercises? If so, have they been permanently cancelled or just cancelled for this year?

Mr Behm—Yes, some of the exercises that are not proceeding have been annual exercises.

Senator HOGG—Does that mean that those exercises are cancelled?

Mr White—I think that depends on what decisions are taken about the longer term shape of the relationship. We would not be in a position to say that none of those exercises will ever happen again but we are very much looking afresh at the shape of the relationship, and that will include considering afresh what would be an appropriate exercise program.

Senator HOGG—That is in terms of joint exercises. In terms of training personnel, are we still training any Indonesian personnel?

Mr Behm—By way of background to help you understand the answers that we are giving you, the past practice has been for us to have an annual negotiation with the Indonesian armed forces on what would precisely be the year's activities. We have not done that for the coming year, so exercises and other things that we did on an annual basis simply have not been rebrokered. Until such time as we put in place another program, then they will obviously not be conducted.

Some things are going ahead, and they are essentially in the area of training exchanges such as staff colleges. We send Australian officers to Indonesian staff colleges, and we expect that that will proceed in the next calendar year. Similarly, we have Indonesian officers at our staff colleges, and we expect that also will proceed in the next calendar year.

Senator HOGG—How badly do you assess our defence relationship with Indonesia has been damaged over the last six months? What actions, if any, are being taken by Defence to improve the relations with Indonesia?

Mr White—I think it would be fair to say that the defence relationship has been put under a great deal of strain. From Australia's side, evidently there has been acute disappointment with the conduct of TNI in East Timor, and of course from the Indonesian side, whether justifiably or not, there has been disappointment with Australia's conduct in relation to East Timor. That has put strains on the relationship of some magnitude and has prompted significant rethinking about the future shape of the relationship that I mentioned. On the other hand, we do have very enduring strategic interests in Indonesia, and the defence relationship with the Indonesian armed forces is, in the government's view, going to continue to be as important in the future as it has been in the past in protecting those. We believe that Indonesia takes a similar view. I would not want to put a measure on how deep the damage is—I am not quite sure how you would measure it—but it would be true to say the state of the relationship, as Allan and I have described it to you, is a very significant disruption.

We are not intending, as I said, to rush back in with a whole battery of measures to immediately try to rebuild the relationship in its old shape as quickly as possible. We think our long-term interests are better served by starting if not from scratch then certainly by looking afresh at the shape of that relationship and considering how best to develop it from here. But, in keeping with the government's overall approach to the relationship with Indonesia as detailed by the Minister for Foreign Affairs and our colleagues in Foreign Affairs, that will be a measured, careful, rather deliberate process, very much focusing on activities that genuinely serve mutual interests and deliver mutual benefits. So I think whilst the government's long-term intention is to build a defence relationship with Indonesia that serves our strategic interests, it would not be the case that we have under active prosecution at the moment a rapid program to attempt to rebuild to where we were before. We are not sure that is the right approach.

Senator HOGG—Coming back to the issue of joint exercises, I just had a quick look through the PBS. We conducted joint exercises with Indonesia special forces and our special forces on the gas and oil rigs off the coast. Is that correct?

Mr Behm—That is correct. Historically we have done such exercises. I do not think we have done them recently.

Senator HOGG—I was just wondering if that was one of the exercises that had been cancelled on a permanent basis.

Mr Behm—It is not so much that it has been cancelled; it has not come back into the program.

Mr White—I think it is fair to say that exercising with Kopasus did cease about this time last year, or a bit earlier, for reasons that had less to do with the immediate situation in East Timor than with longer term developments in Indonesia. So, in a sense, the reconsideration of the relationship with Kopasus has a history that goes back before the events in East Timor at the beginning of September.

Senator HOGG—Thank you. I will now move to Air 6000. At the last estimates hearing, I asked about the discussion paper commissioned by the government with regard to the FA18 replacement. I was told then that it had been on the minister's desk since March but that it was expected to be released soon. Has this paper been publicly released yet? Do we know?

Air Marshal Riding—The paper has not been released.

Senator HOGG—If it has not been released, do we know why it has not been released?

Mr White—Before I answer that, I will just put on the record an answer to Senator Schacht's question earlier about Pacific patrol boat advisers in the south-west Pacific. I undertook to get back to him, and 33 PPB advisers of different sorts are posted to south-west Pacific countries at the moment.

We undertook to develop a discussion paper on the future of the air combat capability some time ago. We have deferred release of that successively for three different reasons. Firstly, if I can put it this way, the issue itself became fairly dynamic on us in that there were a number of new developments—for example, options for extending the life of the FA18—which had not been apparent when we started the drafting process but came onto the picture.

Secondly, as we negotiated our way through those, we spent a bit of time with Mr Moore when he first came into the portfolio addressing those issues with him and ensuring that he was comfortable with that. More recently we have been concerned to make sure that the publication of that does not interfere or cross over any public discussion process that we want to initiate in connection with the white paper. Our present thinking is that the discussion paper will be published in connection with some public discussion promotion that we will be seeking to do in connection with the white paper next year.

Senator HOGG—When do you expect this discussion paper to be released?

Mr White—I would hope it would be out early next year.

Senator WEST—Does that mean in time for the early February estimates?

Mr White—I would not want to tie myself down quite tightly, but it is a reasonable hope.

Senator HOGG—What is Air 6000 looking at as part of the project? Is it simply the FA18?

Mr White—No. I think its title is the 'Future combat aircraft', and one of the reasons why it is a very complex issue for us is that it looks both at the future of the FA18 and at the potential that a single airframe might replace the functions now performed by both the FA18 and the F111. It may not do that. It will depend on the life of those two airframes and a whole range of other decisions we have to make. It at least encompasses the possibility that it will be a replacement for both types of airframe.

Senator HOGG—Is that a change in the project from where it was?

Mr White—Our thinking about the replacement of the FA18 for quite a few years now has acknowledged that one element of it would be the potential to replace both the FA18 and the F111 with a single airframe.

Senator HOGG—So it is not the fact that a change in focus has delayed this discussion paper?

Mr White—No. We have always had that in mind. If you like, it is keeping up with the pace at which the range of options we have for addressing that set of problems changes on us. It is quite a dynamic area of policy.

Senator HOGG—Who is in charge of the Air 6000 project?

Mr White—The project itself?

Senator HOGG—Yes.

Air Marshal Riding—The responsibility for the project resides with the capability staff. The Head of Capability Systems, Rear Admiral Ritchie, has sponsorship of that project. Air Commodore Gray, who is the Director-General of Aerospace Development, has specific direction of that project at this time.

Senator HOGG—I will turn to the Olympics now. Has Defence's contribution to the Olympics been finalised yet?

Air Marshal Riding—No, it has not. Some aspects have been agreed. Other aspects are still in negotiation.

Senator HOGG—Could you outline the aspects that have been agreed and those that are still pending?

Air Marshal Riding—The provision of bands is agreed. Aircraft for fly pasts is agreed. The provision of drivers is agreed. The remaining have not been agreed: use of ADF facilities—barracks and sporting facilities—for overseas teams visiting, the provision of berthing facilities, aviation support, transport support, communications support, intelligence support and logistics support. I will also add that the key defence capabilities, particularly counterterrorism, obviously are there and are not a matter of negotiation. They are part of our core business, and we will be providing that capability.

Senator HOGG—I took that for granted. In terms of the contributions that have been agreed upon so far, do we know what the cost of those contributions will be worth?

Air Marshal Riding—I believe they have been costed, Senator. I will see if there is any detailed information available. We do not have that information available, but we can certainly provide it on notice.

Senator HOGG—It seems to me that those outstanding items are the big ticket items; is that correct, if I can put it in those terms? That is where your major costs are going to be incurred, subject to what you agree to.

Air Marshal Riding—I think there will be costs associated with fly pasts, the provision of drivers, a significant number of those.

Senator HOGG—No, I am talking now in terms of the outstanding items.

Mr Tonkin—I would not necessarily draw that inference.

Senator HOGG—You wouldn't?

Mr Tonkin—No. We are seeking to capture as normal what the additional costs are as well as the full costs.

Senator HOGG—In terms of the additional costs, will there be supplementation for that?

Mr Tonkin—That issue is yet to be addressed.

Senator HOGG—Has it been raised?

Mr Tonkin—It is part of the overall presentation Defence cost pressures in the annual budgetary processes.

Senator HOGG—So it has not been raised yet?

Mr Tonkin—It is a visible item in the discussions about the level of Defence support. It is a question of raising which context in a series of contexts that might be raised in. But certainly it is a visible item in the advice that we have been providing as to the additional cost to Defence.

Senator HOGG—It may well be that all of these things that have been outlined by the Air Marshal are additional costs to the Defence budget, without any agreement prior to Defence entering into those knowing whether or not they are going to be supplemented.

Mr Tonkin—There are a lot of activities that Defence undertakes which could be described as national support tasks under which some of these things fall which are additional things that Defence does anyway and a cost which Defence absorbs. There is no hard and fast line that is drawn—and it is the same with overseas deployments—as to what costs Defence would accommodate and what costs we would be supplemented for.

Senator HOGG—I do not want to pursue this at great length, Mr Tonkin. I accept that, but this surely is quite different. It is a substantial one-off event. Undoubtedly they are looking for a major contribution from the defence department. I just want to know simply do you have any sort of indication that there will be supplementation, or is supplementation something that you are going to have to seek?

Mr Tonkin—My understanding is that, as yet, we have no such undertaking.

Senator HOGG—Is there a projected cost to Defence if all of those items come on stream?

Air Marshal Riding—Yes, Senator, the estimate at the moment for the support task is \$68 million in additional costs and \$455 million in full costs.

Senator HOGG—Is this operation being treated as a separate operation of Defence? If so, is there someone in charge of coordinating the operation, and who is that person?

Air Marshal Riding—Yes, it is a discrete operation, Operation Gold, and Commander Australian Theatre has responsibility for the operation.

Senator HOGG—During the Olympics, what will the command structure for ADF personnel involved be? For example, will the New South Wales Police Commissioner have control of any Defence personnel, or will they be subject to their own control?

Air Marshal Riding—In terms of our core tasks, Senator, the standing commander control arrangements will apply. I will get Commander Australian Theatre to address the support tasks that we are possibly going to be involved in.

Air Vice Marshal Treloar—Operation Gold, as it is known, has been set up with a one-star officer from Land Command who is and will be in charge of the activities of Defence personnel as they undergo their tasking in support of the Olympic Games. Tasks will be requested through the chain of command and will then be directed by a military officer to

military personnel. But obviously the scope of the tasks will be agreed well before the occasion. It will then be a matter of on the spot operational tasking should things change, the timing, et cetera.

Senator HOGG—When that becomes available, I am sure that can be made available to us as well.

Air Vice Marshal Treloar—Certainly, Senator. They are continually being refined as we look at the activities we may be asked to do, and, as they become agreed, they are put onto the list.

Senator HOGG—How many ADF personnel will be involved in the overall project?

Air Vice Marshal Treloar—I do not have the precise number off the top of my head.

Senator HOGG—Roughly.

Air Vice Marshal Treloar—It is in the order of 3,000 personnel on and off during that period. They are not totally committed to that operation full time. Quite a few reservists will be used for many of the tasks, which is appropriate for their particular skills and specialities, and they will be in for shorter periods of time—some for bomb search and bomb hoax type activities where only a reasonable level of training is required. They can achieve that between now and then and support the ADF in total.

Senator HOGG—Could you give us a profile of the tasks that will be undertaken and how many will be involved?

Air Vice Marshal Treloar—Yes, I can do that, but I will have to take that on notice.

Senator HOGG—I accept that you will have to take it on notice. How will the personnel who are going to undertake these tasks be selected, and who will be responsible for their selection?

Air Vice Marshal Treloar—The larger number of people are from the Army Reserve and they will be selected from within the Army system. As with all reservists, they will be called up on a volunteer basis either by form units or by individuals. That process is being undertaken at the moment.

Senator HOGG—Thanks very much.

CHAIR—As there are no further questions, we will now move on to reserves.

Senator WEST—I understand a review of Army Reserves was commenced earlier this year; is that correct?

Air Marshal Riding—That is correct.

Senator WEST—When is it expected to be completed, or has it already been completed?

Air Marshal Riding—The paper and the study have been completed and the results have been briefed to the minister. He is considering them at this stage.

Senator WEST—Who conducted the review?

Air Marshal Riding—The study was conducted by the Head of Reserves Policy, Major General Darryl Low Choy, and his staff, with assistance from members of the reserves.

Senator WEST—So it was internal?

Air Marshal Riding—It was an internal study in terms of sponsorship. The Head of Reserves Policy, Major General Low Choy, directed it. However, there was very intense involvement and very significant contribution from a number of senior reserve officers, and

there was a lot of consultation with industry and community bodies which have an interest in that reserves issue.

Senator WEST—So it was conducted by reserve ADF personnel in their reserve capacity?

Air Marshal Riding—That is correct, assisted by the permanent staff of the Head of Reserves Policy, who are permanent officers.

Senator WEST—So there were no outside individuals or organisations involved in the conduct of this review?

Air Marshal Riding—As I pointed out, Senator, there was significant input from reserve officers. There was extensive consultation with industry and other community bodies.

Senator WEST—What were the terms of reference for the review? Is it possible to have a copy?

Air Marshal Riding—I can take that on notice and provide it to you.

Senator WEST—Please. Do you have any idea when the report will be publicly released, or if it will be publicly released?

Air Marshal Riding—That will be a decision by government. There is no date set at this stage.

Senator WEST—Minister, do you have any idea?

Senator Newman—No, I do not.

Senator WEST—Can you take that on notice?

Senator Newman—Yes.

Senator WEST—I am just interested in an article of Ian McPhedran's that appeared in a News Ltd publication a couple of weeks ago that outlined a revamped reserves program. Is that correct?

Air Marshal Riding—I am sorry, I missed the point of your question.

Senator WEST—Ian McPhedran, who is an old journo in the gallery, had an article that appeared in a News Ltd publication a couple of weeks ago outlining a revamped reserves program. Is that correct?

Air Marshal Riding—I am not aware of the article, Senator.

Major Gen. Dunn—I am aware of the article. The future of the reserves is the subject of some submissions that the department is making to cabinet, so it would not be appropriate to discuss the details of it here.

Senator WEST—So nobody has any comments about McPhedran's article?

Air Marshal Riding—No, Senator, we have no comments on the article.

Senator WEST—I thought that what he was outlining looked like a rehashed version of the Ready Reserves, which the government cut in 1996. So I guess we have to wait with interest the publication and the announcement of the outcomes of the review.

Air Marshal Riding—I think that is appropriate, Senator.

Senator HOGG—When will the review be completed by?

Air Marshal Riding—The review is completed. It is currently with government.

Senator WEST—And Minister Newman does not know when it will be released, so she is taking it on notice.

Senator HOGG—The last issue in this area is an ANAO report into Commonwealth security. Some months back, the ANAO released a report about Commonwealth security and intelligence agencies. It was a generic report that did not mention any specific agency. However, it raised many concerns over issues such as HR management, document security procedures—which we have already canvassed this morning—poor security checking procedures of respective employees, et cetera. Has Defence seen the ANAO report, and has the department looked to implement the recommendations of that report?

Mr Neumann—Yes, we have seen the report and, yes, we are addressing the recommendations for inclusion in departmental policy where appropriate.

Senator HOGG—In the compilation of their report, did ANAO consult with Defence?

Mr Neumann—My recollection is that they did consult with Defence. I should add that Defence was not included in the report though; we were consulted in the sense of having a look at the draft report. I think the Assistant Secretary of Security did that.

Senator HOGG—Right, and that would be to see the applicability of the recommendations that the ANAO would obviously make to your organisation.

Mr Tonkin—My understanding is that the organisations examined in the ANAO audit did not include Defence—

Senator HOGG—I am not saying it included Defence. I am just asking if their consultation with Defence was to see the applicability of any of their recommendations to Defence. That is all. I am not implying that there was any involvement. Was that the purpose?

Mr Neumann—I cannot recall on this one—

Senator HOGG—What I do not want to do is take your answer that there was consultation, then go away, look at the recommendations and say, ‘Why didn’t Defence implement this?’ Or ‘Did Defence implement that?’

Mr Neumann—With cross-agency reports, what normally happens is that ANAO will pass them around to relevant agencies to see whether they agree or disagree with the recommendations. I think that occurred in this case, but what also occurred in this case was that the Assistant Secretary of Security was also approached in a consultative role because of his knowledge of security matters.

Senator HOGG—Thank you. That is it on that one.

[3.02 p.m.]

Chairman Defence Intelligence Board

Group 5—Intelligence

Senator WEST—There has been some media speculation and other speculation about cyber attacks. Is there any coordination, firstly, within Defence, and, secondly, at the whole-of-government level that Defence is involved in to look at the threat of cyber attacks and defending Australia from them?

Mr Brady—The Defence Signals Directorate does run a whole-of-government reporting scheme for incidents which appear to involve threats to networks or systems.

Senator WEST—Does that mean that Defence is involved in the government’s new measure under the Attorney-General’s Department in terms of protection of critical infrastructure?

Mr Brady—Yes. The Defence Signals Directorate is a member of that interagency group.

Senator WEST—And you therefore have in place protection measures against these attacks?

Mr Brady—There are two ways of protecting against attacks of this kind. The first is essentially through the use of firewalls where networks and systems are connected to external networks and systems, normally the Internet. The second way of protecting against them is to have an air gap between the internal system and any external system. That is what is followed in regard to high security systems.

Senator WEST—I presume when you say an ‘air gap’ you actually mean they are not linked in any physical way?

Mr Brady—That is right.

Senator WEST—And that they do not have the ability to link by infra-red port as well. Because these days you do not have to have a physical link to communicate, do you, with the use of infra-red ports?

Mr Brady—Yes. Leaving aside the infra-red question, it is generally desirable to have a physical space separating the networks.

Senator WEST—Thank you. I will leave it there, I do not want to cause problems.

Mr Tonkin—A while ago there were some questions asked about Minister Moore’s travel. Mr Behm has some answers which might be appropriate at this point.

Mr Behm—Senator Hogg asked a couple of questions and I am now in a position to answer those questions. I have provided the dates and the places that the minister visited. Essentially, three other questions were asked: you asked who accompanied the minister and you asked a question about the minister’s entitlements and costs that might have been incurred by the Department of Defence. I think Senator West asked a question about his program in New York and in Paris. So if I could answer those questions in that order.

Those who accompanied Mr Moore on his overseas trip were Mr Brian Loughnane, the minister’s chief of staff, and Mr Martin Brady, who had been acting deputy secretary during the build-up of the INTERFET operation. Since the minister’s calls were largely about that, Mr Brady accompanied the minister. In Ottawa, the minister was accompanied by Dr Ron Huisken, who is the Director-General in the International Policy Division. On the question of the minister’s entitlements, that is actually a question for the Department of Finance and Administration and I am afraid I cannot answer that.

Senator HOGG—My question went to the issue of whether there was anything over and above the entitlements that the minister or anyone travelling with the minister may have claimed?

Mr Behm—I am advised that there were no costs above the entitlements, and there were certainly none paid by the Department of Defence.

Senator HOGG—So you are telling me that there was nothing outside of normal entitlements that would have been met by the Department of Defence?

Mr Behm—I am certainly saying that.

Senator HOGG—Nothing whatsoever?

Mr Behm—No.

Senator HOGG—Okay, you have given me something to pursue at another time.

Mr Behm—The last part of the question was the minister's program in New York. I am not aware of any official calls on the Saturday or Sunday in New York. The minister had one official meeting on the Saturday in Paris.

[3.08 p.m.]

Group 6—Support Command

Senator HOGG—I wish to go now to the operations in support of East Timor. Could you outline for the committee the magnitude of the task involved for Support Command in supporting our troops in East Timor? It is a fairly broad question, but obviously it is something that has not been clearly well defined at this stage.

Major Gen. Mueller—The greater part of the effort within Support Command in delivering support for Timor has fallen upon the Army component. There has been a surge in demand, and this applied particularly during the predeployment phase for repair activities. There has been significant interdistrict transfers between warehouses that support various force element groups within Army, and there has been a very significant surge in purchasing, principally for not-in-catalogue items—in other words, items which we normally do not carry or purchase because the need for them does not arise. However, what has occurred in Timor because of the massive degree of destruction of the infrastructure has led to INTERFET force elements demanding items that cover an extremely wide range, and generally speaking they are items which are readily commercially available within the Australian market.

Senator HOGG—Just on that point, earlier today I asked what items may have been in short supply when we first went in there, and I mentioned flak jackets. Did we actually purchase those flak jackets that went in there?

Major Gen. Mueller—No. The situation with combat body armour was that the deployment took place at a time when the order that we have on Australian industry was still being progressed. In order to fill that gap in the short term, we requested a loan of combat body armour from the United States, which they acceded to. We anticipate that the production run to meet the Australian contract for combat body armour will be completed by the end of this month. There has been some delay because of difficulties being experienced in producing ceramic plate armour which meets the ballistic protection specification which is necessary for the CBA.

Senator HOGG—Were there major demands, therefore, placed on your organisation in terms of the items that INTERFET were demanding because of the scorched earth policy that had been pursued by the TNI prior to their departure? Can you give us some idea of the range of items?

Major Gen. Mueller—Senator, are you referring to the not-in-catalogue items?

Senator HOGG—The non-catalogue items.

Major Gen. Mueller—Just to give you an example: there have been things such as—

Senator HOGG—Major General Mueller, what we are trying to get is some sort of picture of what the involvement of your organisation has been in this process.

Major Gen. Mueller—As I mentioned earlier, the demand for not-in-catalogue items has been very, very significant and that has led to a very significant surge in local procurement activity, initially in Darwin and subsequently amongst procurement officers at the Defence National Storage and Distribution Centre in Sydney. There has also been some central procurement action surge on the part of the Army Equipment Management Agency.

Senator HOGG—Have you had to make a greater use of civilian contractors as a result?

Major Gen. Mueller—No.

Senator HOGG—Not at all?

Major Gen. Mueller—No.

Senator HOGG—Has there been any consideration of the use of contractors on the ground in East Timor now or in the future?

Major Gen. Mueller—I understand that that is the case. That is an issue which is being handled by the Strategic Command Division in ADHQ.

Senator HOGG—So it is not really an issue that comes under your control?

Major Gen. Mueller—Only in the sense that we may be directed to provide support in the context of contracting expertise.

Senator HOGG—Can you give us some idea, therefore, in a general sense again, of what sort of strain is being placed on your organisation as a result of the current involvement in East Timor?

Major Gen. Mueller—As I mentioned, there has been a surge which has led to increases in rates of effort in some of the business units and the agencies in my organisation, but that level of surge is manageable.

Senator HOGG—So you see no difficulties in your Support Command group being able to continue without any great difficulty?

Major Gen. Mueller—Not at this point in time, no.

Senator HOGG—That is all I wanted to establish. Thank you very much.

[3.15 p.m.]

Deputy Secretary Strategy

Senator HOGG—Before we move on, there is one subheading—and it is back a way—under Deputy Secretary Strategy which I want to draw your attention to. Where the program says ‘Topics’, it states, ‘Singaporean Armed Forces’ training arrangements at Shoalwater Bay’. I did not pursue that and I do not want to pursue that necessarily now. I have a set of questions. Would you be happy to take those on notice and answer those in due course for me?

Mr White—Yes.

Senator HOGG—Thank you very much.

[3.16 p.m.]

Group 7—Defence Personnel Executive

Senator SCHACHT—Mr Dunn—

Major Gen. Dunn—I suspect the Senator might know something I do not know here. I would love him to share the secret with me.

Senator SCHACHT—Not even I would claim to be ahead of your minister on this stuff about certain people. General Dunn, in the *Australian* earlier this week in the IT section, there was a story with a nice photograph of you with a Mr Conway from the PeopleSoft company about your proposal to operate the human resource records of the three services in one collated centre where people could ring in on a number or go through their communication system and

get the access in a timely manner about issues of their service, their records, et cetera. I have to say it seems to me a commendable effort. You mention here there could be considerable savings. You also mention there is some natural conservatism in the services, and I could imagine those with quill and inkwell still wanting to stay out of the New Age. All of that is fine and I personally do not question that part of it.

What I do want to know is: will all the records be physically located in one centre? You have the ubiquitous files at the moment with medical records in them and so on. Will they be shifted from wherever they are now in the various services and various locations to one site?

Major Gen. Dunn—The article that you are highlighting there actually was not dealing with the physical paper records. It was dealing with electronic records.

Senator SCHACHT—That is what I was going to get to.

Major Gen. Dunn—They will be virtually co-located. The paper records that you are referring to are the subject of a market testing program at the moment to ensure they are put into probably various sites—I do not know the answer to the outcome of that. The purpose there is to make sure those paper records are properly looked after, because they are a very important part of our history. In every case they are not necessarily properly looked after at this stage, as I think you would be aware. We have talked about that before. We would seek to have probably a number of repositories of those records.

Senator SCHACHT—Therefore, under this new proposal, those records would be electronically recorded into the information system so that, instead of an officer having to go and open a paper file, they open an electronic file and electronically bring up the information that would have been in that file?

Major Gen. Dunn—Absolutely.

Senator SCHACHT—I think under law, immigration cards which are filled in when you are moving in and out of Australia have to be kept physically in case there is a dispute about somebody moving legally in and out of Australia. Though they were electronically recorded by Customs at the barrier, the actual form which was filled in had to go off and be filed away in case there was a legal dispute. Is there anything in the law of the Defence Force that would require you to keep all of that paper forever and a day?

Major Gen. Dunn—We are subject to the Archives Act, and there are certain documents that are in paper form right now that we will retain. There are also Australian standards with regard to the maintenance of electronic records. The PMKEYS project—which is what that article you were referring to was centred on—is totally compliant with not only the standards but also the Privacy Act.

Senator SCHACHT—So presumably it would work this way: if someone inquired about accessing their personnel record for whatever reason, if they wanted it physically, as a document, that now would be supplied to them as a print-out from the electronic system you have put in place.

Major Gen. Dunn—Yes, it will. The big advantage here is that we will be able to do it as we move onto this system far more quickly than we can do it now with our rummaging around in a whole series of paper files.

Senator SCHACHT—I think the story said that you now could do this online; that, through the new communications system, people could get access through mobile phones and laptops

to the computer system. As long as they go through the right protocols, they will be able to key into and access that information system to get their query dealt with. Is that correct?

Major Gen. Dunn—Yes, in due course. They cannot do that at the moment.

Senator SCHACHT—I know they cannot do that now, but that is what you are leading to.

Major Gen. Dunn—That is right. ‘Employee self-service’ is the jargon. This places the opportunity before people to not only input their own data in those areas where they are able to do so, where they are allowed to do so, but also make sure that the organisation has the most up-to-date data that it can possibly have.

Senator SCHACHT—If you are not next to your laptop computer, will you be able to make a phone call on a particular number to the centre that operates it?

Major Gen. Dunn—There is an intermediate step to this total web based technology. That is through a call centre or a service centre that I think everybody here is very familiar with in a variety of organisations. By going onto a single system, we are therefore able to operate a call centre. You could not operate a call centre without a single system, I think, for pretty obvious reasons. So we will go through that transition for a few years.

Senator SCHACHT—Often in the last few years there has been speculation that the cheapest way to run a call centre is to establish it in the Philippines or India because there labour costs are so much less. I presume, at the very least for national security reasons, we would not be looking at putting the call centre outside of Australia.

Major Gen. Dunn—We definitely are not looking at putting the call centre outside of Australia, and for the additional reason that this call centre—unlike an accounts payable centre, for example, or a financial advice centre—will also contain a policy element and will require policy officers from the Defence personnel executive to be there and be part of the process.

Senator SCHACHT—Separate from the policy officers element, how many other people would be there handling the query from Sergeant So-and-so who wants to check something in his file?

Major Gen. Dunn—Sergeant So-and-so will call in on the appropriate number or one of the lines. Then the query will be dealt with by one of four layers. If it is a straight transactional inquiry—what is my leave balance type inquiry, how do I go about getting this entitlement or that entitlement, or whatever it might be—the operator online will be trained to handle those. If there is a policy issue that is being contested or discussed, then it will be passed to a person in the call centre who is qualified to handle that.

If the individual actually requires case management because of the nature of the problem, there is a third layer in the proposed call centre which will handle that case management. When I say ‘handle that case management’, they will either do it there and then if it can be done by a professional or hand it to someone in the location that caller is calling from. That is, that individual will be referred to a professional, an HR manager. The fourth layer is the policy element that I have described who would tackle the anomalies in policy as they are shown up.

Senator SCHACHT—Staff providing the four layers of service will all be full-time employees, either civilian or service, of the Defence department?

Major Gen. Dunn—It is proposed that they will be departmental employees, certainly in the initial start-up phases. I cannot say about the future years. But certainly, given the types

of work that I have just described that they will be doing, this is not your typical 'get a service provider, train them up, put the logo up and provide the service for us'.

Senator SCHACHT—That is what I was getting at, that you can guarantee—

Major Gen. Dunn—Our personnel function clearly for our organisation is mission critical. It will only be after we have established this system and had it running for some time that we would even contemplate another provider coming in to work with us on it.

Senator SCHACHT—How many people do you expect to be employed in the call centre?

Major Gen. Dunn—Initially we will start with 150 seats in the call centre. That will have an expansion capability of up to 250.

Senator SCHACHT—They will be brought in from existing staff positions within the Defence establishment?

Major Gen. Dunn—We will offer those positions to people within the organisation. Of course, the location of the call centre is yet to be finalised. That will have an effect on whether people choose to actually, if they are not in that geographic location, move to operate there. But we hope that they will.

Senator SCHACHT—With modern communications, this call centre could operate from anywhere in Australia without there being any adverse impacts on cost or efficiency. Therefore, every country town in Australia would like to be selected as the site for its establishment.

Major Gen. Dunn—Yes.

Senator SCHACHT—How will you determine its location? Will you call for tenders? State governments, local governments, to get the call centre, may well offer you a very nice little package of assistance to establish it, put the building up. They may give a range of other assistance, even to including removal costs in shifting people and the offer of concessions on housing, et cetera. Is the department going to do it that way?

Major Gen. Dunn—We have established a criteria for the call centre. It is exactly as you say: these call centres could be located in many different places. There are six of those criteria. Based on those criteria, we have made a series of recommendations to government. Our recommendations are with the minister now, and we are awaiting the government's consideration of them.

Senator SCHACHT—Of where the call centre will be?

Major Gen. Dunn—Yes.

Senator SCHACHT—But there was no calling for expressions of interest from local government or state government of whether they would be interested in bidding to have a call centre.

Major Gen. Dunn—No, but we certainly have had a huge amount of interest expressed.

Senator SCHACHT—They found out about it and have written to you. The grapevine has operated in that way.

Major Gen. Dunn—We have made it very public that we are moving to a call centre. We have communicated, with the personnel exec's communications strategy, throughout the organisation, that this is the way we are heading. We have already commenced implementation of the people management plan to handle this transition because it will mean a fundamental change in the way we do business.

Senator SCHACHT—Senator Harradine has been very successful with this government in getting call centres established in Tasmania. This has encouraged a positive attitude from Senator Harradine on—

Senator Newman—But Senator Harradine describes them as ‘sweatshops’. I am sorry, but you have got your facts wrong.

Senator SCHACHT—For Tasmania, call centre services—

Senator Newman—Mr Rundle, a former Premier, was very successful.

Senator SCHACHT—In view of the fact that these are attractive in that way, has any member of parliament lobbied to have the centre built in their electorate?

Major Gen. Dunn—We have had inquiries from all parts of the Australian community—business, local government, state government, federal government. There is a high level of interest in this. Having had those inquiries, our response has been to indicate what our criteria are. So we will be passing that on, as we have done, with recommendations to the government.

Senator SCHACHT—In the end, the minister and the cabinet will decide where the centre will go?

Major Gen. Dunn—Yes.

Senator SCHACHT—I trust that the minister and the cabinet are concerned about the process of declaration of self-interest. It would be a handy little earner if you got the centre plonked in your electorate and you were a coalition cabinet minister, wouldn’t it?

Mr Tonkin—Defence basing decisions have traditionally been matters for ministers and governments.

Senator SCHACHT—I know they have.

Senator Newman—Like submarines. That is a classic.

Senator CALVERT—I lobbied for Hobart. I do not mind.

Senator SCHACHT—Good. I wonder whether you will have as much clout as somebody sitting around the cabinet table, Senator Calvert. In your recommendations, do you actually put a number of possible locations?

Major Gen. Dunn—We have a series of criteria. We then sample through a whole series of locations the application of those criteria.

Senator SCHACHT—But that does not answer my question. As a result of the criteria, are there a list of possible locations for this call centre to be built?

Major Gen. Dunn—Yes. Having listed those criteria, we give examples of geographic locations. I recollect that about half a dozen of them are put forward to show how the criteria would apply in each of them.

Senator SCHACHT—I do not want to be too cynical, but you never know in this game.

Senator Newman—You are really exploring the content of an advice to government.

CHAIR—Order! I want to make an announcement. The time is 3.30 p.m, which the program lists as the time to have afternoon tea. If we can finish Defence by 4 o’clock, we could let them go and have Veterans’ Affairs at 4.10 p.m. If it is the wish of the committee, we will continue and finish Defence by 4 o’clock. There being no objection, we will pursue that course.

Senator SCHACHT—Of the locations you have listed, are any of them in the electorate of Mr Moore or Mr Scott?

Mr Tonkin—The information you are seeking forms part of the advice to the ministers.

Senator SCHACHT—If we suddenly find that it is to be put in the electorate of Ryan or Maranoa, obviously there will be more than a few eyebrows raised by some of us. I will leave it go. You make your decision. I support the concept very strongly; I have no argument about that. I am a bit wary about how sometimes this government takes the bikkies.

Senator Newman—Just remember the submarine contract and why it was located in Adelaide.

Senator SCHACHT—It is the best place in the world.

Mr Tonkin—I have been advised that neither the electorates of Ryan nor Maranoa have locations which would fit the criteria.

Senator WEST—What are the implications for this in terms of the sexual harassment hotline and all the other hotlines operating?

Major Gen. Dunn—The implications are quite large. It allows us to expand that facility enormously, should we wish to do so. It allows us to operate a crisis centre 24 hours a day seven days a week, should we do so normally. The hotlines can be routed through this centre. Find, the hotlines and the 1300 recruiting numbers and the like were all contributing to a decision to go down this route to provide a much better service.

Senator WEST—In relation to the hotline, you made the point to me in a private briefing that there was a need to have the tri-service representatives there for each individual service person to talk to someone in their service. Is that going to be possible under this, or will you be able to move away to something that is more purple than blue, white and green?

Major Gen. Dunn—The three hotlines are accessible to anyone from the three services. We advertise the three numbers. They are not absolutely discrete in their use. When we start this centre, we will run the three hotlines into the centre. It will be, as are the other hotlines, staffed by professionals. A blurring is already occurring. It will continue to occur in the service centre of the future. But the blurring is occurring not because of some pervasive purpleness. It is occurring because what we want at the end of the line is a professional. Those professionals will move seats.

Senator WEST—I do not mind it being purple; I am not being critical of that. I would be more critical if you were wanting to make it more distinctively blue, green and white.

Major Gen. Dunn—We wish to make it more professional. It is very professional now, but this will enhance the service.

Senator SCHACHT—I want to raise the matter of medals. The minister sent me a letter some weeks ago detailing a response to my question about posthumously issuing medals after the close of the war list. It gave all the bureaucratic reasons in detail. Many of them in the existing structure have some weight, and I do not disagree with them. Despite all those bureaucratic decisions and the existing structures, are you still capable, if there were a will in the parliament and/or the government to put a measure through the Australian parliament, to issue posthumously an appropriate declaration? The famous case of Mr Sheehan has been raised by the Naval Association for years. It was even in the paper today or yesterday in the *Daily Telegraph*. Given all those reasons why it cannot be done, there is nothing to stop the parliament, or the government via the parliament, carrying measures of legislation to issue them?

Major Gen. Dunn—It is possible under the new system. However, we then step into the very murky area of all the other people who committed acts of great heroism and gallantry. As we have discussed before, there are numerous examples where they have been either recognised by simple acknowledgment in war diaries or indeed not recognised at all. You now open up a whole area about proving these events et cetera. That is the most difficult.

Senator SCHACHT—We have had this discussion. We do not have to go over that argument. I accept that it is a very valid argument in weighing these things up. Technically, if there were a will in the parliament and/or the government to overcome those decisions, you could put a bill through the parliament under the Defence Act to, in a particular case, grant someone an appropriate medal or decoration for valour.

I agree with you that there are many downsides because there is then a long queue of people arguing that it should be done for their Uncle Bill et cetera. I understand all that. I want to get it clear that, as far as you are aware, if there were the will, for whatever reason, to put a measure through the parliament under the Defence Act, it could be changed.

Major Gen. Dunn—It would require a fundamental change to our honours and award system. That being the case, it would have to be dispatched from the Governor-General to her Majesty the Queen. There is another step in this process that would have to be comprehended if you were to go down that line. It would not simply accommodate an individual's act of heroism. It would be a fundamental change to the honours and award system that exists.

Senator SCHACHT—I am not going to argue with you because we have been through that before. I have had queries raised with me, and I have raised this before, about a service medal for POWs. I notice in my research from the library that a few years ago the American Congress passed a resolution in 1985, public law 99145, authorising the prisoner of war medal being given to all of those who were prisoners of war in either the Asia-Pacific or in the European theatre. Has that ever been considered within the Defence structure?

Major Gen. Dunn—We are not progressing anything of that nature at the moment. We did commemorate the prisoners of war, you might recall, last year with the publication of a particular book. They have been foremost in our thoughts, particularly after the Australia Remembers campaign. They still are, but we are not progressing anything along those lines.

Senator SCHACHT—But you do note the American experience; that the Congress carried it?

Major Gen. Dunn—Yes.

Senator SCHACHT—The Congress seems in America much more willing to posthumously and even many decades later pass a resolution to issue awards. I have one last question on medals. A number of veterans who served in the Korean War have been awarded medals by the South Korean government which they want to wear, but there has been some regulation or some ruling from Australia that that is not appropriate. I do not know whether I have got that right. Can you just explain?

Major Gen. Dunn—The request is to allow people to wear the Republic of Korea medal, the ROK medal. The regulation that causes the problem in the veterans' eyes is that under the Australian system you are only authorised the wearing of one foreign award for any particular theatre of service. There is an award that is worn for service in Korea, and we would have to consider seriously whether we should remove that regulation, and that would have an impact, for example, on our forces that served recently in the Gulf because there have been offers of more than one foreign award there.

Under those circumstances, again, we are looking at the fundamental basis of our system, and we would have to take that into account. I can say that we are very aware of those bids from the Korean veterans, and we are in discussion with Minister Scott's office on the actions that we should take down this line. We are certainly going to treat this very carefully because it is a fundamental change to a longstanding provision.

Senator SCHACHT—That would be a policy decision of the government to change the fact that you can wear more than one service medal from a theatre—

Major Gen. Dunn—A foreign award. At the moment you can wear only one foreign award for service in a particular theatre.

Senator SCHACHT—You can wear more than one if it is for valour?

Major Gen. Dunn—Yes, definitely. And you can wear more than one if, for whatever reason, there was more than one medal issued by Australia.

Senator SCHACHT—Yes, I understand. Do you have any idea when that review on that particular policy might be completed?

Major Gen. Dunn—Obviously, with the anniversary coming up, we would want to get mobile on this to make sure that any action that was foreshadowed was well and truly under way, if we are going to take any action at all. I am conscious of the anniversary coming up.

Senator WEST—Can I turn to health. There were brief mentions made earlier about market testing and outsourcing. I want to know what is happening with the market testing of the delivery of health services.

Col. Ramsey—Defence Health Services have been looking at contracting arrangements now for 18 months. It is probably worth prefacing it by saying that a most significant component of health care provided in Australia today is already provided under individual contractual arrangements or contractual arrangements with local hospitals. The market testing process that we are going through now is particularly looking at the Victorian area, where we are considering the totality of health care provided to the Defence Force in Victoria.

At the moment, expressions of interest have been sought and a statement of requirements is being developed. The notion is that a prime contractor will be responsible for the provision of all health care in Victoria, noting that where special military skills are still required uniform personnel will provide that health care in Victoria. That process of market testing will be undertaken regionally, and in the ACT and southern New South Wales the process has just commenced. Over the next 18 months, market testing will occur on a national basis.

Senator WEST—What do you classify as specific military medical skills?

Col. Ramsey—An example might be aviation medicine, the provision of aviation medicine advice and support for aircrew medicals, such as the oversight of military health administration, medical boards, health surveys and the like. In those cases the health surveys are not necessarily conducted by uniform personnel, because a large number of civilian practitioners do that today but the oversight of those activities.

Senator WEST—I have a grave concern about how you are going to continue to provide health services at the pointy end of the business where there is banging going on. It is an acute area requiring specialist skills. It is fine to say that you will medically evacuate, but both you and I know that there are cases where you have to stabilise before you can medically evacuate, maybe undertake certain procedures. Those procedures require a high degree of skills, not just from your doctors but from your supporting RNs, et cetera. We have already heard with contracting out, with taking the force into East Timor, that it was some time before you could

take contractors in, before it was secure enough. What are you going to do to ensure that you have medical teams—and I do not just mean doctors—that you can take with the forces while there is a higher risk than back in civilian life?

Col. Ramsey—This is one of the reasons that we are going through the market testing process ironically. Let me explain. We are not going to downsize the size of our health services. This is a rationalisation of where we employ our health service personnel, and in some cases we will be employing more people, as you say, in the sharp end.

One of the things we have found over the last few years in operations is that the experiences our health professionals gain in the provision of health care in our base hospitals does not prepare them well for the sorts of experiences they gain in operations. They are not being exposed to combat casualties or the like. For example, in our major base hospitals today, the work they do is definitive surgery, knee reconstructions, knee repairs, rehabilitative work, and we do not do that on operations.

The advantage of what we are doing now is that we are going to liberate our health professionals from undertaking a task that they are not going to practise when they deploy on operations. What we are going to do is transfer our personnel who have been undertaking these base functions and locate them in centres where we are undertaking relationships, such as the strategic alliance that exists between First Field Hospital in Sydney and the Liverpool Health Service. Our personnel are rotating through areas in Liverpool Health Service that is preparing them for what they do on operations.

A large number of the personnel deployed to Timor came from First Field Hospital. Over the last 12 months, the health professionals have rotated through the emergency department, the intensive care unit and the operating theatres where they have been managing acute care. Previous to that arrangement, working at First Field Hospital in Liverpool, they were not getting exposed to those sorts of casualties.

Senator WEST—What does that do? What is the subsequent impact of that? You have removed a core element of those people who have experience in ANE and OT. What is the impact of that upon the services that are left behind? Are you leaving the Liverpool Health Service with a shortage and minus some critical and key personnel in the provision of the high level services that are required? What is the effect on the whole of the health system within Sydney? Is that aggravating the shortage of ANE beds, of emergency theatre space and stuff like that because you have taken a segment of their acutely qualified staff out?

Col. Ramsey—We were very careful as we negotiated with the Liverpool Health Service to ensure that military health professionals working in that hospital could be extracted at short notice. In fact, that has occurred and it has not been to the detriment of Liverpool Health Service. I think the best way to express it is that the number of personnel who were put into Liverpool Health Service on a regular basis was about 20 into a hospital that employs a staff of 1,000. For example, the military put four or five nursing staff into a very large pool. So we are able to extract those numbers very easily, and Liverpool Health Service can accommodate that.

The trick for us as we go through this process on a national scale is to ensure that we end up with enough alliances with enough civilian hospitals that we can extract our staff and not leave those particular hospitals vulnerable. This is an important issue not only for our full-timers but also our reserve specialists, whom we do take at short notice for a month as they are rotating through Timor. Because they work as teams, we need to ensure that those teams—

because they are critical and in smaller numbers—are not going to impact on the health service. That is something that we manage very practically.

Senator WEST—How is your recruiting of RNs, registered nurses, going? There is a shortage of RNs in health services across Australia. In rural areas, remote areas, acute hospitals and nursing homes there is a shortage of RNs and it is predicted to get worse. How is the recruiting of RNs and enrolled nurses, your medic levels, going in the ADF?

Major Gen. Dunn—The recruiting of RNs and the production of RNs within the Defence organisation is not one of the categories that we list as a major shortfall.

Senator WEST—So you do not have any shortages at this stage?

Major Gen. Dunn—It is not in the category of a major shortfall.

Senator WEST—That was not what I asked. Do you have any shortages? Are you fully staffed with RNs? You might like to give me how many you have and what the number is supposed to be.

Major Gen. Dunn—I will take it on notice to give you the numbers, and we can provide those for you. I do not have them with me here.

Col. Ramsey—I can answer that. There is a total shortage of nursing officers. At present, the ADF shortage is 26 out of a total strength of 192.

Senator WEST—That is a fairly significant shortage.

Col. Ramsey—To counterbalance that, at present there are 15 nursing officers under training—five in Army and 10 in Air Force.

Senator WEST—So those 15 will take the 26 down to 11?

Col. Ramsey—Yes.

Senator WEST—The availability of RNs in this country is a serious problem. It is not affecting only us; it is international. So you have to look to keeping them. Can I also express a concern about a media comment from a senior NCA medic in East Timor who made a comment about children—babies, in particular—who were suffering what he thought was malnutrition and who were certainly hungry. He made the throwaway line—it was a he—that he would fix it very quickly and that all he needed was a can of baby formula.

I have very grave concerns—and I have raised this with the health department, so they will probably raise it with you—that this is actually in breach of our World Health Organisation agreements on infant formula and infant feeding. I have grave concerns that somebody would be making that comment in what is an underdeveloped country that has not got a secure water supply. The first thing we know is required if you are going to feed an infant a formula is a reliable, clean water supply. I understand from all of the media reports that I have seen on East Timor that East Timor does not have that infrastructure. I would just urge some caution. It was obviously said in a very heartfelt way. He was concerned about the state of nutrition of the infants in the community, but you are better off feeding the mothers rather than using tins of formula.

Col. Ramsey—You are quite right. The decisions of the methodology of any humanitarian health assistance undertaken in any country would not be made at that level. Decisions would be made by health professionals. We use World Health Organisation protocols and the like that drive the sort of health care that we provide and the sorts of resources that we use. You are quite right that, if water is contaminated, using infant formula and the like—

Senator WEST—It would kill them faster than starving them.

Col. Ramsey—That is correct.

Senator WEST—You might like to look for that press article and follow it up for me, please. I will leave it at that.

Senator HOGG—I have a question on the East Timor levy payment by ADF personnel. I saw in an article recently that the ADF personnel serving with the United Nations mission in East Timor will have to pay the East Timor levy. Is that correct?

Mr Tonkin—As their income—both their basic income and their allowance—while they are there is tax free, it would be a bit difficult.

Senator HOGG—Right. That is what I wanted to establish. Do ADF personnel with the UN missions normally pay tax at all?

Major Gen. Dunn—It depends on the declaration of the conditions there. The service in East Timor is declared warlike service, and that means they are exempt the payment of tax on salary and allowances.

Senator HOGG—So one can assume, therefore, that those who might fall under the scope of that levy will not have to pay the levy?

Major Gen. Dunn—If they are deployed to East Timor, no.

Senator HOGG—What happens to the taxation regime, for example, for ADF personnel who have been in places like Namibia, Western Sahara, Bougainville, Somalia, Cambodia, Rwanda, et cetera? Is there a common pattern there?

Major Gen. Dunn—There is a very clearly laid down system. It depends on the type of service that is declared for that operation. Only warlike service attracts the tax-free status on salary and allowances.

Senator HOGG—What happens when the nature and the make-up of the force changes in February?

Major Gen. Dunn—It depends entirely on the mandate that is given to that force. If it were decided that the chapter VII mandate were to continue, the same conditions could continue. We do, however, have a system which has been agreed to by government—it is a very effective system and one that other nations are now looking at—that allows us to determine what rate should be applied to a particular deployment. It takes account of two factors: a military threat assessment and an environmental assessment. We use that plus the declaration of either warlike, non-warlike or peace operations to determine how much the allowances will be and also what the taxation status will be.

Senator HOGG—I have questions on fringe benefits tax. Can you bring the committee up to date on Defence's negotiations with regard to fringe benefits tax reporting requirements for ADF personal?

Major Gen. Dunn—Yes, I can. The negotiations have covered a series of areas. I am able to list those areas if you would like.

Senator HOGG—Yes, it would be helpful.

Major Gen. Dunn—I can advise the committee that the following fringe benefits will not be reported on ADF members' group certificates: housing assistance—as you might recall, that was a very big issue; airconditioning allowance provided in remote areas; and home purchase or sales expense allowance for sale and purchase on posting. So those sales and purchases are not reportable, provided the time criteria—and there are some quite strict time criteria here—set for selling and buying are met. Fringe benefits are reportable on the first

purchase and last sale of a house, and that last sale may occur on discharge from the ADF. The reason that occurs is that the ADF's home purchase or sales expense allowance provisions are different to those of other government departments in that they include the first purchase and last sale.

The other items that are not going to be reported are removals expenses on the breakdown of marriage; child-care allowance; reunion travel; spouse emergency travel; the highway rest stop program; car parking where Defence provides the car park; entertainment; funeral costs; education assistance; overseas living allowance—and that is the element that compensates for the cost of living differences between Australia and the location that the individual is in; removals—that is, removals relating to a change in location resulting from a posting order; and medical and dental services to the ADF members. Those services have never been subject to FBT.

Fringe benefits will be reported on group certificates if their total value exceeds \$1,000 in the following areas: private use of work vehicles; Australian Defence Force home loan assistance scheme; Australian Defence Force home owners scheme; transferee interest-free loans; HECS payments; student reunion travel; education assistance for tertiary level students; remote locality leave travel other than occasional travel to and from a major centre within Australia from an Australian Taxation Office defined remote locality, such as Katherine or Tindal—

Senator SCHACHT—Could you just run that one past me again?

Major Gen. Dunn—I referred to remote locality leave travel, other than for occasional travel to and from a major centre within Australia, from a defined remote locality. The other areas include reverse remote locality leave travel—that is where a family or an individual might choose to bring a relation or a friend to the remote area rather than them exiting, so that will appear—spouse accompanied travel; opportunity space available travel; transferee travel and accommodation; free leave travel, but the only time this benefit will not be reportable is where it is occasional travel out of an ATO defined area to and from a major population centre, so there is some scope in there; entertainment will be reported if it is related to recreation; semi-official telephones; board and meals for submariners—and the FBT value has been set at \$2 a meal—and property, that is, prizes, awards and gifts.

CHAIR—Excuse me, Major General Dunn, but do you think this could be tabled?

Major Gen. Dunn—I have just finished.

CHAIR—It might have saved us some time if it had been tabled.

Senator HOGG—I think it was important to hear it.

CHAIR—But you would have got the complete list in writing, so you would not have needed to write it down.

Senator HOGG—It is not that; I just wanted to find out what was what. Has that been communicated to the defence forces?

Major Gen. Dunn—Absolutely.

CHAIR—Excuse me, Senator Hogg, we were going to finish Defence by 4 o'clock. We have extended that a little until half past four as the committee are happy with that—unless we finish earlier. Please continue, Senator Hogg.

Senator HOGG—This is not a fringe benefits issue, but it is an issue that I have raised with you before: it concerns the child support allowance. I have a report again that the Department

of Community Services is using housing assistance to calculate child support in a number of cases, despite the ruling by the ATO that it was exempt. Are you aware of this and, if so, what action can you take?

Major Gen. Dunn—Yes, we are aware it. We have been in detailed discussions with the department, we communicate with the centres and we are making sure that people are fully informed of the circumstances. These are relatively recent changes and, as the folks change in some of those offices, sometimes we need to bring them up to date on the current provisions. It is something that we are watching very carefully and people report to the DPE if it occurs.

Senator WEST—Minister Newman, what is your department doing to ensure that housing assistance is not used when calculating the child support allowance?

Major Gen. Dunn—We have, as I said, a very close relationship with the minister's department on this issue.

Senator WEST—I am asking the minister what her department is doing.

Senator Newman—I am very grateful to have Major General Dunn speak for me; he says that he knows.

Senator WEST—I would have thought, as this concerns your department, you could have said what your department was doing.

Senator Newman—We worked on that a long time ago and I do not recall the detail, but Major General Dunn obviously does.

Senator WEST—I hope *Hansard* got that.

Major Gen. Dunn—There has been a clear direction issued from within the department to all the officers and, as I said, the only problems that we have are when we find that new people are in there and they interpret the regulation slightly differently. We then take the time to remind them of the current arrangement.

Senator WEST—I wish I had known this last night when we had social security—Centrelink—before us. It would have been a good question—another slip up!

Senator HOGG—I want to raise one issue on recruiting. I noticed in the newspaper the other day that recruiting is being outsourced. What can you tell us about that, because we have had no formal briefing on this?

Major Gen. Dunn—We are market testing the recruiting function—we are in that process now. The request for tender will be issued very shortly and we have been analysing and, indeed, short-listing potential contenders for this task. Our aim is to increase the effectiveness of our recruiting organisation and expand our ability to penetrate the market.

Senator HOGG—When will the process conclude? What is your expectation?

Major Gen. Dunn—The time frame is that the RFT is about to be issued and then we will be in a position to take bids. In fact, the RFT release should have happened right now. The RFT closes on 28 February and it will be completed, ready for implementation after contract negotiation, on 1 July next year. That will be the implementation of a pilot phase for 12 months. Again, this is another of our mission critical areas. We will run this for 12 months and then assess the efficacy of the operation with a view to expanding the successful tenderers operation.

Senator HOGG—When you say a pilot phase for 12 months, does that imply that you will continue your own recruiting endeavours or are your own recruiting endeavours going to be a bidder for the whole kit and caboodle?

Major Gen. Dunn—Yes, we have an in-house option.

Senator HOGG—How will they cope if they have made a bid and are the successful bidder at the same time they are still trying to keep up your normal practices?

Major Gen. Dunn—That is exactly the point: if they are able to offer the best solution to improve our recruiting capacity, they will continue to roll on. Indeed, they will have an advantage, in a sense, in that they are already up and running and other people will be in transition. But this process has been running for some six months now. Indeed, it was 2½ years ago when we laid down the markers and said, ‘This is the time frame that we are going to be working to.’ So all of the players have had plenty of opportunity to prepare themselves for this.

Senator HOGG—Thank you.

Senator SCHACHT—The Federal Police served in UNAMET before the election for four or five months. From all the evidence now emerging, they were certainly at risk. They were in buildings and stations that were shot at and they were intimidated. I have heard examples of officers who were lying on the floor making phone calls as the bullets went through the building and so on. It is clear that we were very lucky that none of them were killed. I know that we make a separation in making the decision about who is a veteran from the defence forces and those entitlements. Do you think, in view of this experience, there is any way under law that the minister—I do not know whether it is the Minister for Defence or the Minister for Veterans’ Affairs—can make a ruling that any group of people who are not actually in the armed forces are entitled to get a ruling that they are entitled to veterans benefits because of the nature of the service and what they went through?

Major Gen. Dunn—This can be done and, indeed, it is done on occasions now. Certain elements are made available. Clearly, that could be pursued in more detail with Veterans’ Affairs, but it can be done.

Senator SCHACHT—Is that the Minister for Veterans’ Affairs or the Minister for Defence?

Major Gen. Dunn—Is it the Minister for Veterans’ Affairs.

Senator SCHACHT—He makes the determination?.

Major Gen. Dunn—Yes, that would be the case. However, I would just point out that, under any circumstances, there is only one organisation that can administer lethal force in a warlike situation, and that is a military force. So there is always a fundamental difference.

Senator SCHACHT—I understand that. Thank you.

[4.10 p.m.]

Group 8—Acquisition

CHAIR—We will move on to group 8, Acquisition.

Senator HOGG—There is only one major issue left to pursue, and that is Air 87. There have been recent media reports that one of the losing bidders in the Air 87 program is taking legal action over the process. Is this correct?

Mr Roche—Not to my knowledge. It is true that one of the contestants firstly wrote to Defence and sought an internal review and subsequently wrote to the minister. Following that

letter to the minister in August from Bell and Helitech—Helitech is the principal Australian subcontractor—there has been commissioned an independent investigation by the Inspector General. The results of that investigation are to hand, and we are in the process of formulating advice to the minister.

Senator HOGG—When can we expect the results of that investigation to be made public?

Mr Roche—Before the end of the year, I would think. I do not know whether the details of the investigation will be made public. There is a certain amount of commercial-in-confidence material there. But I would think the minister's decision would be made before the end of the year.

Senator HOGG—Is there any intention to make available those parts that are not commercial-in-confidence? Do you know?

Mr Roche—Not at this stage. I would not think that that would be the case.

Senator HOGG—What stage is the project up to? Is it still running on schedule?

Mr Roche—It was due to go to the RFT stage this month, but it has now been amended to March.

[4.12 p.m.]

Group 10—Defence estate

Senator HOGG—Thank you.

CHAIR—We will now have group 10.

Senator HOGG—Whilst we are waiting for those people to come to the table, there are some questions that I will need to put on notice for the Defence Intelligence Board. They are a number of simple questions. I will give them to the secretariat.

Senator WEST—I would like to put on notice questions on Defence information systems, and I would like them answered before the 31st of this month because they relate to end of year specifics. They are Y2K questions, so I want the answers before the end of this month, not afterwards when you can say, 'Nothing happened. Forget it.'

Mr Tonkin—Subject to potential systems failure, yes.

Senator HOGG—I think that is more than reasonable. Whilst there is a date set aside for answers for this, I think that is something we need. What are Defence plans for the future of RAAF base Richmond? Are there any plans to close it? Is it being downgraded in any way?

Mr Corey—As I advised the committee last hearing, the Defence Reform Program had identified Richmond as a base with potential for closure and relocation of the operational units elsewhere in Australia. The Prime Minister, during the election campaign, indicated that he would see that the base would remain open until 2010. We are presently conducting an economic impact analysis of various rationalisations that may take place at Richmond with a view to informing any future government decisions.

Senator HOGG—What are the rationalisations that may take place?

Mr Corey—The relocation of the Hercules elsewhere in Australia or changing the nature of a base from an operational base to a maintenance base.

Senator HOGG—At this stage there is no downgrading?

Mr Corey—Nothing has happened to downgrade the base at this stage, no.

Senator HOGG—Are there operational problems in respect of the base that require this alternative view to be taken?

Air Marshal Riding—No, there are no extant operational issues that would drive that.

Senator HOGG—Is there a degree of consultation taking place with the community on any changes that might take place?

Mr Corey—The economic impact analysis that has been conducted is in close consultation with the local council and the local member, and it will involve the community.

Senator HOGG—When will that be completed?

Mr Corey—It will not be commenced until early in the year 2000, so I imagine it will be completed by the middle of the year 2000.

Senator HOGG—It has not started yet?

Mr Corey—It has not started yet. We have started to draft the terms of reference to go out to industry to seek expressions of interest from people who might participate in the review.

Senator WEST—What is happening to RAAF base Wagga?

Mr Corey—The situation has not changed again from the position I advised the committee of last time. The present arrangements for the education there have been contracted out to the local tech, and I think that remains in place until the year 2002.

Senator HOGG—Undoubtedly, we will come back to RAAF base Richmond again, as we do on these issues. There seems to have been some public disquiet over Defence plans for the redevelopment of Bundock Street land in Western Sydney. Can you explain what Defence is doing there and why?

Mr Corey—Bundock Street is actually in Randwick.

Senator HOGG—So it is not in Western Sydney then?

Mr Corey—It is definitely not in Western Sydney. It is a stone's throw from Coogee Beach. There has been a community consultation process going on with the disposal of that property for about the last three or four years. The zoning application is in with the council, and it is due to be considered. It has been there since 1997. There is now a development application in front of the council, and we expect a decision in the short term.

Senator HOGG—What is the short term? Give us some idea. This has been going since 1997.

Mr Corey—It has been going since 1997, but you will realise that the area was occupied by a major stores complex, and to remediate the site, clean it up and get the rezoning in place takes a significant period of time. We expect a decision from the council within the next three months.

Senator HOGG—Thank you. Is it correct that the Canberra International Dragway initiated legal action during the last 12 months in an attempt to enforce its 10-year leasing option for the dragway land, which was leased from Defence?

Mr Corey—The dragway lease is managed by Defence on behalf of the Commonwealth because Defence is the major Commonwealth land-holder in the area. The dragway have initiated legal proceedings. It will be in the Supreme Court in the ACT next Monday.

Senator HOGG—That is in respect of the enforcement of their 10-year lease?

Mr Corey—It is.

Senator HOGG—It is in the Supreme Court next Monday?

Mr Corey—Yes.

Senator HOGG—What legal costs have been incurred as a result of defending this action?

Mr Corey—Nil to date, from our point of view.

Senator HOGG—Has Defence Estate received any correspondence from the Capital Airport Group regarding this matter?

Mr Corey—Indirectly probably, but not in recent times. This has been going on, as you say, for some time. We have had no correspondence from anybody in the last three or four months.

Senator HOGG—What has been the nature of that correspondence when it has taken place?

Mr Corey—The Capital Airport Group were involved in discussions with the ACT government more than with the Department of Defence. We have been involved in discussions with the ACT government, the Capital Airport Group and others as the Commonwealth representative, but not for the last three or four months. They had concerns that the continuation of the dragway beyond the year 2005 would have potential safety implications because of extensions they were going to do to the runway at Canberra airport.

Senator HOGG—So the period in question, then, is 2005. So these people are taking pre-emptive action to ensure that their lease—which, obviously, extends beyond 2005—remains in place. When does their lease run out?

Mr Corey—They were offered a five-year extension during this year in lieu of the 10-year option, which they chose not to take up.

Senator HOGG—When does the 10-year option run out?

Mr Corey—There was no 10-year option.

Senator HOGG—When does the 10-year—

Mr Corey—I would have to take that on notice. I would be guessing.

Mr Bain—The original lease, I believe, concluded in December 1998. So it was effective from that time. In May 1999 they were offered a five-year extension on that option.

Senator HOGG—Why do the Capital Airport Group want to extend the runway? Which runway are they talking about?

Mr Corey—That is really a question you should put to the Capital Airport Group.

Senator HOGG—I thought you might know.

Mr Corey—As I said, we were the agent for the Commonwealth in this. It really is an issue that does not belong with Defence.

Senator HOGG—Has Defence in any way been attempting to get rid of the dragway through procedures that were outlined in a departmental memo of 10 September? I can quote from that for you, if you like.

Mr Corey—I am not aware of the piece of paper you are referring to.

Senator HOGG—So there have been no attempts, to the best of your knowledge, to in any way encourage the Canberra International Dragway to forgo their lease or their options?

Mr Corey—I cannot see why we would be involved. As I said, we have been acting as an agent for the Commonwealth in managing the lease. That is where our actions started and stopped.

Senator HOGG—Thank you very much, Mr Corey.

Senator WEST—Can I ask: what is the latest with the land at Marangaroo and the leasing of that land to Howard and Sons? Has that been finalised?

Mr Bain—No. There has been ongoing negotiations with Howard and Sons. There were a few issues. We appreciate the nature of the site. The sorts of activities they were dealing with required consideration from both sides. That has been progressing. We are hopeful that we are at the point of being able to sign the lease. But I can take that on notice and give you the precise times.

Senator WEST—I would like the precise times, because this has been dragging on. I can almost say that for years there has been an expression of interest by Howard and Sons.

Mr Corey—There has been spasmodic activity for a number of years. The genuine interest by Howard and Sons only came about when other options fell over. In probably the last 12 months it became a serious issue. We have been working that through with Howard and Sons. Putting an explosive type activity—which Howard and Sons conduct—on a former explosives depot with unexploded ordnance really does take a bit of tidying up of the legalities of it before we actually proceed with finalising the lease.

Senator WEST—I just have to say that you are not going too well in the public relations battle out there. I do not know whether you have seen the local media, but they are saying that it is the ‘federal department of procrastination’ and it is ‘fumbling on the job’. So you are not going too well in their eyes.

Mr Corey—The local member has been kept fully informed. But I will undertake personally to look into this lease and do what I can to expedite it before we meet again.

Senator WEST—Thank you.

[4.24 p.m.]

Group 12—Defence Corporate Support

Senator HOGG—We now move onto the last one, group 12. I have just a few quick questions there.

Mr Sharp—Senator West asked a question earlier about the contractors under the garrison support program. Mr Tonkin advised that the contracts do make provision for a surge, do make provision for expansion of their work and, indeed, for contraction. Those conditions of their contracts have been applied in the northern regions, in particular under Operation Warden, and in the southern regions under Operation Safe Haven.

Senator WEST—What has been the reaction of the contractors? Have they been happy? Have they been complaining? I have not heard any complaints.

Mr Sharp—They have responded particularly well. In some cases the ink was hardly dry on their contracts. They have had a couple of difficulties in Darwin, but it is more the nature of the labour market. Labour is very scarce there, and that has put some pressures on their ability to expand in a couple of areas with the right sort of people.

Senator WEST—Has there been any failure on the part of the contractors to actually be able to uphold their contractual obligations?

Mr Sharp—No, there has not been any failure. There have been one or two difficulties, which have been overcome, at times with the assistance of the ADF units in Darwin.

Senator WEST—Thank you.

Senator HOGG—My questions relate to VIP functions at Victoria Barracks. Is it correct that the Minister for Defence hosted a private birthday party for the Prime Minister a few months back at the Army's Victoria Barracks in Sydney?

Mr Sharp—Yes.

Senator HOGG—What parts of the barracks were used?

Mr Sharp—The officers mess.

Senator HOGG—Who provided the catering?

Mr Sharp—The catering was provided for by mess staff and two of CDF's staff. The food was paid for by the minister and his guests.

Senator HOGG—I will come to the other issues. How many guests attended?

Mr Sharp—Twenty four.

Senator HOGG—What was the cost of catering provided by Defence?

Mr Sharp—\$1,004.93.

Senator HOGG—I have to give it to you: that is pretty precise.

Senator CALVERT—It is almost like they anticipated the question; isn't it?

Senator HOGG—So that is the cost of providing the food.

Mr Sharp—Correct.

Senator HOGG—Were Defence personnel used as waiting staff for the function?

Mr Sharp—Yes.

Senator HOGG—How many?

Mr Sharp—Seven.

Senator HOGG—Was Defence compensated for the use of the personnel?

Mr Sharp—No. The function had the support of CDF, who deemed it an official function.

Senator HOGG—So you said the catering was done by mess staff. How many mess staff were there?

Mr Sharp—The total number of staff employed on the function came to seven.

Senator HOGG—How many staff were used for waiting purposes?

Mr Sharp—I do not have that information.

Senator HOGG—All right. And some we used, obviously, in the preparation of food.

Mr Sharp—Correct.

Senator HOGG—Was that cost met by Defence?

Mr Sharp—Correct.

Senator HOGG—This was done with the support of the CDF, who had determined that it was an official function. What would be the basis for determining that a person's birthday was an official function?

Mr Sharp—I believe that this was seen to be an important occasion by our minister. It seemed appropriate that it be held in a Defence premises. It is not unusual for functions to be deemed official. In those cases the cost of labour is absorbed.

Senator HOGG—What was the cost of labour that was used on that occasion?

Mr Sharp—The seven staff worked for about one day on average on the total function.

Senator HOGG—What would that roughly cost out to?

Mr Sharp—If you took \$20 an hour that would be \$160 per person for the seven staff.

Senator HOGG—That is about \$1,100.

Mr Tonkin—The staff involved were all members of the Defence Force so there was no additional cost in salary terms; their salaries were already pay.

Senator HOGG—That is what I am saying—there is no additional cost. I understand that. But the cost of the labour that was supplied would have been in the order of about \$1,100 based on \$20 an hour. Official function or not, that is the cost.

Mr Sharp—Correct.

Senator HOGG—How many other such functions are declared as official functions by CDF? How many other official functions of that type would held?

Mr Sharp—I am not aware that this has any precedent in terms of the minister hosting a function, but it may well have.

Senator HOGG—So you are not aware of any precedent either at Victoria Barracks in Sydney or elsewhere?

Mr Sharp—I am not aware, but I would be surprised if there has not been a precedent in the last 98 years of Defence.

Senator HOGG—If there has not been a precedent?

Mr Sharp—I would be surprised if there has not been.

Senator HOGG—A precedent like this?

Mr Sharp—Yes.

Senator HOGG—I would be interested if you could find the precedent for me but I do not want you to take copious hours. If it is something that your colleagues can readily call to mind I would be interested. Also, are there rules for the use of Defence facilities such as this by the minister or ministers for private functions and, if so, where can those rules be found?

Mr Sharp—I do not think there are rules as such. The minister made a request. That request was considered by CDF and the function supported. The minister then requested approval to use the mess from the president of the mess committee, and that was agreed.

Senator HOGG—Who were the guests at the function? Do we have a list and can that be supplied?

Mr Sharp—I am sure we can arrange that.

Senator HOGG—If this was then deemed to be an official function, were those people who attended—who were either ministers of the government, members of the House or senators—entitled to claim their normal travel entitlements to attend the function?

Mr Sharp—I do not know the answer to that.

Senator Newman—You would have to ask another portfolio that.

Senator HOGG—You do not know—that is fine. In terms of the use of the facility, was Army compensated in any way for the use of the facility, whether it be for the light that was used, the gas, the hire of the venue, laundry costs associated with the venue or cleaning of the venue, or was all of that absorbed by the Australian Defence Force?

Mr Sharp—Those costs were absorbed.

Senator HOGG—And on whose bill did they go? Did they go onto the CDF's bill or did they go onto someone else's bill?

Mr Sharp—They went on my bill.

Senator HOGG—They went on your bill?

Mr Sharp—I run the accommodation at Victoria Barracks.

Senator HOGG—So all the charges associated, save for the food which cost \$1,004.93, went onto your bill, in effect?

Mr Sharp—There were some bar costs as well.

Senator HOGG—What were the bar costs?

Mr Sharp—They were \$721.70.

Senator HOGG—Were they paid for by the invited guests?

Mr Sharp—Yes, they were—as were the flowers.

Senator HOGG—Flowers? This is good.

Mr Sharp—As was the wine, although the wine—

Senator HOGG—How much were the flowers?

Mr Sharp—\$250.

Senator WEST—So there were wine costs supplementary to the bar costs?

Mr Sharp—Correct.

Senator WEST—What were the wine costs?

Mr Sharp—The wine was purchased outside the mess and therefore was not part of the bill to Defence.

Senator HOGG—What about corkage?

Mr Sharp—On the house.

Senator WEST—This is a good place to go and eat.

Senator HOGG—Seriously, Senator, I went out to dinner last night and there was corkage in the restaurant for the bottle of wine. It is a common practice. Seeing that the Army and Defence are becoming very commercial minded these days—

Senator WEST—Cost recovery.

Senator HOGG—Yes, cost recovery—one would have thought that corkage might well have been there.

Senator WEST—Is it possible to have a copy of the menu?

Mr Sharp—I can give you the menu, I think, if you bear with me a moment. They had bugs, lamb and berries.

Senator HOGG—What was the total cost to Defence? Have you got a total figure for me to save me trying to go through and add up all these figures?

Mr Sharp—\$1,976.65. That is recovered costs.

Senator WEST—Does that include the food?

Senator HOGG—That recovered cost includes the food does it?

Mr Sharp—Correct.

Senator HOGG—It includes the bar?

Mr Sharp—Correct.

Senator WEST—And the flowers?

Mr Sharp—It includes the flowers.

Senator HOGG—And the other costs—if we could put it in these terms—such as for the use of the facility itself and the seven Defence Force personnel who were either waiting or preparing the meal, and other ancillary costs such as the cleaning and those associated with normal holding of the function were put onto your bill?

Mr Sharp—Correct.

Senator HOGG—How much was your bill?

Mr Sharp—The cleaning, the laundering of the table linen and so on would be picked up in the normal way with the rest of the housekeeping for the mess. The salaries for the staff were, as Mr Tonkin has pointed out, paid automatically, and so they are not billed in that sense to me. The electricity would be just picked up—it is very hard to itemise electricity for one function in the totality of the mess for the month.

Senator HOGG—Do you have a rough idea of what the other on-costs would be?

CHAIR—I guess you would have to check to see whether they were 60-watt or 40-watt bulbs.

Senator HOGG—I think that is very important. Could you give me some idea of what the on-costs were?

CHAIR—Or were they 100-watt bulbs?

Senator WEST—Was this the only private birthday function or this sort of function the minister has hosted in venues like this?

Mr Sharp—I am not aware of a precedent with the current minister. As I indicated, I would be surprised, however, if this has not occurred previously with previous ministers.

Senator HOGG—If you could supply that.

Mr Sharp—I will give you an estimate.

Senator HOGG—But, as I said, do not spend hours on it. I have got nothing further on that. Thank you very much. That was very enlightening indeed.

Senator WEST—I will have to get on the minister's guest list.

CHAIR—I thank all the Defence personnel who have appeared before the committee today. I am confident that, in cooperation with the committee secretariat, you will come back with the answers to a lot of those questions that were taken on notice. Also, can I say on behalf of the committee how proud we all are of our troops and forces who are in East Timor and other places around the world. This readiness and the ability for us to feel proud of them has got a lot to do with the people who have sat before us at the table all day today. Thank you very much on behalf of the committee.

[4.46 p.m.]

DEPARTMENT OF VETERANS' AFFAIRS

Proposed expenditure, \$367,421,000 (Document A)

Proposed provision, \$22,325,000 (Document B)

In Attendance

Senator Newman, Minister for Family and Community Services

Outcome 1—Eligible veterans, their war widows and widowers and dependants have access to appropriate compensation and income support in recognition of the effects of war service.

Outputs 1.1, 1.2; 1.3 and 1.4

Mr Peter Reece, Division Head, (Compensation and Support)

Dr Keith Horsley, Senior Medical Adviser (Compensation and Support)

Mr Bob Hay, Branch Head, (Income Support) Compensation and Support

Mr Bill Maxwell, Branch Head, (Disability Compensation) Compensation and Support

Outcome 2—Eligible veterans, their war widows and widowers and dependants have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life.

Outputs 2.1 and 2.2

Mr Geoff Stonehouse, Division Head, (Health Care and Services)

Ms Narelle Hohnke, Branch Head (Health Services) Health Care and Services

Ms Kay Grimsley, Branch Head (Hospitals Systems and Younger Veterans) Health Care and Services

Outcome 3—The achievements and sacrifice of those men and women who served Australia and its allies in war, defence and peacekeeping services are acknowledged and commemorated.

Outputs 3.1 and 3.2

Air Vice-Marshal Gary Beck, AO, Director, Office of Australian War Graves

Ms Kerry Blackburn, Branch Head, (Commemorations) Corporate Development

Outcome 4—The needs of the veteran community are identified, they are well informed of community and specific services and they are able to access such services.

Output 4.1

Mr Geoff Stonehouse, Division Head (Health Care and Services)

Output Group 5—Provision of services to the Commission, the Minister and the Parliament in the development of new policy, ministerial correspondence, the preparation of the budget and annual report, and program guidance for the management or contracting of DVA services.

Dr Neil Johnston, Secretary, DVA

Mr Brian Flynn, Deputy President Acting, DVA

Dr Graeme Killer, Principal Medical Adviser, DVA

Mr David Mackrell, Division Head, (Corporate Development)

Ms Jo Schumann, Branch Head (Strategic Support) Corporate Development

Mr Murray Harrison, Manager (Information Management) Compensation and Support

Mr Sean Farrelly, Branch Head (Resources Branch) Corporate Development

Mr Terry Fahey, Project Director (GST Implementation Team) Resources Branch, Corporate Development

Mr Michael Guilfoyle, Director (Budgets) Resources Branch, Corporate Development

Mr Geoff Kavanagh, Director (Running Costs) Resources Branch, Corporate Development

Australian War Memorial

Outcome 1—Australians remember, interpret and understand the Australian experience of war and its enduring impact on Australian society.

Mr Mark Dawes, Assistant Director, AWM

CHAIR—I welcome Senator Newman and officers of the Department of Veterans' Affairs. The committee has before it a list of topics nominated by senators for consideration at these supplementary hearings. The committee will consider matters relating to output 1—Department of Veterans' Affairs, and then consider other outputs in numerical sequence. In order to assist *Hansard* in the early publication of the transcript of these hearings the written questions on notice will not be incorporated in the proof *Hansard* transcript. The chair will state for the record that written questions have been received for a particular senator and that these questions will be forwarded to the department for answer. Once an output or outcome has been finalised, the officers present for that output or outcome will no longer be required, provided that they are not required to be present for another topic later in the proceedings. The committee has resolved that answers to questions on notice are to be lodged with the committee by Friday, 14 January 2000. Minister, would you like to make an opening statement?

Senator Newman—No, thank you.

CHAIR—I invite questions.

Senator QUIRKE—I just have one issue—that is, the service pension provisions. I gave a written communication to the committee secretary, which I think would have been handed over to the department, about the provision of pension services to people who had served during World War II. The case specific that I was looking at was one of a Mr Doug Irving. I think that case would have been communicated to some of the officers.

Mr Reece—Yes, we have notice of your question. Is there a specific issue about Mr Irving's case that you had? I have the decision of the AAT here which is crystal clear with all the history and the rationale and the reasoning, if you would like to read it.

Senator QUIRKE—It seemed to be clear to everyone except Mr Irving. Can we go through parts of that decision and the process leading up to it? Mr Irving is under the assumption, which may be wrong, that serving British personnel can get access to a service pension if they were in an area of danger during World War II. Is that correct?

Mr Reece—They get access to the service pension if they served with Australians and also incur danger.

Senator QUIRKE—So in Mr Irving's case it was not the argument about the danger; it was the argument that he was not a serving Australian.

Mr Reece—No, I think the argument in the AAT was that Mr Irving's exposure to danger was a perception of danger, not actual danger. The test for danger is an objective one, not a subjective one. Mr Irving's case had, I think, four elements in it, from having read the

decision, where he believed that he was in danger. The AAT decided that in none of those four cases was there any actual danger, that it was all perception, and dismissed his case.

Senator QUIRKE—Let's assume now that the outcome had been different. Had he actually been exposed to danger had that been agreed by all parties, would he then have got the service pension?

Mr Reece—Yes, he would have.

Senator QUIRKE—So there are British serving personnel out there who were exposed to danger during World War II who did get the pension. Is that right?

Mr Reece—Yes, that is right. For example, any British serviceman serving in North Africa with the Australians—so at El Alamein or somewhere like that—clearly would have satisfied the criteria. There would be no question about the danger incurred.

Senator QUIRKE—Even serving in the British army.

Mr Reece—Yes.

Senator QUIRKE—So it comes down to the argument about whether or not he actually did experience danger.

Mr Reece—Yes, that is right. In Mr Irving's case, having read the AAT decision, he had four elements to his claim that he had experienced danger. In each case the AAT could not find any evidence objectively that actual danger had been incurred. On the first leg he claimed danger from having travelled to England to India through the Suez Canal on a vessel the name of which was not particularly clear. As it turned out, the actual ship did not sail until after the German surrender, so there was no actual danger on that leg of his voyage. The second leg of his claim was that he had experienced some danger on a journey with an armed column in India into Burma. There was found to be no record at all of that unit having undertaken that journey. The third element was an allegation that he encountered danger on the sea journey from India to Malaya and he claimed that he was in danger from Japanese mines. Once again, that was a perception; the assessment was that there was no actual danger from Japanese mines. I think the fourth leg was that on arriving in Malaya he was confronted by some 'Asian soldiers'. I think the conclusion was that this was after the Japanese had surrendered, so again there was no actual danger encountered. But that is quite clearly set out in the AAT's decision. You are welcome to have a copy. It is very well written.

Senator QUIRKE—I wouldn't mind a copy.

Mr Reece—That decision also sets out the policy and the definition of the danger test. Quite clearly it comes from a High Court case of Thompson and that is also quoted there, along with the full policy, which has been longstanding.

Senator QUIRKE—I would not mind having a look at that document, if I could. I just want to re-emphasise: serving British soldiers during World War II that did experience danger can get the service pension even though they did not serve in Australian units?

Mr Reece—If they served as an ally of Australia, that is right.

Senator QUIRKE—Thank you.

CHAIR—Can I ask a question about the gold pass? A person got in touch with me recently who was in the Second World War in Darwin manning anti-aircraft guns, and this person actually saw the last air attack on Darwin as well as seeing other ones. He explained to me—and I would like this corrected—that if he had gone by sea from Sydney to Darwin and did the same things that he did he would have been regarded as a returned serviceman and he

would have been entitled to the gold pass. But he actually went across land and never left Australia, so he was not entitled to it. Have I got that completely wrong or is that right?

Mr Reece—That is possible, depending on the dates on which he travelled by sea.

CHAIR—He did not travel by sea.

Mr Reece—If he had travelled by sea between certain dates when it was known that there was enemy activity in that water, then that would have been the case.

CHAIR—But he was travelling by land—

Mr Reece—He was not exposed to danger from enemy forces and so the answer would be no.

CHAIR—What about the aircraft?

Mr Reece—Again, it would depend on the time at which he was Darwin. If he was present between certain dates when the bombing occurred, then he would be considered to have been in danger and would attract qualifying service. If the planes were not bombing, even if they were just flying overhead, the perception of danger does not count; it is actual danger. That is the difference.

Senator WEST—Can I ask you to look at the Veterans' Review Board annual report on page 2? It talks about the review and the need for timeliness, that at times there had been serious delays in the provision of section 137 reports. What action has the department undertaken or what has it put in place in regard to this review and how is it progressing?

Mr Reece—We have been very concerned about the timeliness of provision of 137 reports to the VRB. We also have provision of section 37 reports under the AAT Act to the AAT. Because of that, we initiated an internal review and examined our internal processes and procedures with respect to the provision of those reports. That review is now being implemented within our state offices. I can confidently report that our performance against 137 has dramatically improved. I am informed recently that our percentage completed in time, which is 42 days, is over 90 per cent in a lot of cases. So we have had a dramatic turnaround.

Senator WEST—What did you do to bring this turnaround about?

Mr Reece—I think one issue was accountability of our state managers, reminding them of their statutory responsibilities—to manage this a little more carefully for one thing, to encourage them to look at the processes as we had recommended to introduce some streamlining, and to provide the people who are preparing these reports with a little bit more support.

Senator WEST—In this particular section it also says that 30 per cent of applicants were not represented by an advocate at VRB hearings. What are your comments about that number of people not being represented?

Mr Reece—That is reasonably standard practice with respect to VRB. The department is not represented at all. VRB, in most cases, is a tribunal where mediation and settlement is the emphasis rather than the more adversarial process that you might expect elsewhere.

Senator WEST—It talks about the fact that you still receive complaints to the VRB that an applicant has had to pay for representation and that this occurs despite the existence of a free service provided by ESOs and despite efforts on the part of the VRB, the department and ESOs to bring this fact to attention. Whilst you say it is not a matter within the control of the VRB, it seems appropriate to emphasise that TIP trained ESO advocates are insured under class

professional liability policy. What are you doing to make sure that you are not going to get these complaints?

Mr Reece—The TIP program made a good contribution here, remembering that legal aid is not available at the VRB. That is not available to the AAT. But in the last budget remember a new program was introduced called the BEST program, which is to replicate the efforts of the TIP program and the CAGS program and it is designed to encourage ex-service organisations to skill advocates to help these very people, to advise them in the preparation of their claims and the management of those claims before the VRB. That is a considerable budget contribution, and we would hope that it would have some effect in time. The exservice organisations in general commit considerable resources of their own to this too, Senator. But it is a difficult one. Inevitably a reasonable proportion of veterans choose to appear by themselves.

Mr Maxwell—It is equally true that a certain proportion of veterans will always choose to use an advocate of their own choosing and if that advocate happens to be one who charges for their service there is not much that can be done about it. We as a department certainly encourage the veteran population to make use of the volunteer efforts that are available through the exservice community and indeed are trained by TIP, as Mr Reece has said.

Senator WEST—I do not have a problem with that. It is fine to say that the department is not represented, but the department is a department that has personnel who know the process, who are used to fronting up and talking to people and mediating. For the veteran it might well be their one and only time in life they have to do this and that for them is exceedingly stressful. So whilst I agree with no representation in terms of legal counsel—for God's sake keep the lawyers out—I think there is a need for some sort of support. I am just not happy with the throwaway line that 'nobody is represented' because you want to make it as equal as possible.

Mr Reece—We must not forget that, by this stage, the veteran has had his primary claim considered where we would hope that the determining officer would have been in touch with the claimant or his representative and tried to mediate or come to settle the claim in the first instance. Secondly, if we were unsuccessful, we have internal review which happens to all rejected cases under section 31. Again, that is an attempt on the department's part to intervene and to assure ourselves that the case has been determined correctly, to contact the veteran and/or their representative to see if there is any further information and so on. So we have already gone to a fair length, given it is our responsibility to investigate the claim as thoroughly as we can, in doing just as you suggest. The program that has been introduced, the BEST program and its antecedents, we hope will continue to provide the sort of help that you are suggesting. It is just a question whether it can ever be enough. It is a sizeable task to undertake.

Senator WEST—I know it is a sizeable task to undertake. I am cognisant of the last case I had that ended up here. This was somebody who had a post-traumatic stress psychiatric disorder—it was not easy.

Mr Maxwell—I wonder if I might clarify one point that might be leading to some confusion. When Mr Reece says the department is not represented, he in fact means the department does not attend. The proceedings are conducted by the board in the presence of the applicant and the applicant's advocate or representative, if he has chosen to appoint one.

Senator WEST—Okay. So you think the delays that you have experienced have been fixed up?

Mr Reece—The question of delays is another issue altogether. You will also see from those statistics—or certainly from the information provided in answer to a question in the last estimates—that a large proportion of the backlog in the VRB is due to the veterans themselves not being ready. That is an issue out of our control and out of the tribunal's control. But, as you are suggesting, perhaps that it is an issue of the extent to which assistance is available to them.

Senator WEST—How much of the lack of readiness is due to medical officers having not completed fully their—

Mr Reece—No, this is on the assumption that the VRB has verified that these cases are ready to proceed and that everything is in place.

Senator WEST—Okay. Can I ask a question about the classification of Australian service in East Timor. Using the classification of Australian military service in Cambodia as a precedent, will the initial months of the Australian contribution to the INTERFET operation in East Timor be considered as warlike rather than as peacekeeping in nature?

Mr Reece—It has already been determined, initially by the United Nations under Chapter 7, that this was a peace enforcement deployment as opposed to peacekeeping, requiring an element of force and self-defence and one in which clearly some casualties might be expected under our definition. This is a decision made by the Minister for Defence on advice from Defence. In this case, I understand they simply followed the United Nations determination under Chapter 7 of the UN Charter.

Senator WEST—So basically once the UN says that it is chapter 7 they are going in under, it should flow that it will be considered warlike and treated as such?

Mr Reece—As I understand it, yes.

CHAIR—And the danger rule.

Mr Reece—I think the danger rule is implicit in that determination, as opposed to Cambodia, for example, where the classification changed because of a changed assessment. It was in fact both, as I recall.

Dr Johnston—If I can just add in case Senator West had not picked it up: the entitlement has already been announced by the government as peace enforcement.

Senator WEST—Okay. I wanted to ask about travel payments—I am not sure whether it is outcome 1 or 2.

Mr Reece—It depends what the travel is for: is it travel for the purposes of health treatment or is it travel for the purposes of compensation assessment?

Senator WEST—It has been travel for the purposes of health.

Mr Reece—Outcome 2.

Senator WEST—I will ask it now because I do not have any more on outcome 1. I do not know whether Senator Schacht has any more. Anyway, I will work through mine. How is the travel claims issue going? What is your backlog? Have you changed your forms in recent times?

Dr Johnston—I might ask Mr Stonehouse to answer that.

Mr Stonehouse—I will have to pass that question to Ms Hohnke.

Ms Hohnke—We have not changed the latest form, although we have had an expert come in working on the form. We anticipate that early in the new year we will be introducing a revised form for travel.

Senator WEST—You have not changed any assessment criteria in relation to that or payment criteria?

Ms Hohnke—No, we have not at this stage.

Senator WEST—What about the meal allowances?

Ms Hohnke—The meal allowances remain unchanged at this stage. Do you want to know the meal allowances?

Senator WEST—No, I am just wanting to know what is happening with the treatment of them because I have had some complaints—I have had complaints about the amount but I have also had some complaints about people who were having to leave home quite early.

Ms Hohnke—The meal allowance is based on the length of travel that occurs in the day: if the travel is between 50 and 200 kilometres, they receive \$8 for meals; if it is 200 kilometres or over on the same day, there is an allowance of \$16; if an attendant is with the veteran travelling, then that is doubled. It occurs for each.

Senator WEST—I am just aware that, now with some 60 per cent of all acute hospital admissions being for day surgery, you are getting more of your veterans having day surgery. I am thinking of a country area where they travel to the base hospital. It is not quite 100 kilometres away—so it is 95 kilometres there and it is 95 kilometres home—but it is going to take all day because it is a day surgery type procedure. So they get there at 9 or 10 o'clock in the morning and they do not get home until 4 or 5 o'clock, even later at night, because they have been in day. Do you think that is adequately covering what is being required?

Ms Hohnke—What we do is combine the travel so that it is the trip to and from which determines the allowance. We have had some questions regarding this area.

Senator WEST—I have too in recent times. What is the waiting time for payment of travel allowance these days?

Ms Hohnke—I cannot give you the exact time at the moment, but in all states it has been occurring under the required 28 days.

Senator WEST—It is just that I am getting complaints in New South Wales that of late it has not been. It has not been until they have rung up and been told that the cheque is in the mail, sort of thing. They have been waiting closer to seven to eight weeks.

Ms Hohnke—I am not aware of those delays but I am happy to look at that and give you an answer on that.

Senator WEST—I would appreciate that. There was a press release put out by the minister on 28 October headed 'A rural focus enhances DVA's system service delivery'. Can the department provide the latest customer surveys for DVA service delivered through Centrelink agencies in rural New South Wales, Queensland and Tasmania?

Dr Johnston—I think you are moving to another program here; is that your intention?

Senator WEST—I am in outcome 2. That is the problem with this stupid accrual accounting, we are never sure whether we are moving in outcomes or what. Is it in outcome 2 or should I move it somewhere else?

Mr Stonehouse—I think it is outcome 4.

Senator WEST—Okay. What about age pension payments administered by the DVA?

Mr Stonehouse—Mr Reece.

Senator WEST—Is that back in outcome 1? I am sorry, none of you run away.

Senator SCHACHT—Mr Chairman, I have a series of questions but I have the same problem in that I am not sure which outcome they go in. But I am sure that the officers at the table, plus Mr Reece and a couple of others, will be available to answer them. I want to return—I think this is outcome 1—to a couple of points about the veterans' entitlement bill that went through the parliament on Monday. I want to clarify discussions that I had privately with the government. I think it is good to get this on the record and, again, the minister at the table at the time of the debate made a number of commitments which I think are useful.

It was raised by some Vietnam veterans' organisations that the 40 GARP point test be reduced to a 30 GARP point test and that the hours of work be increased from eight to 20 hours. Both in the debate and in a private briefing, the government said that, as the invalid service pension is an entitlement for people who cannot work, you are then moving it into an intermediate area and that was not an effective way to move because you were starting to undermine the reason for granting the invalid service pension. Of those who get the invalid service pensions, how many of those are also getting the TPI?

Mr Reece—I will just verify that but I suspect it is about three-quarters.

Senator SCHACHT—If you are a TPI person, the maximum you can work is eight hours; is that right?

Mr Reece—That is correct.

Senator SCHACHT—I understand that, for those TPI people, you also have a rehabilitation offer in some programs in the department; is that correct?

Mr Reece—In outcome 2, in the health program, there is a rehabilitation program.

Senator SCHACHT—That is under outcome 2. I will keep at it anyway, seeing that you are at the table with other officers. That means if someone has a TPI pension, you can offer them some rehabilitation that actually may get them back to work at a greater level although it may reduce the TPI; is that right?

Mr Reece—It will not reduce their TPI. Under this program their TPI is protected to encourage them to go back to work without loss to their compensation pension. But the invalidity service pension, if they are being paid that as well, is means tested. So it means that, for every dollar they earn in their return to work, the taper would operate over the income free area up to 50 cents in the dollar.

Senator SCHACHT—The concern, which I think the minister may well have received in the last couple of days since the bill went through, is still the concern that the invalid service pension test and the restriction on the hours worked will mean that there will be a reduction in the number of approvals for the invalid service pension.

Mr Reece—Yes, that is our estimate because of the changed criteria.

Senator SCHACHT—We could not get this sorted out because we were under a fair bit of pressure about timing in the committee stage. The parliamentary secretary, Senator Abetz, said it was a more rigorous test but it would not necessarily be a tougher test. Yet I cannot see how you could have that. If a test meant that fewer people were going to get it, it therefore must mean a tougher test; is that correct?

Mr Reece—It is a question of semantics. There is no doubt that, against the existing test of 85 per cent, this is a very different test. It is certainly more rigorous; it will produce savings because fewer people will get the pension than otherwise would have under the old criteria. If you prefer to use the word ‘tougher’, I am happy to agree that it is a bit tougher. I do not know why we would be concerned with that.

Senator SCHACHT—For example, the Gulf War veterans have just formed an association and they are concerned that the 40 GARP test as it will apply will mean that some of them will miss out on getting the invalid service pension. Do they have a well-founded fear of finding it tougher to get than other veterans who have been through the existing system?

Mr Reece—The criteria are completely different. We have already admitted that it is a different test and that fewer people are going to get it than otherwise would have. I guess that logic would apply to them as well.

Dr Johnston—If I can just add to that: the government, in announcing the measure, made it very clear that the criteria to be adopted for invalid service pension were effectively the same criteria as for TPI. It is that uniformity in approach that is now seen as a policy objective.

Senator SCHACHT—I understand the policy objective. It sounds very smooth, logical and rational—a bit like globalisation and world trade. Free trade sounds very rational except when people are not getting the benefit they start to react. This is the fear in the veterans’ community. Ourselves and the Democrats in the debate on Monday night decided not to proceed with further amendments in this area after a lot of soul-searching with the veterans’ community. But, on balance, I notice Senator Abetz did say that, if after 12 months it was obvious that this new test was clearly demonstrably starting to work against veterans, it would have to be reviewed. I certainly want to put it on the record here that, if it suddenly turns out we have created a monster and large whacks of veterans are getting cut out, then it will come back to be debated in this place.

Mr Reece—Senator Abetz did make that undertaking, and it will be honoured.

Senator SCHACHT—I appreciate that very much. I think the veterans’ community would see that at least as some assuaging of their fears on a holding basis until they see how this operates. Again, we accept the undertaking that we did not have to move an amendment to cut out the retrospectivity of those who already got the benefit. We were given assurances by Senator Abetz that this measure would be dealt with administratively and we accept those assurances.

Mr Reece—I would clarify one thing there for you with respect to the intermediate rate, which I think has been the concern of some people. It must be understood that, with invalidity service pension, it is available to those who do not just have war caused disabilities. Their inability to work 20 hours under the war caused test may be reduced and make them eligible if they have other non-war caused disabilities. So it is not quite as clear cut as I think some have been suggesting.

Senator SCHACHT—Dr Johnston and Mr Reece, I think you are aware of those groups in the veterans’ community who are agitated about this. I think they have been on to you as much as they have been on to me and the Democrats. Perhaps your expending some effort on extension work might be useful. With some of the material that people have, including material that I have, it is very easy to be confused about the benefits and how they operate. I do not deny that it is very easy to get the wrong end of the stick on this. But, unless some effort is made on explanation, there will be a bubbling of concern occurring within some elements of the veterans’ community, particularly the Gulf War veterans. They have not been

queuing up yet; they are just starting to get organised and they think they do have a problem. This applies also to some of those Vietnam veterans' organisations.

With the nuclear study, a doctor was appointed to carry out a review of material from Great Britain on nuclear testing, and so on. Who is handling that?

CHAIR—Are we still on outcome 1?

Senator SCHACHT—This could be anywhere from outcome 1 downwards.

CHAIR—Would you like to do the whole lot seriatim?

Senator SCHACHT—I think it will be quicker for me and for the committee if I just run through the issues that I have questions on. That probably will mean that no more than one person will be coming to or leaving the table.

Senator Newman—And then could the others go?

CHAIR—The reason for our setting it up this way in conjunction with the department was that people, once they had done their bit, could go.

Senator SCHACHT—I will just run through the issues on which I will be asking questions: the nuclear study; the Vietnam validity study, which I understand will be published tomorrow; employment levels in the department; the Korean War Memorial, an issue probably for Mr Guy Beck; legal aid; an issue relating to the percentage of average weekly earnings that the TPI now is; gold card; contracts in the annual report, et cetera; the GST payment to pensioners; and finally, a very narrow one, what medicine is to be made available to veterans.

CHAIR—And the Australian War Memorial?

Senator SCHACHT—The Australian War Memorial I will deal with separately.

Dr Johnston—Could we help you with those? In light of the people who are at the table, we could start with atomic, GST and TPIs.

Senator SCHACHT—Who was appointed to do the review in connection with the nuclear study?

Mr Reece—Professor John Kaldor.

CHAIR—If Dr Johnston wants to send away anyone who is not tied up with those suggestions of Senator Schacht's—

Dr Johnston—Mr Chairman, in assistance to Senator Schacht, we are prepared to work through his sequence. It may mean people coming backwards and forwards to the table.

Senator SCHACHT—What is the time scale still for the completion of that review?

Mr Reece—This is a matter which is under the auspices of the Department of Defence, but I think we can say that Professor Kaldor's report has been finalised and is available.

Mr Maxwell—If I can perhaps add to that response, it might help overcome the confusion. Professor Kaldor's report is in. In response to that, the minister has announced that there will be a study of Australian atomic test participants to see whether our experience matches the international experience. Strictly speaking, the atomic test participants are not veterans within the meaning of the Veterans' Entitlements Act. But our participation in the study falls within my branch's bailiwick, so you have the right people.

Senator SCHACHT—When do you think the part of the review with which you are dealing will be completed?

Mr Maxwell—We will work in conjunction with the Department of Defence and another department with responsibility for the civilians involved. The minister has asked that we have that completed by the end of next calendar year. At this stage we are going through the first process, which is to form a nominal roll of all those who took part. Once you have a nominal roll, you can then proceed to see who is alive, who is dead and who is ill.

Senator SCHACHT—The next issue is the GST. With a veteran on a pension, the principle is the same; there is a flat rate payment as a one-off payment for their pension. Can you explain to me exactly what that is? I have had some letters and it seems to me that there is a bit of confusion with people not being quite sure of what they are entitled to with GST compensation.

Mr Reece—All veterans' pensions and allowances will be increased by two per cent, with an additional two per cent as an advance payment against future indexation. So, all up from 1 July next year, all veterans' pensions will increase by four per cent, without exception. There will be an adjustment after the following six months, in light of the inflation rate then prevailing, on half of that.

Senator SCHACHT—Is there any flat rate payment of compensation to veterans?

Senator Newman—Do you mean the savings bonus?

Senator SCHACHT—Savings, yes. Is that a one-off payment of \$1,000?

Mr Reece—There are two savings bonuses: one is \$1,000 and the other one is \$2,000, the latter one being focused mainly on self-funded retirees who do not get any income support. That is a one-off, depending on their taxable income, with a reduction rate applied. But that is a one-off.

Senator SCHACHT—The one-off payment of the \$1,000: is that paid without condition? If there are conditions, what are they?

Mr Reece—The \$1,000 is ostensibly compensation for the loss of income earning as a result of the GST on the income that they would derive from their savings.

Senator SCHACHT—Do they have to have a minimum amount of savings?

Mr Reece—It is based on their taxable income from those savings, yes.

Mr Hay—Perhaps I could just clarify that. It is up to \$1,000 and it depends on their retirement and investment income. It tapers out between income levels of \$20,000 and \$30,000.

Senator SCHACHT—So if a veteran unfortunately has no savings, they do not get \$1,000?

Dr Horsley—That is correct.

Senator SCHACHT—What is the next one you took from my list?

Mr Reece—TPI.

Senator SCHACHT—I draw attention to the fact that in a press release from the Australian Federation of Totally and Permanently Incapacitated Ex-Servicemen and Women, the WA branch put out a statement saying that the branch had moved a motion of no confidence in the Minister for Veterans' Affairs. The reason was that they believed the veterans' entitlement, particularly the TPI special rate, had been eroded despite repeated approaches to the minister.

There is also further material around about the TPI national body arguing that there has been over many years a general erosion. The TPI, instead of being tied to average weekly earnings, is now less than 50 per cent of them. The minister can look after himself about the motion of no confidence being passed. Does the government have a response in defence of the fact

that the TPI is now less than 50 per cent of average weekly earnings? I have seen some figures which show that in the 1930s it was at least 100 per cent. I presume that other benefits balance that out.

Dr Johnston—We would like to take that on notice and give you a careful response. If it is considered in isolation, over a period of decades, some of those relativities can be suggested by the sort of analysis that I think you are referring to. Point two of the response from the government states that other benefits and conditions have been introduced over the years. I suggest that that also needs to be taken into account. I expect that there will need to be an ongoing dialogue between the government, the department and the TPI community to resolve some of those issues.

Senator SCHACHT—Dr Johnston, you are willing to take it on notice. I would appreciate at least a considered reply from the government. I have to accept that the erosion has occurred through times in government when my party was in office as well. I would be interested to see what the make-up is and whether other side benefits have been added to ensure that the quality of life of TPI pensioners has not been eroded at the same level as actual average weekly earnings has. I presume that that is not the case.

Mr Reece—The obvious addition has been the service pension, which was not available in 1920 when the TPI rate was first set. You are right; it has fluctuated over time. It is pretty well line ball with average weekly earnings today. We can give you the breakdown of all those benefits from which that number is derived.

Senator SCHACHT—It would be of benefit not only to me as the shadow minister but also to the minister and the veterans' community so that there is a broader debate about that.

Mr Reece—We get a broad spate of correspondence on this matter. That is the standard answer we give. We set out in spades what those benefits are.

Senator SCHACHT—Yet they still carry a motion of no confidence in the minister, though?

Mr Reece—Yes.

Senator SCHACHT—Such is life for the minister. What was the next one on your list, Mr Reece?

Mr Reece—I cannot read my writing.

Senator SCHACHT—Do you cover the gold card, Mr Reece?

Mr Reece—No.

Senator SCHACHT—Those who have the gold card are very enthusiastic about it because it gives full private health cover involving doctors and medical benefits. If you get the gold card, you get that all covered within the gold card. As a result of that being the major benefit identified, there would be no need for a recipient of a gold card to maintain a private medical benefit?

Mr Stonehouse—That is a vexed question and one for the individual veteran to decide. The gold card provides full coverage for 100 per cent of the costs of the care that veterans need provided that they choose to use our system. If they decide to use hospitalisation, for example, outside the repatriation system, they may need to use their private health insurance, in which case they become liable to pay the gap.

Senator SCHACHT—Do you know of examples of veterans with a gold card who have chosen to go outside the system? They obviously must be millionaires.

Senator Newman—Sometimes it is about a bond with their surgeon or their specialist.

Senator SCHACHT—Is that a common occurrence?

Mr Stonehouse—On a very personal level, my mother is a war widow who has a gold card. She is not a millionaire. She was choosing for some time to rely on private health insurance just to maintain a relationship with her doctor. Since that time, she has given up her private health insurance and now relies on her gold card.

Senator SCHACHT—I would have thought the service provided under the gold card for access to private coverage and the medical coverage and service given in the hospitals et cetera is pretty gold plated. You would be hard pressed to start finding generally better quality service outside what is provided by the gold card, wouldn't you?

Mr Stonehouse—My view is that it is the best health arrangement in Australia.

Senator SCHACHT—If someone in the veterans' community with a gold card approaches the department for advice about whether they should keep their private insurance, what advice do you give them, or do you duck?

Mr Stonehouse—We give them even-handed advice.

Senator SCHACHT—Which is ducking? Giving them both sides of the argument?

Mr Stonehouse—Yes.

Senator Newman—Like the referendum.

Senator SCHACHT—Given the way the government rigged the referendum, that is what worries me. Do you have any figures available as to how many gold card recipients have gone out of private health insurance as they got the gold card?

Mr Reece—We have some figures relating to a survey that is about three years old. I would have to confirm this for you. I think about seven per cent of gold card holders have private health insurance.

Senator SCHACHT—Seven per cent.

Mr Stonehouse—It was a low percentage.

Senator SCHACHT—That is three years old. There is no official position from the department advising gold card recipients either way? You give them some information and let them make up their own mind?

Mr Stonehouse—That is correct. Veterans would sometimes have insurance to cover their spouse.

Senator SCHACHT—I understand that. Apart from the spouse, what add-ons in packages for private insurance would be available, if they have paid for it, that are not available under the gold card?

Mr Stonehouse—I will seek some assistance in that answer.

Senator SCHACHT—Take it on notice to save time.

Senator Newman—Good idea.

Senator SCHACHT—In view of the incessant number of letters that we are all receiving as members of parliament about the extension of the gold card, has the government given any thought to extending the gold card to those groups who do not have it, such as all those over 70 who served in any of the theatres of war, those who served in Australia but did not go overseas and, the biggest group of all, the allied ex-service people who now live in Australia as citizens? Are any of those issues generally before the government in view of the lobbying that various groups are making?

Dr Johnston—When the Prime Minister announced the last increase in coverage for over 70-year-old Second World War veterans with qualifying service, he said that the government would be keeping a further extension under review.

Senator SCHACHT—That is all I have on the gold card. Can you read your writing yet, Mr Reece?

Mr Reece—Yes. I have deciphered it. It says legal aid.

Senator SCHACHT—You gave me an answer about legal aid in reply to my question last June. The second page of the answer has a table of applications refused. In the year 1997-98, which is the first full year of the new government, there seems to be a doubling of the numbers who have been refused. In 1995-96, it was 16. It was 32 in 1996-97. It was 64 in 1997-98. I presume that we do not have any figures for 1998-99?

Mr Reece—No. We have tried to get them without success. It is a fair task. We rely on Attorney-General's, which in return has to seek that information from the state legal aid commissions. We are trying to get it. Your observation is right, but the percentage in overall terms is still small. The only explanation we can offer for that is that state legal aid commissions are getting a better grip of the veterans' jurisdiction and are applying the merit test with a bit more care.

Senator SCHACHT—That means that some veterans are not getting access to legal aid.

Mr Reece—It means that their case does not have any merit. It is as simple as that.

Senator SCHACHT—That is a brave statement, Mr Reece. I would be careful saying that their cases do not have merit in a couple of veterans organisations that I know of.

Mr Reece—No, I think it is well understood in the veteran community, particularly amongst some of the leaders, that there is a very strong appeal culture in this jurisdiction. A lot of the stuff that comes through has been through primary claims, section 31 review and the VRB. It is also known that 30 per cent of claims to the AAT are withdrawn—and they have not been not rejected for legal aid—so we presume there has been a determination by the claimant that they do not have much of a chance.

Senator SCHACHT—I notice that, for the three years given in the table, the rejection rate has doubled every year. From 1995-96 through the three years to 1997-98 it has gone from 16 to 32 to 64.

Mr Reece—The percentage, though, has fallen to 94½ per cent of all claims being accepted, which is another way of expressing that statistic from the other information.

Senator SCHACHT—I do not want to take time here, but I am sure that when that table is shown to certain groups in the veterans community, it will confirm what they have anecdotally been saying—that it has tightened up, and it is more difficult for veterans to get access to legal aid since the federal government cut the legal aid budget and sent it back to the states. It is a broader argument than for here, but I appreciate the figures.

Dr Johnston—I will clarify one issue on legal aid. Many veterans have been concerned that there has been a reduction in funding for legal aid, and I think the consultations over the last six months or so have provided significant evidence to the veterans community that that is not the case. But it is correct that the legal aid state processes are giving more attention to the merits test. There is concern within the veterans community about how properly the legal aid commissions are applying the merits test, and we are sympathetic to the view that there needs to be more effort by us and the Attorney-General's Department to provide effective training for the state commissions in the veterans jurisdiction arrangements.

Senator SCHACHT—Good luck in trying to train state bodies. It is a contradiction in terms sometimes. Please take it on notice that when you get the 1998-99 figures I will be interested to see whether that training has meant that the doubling for the last three years has started to taper off. It might assuage some of the concerns.

I will now turn briefly to the Vietnam validation study, which I know will be released tomorrow. I appreciate the fact that, under embargo, I got a briefing from the minister's staff and that they have given briefings to the appropriate members of the veterans community. If there is any evidence in the validation study that the veterans or the kids of the veterans have been affected by certain illnesses and certain outcomes, will the government be able to respond at the same time the report is tabled with any indication of what they would do in those circumstances?

Dr Johnston—I think you are asking us to comment on what the government's statement tomorrow will contain.

Senator SCHACHT—They are tabling the report of the Vietnam validity study. The cost of it is listed here.

Dr Johnston—It was done by the Institute of Health and Welfare.

Senator SCHACHT—What is being released tomorrow is only the result of the study that that organisation has done on the validation. Is that correct? Will the government be announcing anything tomorrow about any aspects of benefits or compensation as a result of the validation study?

Dr Johnston—I think you need to wait for tomorrow's release.

Senator SCHACHT—I will await tomorrow's release. The reason I ask is that this study took several months longer than anticipated. I can understand there is a reason for that but, if there is any further delay in the government responding to claims for compensation or benefits—say, until the next budget, which is still May next year—I think some people in the veterans community will get a little agitated. Nevertheless, we will wait for that tomorrow, Dr Johnston.

I will now turn to a letter. This is a very narrow question. The government advised a constituent about the availability of a drug called aricept. The minister's adviser has said that 'the recommendations are under consideration by the Repatriation Commission prior to consideration by the minister'. That was at the beginning of November. Has the commission made a decision on the availability of aricept through the RPBS?

Dr Johnston—No, we are still investigating the matter. We have met with the committee to seek more in-depth comment and explanations. We are also consulting with the Department of Health and Aged Care because they have an interest in the same matter. But, no, a decision has not yet been made.

Senator SCHACHT—Would you care to hazard a guess about when a decision one way or the other may be available?

Dr Johnston—We are certainly giving it priority, but I would not hazard a guess as to when a decision will be made.

Senator WEST—Can the RPBS go ahead and approve the use of the drug without the PBS undertaking the same move?

Dr Johnston—In formal terms, the committee is there to advise the minister and the Repatriation Commission on these matters. It is then a matter for the commission, on advice

to the minister, to make a decision. In principle it can be different from the Pharmaceutical Benefits Scheme, but in practice the two structures do need to keep in touch and to achieve a degree of consistency in the way they deal with these matters.

Senator WEST—So there is no drug on the RPBS that is not on the PBS?

Dr Johnston—That is not correct. There are numerous examples, an obvious one of recent significance being viagra, where the Repatriation Commission and the minister decided to provide viagra to veterans but under strict conditions where their circumstances could be linked with war service.

Senator SCHACHT—Towards the back of the annual report, on page 227, you list a whole range of contracts for services provided. I noticed that there were a large number of these contracts—for considerable amounts of money—that have been granted without being publicly advertised. Can you give us an explanation about what ‘not publicly advertised’ means? Is it that they were not in the newspaper but they may have been in the *Gazette*, or does it mean that there was no public advertising and people were chosen from an authorised list?

Dr Johnston—I am just hesitating in answering your question because I would like to make sure that we are properly explaining the classification we have used. I think we need to take that on notice.

Senator SCHACHT—I would appreciate that. Also, the justification of ‘specialist expertise required’ or ‘experience not available in-house’ seems to be a pretty consistent pattern of description. Then there are things like ‘rapid access to expertise’. Some of these are for small amounts, which I can understand, but a couple spring to my attention as large amounts of money. For example, at the bottom of page 228, the PricewaterhouseCoopers Paris implementation cost \$271,000, and it states ‘not publicly advertised’ and ‘expertise not available in-house’.

Dr Johnston—Would you like a comment on that one specifically?

Senator SCHACHT—Another one that particularly struck my attention was on page 234: ‘Davenport Campbell state office space planning project and construction management’, with a cost of \$534,000, ‘not publicly advertised’ and the justification ‘expertise not available in-house’. That reads to me as though that was for re-laying out the partitions in the office, to some extent. My comment may be a bit unsophisticated, but that seems a large amount of money to be granted for office space planning. That is a comment I would like to get.

Dr Johnston—That particular item would refer to a total refurbishment of the New South Wales office, which has achieved major economy in the rental cost for that location. But we could take that on notice and provide you with some more detail.

Senator SCHACHT—In particular, does any of that money include the actual cost of materials? I am a bit concerned that, if it is just somebody drawing up a plan to say, ‘This is how you redo the partitions and where you put the desks, the airconditioning in-ducts and out-ducts, et cetera,’ it seems to be a pretty generous amount of money. But then I am not in the construction business.

Dr Johnston—The significant component of it is construction management, which is a highly specialised area of activity.

Senator SCHACHT—But it is not actually construction?

Dr Johnston—No, it is the actual construction management. We have just refurbished our own building here in Canberra, and I know from talking with the owners that they place

considerable store on getting high quality expertise in this area, because it can save a considerable sum if the modifications can be handled with greater expedition.

Senator SCHACHT—For that price, did you get the materials, the desks, the partitions, the glass, the carpet, the telephone leads and all of that? If all that is in the price, it seems a large amount of money not to go out to public tender. Maybe I am too mean-spirited, thinking that \$500,000 is a lot of money. Most people think it is not a large amount of money these days, but it is still half a million dollars.

Dr Johnston—I think we should take it on notice.

Senator HOGG—If that is a construction management fee, a fee for actually managing the project, could you tell us what the fee was and what percentage of the contract that fee is worth? How does that shape up against the norms out there in the construction industry, if you know them? I have some idea of what those fees might be, so I would be interested to see the percentage and the actual amount.

Dr Johnston—Certainly.

Senator SCHACHT—The other one I draw attention to in particular is on page 233, with Softlaw—three contracts which total over \$400,000, I calculate. They are all granted without public advertisement, and all of them just say ‘lack of in-house resources’. Again, that is a pretty sizeable amount of money. I thought a tender could have been called for.

Dr Johnston—We could comment on that now. We have a particular partnership with Softlaw. They have been a major partner or ours in the development of our IT system.

Mr Reece—Softlaw are the originators of a very unique system, and we started a close relationship with them a number of years ago with respect to our compensation claims processing system. They have maintained a total market dominance with this particular product. We did, I recall, market test the continued provision of their services about two years ago, but we have continued at largely the same rates. They are the only provider of the technology for this particular system that we run.

Senator SCHACHT—So you are saying that they have a monopoly. They are it: you either choose them or nobody. Is that what you are saying?

Mr Reece—It is almost like that, but that is a feature of the IT world. I am afraid that, if you have a unique product of this kind, you are—

Senator SCHACHT—Is there any way you can benchmark them? Is there any way you can follow through? This is always where people make a very good living—saying they are the only ones who do it and charging what they like.

Mr Harrison—We have skills transfer in place in the sense that we maintain the system. We pay Softlaw for the management of their intellectual property in relation to that particular application. In terms of the specific question about benchmarking, we would find it difficult in this area because of the unique nature of the application itself. I should add that this application has won both us and Softlaw a number of awards over the years for innovation and expertise. We are actually proud of this one.

Senator SCHACHT—Has any other software company commented to you that they would like to have a go at getting the contract, or are they all out of the league? Do they know they have no chance, because they do not have the expertise, the skill and the intellectual property?

Mr Harrison—I am not aware of any approaches.

Senator SCHACHT—And no-one has complained formally anywhere in the system that Softlaw have been doing rather well out of this and that it is a closed operation?

Mr Harrison—I am not aware of any complaints.

Senator SCHACHT—Dr Johnston, from all those lists of contracts, have any potential competitors lodged complaints anywhere to the government—the public service board or whatever it is called now—or anywhere else about any of those contracts that were granted without going to public tender?

Dr Johnston—Not to my knowledge. If you are aware of any discontent, we would be pleased to hear about it.

Senator SCHACHT—I am not saying there is any. Most of the smaller ones pick themselves. Those people come from, in most cases, an approved list of service providers.

Dr Johnston—Yes. As you realise, we have a very large annual budget. We are major contract managers and negotiators within the Commonwealth government; we believe we go about that in a very professional way. Where there is a market to take advantage of, we endeavour to do so.

Senator SCHACHT—I asked a question in June about the down time of the IBM-GSA computer. You answered that it went down 11 times and that twice it went down for a total of 27 hours. Then you mentioned, over the page, that you got some compensation—I think it was \$490,000—from IBM-GSA. Since October, there is still a matter on which agreement has to be reached with IBM about the dollar value. Has that agreement been reached?

Mr Harrison—We have moved on. It is a moving feast in the sense that we reach agreement and, as time goes on—

Senator SCHACHT—Something else falls out.

Mr Harrison—It is a dynamic management regime.

Senator SCHACHT—For 1998-99 you have credits to the tune of \$490,000. What was that as a percentage of the annual budget that you paid them?

Mr Harrison—I do not have the specific percentages in front of me. We can take that on notice.

Senator SCHACHT—Has there been an improvement in terms of a reduction in the outages of the computer? I think your answer states that from December 1998 to December 1999 there were 11 separate occasions for a total of 80 hours. Since May 1999, has there been a reduction in the number of outages of the system?

Mr Harrison—Yes. But the answer is perhaps more complicated than I would like to give, in the sense that, when we talk about the system, we have a number of systems and a number of components to the system. But one clear indicator is what we call severity 1 outages, which are outages that affect five or more of our staff. We log all of those calls through a help desk process and the number of severity 1 outages logged at the help desk has reduced by 27 per cent over the course of this year.

Senator SCHACHT—Of the 11 outages you listed for 1998-99, how many of those were severity outages?

Mr Harrison—All of them.

Senator SCHACHT—All of them?

Mr Harrison—Yes.

Senator SCHACHT—When I raised this issue last time, Dr Johnston, I expressed some concern about the impact that it had had on service to veterans. As head of the department, are you satisfied that, although it is a dynamic system, you are getting on top of it and the service to veterans is being improved by the fact that there are less outages now?

Dr Johnston—We are working closely with IBM-GSA in a partnership arrangement and, as Mr Harrison said, we believe that we have made good progress over the last 12 months in improved reliability of service. I would want to make it very clear—and I would think, if you went back over the past experience of the department when we were managing different parts within the organisation, you would see this—that the department gives the highest priority to maintenance of service to veterans. My judgment is that, while this impacts most unfavourably on our staff, collectively we have managed to maintain a high-quality service to veterans.

Senator SCHACHT—Good. One of the answers stated that, ‘Since October to date, agreement has been reached with IBM-GSA that service will imply that the dollar value is still to be calculated.’ Has IBM-GSA ever threatened to turn the computer off because they disagree with you about what they should pay you as a penalty for the outage?

Dr Johnston—No.

Senator SCHACHT—So they have kept the system running and there has been no attempt to say, ‘Well, we disagree with the amount,’ and to put onto the negotiating table that they can turn the thing off.

Dr Johnston—This is a very professional relationship. There has been no hint of that.

Senator SCHACHT—That is good to hear. Although the system is dynamic, you said that the severity of outages had gone down, Mr Harrison. By how much?

Mr Harrison—The number of calls that are reporting what we call severity 1 outages—and I need to qualify that we classify an outage as a severity 1 if it affects five or more of our staff—has reduced by 27 per cent during the course of this year.

Senator SCHACHT—Since you gave me that answer in June, have you had an outage lasting 27 hours?

Mr Harrison—No.

Dr Johnston—We need to be careful there. As Mr Harrison said before, there are various dimensions of performance and the figures that you are focusing on there concern mainframe availability and, of course, when the mainframe is not available that impacts extensively across the system.

Senator SCHACHT—So the mainframe outages are dropping?

Dr Johnston—No, the figures that Mr Harrison is referring to are right across our IT system, but you can have particular software packages or linked arrangements that are not available for periods of time and that also needs to be taken into account when assessing performance. If I can just clarify: I think the severity 1 is right across the whole IT system.

Mr Harrison—To be clear, the mainframe outages are rare. We had a very rough time back in April when we were upgrading the mainframe operating system for Y2K reasons. Mainframe outages are extremely rare.

Senator SCHACHT—Have there been any complaints from staff, formally, about their work being affected by these outages?

Dr Johnston—I am not quite sure what you mean by ‘formally’.

Senator SCHACHT—Have the staff association, groups of staff or the union complained? Have they said, ‘Look, we cannot do our job properly while these outages continue at this level’?

Dr Johnston—I have not had written complaints, but there has been widespread concern within the department about the reliability of the IT service at points in time. The department has given the highest priority to improving that.

Senator SCHACHT—Moving on to another subject: last year at this time we had a bit of a problem with the mail-out of the new pensioner concession cards. Some people did not get them until the new year had started. We are now into the beginning of December and I have not received any complaints, so I presume that the procedures you put in place as a result of last year’s experience have now worked, the whole thing is under control and the people who have not got their cards already will get them in a timely manner before the new year?

Dr Johnston—That distribution has been substantially completed.

Mr Reece—It has been fully completed.

Senator SCHACHT—And there have been no complaints?

Mr Reece—None.

Senator SCHACHT—Well done. The veterans community will be very pleased to hear that. As I say, there have been no complaints and I almost forgot to ask the question because of that. I now want to turn to an answer that you gave—DVA28—which is on page 18 of the compiled document. I had asked a question about budget cuts to the department resulting in more staff being employed as contractors. Your answer was that that had been reduced by the equivalent of 1,009 full-time staff nationwide and you provided a break-up across the states: from 309 staff in New South Wales down to 19 staff in the ACT. Your answer then goes on to state that, ‘The Department has continued over five years to use contractors for both departmental and administrative expenditure.’ At the end of that paragraph, it says, ‘At the end of June 1999 there were 165 sessional contractors on the department’s payroll being paid for from program funds.’

Does that mean there has been a pea and thimble trick done here? I do not want to be cynical; one would not like to think this might be the case. That is, has the government met its target of reducing staff numbers by outsourcing and then employing people or someone equivalent or even the same people back as contractors but then paying them out of the program funds rather than out of what would have been a budget allocation for recurrent expenditure? If that is correct, that means that the program funds are being reduced by an amount that should have been made available for benefits to veterans by actually having the salaries paid for out of program funds. Is that correct?

Dr Johnston—I think some of the inferences that you are drawing are inappropriate. It is true that in some areas it is possible for us to employ staff under program arrangements as distinct from departmental expenses arrangements. Generally speaking, they are in areas, for example, like health service delivery where, essentially, the appropriation is adjusted to meet the funds required to provide a quality service to veterans.

Senator SCHACHT—But what is happening is that program funds are being diverted into salaries.

Dr Johnston—Not diverted. It is difficult to address this point without examples.

Senator SCHACHT—Are you telling me that you had an increase of program funds in the program where you use these contractors, that you outsourced it and that you brought the

positions back to administer? You said here, ‘There were 165 sessional contractors on the department’s payroll being paid for from program funds.’ If they were being kept on as full-time staff, they would have been budgeted out of the recurrent expenditure for salaries and you would not have had to tap into the program money.

Dr Johnston—I think you are assuming that the program moneys are a fixed appropriation. In most cases, that is not the case.

Senator SCHACHT—I see. So you are telling me that the program funds were increased accordingly to take account of the salaries for 165 sessional contractors?

Dr Johnston—I will ask Mr Mackrell to comment in a moment, but there is an inference in your question that over the period of the last couple of years we have moved staff in that way. That is not the case.

Senator SCHACHT—No, it is very clear. It is not an inference; I am saying it directly. I want you to clarify whether that is true or not.

Dr Johnston—I would doubt very much whether that is the case.

Mr Mackrell—I think it might be easiest to clarify it by way of an example. You will probably recall that some years ago we divested ourselves of the repatriation hospitals. When we owned the hospitals, there were a number of medical services provided by hospital staff. Those services are now no longer provided by staff but are provided sometimes by sessional arrangements and by other similar arrangements. There was a change from the department being a provider of services to the department being a purchaser of services, and this is part of that change. We are not actually replacing staff with sessionals to do the work that the staff used to do.

Senator SCHACHT—It is a fine edge of argument—on the edge of the razor blade, I think.

Mr Mackrell—With respect, it is a difficult one to explain.

Senator SCHACHT—It is not difficult to explain.

Mr Mackrell—In the past, we were using staff to provide services—for example, specialist medical staff on the staff of our hospitals. We no longer do that. We no longer have access to that facility. We now use a contracted arrangement with sessional staff to provide medical services.

Senator SCHACHT—That is an example. That is not all of them.

Mr Mackrell—Yes, but these people are not doing the sort of work that public servants normally do. They are doing a specialised type of work.

Senator SCHACHT—Were any of these 165 sessional contractors previously employed as staff in the Department of Veterans’ Affairs?

Mr Mackrell—I would have thought that would be very unlikely.

Senator SCHACHT—Can you take that on notice for me.

Mr Mackrell—Yes, we can.

Senator SCHACHT—Apart from the 165 that you have indicated in the answer to the question I asked previously, on page 18 of the consolidated document at question DVA28 you have 500, 600 and 700, and you say that 1,009 full-time staff nationwide have been reduced. How many of those 1,009 staff have in any way come back to be employed as contractors, as contracted consultants or whatever you want to call them?

Dr Johnston—We can take that on notice, but I would say very few.

Senator SCHACHT—So you are going to assert to me that the government's reduction of 1,009 in terms of setting staff targets is totally clean and is an effective figure? There has been no backdoor by using program funds for people as consultants in the program funds to get around whatever the government has set as your target for staffing numbers?

Dr Johnston—That is correct. You need to appreciate that, for example, when we transferred our IT business to IBM-GSA, that shift of staff contributed to the reduction of 1,009. That is not included in the 165 sessional staff but is still a staff resource that is in there in partnership with us. Indeed, a reasonable number of them are actually on-site.

Senator SCHACHT—But are they put in the figures for the government to say, 'We have reached our target of reducing X number of positions'?

Dr Johnston—They are not in these figures here, no. But we have managed to reduce our departmental expenses account by the amount that we required over that period of time.

Senator SCHACHT—I presume the Department of Finance and Administration agreed to all of these arrangements.

Dr Johnston—Most certainly. We work closely with Finance and Administration on these budget matters.

Senator SCHACHT—When you use the 165 sessional contractors and have them on the department payroll being paid for from program funds, what section of the veterans act gives you the power to do that?

Dr Johnston—This would be a function of the terms of the individual appropriations and agreement by Finance and Administration that that employee is an appropriate use of moneys in the case of those appropriations.

Senator SCHACHT—It is all in accordance with section 181 of the powers of the commission?

Dr Johnston—It goes back to a point that Mr Mackrell made. In the health area of the department's business, by and large we are a purchaser of health services rather than a provider of health services. In some cases, there are staff involved or working on-site who are part of the purchase of health services and have been considered appropriately funded out of program budgets.

Senator SCHACHT—I will ask you to take on notice how much program money is spent employing contractors.

Dr Johnston—In terms of the 165 sessional contractors?

Senator SCHACHT—After the table which states where the 1,009 have gone, it says, 'The department has continued over the five years to use contractors for both departmental and administered expenditure.' This is what I am trying to get at. I want to know how much of the program money is being diverted into paying salaries. You call them contractors, but they are salaries.

Mr Mackrell—That is a very difficult one to answer because a large proportion of our program funds is paid by way of contract. Community nursing might be one example. Physiotherapy and other services may be an example. It is not all paid through the payroll; a significant amount is paid on contract. We need to clarify exactly what you are asking us because there are some hundreds of millions of dollars, I would suspect, that are paid under a contract system because we are a purchaser of services from contractors, usually in the medical and allied health area.

Senator SCHACHT—Okay. At any stage in the past were those positions held by people permanently employed by the Department of Veterans' Affairs who are now sessional contractors?

Mr Mackrell—That could be quite possible—for example, if they were salaried medical staff on the staff of, say, Greenslopes, Hollywood or one of our other hospitals. When we divested ourselves of those hospitals, we went into various types of arrangements—fee for service and other arrangements—with those former staff. It would be very difficult to provide that information in detail. The point that I am trying to make is that the nature of our relationship with those professional groups changed from one of being an employer and a provider of the services to one of being a purchaser of the services from those professionals.

Mr Hay—The most outstanding example of that is probably in the hospital area, which Mr Mackrell alluded to before, where about 10,000 staff who were previously employed by the department are no longer employed by the department and where we purchased all of our hospital services at a cost of about \$1.1 billion through contract arrangements.

Senator SCHACHT—I just want to get clear from Dr Johnston that the use of sessional contractors in no way enables the Repatriation Commission to evade the government's budget savings targets.

Dr Johnston—That is correct.

Senator SCHACHT—Does the power given to the commission under section 181(5) mean that the commission can ignore the provisions of the Industrial Relations Act and the tax law with respect to the treatment of contractors?

Dr Johnston—I would not believe so.

Senator SCHACHT—I hope not. So you believe not. Does the Repatriation Commission also pay for contractors' superannuation and tax?

Mr Mackrell—I would have to take that one on notice. They may, but I could not answer with any degree of surety at the moment.

Senator SCHACHT—I have asked this previously, and you have said you would check: how many contractors are former DVA employees?

Mr Mackrell—We will do our best on that one. I am just flagging with you that in the hospital situation it could be very difficult to answer. With the 165 that we are speaking of here, it may be less of a task.

Senator SCHACHT—I ask you to please do your best, within reason. You are also emphasising that these are overwhelmingly people who are working in hospitals and, now the hospitals are gone, you are purchasing the services direct from the best provider, et cetera. That is all understood. Are you telling me that in the actual administration side of the department—not in the provision of the service, but in the running of the department side—none of the 1,009 people who have gone over the last five years have been re-employed as consultants or contractors in any form?

Dr Johnston—I think when I answered that question before I said I would expect it to be very few. But we would want to take it on notice.

Senator SCHACHT—Okay. You have given me the breakdown of the states. That is what has happened so far. During the next 12 months are there any plans for further staff jobs to be shed in the Department of Veterans' Affairs in the various states?

Dr Johnston—I have just recently written to staff, indicating that we are currently reviewing our budgetary situation. It appears at this point that we will have to achieve further efficiencies over the next several years. Discussions are under way at the moment with staff on ways in which we can further improve our cost effectiveness.

Senator SCHACHT—That improves the cost effectiveness, but can you assure me that it does not reduce the level of service to the veteran community?

Dr Johnston—We have taken great pride in maintaining those service standards and would hope to continue to do so.

Senator SCHACHT—Have you any idea what numbers may have to be shed in the next few months to meet your budget targets?

Dr Johnston—We are about to advise our state deputy commissioners of indicative numbers for planning purposes. That advice will be going out from Mr Mackrell today or tomorrow. That will indicate a figure in the order of a bit under five per cent.

Senator SCHACHT—Five per cent of the total of your department is what?

Dr Johnston—This is a five per cent reduction objective in respect of—

Senator SCHACHT—Is it a five per cent reduction of the budget, not the number of staff?

Dr Johnston—Yes, the budget, not necessarily staff.

Senator SCHACHT—Is it up to them to work out how they get the five per cent saving?

Dr Johnston—Yes, although there is discussion within the department to try to identify ways of changing the way we do our business so that we can achieve those improvements in a sensible sort of way.

Senator SCHACHT—Has the five per cent been set by you or by the Department of Finance and Administration as government policy?

Dr Johnston—It is an indicative target that we have set for ourselves, trying to anticipate the need to benchmark our cost effectiveness against other organisations, and also in a sense to meet the demands on our budget as we continue to operate as a department.

Senator SCHACHT—Will the state deputy commissioners have latitude about which staff do go, if they have to get rid of staff? Is it the receptionist at the front counter, or is it the interviewer out the back? Which areas would be targets for staff reduction?

Dr Johnston—It is up to managers to develop these strategies in a way which maintains service standards; to identify ways of doing that but continue to place staff effectively against those functions.

Senator SCHACHT—Dr Johnston, I note that you were assuring us that not only the cost effectiveness but also the level of service to veterans will not be unnecessarily adversely affected by these budget targets.

I now just move quickly to the issue—and I do not know whether this is a matter for the War Memorial or for Veteran's Affairs—of the preparations for the opening of the Korean War Memorial. Who handles that? By the way, Mr Reece or Dr Johnston, have I missed anything on the list?

Mr Reece—No, it was fully covered.

Dr Johnston—Not that we would want to draw anything to your attention.

Senator SCHACHT—It was a mug question on my part, wasn't it. Air Vice Marshal Beck, I have received copies of letters—which I am sure you have probably got direct—about the

Korean War Memorial. Apparently, the Korean veterans will be asked to make a contribution to the hospitality at the opening ceremony, because of the cost problems of building the memorial. Is this the first time any veterans group who have had a memorial opened along Anzac Parade or around the War Memorial have had to contribute to their own hospitality?

Air Vice Marshal Beck—No, it is not the first time. In fact, nothing is being done this time that is any different from all of the previous opening ceremonies of new memorials on Anzac Parade.

Senator SCHACHT—I went to a couple myself in the last 12 months. I went to the servicewomen's memorial. There seemed to be a breaking of the drought on that day. It seemed to rain only from the beginning to the end of the ceremony. At the end I noticed—I do not know whether it was because of the chaotic situation of the rain—a tent where there was a cup of tea and sandwiches, et cetera, provided. Did those women have to pay for that? I could not see anyone collecting money as they went into the tent. Did they all pay up beforehand or not?

Air Vice Marshal Beck—No, there was a function arranged for 800 people at the Ainslie social club—my apologies if you were not invited—that was run by the Nurses Federation.

Senator SCHACHT—No, this is the servicewomen's one, not the nurses' one. It was on the day of the rain—indelibly fixed in my mind and particularly in the minds of the ladies present, having to put up with it.

Ms Blackburn—We provided funding, as did the War Memorial, for the function immediately following the opening of the servicewomen's memorial. But the servicewomen themselves organised unit and group functions, for which they paid.

Senator SCHACHT—What about the cup of tea and sandwiches provided in a rather wet tent at the opening? It seemed to me that it was basically open and free for everybody to turn up and have a cup of tea and a sandwich. That is not the hospitality we are talking about, then?

Ms Blackburn—'Their Service—Our Heritage' funding provided for the tea and sandwiches.

Senator SCHACHT—Are we talking at cross purposes about what the Koreans are arranging?

CHAIR—The time is 6.30, Senator.

Senator SCHACHT—There is one other question I want to ask—you can take it on notice. I presume you have received the same letters that I have received?

Air Vice Marshal Beck—Yes, we have answered them.

Senator SCHACHT—Could you send me a copy of those answers?

Air Vice Marshal Beck—Certainly.

Senator SCHACHT—That may explain it all. I am getting copies from the veterans. The only other question I have to Air Vice Marshal Beck is: I see in the answers you have given that progress is being made on the Anzac memorial at Gallipoli. That will be ready to be used for the ceremonies on 24 April next year, will it?

Air Vice Marshal Beck—Yes, it will. The only proviso is the weather; it is freezing winter weather there at the moment. They are making good progress on site. My remaining concern is restoring the natural vegetation on the site—it is a very large site—but we are doing everything we can, and I fully expect to be 100 per cent ready on Anzac Day.

Senator SCHACHT—And no problems from earthquakes in Turkey at the moment?

Air Vice Marshal Beck—Not on that side of the peninsula. Luckily, from my point of view, the fault line runs on the east side of the peninsula.

Senator SCHACHT—I may well have a couple of other questions by the close of business tomorrow.

CHAIR—You can put them on notice.

Senator SCHACHT—I think I have covered everything I want to cover.

CHAIR—I thank the officers from the Department of Veterans' Affairs very much for their attendance here. I am quite sure those questions that have been taken on notice will be dealt with between yourself and our secretariat. Thank you very much. I thank the committee members for finishing at 6.30 p.m. or thereabouts. Thank you, Minister, for your attendance.

Proceedings suspended from 6.32 p.m. to 7.36 p.m.

FOREIGN AFFAIRS AND TRADE PORTFOLIO

Proposed expenditure, \$2,242,405,000 (Document A)

Proposed provision, \$229, 890,000 (Document B)

In Attendance

Senator Hill, Minister for the Environment and Heritage

Australian Trade Commission (Austrade)

Outcome 1—Public understanding of Australia's trade and investment direction, government export programs and promotion of Australia's image internationally

Outcome 2—Contribution to Australia's export trade performance by facilitating and encouraging trade and investment between Australia and foreign countries

Outcome 4—Contribution to Australia's export trade performance by providing financial and other assistance to eligible organisations

Mr Peter Langhorne, Deputy Managing Director

Mr Craig Symon, General Manager, Corporate and Legal Affairs

Mr Ian Chesterfield, General Manager, Corporate Finance and Assets

Mr Michael Tindall, General Manager, Export Finance Assistance Programs

Mr Michael Crawford, Manager, Government and Policy

Mr David Crook, Group Manager, Corporate Budgets and Assets

Department of Foreign Affairs and Trade

General questions

Ms Joanna Hewitt, Deputy Secretary

Dr Alan Thomas, First Assistant Secretary, Corporate Management Division

Ms Anne Hazell, Chief Financial Officer

Ms Frances Adamson, Assistant Secretary, Executive, Planning and Evaluation Branch

Ms Tanya Smith, Director Management Strategy Coordination Unit

Mr Bob Davis, Director, Secretariat of the Year 2000 Portfolio Coordination Group

Mr Gary Quinlan, First Assistant Secretary, Diplomatic Security, Property and Information Management Division

Mr John Larkin, Assistant Secretary, Diplomatic Security and Property Branch

Mr John Griffin, Assistant Secretary, Staff Development Branch

Mr Michael Potts, International Organisations and Legal Division

Output 1.1—Protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity

Output 1.2—Provision of policy advice and analysis to portfolio ministers

Ms Gillian Bird, First Assistant Secretary, South and South East Asia Division

Ms Glenda Gauci, Assistant Secretary, Mainland South East Asia and South Asia Branch

Mr Neil Mules, Assistant Secretary, Maritime South East Asia Branch

Mr Chris Moraitis, Director, East Timor Task Force

Mr Bassim Blazey, Director, Indonesia Section

Ms Annabel Anderson, Director, Philippines, Singapore, Malaysia and Brunei Section

Sub-program 1.5—WTO issues: dispute resolution, public hearings, compliance of EMDG scheme, and, Seattle negotiations

Mr Mark Pierce, Acting First Assistant Secretary, Trade Negotiations Division

Mr Stephen Deady, Assistant Secretary, World Trade Organisation Branch

Mr David Morgan, Director, Agricultural Projects and SPS Section

Mr Stephen Moran, Director, Trade Policy Section

Sub-program 1.5—Trade policy-potential job losses resulting from trade liberalisation; EFIC; issuance of export permits

Ms Pamela Fayle, First Assistant Secretary, Market Development Division

Mr Michael Mugliston, Assistant Secretary, Trade and Economic Analysis Branch

Mr Mike Roberts, Director, Export Credit Section

Mr Michael Jackson, EFIC, Sydney

Mr Robert Cumming, EFIC, Sydney

Mr Slater Smith, EFIC, Sydney

Sub-program 1.7—Nuclear non-proliferation treaty and CTBT

Mr Bill Paterson, First Assistant Secretary, International Security Division

Mr Jeremy Newman, Assistant Secretary, Strategic Policy and Intelligence Branch

Mr Bob Tyson, Assistant Secretary, Nuclear Policy Branch

Ms Louise Hand, Assistant Secretary, Arms Control and Disarmament Branch

Output 1.3—Secure government communications and security of overseas missions

Sub-program 4.1—ADCNET

Mr Gary Quinlan, First Assistant Secretary, Diplomatic Security, Property and Information Management Division

Mr John Crighton, Assistant Secretary, Information Management Branch

Australian Agency for International Development (AusAID)

Outcome 1—Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development

Ms Jennifer Rawson, Deputy Director General, Asia and Corporate Division
Mr Michael Dillon, Acting Deputy Director General, Pacific, Africa and International Division
Mr Colin Lonergan, Acting Deputy Director General, Program Quality Group
Ms Ann-Maree O'Keefe, Assistant Director General, South Pacific Branch
Ms Miranda Rawlinson, Assistant Director General, International Programs Branch
Ms Ali Gillies, Assistant Director General, Africa and Humanitarian Relief Branch
Mr Laurie Engel, Assistant Director General, Mekong Branch
Mr Ian Anderson, Assistant Director General, Corporate Policy and South Asia Branch
Mr Scott Dawson, Assistant Director General, Indonesia, China and Philippines Branch
Mr Mick Commins, Assistant Director General, Office of Program Review and Evaluation
Mr Mark Fleeton, Acting Assistant Director General, Resources Branch
Mr Robert Jauncey, Acting Assistant Director General, Papua New Guinea Branch
Ms Jacqui DeLacy, Director, Corporate Planning and Budget Section
Ms Wendy Messer, Director, Finance and Administrative Support Section
Mr John Munro, Director, Humanitarian and Emergencies Section
Ms Ellen Shipley, Director, Non-government Organisations Section

Outcome 2—Contributing to Australia's export trade performance by facilitating and encouraging trade and investment between Australia and foreign countries

CHAIR—We now move to the consideration of particulars of proposed expenditure for the Department of Foreign Affairs and Trade and I welcome Senator Hill, the Minister representing the minister, and officers of the Department of Foreign Affairs and Trade.

The committee has before it a list of topics nominated by senators for consideration of the supplementary hearings. The committee will first consider nominated topics relating to Austrade to accommodate officers who have travelled to attend the hearings. The order of business will then revert to nominated matters related to Output 1 of the Department of Foreign Affairs and Trade and then consider other outputs in numerical sequence.

In order to assist *Hansard* in the early publication of the transcript of these hearings, written questions on notice will not be incorporated in the proof *Hansard* transcript. The chair will state for the record that written questions have been received from a particular senator and that these questions will be forwarded to the department for answer.

Once a subprogram has been finalised, the officers present for that subprogram will no longer be required, provided that they are not required to be present for another subprogram later in the hearing. When officers are first called upon to answer a question they should state clearly their names and positions. The committee has resolved that answers to questions on notice must be lodged with the committee by Friday, 14 January 2000. Minister, do you wish to make an opening statement?

Senator Hill—No, thank you.

CHAIR—Thank you very much. I call Senator Hogg.

[7.37 p.m.]

AUSTRADE

Senator HOGG—The first question for Austrade is about some information fact sheets and a report on them made in an article in the *Australian* on 23 November. The article said that the job claims made on the fact sheets were nonsense. The heading of the article is, ‘Austrade loose with fast facts.’ I have alerted the officers from Austrade as to the document so they are aware of the document that I have referred to.

Does Austrade accept that this is the case, that the job claims on the fact sheet were a nonsense where they referred to, ‘Export related job creation in 1998-99 by region.’ The fact sheet goes on to say:

Exports to East Asia created more than 750,000 jobs.

Exports to Japan and Hong Kong alone created 226,000 and 81,000 jobs, respectively.

That is the particular section of the fact sheet that I am referring to.

Mr Langhorne—The document you are referring to was prepared for internal use. The job statistics provided in that document are based on the official Australian Bureau of Statistics figures. However, there is an error in the document in that those figures are contained under a heading which reads ‘Export related job creation in 1998-99 by region’. That heading should have read ‘Export related jobs created by region’.

Senator HOGG—If 1998-99 is deleted from that heading it takes on a different meaning—I concede that. Do we know what period of time that refers to? If you do not know, can you take that on notice?

Mr Langhorne—We will take it on notice.

Senator HOGG—That would be interesting. Are you able to get the figures year by year on job creation or is this just a special one-off exercise that the ABS did?

Mr Symon—The advice that we took from the Australian Bureau of Statistics was a specific request from the Department of Foreign Affairs and Trade which was answered by the Australian Bureau of Statistics. We would, therefore, have to ask for the specific information from the ABS. I could not tell you this evening whether that would be available or not.

Senator HOGG—So it is not normally a year by year figure that appears?

Mr Symon—That is correct; it is not.

Senator HOGG—It is something that was specially compiled for Austrade.

Mr Symon—No, it was compiled for the Department of Foreign Affairs and Trade and we requested it from them.

Senator HOGG—That has cleared that up, thanks very much.

[7.41 p.m.]

Outcome 2—Contributing to Australia’s export trade performance by facilitating and encouraging trade and investment between Australia and foreign countries

Senator HOGG—My next questions are on representation in Panama and China. What representation does Austrade have in Panama?

Mr Langhorne—Senator, we do not have anyone located in Panama. Panama is covered by our senior trade commissioner who is located in Mexico City, Mexico.

Senator HOGG—What are the main exports that we encourage to Panama?

Mr Crawford—As Peter Langhorne said, the commissioner who handles that region is based in Mexico. Much of the focus of his work is on exports to Mexico. I understand Panama is not a particular priority for us. However, the Americas region is running a number of fairly aggressive strategies, including in the area of wine promotion, and we believe there may be some opportunities in that region.

Senator HOGG—I am glad you mentioned that because it is the issue that I am going to come to, Mr Crawford. We have been alerted to the fact that a wine fair by the name of Expo Vino 99 took place in the Panama World Trade Centre in November 1999. Were Austrade aware of that?

Mr Langhorne—Senator, to my knowledge the answer is no. We would have to check with our senior trade commissioner in Mexico but the information that we have is that we were not aware of it.

Senator HOGG—So Austrade would not have been represented in any way at that event?

Mr Langhorne—No, Senator. As Mr Crawford said, we have a fairly aggressive strategy in the Americas, and wine is included. For example, over the last 12 months Australian wine shipments to the United States have increased by about 25 per cent in volume and 36 per cent in value. With the Australian Wine Bureau, we have been involved in a number of promotions throughout North America, but we have not been involved in anything in Central America.

Senator HOGG—It seems that France, Chile and the United States were well represented at that expo. The person who wrote to us was a bit concerned that there was no Australian representation, particularly as it is an area in which we excel, and we seem to be opening up new markets.

Mr Langhorne—Now that we have got the name of the fair, obviously we will follow it up. If it is somewhere that Australian business would be interested in, we can have a look at it. Of course, if there were any Australian companies that had an interest in participating in such a fair, the Austrade staff and the mission staff generally in Mexico would be available to help them in that area.

CHAIR—On another matter, what does Austrade do about assisting the citrus industry, for example, in the Americas?

Mr Langhorne—I have not got any specifics here, but we are certainly involved with that sector in promoting their product in the United States as required. I could certainly find that out for you.

CHAIR—With respect to another part of the world, East Timor, I know that you had a seminar or trade awareness meeting with something like 500 potential exporters or people who wanted to do something with East Timor. Could you tell us what you have done as far as that is concerned and what the future is. In other words, if there is \$500 million of World Bank money going in there for reconstruction and if Australian exporters are going to get into the area quickly and effectively against lots of other competition, they would have to be on the ground now. What is Austrade doing about that?

Mr Symon—Firstly, before I answer that, on the citrus industry, which you asked about before, I know that a particular interest and a particular pressure that our people put in America is this countercyclical demand that we can provide because of the seasonal opportunities that are provided into the American market, and also getting intelligence information on the Brazilian citrus industry, which you would be aware is a particularly powerful competitor to Australia.

We were very pleased with the summit. You may be aware that in excess of 520 business people at late notice attended our seminar. One of the things that we were encouraging for that seminar was to get people registered with the United Nations so that they can be a part of the rebuilding effort in East Timor. At the time of the summit, there were about 79 Australian companies registered with the United Nations. The number now exceeds 100—I believe it is 115—which puts us in a better place than the French, the Canadians and the Germans. So we are pleased about that. We are now behind only the Americans and the United Kingdom with our 115 firms.

A lot of the interest from East Timor was more for local purchase. A lot of that is coming out of Darwin. In that regard we have moved a trade commissioner to Darwin to work on that issue. He has been in Dili and has just arrived back and is giving us important intelligence information about rebuilding that effort. So we are, I believe, working very flexibly to try to get Australian content into that rebuilding task.

CHAIR—Where will the success come from there? Will it come from being on the ground in Dili or will it come from being close to the World Bank for some of that money?

Mr Symon—It is not either/or; it is a little bit of both. Our effort, based in Washington but through New York, is based on the larger contracts. The way in which the United Nations is working is that United Nations field staff in Dili and in Darwin are able to make commitments up to, as I understand it, a ceiling of \$200,000. Therefore, a lot of our work is being done through there and, to be fair, the work of the Northern Territory government as well, and their chamber of commerce and industry and so forth. The bigger contracts, that is, those things over and above \$200,000, as I understand the ceiling, need to come through their procurement agencies. This is a complex task and something that we can assist people with because we have got people on the ground both in New York and in Washington, although the purchasing activity and our main resources are through Washington.

CHAIR—I guess this might be more of a question for DFAT in a little while but it is also a question for Austrade: how is the message about what is coming out of the WTO round in Seattle going to get back to the Australian people, or is it all going to be done by DFAT? We did talk about information fact sheets. One of the things that has really annoyed me in the reporting of what has occurred in the last few days is that the coverage has all been about a demonstration, when the people involved are probably demonstrating about American things—birth control, green politics and a few other things which do not relate to the WTO round. What is Austrade doing to try to counterbalance that back here in Australia?

Mr Langhorne—It is mainly an issue, of course, for the department. We work very closely with them in terms of getting messages back to the Australian public, and to Australian business, because that is equally important. From our own side, we would certainly use networks such as our TradeStart network, our regional trade commissioner network. We would use our publications—*Trademark* is one that is distributed widely to Australian business—to make sure that the correct messages are getting out.

You may be aware, Senator, that one of the outcomes that the government has set for Austrade, in tandem with the Department of Foreign Affairs and Trade, is to publicise the benefits of trade and the benefits of liberalisation. It would be as part of that process that we would be putting the message through to the Australian public and, as I said, to business. We would also do it through our direct contacts—in other words, our day to day contacts with Australian business.

Senator HOGG—In respect of representation in China, is the department aware of a report in the *Business Review Weekly* on 8 October 1999 in which Australian businessmen David Tilby and Peter Dawson criticised elements of Austrade in China pitting Australian companies against one another. Tilby is quoted in that story as saying that Austrade's fee and contract regime places undue pressure on Austrade representatives to generate a profit. Does the department recognise that this is a problem and, if so, what steps has Austrade taken to ensure that it is alleviated?

Mr Symon—Our fee charging service is obviously a matter of policy for the government, but I can confirm that we are aware of the article. In fact, we were made aware of the article slightly before it was published because the journalist contacted us. We took the matter seriously and immediately had it investigated at a very senior level by an executive general manager.

The result of the investigation was that Austrade did nothing in China that could have been expected to interfere with APDG or QNMI's existing business relationship. Certainly, part of the article is plainly wrong in that there is an assumption that our interest—that is, Austrade's interest—in the Chongqing region only stemmed from APDG's involvement there. That is certainly incorrect. We have been interested in that part of China for many years.

Mr Langhorne—Perhaps I could add another point on revenue which often comes up with business. Austrade has a budget of about \$150 million for operating purposes and another \$150 million for the export market development grants scheme. Of that budget of \$150 million, something like \$7.5 million is raised from fees from Australian business. That excludes money that we may get for organising trade fairs. You will see that it is a very small proportion of the budget that is obtained from fees.

Senator HOGG—If I could go to the article, I will read the whole paragraph:

Tilby thinks the fee-and-contract regime creates pressure on Austrade representatives to generate income, and it contributes to what he sees as a culture of conflict with commercial practice.

"It is hard enough working in Asia without having to watch our backs all the time from Australian government staff."

Have officers of Austrade spoken with Mr Tilby about those comments? I presume that, whilst the sentence in quotation marks is not attributed to any particular person, it is either Mr Tilby or Mr Dawson who is being quoted.

Mr Langhorne—Yes. Our state manager in Queensland, Graeme Wilson, recently met with APDG and QNMI to resolve this matter. My understanding is that an agreement was reached which will allow the parties to work together in China in a way that furthers the interests of APDG, QNMI and Austrade. We are hoping that the company has put this behind it and we can put it behind us and get on with generating more business for Australia in that particular market.

Senator HOGG—In the same article criticism is also made of the lack of coordination between different Commonwealth agencies and between different layers of Australian government when operating in China. Does the department recognise this is a problem and, if so, what steps has Austrade taken to ensure that it is alleviated? Was that issue also discussed with Mr Tilby and Mr Dawson or their representatives?

Mr Langhorne—On the question of the various tiers of government operating in China, firstly, at the federal level I can say quite honestly and truthfully that the relationship between the Department of Foreign Affairs and Trade and Austrade in that particular market is excellent.

Senator HOGG—I think he was referring to the problems with the different layers of government in Australia.

Mr Langhorne—He was referring to state and—

Senator HOGG—Yes.

Mr Langhorne—Through the National Trade Consultations mechanism, state and Commonwealth ministers have been working to improve consultation and liaison. In other words, so that each is aware of the other's activities in a particular market, and where states have representatives in those markets, there is liaison going on between them and federal agencies. That is reviewed through that consultation process. I believe, and from what I have seen, certainly over the last two years or so, that has improved.

Senator HOGG—With regard to that consultation process, is there a formal mechanism in place, or is it an ad hoc sort of mechanism that operates?

Mr Langhorne—No. It is a formal mechanism and it is organised by the Department of Foreign Affairs and Trade. It has a formal title: the National Trade Consultations. Officials meet twice a year, I think, and industry representatives are also present. In addition to that, the state and Commonwealth ministers who are involved in trade meet once a year to discuss issues. It is a formal mechanism.

Senator HOGG—I understand that, but it seems that the criticism that was made in the article was that, in spite of formal mechanisms being in place, there is a lack of coordination. That is the contention, as I understand it, that is made in that article. You do not see a lack of coordination? Is there any review mechanism to ensure that the consultation process is working?

Mr Langhorne—In a broad perspective my answer would be that I do not see any lack of coordination. There will obviously be occasions when there may be but from a broad sense I do not see any lack of coordination. I have to say that I am not aware of any major issues that have arisen in the last year or so between the states and the Commonwealth.

Senator HOGG—The other issue I raise is review. Is there any review process that is a check and balance to see that the consultation process is working?

Mr Langhorne—I think the major review process is when the ministers meet each year.

Senator HOGG—Thank you. I have no further questions on that. The other issue that is flagged there is the issue of a survey of EMDG applicants or clients. This refers specifically to 27 September when the Minister for Trade provided a written answer to a question placed on notice by Senator Cook. It was question No. 1249. The heading on the response is 'EMDG Client Satisfaction Survey'. Part 1A asked for the complete results of the survey. Is that what was provided on the attached page to Senator Cook? Did he get the complete results?

Mr Langhorne—Senator, my understanding is that it was a summary but I might ask Mr Tindall to answer.

Mr Tindall—Senator Cook was provided with a summary of the key results of the client satisfaction survey.

Senator HOGG—So what other results was Senator Cook not provided with? Is it a substantial list?

Mr Tindall—There is a substantial amount of data in tables. It is essentially the client satisfaction survey results but, subject to the minister's approval, we would be more than happy to provide that more detailed data to Senator Cook.

Senator HOGG—Is that a voluminous document or is it something that can be reasonably cut down to size and into a readable form?

Mr Tindall—I think we can find something that is not too voluminous that would satisfy Senator Cook.

Senator HOGG—Thank you very much. In the answer to part 2 of Senator Cook's question, the minister stated that these issues were still being reviewed. Is that the case? Additionally, does Austrade intend the review to deal with broader issues than the legislation requires?

Mr Tindall—Senator, this question relates to the EMDG review that is required by the EMDG legislation. Yes, since that answer was provided the minister has written to the chairman of Austrade requesting Austrade to commence a review of the EMDG scheme. He has provided terms of reference for that review. The review will be conducted under the auspices of the Austrade board. The Austrade board has set up a subcommittee to specifically focus on the review. To guide the process on a more detailed basis, Austrade has established a steering committee. That steering committee comprises representatives of government departments and business. It actually has its first meeting tomorrow. We would expect that the minister will be making an announcement about the review, the terms of reference, the structure and the time frame, probably next week.

Senator HOGG—You have covered all the issues I wanted to raise. The minister will announce that, and, I presume, who is on the steering committee, as well?

Mr Tindall—Yes.

Senator HOGG—So terms of reference and other information will be released sometime next week?

Mr Tindall—Yes.

Senator HOGG—All right. I think that satisfies Senator Cook's concern there, and that is that. I just want to thank Austrade.

CHAIR—I thank Austrade, too, for taking a lot of the questions on notice to try to speed the process so that we do not have DFAT here at midnight tonight, and I am quite sure DFAT are happy about that, too, and so is the minister. Thank you very much. Any questions that have been taken on notice you will obviously get back through the secretariat.

[8.05 p.m.]

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

CHAIR—I welcome the Department of Foreign Affairs and Trade. I will ask the first question on behalf of Senator Collins. Have you got a child-care centre at the Department of Foreign Affairs and Trade?

Ms Hewitt—Yes, indeed. I might ask Dr Thomas to give you the details. It is a centre that has been in operation since we moved into the new R.G. Casey Building a couple of years ago.

Dr Thomas—The child-care centre operates within our building, the R.G. Casey Building. It has space for about 60 children. It was principally built with DFAT staff in mind—in particular, staff returning from overseas who have trouble getting on waiting lists or finding places back in Canberra when they return, sometimes at short notice, from overseas. There was a large interest and demand from staff in such a facility. When we moved to the new centre, space was made available for that. It has been very successful. It is completely full at the moment; in fact, there are about 100 people on the waiting list.

Senator JACINTA COLLINS—There was no room for anyone four years ago when I made inquiries. So I was curious, when I heard recently that it was possibly underutilised, to clarify the exact status of the centre. Just as background: my interest is actually much broader than that, extending to any special child-care needs that exist for all people who work within the parliamentary triangle. In part, I want to differentiate between reality and myth in some of these issues so I can follow them through elsewhere.

Senator Hill—She wants to know whether you take politicians' children. She has not declared an interest either, and I reckon that is a pretty poor start.

Senator WEST—Senator Hill, you do not need to be Einstein to realise there might be a bit of an interest there.

Senator Hill—You cannot take anything at face value in this business.

Senator JACINTA COLLINS—I want to clarify the policy rationale for the DFAT centre specifically. As I understand it, the Forrest community based child-care centre was established, about the time that Parliament House was built, with the needs of workers within the parliamentary triangle in mind, although over time there has been some suggestion that the DFAT centre was also tailored to meet the needs of the parliamentary triangle. Yet, Dr Thomas, you have just indicated that your understanding was that it was more tailored just to DFAT. Is that correct?

Dr Thomas—Yes, I think principally when we had a chance to move into a new building and there was space available for such a facility. As I recall, it was going to be one of the first such facilities in a Commonwealth department in this part of the city. About 77 per cent of the current children and babies are DFAT children, if you like, and the rest just come from the wider community.

Senator JACINTA COLLINS—So there are no other access priorities apart from DFAT?

Dr Thomas—That is right.

Senator JACINTA COLLINS—I fully understand your description of the situation as pertaining to the special needs of DFAT type workers, in that they can be quickly placed in different locations and that they have special child-care needs to that effect. My concern is that, as far as I can ascertain, the special needs of various groups, including me, within the parliamentary triangle are not actually catered for by the Commonwealth. So I am curious to ascertain, as a precedent, the detail of how those needs are actually catered for in relation to DFAT people. What is the level, if any, of Commonwealth subsidy associated with the service in DFAT?

Dr Thomas—At present the department has agreed to waive what was to have been a \$30,000 per annum rent for the centre. We subsidise it to that extent. Basically, the centre is contracted out through a tender process. Southside Community Services Inc. is the organisation which won the current tender to operate that. The \$30,000 subsidy is really an attempt to keep the fees within reason for our staff. Even so, they are just on \$200 per week per child, which puts them at the very upper range of child-care centres in this part of town in any event. So the subsidy is actually very tiny.

CHAIR—Is that long day or what?

Dr Thomas—The centre is open from 7.30 in the morning till 6 p.m., 52 weeks a year.

Senator JACINTA COLLINS—So it is not really extended hours, either. It is not meeting any DFAT needs in relation to extended hour care.

Dr Thomas—That is partly in terms of ensuring some commercial viability of the centre by the contractor. Because the space available is quite limited, the centre, for example, is not able to take in extra children for after school care or things like that, so it has had to operate on a fairly tight budget. I think that is partly why its fees are at the higher end. It also has a fairly large percentage of babies under 18 months, who require a higher staff ratio. That is more labour intensive and it is a bit more expensive overall for that reason. Because of the physical limitations on the space there—it is not possible to expand it at all—it is unable to do some of the things that some other centres do. Some centres take in extra children on school holiday periods or after school, for example, but there is just no capacity for that.

Senator JACINTA COLLINS—There is, presumably, the capacity to do extended hours that might more easily match the extended hours that DFAT staff might work, but that is not happening?

Dr Thomas—That is certainly one of the areas which the governing body, which has parent representatives and others on it, is exploring.

Senator JACINTA COLLINS—I am curious to establish the differential: for a DFAT staff person, apart from the ease of location on premises, what is the difference between accessing that centre with a Commonwealth subsidy of \$30,000 and accessing one of the other, perhaps underutilised, centres in the ACT—perhaps closer to their home. If there is no difference in the service in terms of extension of hours or other accessibility criteria that pertain to particular needs of DFAT officials, what is the difference?

Ms Hewitt—Perhaps I could add a little bit there. Dr Thomas mentioned earlier that one of the particular needs of our staff is that on return from posting overseas it is often quite difficult to access a place. It has been so in past years, when waiting lists have been longer and where there have not been vacancies in child-care centres around the city. So that was one of the thoughts behind putting the centre in DFAT itself.

But also, as you suggest, it is ease of access, being able to bring your child to the office. We have a lot of babies in the centre, as Dr Thomas has indicated, and we have quite a large number of nursing mothers who, because the centre is actually located in the workplace, are able to continue feeding their babies while they are at work. That has been one of the much appreciated aspects of the facility. I am conscious of the fact that at the moment there is some debate going on about later opening hours for the centre in the evenings. The 7.30 start is already a rather earlier opening time than many centres offer and there is thought now being given to the longer hours in the evening.

I would just add a note in terms of historical perspective. It began to be discussed in DFAT, to my knowledge, more than 20 years ago as a facility that staff wanted to have available to them at work. At time, when my children were very small, it seemed like a pipedream. But sustained interest and expression of interest by staff led eventually to the department's senior management recognising that this was an important quality of workplace issue that they wanted to address.

Senator JACINTA COLLINS—Are you aware of how many needs assessments you needed to go through before the department was convinced that there was a demonstrable need?

Ms Hewitt—I probably spent too many of those intervening years away, but I know it was a long, hard row that colleagues had to hoe. There were many staff groups that dealt with the issue and put forward representations to the department's management over those years. As Dr Thomas said, the opportunity, with the move to the new building, of identifying and earmarking a bit of space for the centre provided the breakthrough.

Senator JACINTA COLLINS—The Minister representing the Prime Minister on the Status of Women has suggested that those who have needs within the parliamentary triangle can access underutilised centres around the ACT now so that access is not such an issue as it might have been, and as you cited, some years back when this centre was established. However, in terms of those services that have been established over time specifically focused on special needs for the triangle, this one is the example for DFAT and the Forrest one is the other, neither of which cater for anything other than long day care. As I would identify special needs associated with work in the parliamentary triangle, it is either the extended hours issue or it is the issue that you come and go from Canberra half the weeks of the year, for which long day care is completely inappropriate. Your centre has not dealt with either of those two issues, so as a precedent there it is not particularly useful. From a Commonwealth level, as far as I am aware, the only useful precedent is the fact that it is subsidised to some extent. Does that subsidy extend to non-DFAT users of the centre?

Ms Hewitt—Yes, it does. Indeed, in the early days of operation of our centre, we were slightly under the numbers that had been anticipated for the full use of the facility. I think that was largely because parents who in theory would have been interested in work based child care were a bit reluctant to move their children from already satisfactory arrangements. So we had a large number of babies, even to begin with, but the higher age groups were slightly underutilised. That righted itself very quickly and, as you have been told, the centre now operates with a waiting list of about 100.

Senator JACINTA COLLINS—Yes. In part, you have dashed hopes there of the prospect that there had been any change over four years from the rumour I had heard that it was underutilised. So there is no scope even there to suggest that additional flexibility might be an option that is considered in relation to those other particular needs of the parliamentary triangle. The only other issue that is of relevance for broader considerations for people with special needs in the parliamentary triangle is what you are suggesting about additional costs associated with the higher proportion of babies in an operation, which would presumably also be a problem here in that most people, like me, would probably not want to look at child care in Canberra for more than, say, the very early stages, between six and 12 months, because you would not want a child to live the same routine we do.

CHAIR—Senator Collins, I think you have just about got the subject canvassed pretty well, and you most probably have some happy allies there.

Senator JACINTA COLLINS—My closing question is simply: is there anything else in relation to a service that is specially tailored to a higher proportion of babies that you would comment on in terms of ACT guidelines or things like that?

Dr Thomas—I am sorry, I am not able to comment further.

Senator JACINTA COLLINS—Thank you. I appreciate your time.

Senator SCHACHT—Ms Hewitt, earlier you said that there was a particular demand at the moment, or in the recent year or so, because of extra births amongst staff.

Senator JACINTA COLLINS—That is against national trends.

Senator SCHACHT—Is there any particular reason why the fertility rate has gone up in Foreign Affairs? Is it an increase in fecundity amongst staff or whatever?

CHAIR—Supply and demand?

Senator WEST—Something in the water in the triangle?

Ms Hewitt—That is one that I might be tempted to take on notice, Senator, but I am sure you would not want me to.

Senator SCHACHT—Have you asked the population section of AusAID to do a study of why this is occurring? But, seriously, is it something that has happened coincidentally? Is it to do with more women in the department?

Ms Hewitt—No, I think it was more that, when we opened the centre, those parents who already had their children, their toddlers and preschoolers, in other care arrangements were reluctant to disturb those arrangements just because a new centre had opened. As the babies have grown older they have stayed with our centre and the new babies have come into it, so the numbers have filled and we have a waiting list.

Senator SCHACHT—You mentioned the 20-year struggle that you and others had. Apart from the excellent work by you and others, where did you get the breakthrough in the management of the department so that child-care facilities would be made available?

Ms Hewitt—The new building was the important breakthrough because it provided the opportunity to make that space available, to earmark it and set it aside for the centre. In the old Administration Building it was always very tight and it was a difficult building to reorganise to make suitable for a child-care facility. So I think that was the big breakthrough, and that was in the mid-1990s.

Senator SCHACHT—That wasn't an excuse by some person to say no?

Ms Hewitt—I do not think I would like to comment on that one.

Senator SCHACHT—Off the record you can tell us, later on.

Ms Hewitt—When the opportunity became available, the department's management at the time enthusiastically took it forward.

CHAIR—We will move on now to output 1.1.

[8.21 p.m.]

Output 1.1—Protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity

Senator QUIRKE—I would like to deal with Indonesia and some of the issues there. President Wahid recently said Australia was being childish in its dealings with Indonesia. Foreign Minister Downer suggested on Tuesday that this was a reference to Australian media's reporting of developments in Indonesia. How would you characterise the Indonesian media's recent reporting of Australia and our diplomacy and involvement in East Timor? Do you think things have improved since last September—is that the message coming through?

Ms Hewitt—Before we move to answer your question, I wonder if I could inquire of the chair whether we could assume that the list of questions from the committee—the specific areas of interest for questions from senators—will be limited to that list. I have with me colleagues from a slightly broader range of areas in the department in the event that the committee did want to pursue issues beyond those that have been notified.

CHAIR—Are you asking if they have any more general questions?

Ms Hewitt—Are there any more general questions before we move to those specific ones that have been indicated?

Senator HOGG—We are now into the specifics.

Ms Hewitt—Those of which we have been advised?

Senator HOGG—Those of which you have been advised.

Ms Hewitt—So I think I have been a bit cautious here when I asked all the division heads from the department to be present to begin with.

CHAIR—We have been here since 9 o'clock this morning and I am quite sure that the committee will address themselves pretty specifically to the questions.

Senator HOGG—If there is a question which we find is not placed correctly we will be quite prepared for you to take it on notice and give us the answer in the appropriate time.

CHAIR—I am sorry, I was going to say that if people are not required for the questions that have been put there they may go home—and so can we all when we finish.

Ms Hewitt—Thank you.

Senator QUIRKE—The questions that I have are specific to particular parts of the world, and I am starting out with Indonesia.

Senator Hill—Your question was: do we believe that the reporting in Indonesia on Australia has changed in recent months?

Senator QUIRKE—Yes.

Ms Bird—There has been some critical reporting on Australia in the Indonesian press over the period of the East Timor transition. I would assess that more recent reporting has been somewhat more balanced.

Senator QUIRKE—Are you saying it is more balanced since September?

Ms Bird—I think it has been more balanced since the MPR took the decision to let East Timor go towards its independence and the UN operation has established itself in East Timor.

Senator QUIRKE—How active has our embassy been in Jakarta in seeking to counter misleading and false Indonesian press reporting of Australian policy and actions?

Ms Hewitt—We have been very active, Senator, in redressing some of the false allegations that have been made, particularly about the behaviour of INTERFET troops. The embassy has taken all opportunities to ensure that the facts of the situation in East Timor and the INTERFET operation were widely known in Indonesia.

Senator QUIRKE—How do you go about doing that? I mean, if the media is so hostile up there, obviously the message is going to be very difficult to spread, isn't it?

Ms Bird—Sure. But it is a matter of continuing to talk to Indonesians in the media, Indonesians in the bureaucracy and other opinion makers and trying to make sure that they do understand what the situation is in East Timor. Another thing that we pursued, Senator, was that it is very important to get journalists from Indonesia into East Timor and in fact from other regional countries so that they can see for themselves what was happening in East Timor. We were active in trying to encourage and facilitate journalists from Indonesia and elsewhere in the region to go to East Timor so that they could report back in their own papers on the situation on the ground. We think that that also had some impact in ensuring more balanced media coverage.

Senator QUIRKE—Presumably we beam radio programs into this end of the world. As I understand it, the Shepparton arrangement covers a fair part or the footprint of Indonesia. Are they used in this process of trying to set the record straight?

Ms Bird—Senator, I am not dealing with issues to do with Radio Australia, which is, I imagine, what you are referring to.

Senator HOGG—Just take it on notice.

Senator QUIRKE—I am quite happy with that, if somebody does not know the answer.

Senator Hill—But what are your—

Senator QUIRKE—What I am asking is fairly precise, Minister. It is this. There are radio programs that I understand are beamed into Indonesia, not from the Cox operation which was closed by this government, but we have been told the Shepparton centre is broadcasting broadly into Indonesia. I think that you said that yourself in the Senate. Are the radio programs that are beamed from that particular centre designed to counter the negative publicity that Australia has been getting—the downright open lying that has gone on—about the INTERFET operation in East Timor. Is this happening?

Senator Hill—We will inquire—but anyway DFAT has not been seeking to use Radio Australia to broadcast a message of goodwill and cooperative approach to regional affairs into Jakarta. Have you or haven't you?

Ms Hewitt—No. I do not think, Minister, that was ever the way that Radio Australia would operate.

Senator Hill—I do not think Radio Australia would take too kindly to that.

Senator SCHACHT—What you have just described, Minister, is more like Voice of America or Radio Beijing rather than what Radio Australia should be doing.

Senator Hill—Radio Australia is much more subtle in its message.

Senator SCHACHT—It usually gets us offside with every country in the region.

Senator Hill—I think the answer is no. And if there is any qualification to that we will get it put on the record.

Senator QUIRKE—How successful have the efforts been from the embassy in Jakarta in getting Australia's point of view in the media up there? Have we managed to make any inroad in that area at all?

Ms Bird—It is always hard, Senator, to make a direct correlation between the efforts we have made and the result we see in the media. But, as I said, the embassy has been active in trying to ensure that the situation in East Timor and Australia's policy is clearly understood. One facet of that, as I said, was also to encourage Indonesian journalists to go to East Timor themselves. Certainly there has been a more balanced media coverage in recent months.

Senator QUIRKE—Turning to Aceh, what representations has Australia made to the Indonesian government in respect of human rights abuse and violence in Aceh over the past twelve months.

Ms Bird—Aceh has been a topic that we have taken up on a fairly regular basis with the Indonesian government and Indonesian authorities. We have consistently made clear our support for a peaceful solution to the problems of Aceh and our concern about human rights abuses that have taken place there.

The new Indonesian government, under President Wahid, has given a particular priority to the situation in Aceh. President Wahid has taken personal responsibility for that and has said that he wishes to find a peaceful solution through dialogue. That is a process that we would very much support. There is also a process under way in Indonesia to investigate past human rights abuses in Aceh. Again, that is something that we are following.

Senator QUIRKE—What visits have Australian embassy officers made to Aceh over the last 12 months?

Ms Bird—There have been visits to Aceh. The most recent visit was in July this year.

CHAIR—With respect to East Timor, we were talking about publicity, accusations, et cetera. Our own press have said that there could have been genocide; there could have been other things. I am privileged to be on the Senate committee inquiry which Senator Hogg chairs. The question that we have been asking all the time is: have there been as many fatalities or murders as people have been saying? The minister is quoted in the Hobart *Mercury* today as saying that it may be in the hundreds, not in the thousands. Our media have been saying that there has been genocide and that it could involve tens of thousands. What is the story there?

Ms Bird—I could add a little on that score. As Mr Downer said, it is impossible to be precise about the exact number who may have been killed. There is still considerable uncertainty. INTERFET, which now has a presence throughout East Timor, has been able to confirm 130 deaths and it is aware of another 600 or so grave sites or human remains that require investigation. It is on the basis of that situation that Mr Downer made the estimate yesterday of somewhere between 500 and 1,000. It is very much based on what INTERFET has discovered on the ground in East Timor now that it has a presence throughout the territory.

CHAIR—So it has been a relocation rather than a murdering rampage?

Ms Bird—As I said, the precise numbers are unclear. All we can say is that there have been 130 confirmed deaths and 600 or so suspicious grave sites that require investigation, but that is all we have got at the moment in terms of concrete figures.

Senator Hill—You would not want to understate 500 to 1,000 deaths, if that is the figure.

CHAIR—I did not say that was good, Minister.

Senator Hill—No, but you said that perhaps it has been a relocation.

CHAIR—We had some people giving evidence at different times that it was a much larger number than that. The intimation was that it was nearly genocide. I was trying to find out from the department whether that was the feeling, and I have had the answer from Ms Bird.

Senator QUIRKE—Are there any plans for embassy officers to visit Aceh in the near future to obtain a first-hand assessment of current events?

Ms Bird—I understand that the plan for the next visit is probably in December. As I said, the last visit was in July.

Senator QUIRKE—Has Ambassador McCarthy been up there?

Ms Bird—Yes. In fact, he was up there in the July visit that I referred to.

Senator QUIRKE—What is the department's estimate of the level of popular support for a referendum for independence in Aceh?

Ms Bird—I am not going to speculate on the level that there might be for such a process. The Indonesian government is still working through its policy towards Aceh. As I said, President Wahid has talked about the need to find a political solution through dialogue, and that is something that we support. The precise way in which the Indonesian government does that is really up to the Indonesian government.

Senator QUIRKE—Is it the view of the department that the Indonesian military are determined to block any substantive concessions to the Acehnese?

Ms Bird—As I said, the main thing that we are watching is what President Wahid and the new government intend to do. He has indicated his support for a negotiated settlement for Aceh. It is something for which he has taken personal responsibility and is pursuing. That is the Indonesian government policy.

Senator QUIRKE—What about the deployment of Kopassus? Is that happening in Aceh? Do we have any intelligence on that?

Senator Hill—That you are willing to share.

Ms Bird—You will appreciate that I will not go into—

Senator QUIRKE—That you wish to share, yes.

Ms Bird—any intelligence matters. I understand that President Wahid, in keeping with his desire for a peaceful solution, is looking more at putting police up in Aceh rather than TNI.

Senator QUIRKE—So the TNI has been largely withdrawn from Aceh?

Ms Bird—No, there is still TNI presence, but as I said, our understanding is that the intention is to put more police into the province rather than TNI.

Senator QUIRKE—What would the potential implications be for regional security of a conflict in Aceh?

Ms Bird—It is very speculative to talk about a conflict in Aceh. It is obviously not something that the Indonesian government would want, nor Australia, nor any regional countries.

Senator QUIRKE—Obviously, we have to take seriously that Aceh might become either an autonomous or even an independent part of this end of the world.

Ms Bird—As I said, the Indonesian government is exploring prospects for a peaceful solution which might involve some greater form of autonomy for Aceh within the Indonesian state, but certainly there is no support within the Indonesian government for an independent Aceh. It is not something that is supported, either, in the international community, which regards Aceh as part of Indonesia.

Senator QUIRKE—Foreign Minister Downer on a number of occasions has expressed concern about the possible Balkanisation of Indonesia. Is it the government's view that a referendum and independence for Aceh will fuel separatism elsewhere, leading to that process of the Balkanisation of Indonesia?

Ms Bird—Certainly, as you said, Australia, like the rest of the international community, supports the territorial integrity of Indonesia and we have no interest in seeing Indonesia break up. Clearly, moves towards separatism could excite such moves in other parts of Indonesia, but the main focus of the Indonesian government, which is one that we support, is to try to find political solutions to the difficulties with the regions. President Wahid has taken personal responsibility for Aceh and he has also assigned to his Vice-President, Megawati Sukarnoputri, responsibility for dealing with the other regions. He has given a very high priority to this issue and we would certainly hope to see that process that he has set in train succeed.

Senator QUIRKE—There were reports in the 1980s that the Free Aceh Movement received military training and assistance from Libya. Is the department aware of any such foreign assistance to the Acehnese now?

Ms Bird—Not that I am aware of. We are aware of the past reports.

Senator QUIRKE—Either from Libya or from anywhere else, for that matter—the supply of weapons, training, et cetera.

Ms Bird—No.

Senator QUIRKE—I presume that our diplomats up there have contact with the Acehnese when they visit that part of the world?

Ms Bird—Certainly, when the embassy goes up there it would touch base with a wide range of contacts in Aceh.

Senator QUIRKE—Would you tell us a bit more about that? Who do we see up there? Who are the leaders of the group that we are in contact with?

Senator Hill—It is a bit like a journalist: you do not want to disclose all of your sources.

Mr Mules—I may be able to add a little to that. I have visited Aceh on a previous posting to Jakarta. I assume the kinds of people that our embassy visits these days are similar to what they were a few years ago. They include local non-government organisation leaders, local community groups, local journalists and all manner of people in the local authorities, in the various branches of the local government, many of whom have always been very happy to express their views about the future of Aceh. It has not been difficult to have a very wide range of views from the people of Aceh. When we visit there, we also travel around the province and see people in the local communities. So I think we have a pretty good coverage when we do visit.

Senator QUIRKE—Are you fairly confident that you have a fair handle on the range of opinion within Aceh?

Mr Mules—I would say so.

Senator HOGG—Just on Aceh for the moment, one of the issues that has been raised at the Senate committee that we are conducting on East Timor is the possible break-up of the archipelago and the security implications for Australia there. Do you have a view about the security implications for Australia if the archipelago breaks up, not considering Aceh solely? I am going to ask a couple of questions on Irian Jaya.

Senator Hill—I think that takes the speculation beyond what is fair to ask an officer. She has made the point that we think it is in the interests of Indonesia, and certainly in the interest of stability and security, that Indonesia remain intact and build up the process that President Wahid has instituted to address the problems in Aceh. I think it is unreasonable to push her to go beyond that.

Senator HOGG—I am not trying to be unreasonable. It has been an issue that has been raised with us. I am trying to find out if the department do have an assessment of the security implications. I did not necessarily ask for the detail. I can understand that there may be some sensitivities there. I am asking: do the department have an assessment of the security implications for Australia? I am not trying to push the officer of the department beyond that.

Senator Hill—A delving into that really has to be preceded by an acceptance of the possibility of this break-up. As the officer has said, the Australian government does not wish to see such a break-up and will support Indonesia in its efforts to build stability within its boundaries.

Senator HOGG—That being accepted—

Senator Hill—I think it is a bit over the top to start talking about the security consequences to Australia of a break-up of Indonesia.

Senator HOGG—I hear what you say. That being accepted, though, one must always plan for the various contingencies that might arise. All I am asking is: is there an assessment made

of the security implications if those events unfold? I am not asking what is the assessment. I am just asking: is there an assessment?

Senator Hill—Various agencies are paid to work on all possible scenarios, not so much DFAT. To draw this witness beyond what she said, which is that we are keen to support Indonesia in its efforts to regain and rebuild stability, is unfair unless she wants to say something. Apparently she does not.

Senator HOGG—I just thought the department might have a view to express.

Senator Hill—It is the sort of thing that leads to a headline, but I do not think it helps anybody.

Senator HOGG—I was not seeking a headline out of it.

Senator Hill—I know that you are not the type to be seeking a headline.

Senator HOGG—Thank you very much, Minister.

Senator Hill—I am not suggesting that. What I am suggesting is the inadvertent consequence of your question might lead to an unhelpful headline.

Senator HOGG—I think that is placing a rather wrong context on the question that I asked. You may well be viewing the question differently from what I was. I was not viewing it other than to seek what the department might have done by way of an assessment of the security implications. I will let that issue lie and move onto my question about Irian Jaya. I want to know if the department have an assessment of the strength of the pro-independence movement in Irian Jaya?

Ms Bird—I am not going to make any comment on the likely support in Irian Jaya for independence.

Senator HOGG—No, I am not asking for the support for independence. Have you made an assessment of the strength of the pro-independence movement in Irian Jaya? We hear in the media quite diverse views as to the strength of the movement. I am not asking you to make the other assessment that you spoke about.

Ms Bird—There is clearly support in Irian Jaya for independence. I am not going to put a figure on that. This is an issue that the Indonesian government is working through and hopes to find a peaceful solution to. Perhaps one encouraging recent event in Irian Jaya was the ceremonies yesterday for the flag raising day, an annual event. They passed off very peacefully which is a positive sign.

Senator HOGG—Given your statement that the view of the government and the department is that there is a desire to see the archipelago stay intact, what does the department have by way of feedback from visits by Australian diplomats to Irian Jaya to inform them of the circumstances in that part of the world? Senator Quirke asked about Aceh and the visit by people from the embassy to Aceh. Do we have any similar visit programs to Irian Jaya? If so, who has made the visits and when?

Ms Bird—Like Aceh it is a situation which the embassy clearly follows closely and one means of doing that is to have visits to the province. The most recent visit by the embassy to Irian Jaya was in February this year. I do not have details of who was on that.

Mr Mules—That was the most recent full embassy visit covering a full range of activities. There have been certain other visits by, for example, consular officers following up specific issues since then. They bring back feedback on broader questions as well. We have had a fair flow of contact.

Both in the case of Aceh and Irian Jaya, there is a lot of travel by people from those provinces to Jakarta. Our network of contacts means that in our embassy in Jakarta we are often receiving and meeting up with people who are visiting from there. Visiting there is not the only way to get direct information, but we do so as often as we can.

Senator HOGG—I now turn to West Timor. Does the department have an estimate of the strength of the pro-Indonesian East Timorese militias which are present in West Timor? We hear of varying strengths of militias.

Ms Bird—It is very difficult to accurately assess the numbers of militia. There are varying estimates around. Certainly there are still militia operating in West Timor, mostly in the refugee camps, and that is a situation that is of considerable concern to the Australian government and one on which we have made repeated representations to the Indonesian government. It is very important that the displaced people in the camps be allowed to return to East Timor. In terms of actual numbers, it is very difficult to predict accurately what they might be. They are still there and still active. That remains a situation of concern about which we have made representations.

Senator HOGG—On the representations that have been made, are you able to tell us the responses that you have received? It is a major problem—the refugees that are still in West Timor.

Ms Bird—It is indeed. The new Indonesian government has shown an interest and willingness in facilitating the return of the IDPs. A lot of this has to be brokered on the ground. One encouraging recent development was the agreement reached between General Cosgrove and the TNI general to help some of the border management issues. So there has been some progress on that score and the number of refugees returning to East Timor in recent days has been in the order of a couple of thousand. But having said that, there are still reports of harassment by the militia so it is still a problem that does need to be addressed.

Senator HOGG—Thank you. On 1 December the Indonesian armed forces chief was quoted by AAP as telling the Indonesian Human Rights Commission inquiry that there was no link between the TNI and militias now operating in West Timor and that he did not want to see them use West Timor as a base. Are these militia still receiving support or protection from the Indonesian military?

Ms Bird—In West Timor there are still, Senator, clearly pockets of TNI and POLRI who are acting in complicity with the militia, so that, as I said, is obviously still a concern and that is one of the issues we have raised with the Indonesian government.

Senator HOGG—Do we know whether the Kopassus are still operating with the militias or is it strictly restricted to the TNI?

Ms Bird—I do not have any information on that, Senator.

Senator HOGG—No. That is fine. Do we know whether the Indonesian military or the police have been taking action to disarm these troops at all?

Ms Bird—The militia groups in West Timor?

Senator HOGG—Yes.

Ms Bird—I am not aware of action that has been taken on that score, Senator.

Senator HOGG—Fine. And do we know whether the militia has posed any real threat to the security in East Timor through cross-border raids and other covert activity?

Ms Bird—The security situation in East Timor is relatively benign. We do not assess that there are any significant threats to security in East Timor. The militia have been essentially marginalised and whilst, as I said, there are problems with the militia in those camps, we do not assess there being a significant threat to security in East Timor.

Senator HOGG—Has the government been making representations to Jakarta seeking the disarmament of the militias in East Timor?

Ms Bird—Yes, certainly, Senator.

Senator HOGG—And what is the response out of the Indonesian government?

Ms Bird—It has been on a fairly regular and repeated basis as an issue to which we attach a high priority. The response of a new Indonesian government has been positive. As I said, the issue is making sure it is followed up on the ground and action is actually taken there.

Senator HOGG—Thank you very much.

Mr Mules—I wonder if I may make a brief clarification on the issue of the level of violence in Irian Jaya and recent flag raising ceremonies. As Ms Bird pointed out yesterday, they went off remarkably peacefully all over Irian Jaya with 10,000 to 20,000 people involved in the capital. We did receive late this afternoon some fresh advice that Ms Bird was not aware of to the effect that there was some violence today in a ceremony in Timika and there were a number of people injured in that. So there is a matter of concern that we will obviously be following up there.

Senator HOGG—Thank you very much.

Senator WEST—Can I move up the archipelago a bit?

CHAIR—Senator Schacht, do you want to come in here?

Senator SCHACHT—This may have been asked in general before I came in. The issue in human rights abuses and the suggestion of those responsible being brought before some sort of international tribunal: can you just outline where that is at the moment through the UN or whatever the appropriate forum is?

Ms Bird—As you know, Senator, the UN has set up a commission of inquiry into East Timor. The team that comprises that commission is, in fact, currently visiting East Timor, and I understand it will be there for a few more days. The process is that they are due to report to the Secretary-General on their findings by the end of the year and then it will be up to the Secretary-General to determine next steps in that process. But the inquiry is under way. They are currently in East Timor and are due to report by the end of the year.

Senator SCHACHT—If the report and the Secretary-General of the UN recommend some form of trial before a tribunal, what is our obligation to support that?

Ms Bird—You have moved ahead several steps there.

Senator SCHACHT—I know that I have moved ahead, but I am anticipating that enough evidence is collected that there were human rights abuses and murder and mayhem to identify the need for charges to be laid against certain individuals vis-a-vis what happened in Bosnia, et cetera, and I assume it is a similar model to what has happened out of the old Yugoslavia?

Ms Bird—It would be up to the Security Council to determine what action to take. That is a decision for the Security Council to make.

Senator SCHACHT—Once the Security Council and the Secretary-General make a positive decision on the advice of that inquiry, are we automatically, under UN arrangements, bound to support and provide assistance to carry through the trial?

Ms Bird—Any of these ad hoc tribunals that you are referring to are set up under a Security Council mandate—the former Yugoslavia and Rwanda—and, as such, all member states of the UN are obliged to cooperate with them.

Senator SCHACHT—I know this is moving on three or four steps: would that cooperation require us as a national parliament to carry legislation to provide legal force in providing evidence and assistance and, if necessary, arresting people, et cetera.

Ms Bird—That is something that we would have to look at in terms of the Security Council resolution. I think it is probably more appropriate for the Attorney-General, the issue of domestic legislation to implement Security Council resolutions, as they would normal fall in his portfolio.

Senator SCHACHT—Surely somebody in the legal section of Foreign Affairs would have a view on this. They are not totally blind, surely. There must be a lawyer somewhere in the department.

Senator Hill—I am a lawyer—what do you want to know?

Senator SCHACHT—There are everywhere else.

Ms Hewitt—There are lawyers everywhere, Senator. It is just a question of where the appropriate portfolio responsibility lies.

Senator Hill—We will all have a go.

Senator SCHACHT—You are a lawyer for a start, Minister.

Senator Hill—You have to start with the appropriate Security Council resolution.

Senator SCHACHT—I will not pursue that at the moment. In the inquiry under way by the UN into possible human rights abuses in East Timor, what, if any, requests have we had before Australian government and our various departments to provide necessary evidence or information that would assist the inquiry?

Mr Potts—In response to your question, we have had one formal approach from the UN Commission of Inquiry into East Timor. It was an approach a few days ago on 30 November 1999. The commission requested access to possible intelligence holdings in Australia that would assist their work. The government is looking at it at the moment. They are looking at it against the background of the Prime Minister's public comments that Australia would do the right thing consistent with the need to protect intelligence sources. It is a matter which is now under consideration.

Senator SCHACHT—To protect the individuals who may have provided it?

Mr Potts—Correct.

Senator SCHACHT—Is it also to protect our intelligence gathering capabilities, such as Pine Gap?

Mr Potts—I do not want to go any further than my last response.

Senator SCHACHT—In not going further, you have answered it. The other day I had a meeting with a gentleman from the Joint Foreign Affairs Defence and Trade Committee in a private briefing with a number of the Federal Police officers who had served in East Timor from about January onwards up to the election.

Ms Bird—That would have been UNAMET.

Senator SCHACHT—Each of them gave some pretty harrowing examples of what they had seen. And, of course, they themselves were at considerable risk from time to time. Is any

effort being made by the department to collate evidence from those Federal Police officers who served during that period when most of the atrocities appeared to take place, to be provided to the inquiry?

Mr Potts—I think the government's response to the whole question of crimes against humanity in East Timor is that most appropriately this is handled on a global basis through the UN system. There is already the UN commission of inquiry under way. The government takes an entirely supportive attitude towards the committee. The way the committee works is up to itself to determine. It is not clear to us whether the report that will be made to the Secretary-General by the end of the year will be the end of the committee's work or not. That is really a matter for the UN system.

Senator SCHACHT—What I am asking is: will we be proactive? Because we had our Australian nationals sent there by arrangement, such as these Federal Police officers, who were eyewitnesses on many occasions, will we proactively go and collect their evidence and make it available to the UN inquiry?

Mr Potts—No. We see that as the responsibility of the UN inquiry.

Senator SCHACHT—Do we actually let the UN inquiry know that it is available to them to come into Australia and we are quite happy for them to come and talk to the Federal Police?

Mr Potts—I think they are already quite aware of numbers of offers from people in Australia.

Senator SCHACHT—Why aren't we a bit more proactive, when we have information and access to people, than just saying that they should know we are here? It seems a bid of an odd attitude to take.

Mr Potts—With respect, I do not think so. The most sensible thing obviously is to have a global, consistent approach, and it is most effectively done through the UN.

Senator SCHACHT—I completely agree. I do not think there is anyone in Australia, apart from some psychotic somewhere, who does not believe that every opportunity should be taken to put those responsible for the atrocities before a tribunal, to be punished accordingly. I think that is what the majority of Australians would want. Why aren't we being a bit more proactive in providing the information which we clearly have from such people as the Federal Police, encouraging the Federal Police to collect the information, put it together and send it to the inquiry?

Ms Bird—I might add a little bit. The commission of inquiry, as I said, is currently in East Timor. They have been contacting a wide range of people. INTERFET, for example, which has been actively engaged in investigating some of the deaths that have taken place there, have secured evidence and all of that is being made available to the commission of inquiry. They have also been through Darwin and there have been contacts there. We are more than happy to pass on to the commission of inquiry any information that is relevant.

Senator SCHACHT—So if I told those Federal Police officers that they could ring you, then you would collate the material and pass it on?

Ms Bird—We have, in fact, already put people on and we have contact points in the UN system to which information can be passed. We have already been actively involved in helping that process.

Senator SCHACHT—That is not quite what I asked. Mr Potts, if I get somebody from the Federal Police to ring you with the collated information, you will make sure it is passed on to the UN inquiry?

Ms Bird—Yes.

Senator SCHACHT—You are all happy to do that?

Senator Hill—You probably have to ask Senator Vanstone what is the policy in relation to Federal Police officers.

Senator SCHACHT—But they are Australian citizens and they have seen what happened. Out of just normal humanity, I understand, they want to tell somebody and give the evidence to help bring these people to justice. It does not seem to be—

Senator Hill—You have leapt a little bit. A minute ago I thought you were asking, ‘Why aren’t you organising the gathering of this information? Why aren’t you, the government, being proactive? If these Federal Police officers have information, why aren’t you recording it and transmitting it?’ I think that is a question to ask Senator Vanstone as it relates to the Federal Police.

Senator SCHACHT—That was yesterday in estimates, unfortunately. I was not there.

Senator Hill—Ask her next Monday. I hope she has now been warned!

Senator SCHACHT—I do not mind. I hope she is fully warned. The Federal Police are clearly one of the major sources of information for that period, as is, I presume, all the evidence that the embassies and our Foreign Affairs have collected, so long as it does not conflict with our national interests and compromise our sources. The judgment of what is provided will be made by the national security committee of cabinet, will it?

Mr Potts—The judgment will certainly be made at ministerial level.

Senator SCHACHT—I will get the Federal Police officers to talk to you, Mr Potts.

Senator WEST—I would like to move off the archipelago to the peninsula. This week we saw the elections take place in Malaysia. I have not had time to get on to the web sites of the DAP and some of the other opposition parties to check out what the actual final results were. The reporting in this country has been fairly sketchy, beyond that Wan Azizah won her husband’s seat and that Mahathir still has more than a two-thirds majority, albeit a reduced one. Could someone actually give us a breakdown of what took place and what happened.

Ms Bird—The results of the elections were that Dr Mahathir’s National Front won 149 of the 193 seats in the parliament, which as you said, is more than two-thirds. The Barisan Alternatif got 41 seats and the PBS, the smaller opposition party, got three. That should add up to the 193.

Senator WEST—Of the Barisan, PAS got what?

Ms Bird—That was 27.

Senator WEST—That is an increase for PAS, isn’t it?

Ms Bird—Yes, the PAS numbers increased.

Ms Anderson—PAS increased its numbers from eight in the 1995 election to 27 in this election.

Senator WEST—What did DAP get?

Ms Anderson—DAP got 10.

Senator WEST—Up from?

Ms Anderson—Seven.

Senator WEST—And Keadilan?

Ms Anderson—It was not in existence in 1995 but got five seats in this election.

Senator WEST—And PBS got three?

Ms Anderson—Yes.

Senator WEST—That is an interesting result, although it is obviously quite a significant swing in terms of Malaysian politics. What happened in some of the state elections? All but two of those were up at the same time, weren't they?

Ms Anderson—All but two of the states were won by the government. In 1995 one state was with the opposition; there was a swing there. In 1995 it was Kelantan, now it is Kelantan and Terengganu, which is with the opposition.

Senator WEST—Where is Terengganu?

Mr Mules—It is on the east coast of peninsular Malaysia.

Senator WEST—When you say the opposition, is it the Barisan grouping?

Ms Anderson—The Barisan Alternatif, yes, PAS.

Senator WEST—I will be interested to go and look on those web sites to see who has done what. What was the turnout like?

Ms Anderson—The turnout was relatively strong. I have not seen the final figures on that. It was in the high 60s or low 70s—pretty strong.

Senator WEST—I know that some of the opposition groups had been asking for observers to watch the process over the last 10 days or so. Were any international observers allowed in at all?

Ms Anderson—The Malaysian election commission had announced a few months ago that it would not be appropriate for foreign observers to observe the election. I understand, though, that some foreign NGOs did do so.

Senator WEST—I came in on the end of something on BBC World or Sky that looked to me like an expose of the 10 heads situation that they operate with. Are you familiar with that?

Ms Anderson—I am not, I am sorry.

Senator WEST—It is where the UMNO send out into the villages their workers, and they are responsible for 10 households. You can use your imagination about that—for a good turnout and high votes. Did some NGOs actually manage to get in to observe?

Ms Anderson—Yes.

Senator WEST—We have not heard which ones or what the result was?

Ms Anderson—Malaysian NGOs observed the elections. There was one Thai NGO that also observed the elections, which I can confirm.

Senator WEST—We have not heard or seen any reports from them yet?

Ms Anderson—There have been press reports, yes.

Senator WEST—What have they been saying?

Ms Anderson—I am afraid I cannot recall the name of the Thai NGO; I think it is the election watchdog or something like that. There have been press reports only of the leader of that particular NGO, General Saiyud. He has said that there was evidence of irregularities observed by that NGO but, clearly, I am relying on press reports only. There is not much more that I can add to that.

Senator WEST—Have you been able to make some sort of assessment of the result that took place at these elections?

Ms Bird—As we said, Dr Mahathir's National Front succeeded in retaining the two-thirds majority, although there was a slight dropping off of seats. There has obviously, therefore, been some move, particularly in those two northern states amongst the Malay community, to support of the opposition groups. In essence, he has maintained that two-thirds majority and therefore his government remains in power.

Senator WEST—Yes, and able to alter the constitution at will with that two-thirds majority. Do you find it is significant that the two states that he has lost are Malay states, and he is a Malay? It is not that it is Chinese minority groups, or anything else, that is giving a different reaction and voting for the opposition.

Ms Bird—I am not sure that it would be helpful for me to get too much into commenting on and analysing the domestic political scene in Malaysia. It is an issue for Dr Mahathir to address.

Senator WEST—Yes.

Senator Hill—Mr Keating had a go.

Senator SCHACHT—We will send him a fax.

Senator WEST—There was an assessment in yesterday's *Financial Review* that the victory has confirmed a deepening of ethnic and religious divisions within Malaysia, especially in respect to the success of PAS in these elections. Do you have any comments that you may wish to make about that assessment?

Ms Bird—No. As I said, I do not think it would be helpful for me to start acting as a commentator on domestic political developments in Australia.

Senator WEST—What is Australia's relationship with Malaysia like?

Ms Bird—We have a strong constructive relationship with Malaysia.

Senator Hill—It is very good. What did you ask that for?

Senator WEST—There have been comments made about Dr Mahathir, and Dr Mahathir has been publicly not afraid to make comments about Australia that are critical to us. I wondered whether that was a reflection of our general relationship or a reflection on his attitude and impressions of us.

Senator Hill—I would not want to get into that, but the relationship is a good one. It is sound and built upon common interests.

Senator WEST—Are we also aware of what Anwar Ibrahim's health is like? We see a little bit on the media but not a great deal.

Ms Bird—His most recent appearance in public was about a week ago when he was attending a funeral. Certainly, he seemed to be in good health on that particular occasion.

Senator WEST—So we don't know what the alleged poisoning, that health episode, was?

Ms Bird—No, we really aren't able to confirm the truth or otherwise of those allegations.

Senator WEST—Have you any comments about what would appear to be the increasing use of criminal law against politicians? Most of the older politicians had sanctions applied to them as the British had introduced it to detain people without trial. Do you know what I am talking about?

Ms Anderson—You are referring to the Internal Security Act?

Senator WEST—Yes.

Ms Anderson—Under that act, people are not brought to trial. They may be held without trial for up to 60 days without a detention order being issued.

Senator WEST—Members of parliament—or anybody—are treated differently under actions taken under the Internal Security Act as opposed to those taken under the criminal code. Is that right?

Ms Anderson—That is right, yes. The provisions of the Internal Security Act are much broader than the criminal code.

Senator WEST—But they don't lose the right to sit in parliament for five years after they have been released?

Ms Anderson—If convicted under the criminal code?

Senator WEST—No, under the Internal Security Act; under the criminal code they do.

Ms Anderson—I am sorry, I will have to go back and have a close look at the law before answering that with confidence.

Senator WEST—I would be interested to know how many trials there have been under the Internal Security Act in the last two years, please. You can take that on notice.

Senator Hill—Of politicians?

Senator WEST—No, because there have not been any politicians under the Internal Security Act in the last two years. But I have had it put to me that there have been others who have been tried under the Internal Security Act.

Senator Hill—We will see if we can provide that information.

Senator WEST—Thank you. That will do.

Senator HOGG—I might address the trade issue with Indonesia so that those people can move out. I know one of my colleagues has got some questions on another area. Have Australia's exports to and from Indonesia changed substantially since the East Timor ballot on 30 August? What have been the areas of greatest change?

Ms Bird—Since the East Timor ballot, Senator—

Senator HOGG—Has there been any discernible change?

Ms Bird—No, not that I am aware of. In fact, in spite of some of the rhetoric, the commercial relationship has held up pretty much as it was. There has not been a discernible impact on the commercial relationship as a result of the East Timor crisis.

Mr Mugliston—Specifically, in terms of our exports, if you look at the monthly figures produced by the Australian Bureau of Statistics, exports in fact recorded in the month of September fell by 35 per cent to \$136 million but then increased by 51 per cent in the October month to \$206 million. The situation at the moment is that, on a year to date basis—that is, for the period January to October 1999—exports stand at \$1.75 billion compared with the corresponding period for 1998 of \$1.79 billion. At the moment, we are tracking about a two per cent reduction on merchandise exports to Indonesia. They are the latest figures available.

Senator HOGG—But that figure, put in its correct context, takes into account the economic crisis that was occurring in that area at that time.

Ms Bird—I think that is right, Senator. I should have been more precise in what I said. The import of my comments was that the situation in East Timor has not itself affected the volume and nature of our trade with Indonesia.

Senator HOGG—That is what I am seeking. On 8 October 1999, a spokesman for Minister Vaile was quoted in the *Financial Review* as saying that trade with Indonesia was business as usual. From the evidence that you have given me this evening, that still seems to be the case. Is that correct?

Ms Bird—Yes.

Senator HOGG—How does the government expect our trade with Indonesia to change over the next six months? Is there any indication there? This also takes into account the changing economic circumstances within Indonesia, the change of government and all those other factors that are now beginning to come into play.

Ms Bird—One of the key determinants, as you rightly point out, Senator, will be the Indonesia domestic economy. If that continues to grow, that would obviously have a positive impact on our exports to Indonesia. Mr Mugliston mentioned that in October we saw a rise over the September month of 51 per cent. That is just one month, but that is certainly encouraging. In fact, that means the October figures were at a level 7 per cent above the level back in October 1998, so we are getting back to those year-to-year figures. It is still early days in the life of the new government.

Senator HOGG—Do we know if the Minister for Trade has arranged to meet his Indonesian counterpart in the new government? If so, do we know when that might occur?

Ms Bird—We are not sure where a meeting with the Indonesian trade minister is.

Senator HOGG—Can you take that on notice, if you are not sure.

Ms Bird—They are all in Seattle, in their hotels. They were scheduled to meet in Seattle, but we are not sure, with all the disruption, whether that has gone ahead.

Senator HOGG—That's excellent. Putting to one side whatever our foreign affairs relationship might be with Indonesia, have there been any special initiatives on trade with Indonesia in the last six months, or are there any special initiatives coming up over the next six to 12 months?

Ms Bird—I am not aware—

Senator HOGG—No trade missions?

Mr Mules—There is nothing that you might call special new initiatives, but what we can say is that the program of missions and visits that accompany our normal bilateral commercial economic relationship with Indonesia is getting under way again now. For example, there is a mission associated with the working group on food and agriculture which will be going to Indonesia early next year. That is a scheduled thing, not a big, new initiative. The normal range of visits in that area are resuming.

Senator HOGG—Are you able to provide me with a list of those normal visits that are going to be resumed? You can take that on notice.

Mr Mules—It might be a little difficult to do that at this stage because exactly which ones are going to happen when, we do not know now. That will be a situation that will evolve over the coming few weeks or months.

Senator HOGG—I have finished my questions on Indonesia.

Senator QUIRKE—I have a few questions on Burma. Could the department give the committee an overview of current political and economic trends in Burma?

Ms Bird—The situation in Burma remains fairly static. On the political side there is very little sign of political reconciliation between the two sides of Burmese politics. The political

impasse really does continue, with little sign of compromise or flexibility on either side. So, as I said, it is a fairly static situation.

On the human rights front, there have been some positive developments such as the decision to resume cooperation with the ICRC which was welcome. It gives ICRC access to nearly all the prisons in Burma, but again the situation on the human rights front remains one of concern. Economically, it is not a particularly positive picture. So, essentially, there is not a lot of change.

Senator QUIRKE—What about Aung San Suu Kyi? Is the political force that surrounds the leader starting to dissipate somewhat?

Ms Gauci—I might be able to add a little to that. The opposition party that Aung San Suu Kyi heads, the NLD, continues to seek international recognition and is still active within Burma. It established a committee representing parliamentarians elected in 1990. It is colloquially known as the CREP. It was established in September last year. It was intended to use the CREP to keep the pressure on the Burmese government by performing the functions of a parliament until the actual parliament could be properly established and convened.

The response by the Burmese government to the CREP has been quite swift and uncompromising, in effect, embarking on a war of attrition against it. There are, as of a few months ago, about 150 NLD MPs-elect in detention, and another 400 or so that remain in effective detention in guesthouses.

Senator QUIRKE—Is there any movement towards greater respect for human rights and democratic freedoms in Burma, or is the state still a black hole?

Ms Gauci—The human rights situation is still very difficult in Burma and human rights abuses still take place. However, there have been some positive developments over the last 12 months, the most notable of those being the resumption of cooperation between the Burmese government and the International Committee of the Red Cross. This cooperation was resumed after quite a long period, and it has included allowing the ICRC to visit nearly all of the prisons in Burma.

Senator SCHACHT—What does that actually mean? In the Second World War the International Committee of the Red Cross visited Nazi concentration camps and came away saying they were not too bad, because they were given a guided tour. I would not put it past the SLORC—it has changed its name now—to have a day's clean up before the ICRC turned up. It is a minuscule improvement, isn't it?

Ms Bird—I think it is important. The ICRC has a pretty positive record. I cannot talk about what they were like some decades ago, but certainly getting access by ICRC to prisons is normally regarded as a positive step in terms of opening up and getting some kind of international scrutiny, not just in Burma, but elsewhere.

Senator QUIRKE—I am finished with my questions on Burma.

Senator SCHACHT—I know they have changed the name from SLORC—which was a great name—to some other useless acronym for the government but, within the Burmese government, what is the assessment of who is actually running the show? Is it still Khin Nyunt, or is it still the view that Ne Win at the top has still got a shadowy hand and so on?

Ms Gauci—I can say a little bit about that, but not much because there is not much reliable information about how the levers of power are actually wielded there. There is half a dozen or so at the top who do seem to be pretty much in control. Khin Nyunt, First Secretary One, has a very strong position as we understand it, as does Than Shwe.

Senator SCHACHT—Who is the nominal head?

Ms Gauci—Than Shwe.

Senator SCHACHT—And Khin Nyunt is First Secretary One?

Ms Gauci—Yes.

Senator SCHACHT—That is a classic Burmese description. Does that put him in charge of the military and intelligence organisations?

Ms Gauci—The Prime Minister, Than Shwe, is also the minister for defence.

Senator SCHACHT—Is Kim Nyunt running the security?

Ms Gauci—Yes.

Senator SCHACHT—I always thought that he did, whether he had the title or not.

Ms Gauci—As we understand it, yes.

Senator SCHACHT—What is the level of trade between Australia and Burma at the moment?

Ms Gauci—The level of trade at the moment is \$A25 million two-way trade. Australian exports are worth \$A13 million and imports \$A12 million.

Senator SCHACHT—Do we still have any Austrade presence in any form inside Burma?

Ms Bird—Yes, we have a small Austrade office staffed by locally engaged staff.

Senator SCHACHT—Is \$25 million of two-way trade considered worth the effort to have someone in there?

Ms Bird—That is a judgment for Austrade.

Ms Hewitt—I would need to check this, but I think it is a part-time position. One of our locally engaged staff does some part-time facilitation work on behalf of Austrade.

Senator SCHACHT—Is it policy from government to Austrade that we are not actually out there beating the drum to develop trade with Burma?

Ms Bird—The government policy is to neither encourage or discourage trade with Burma. That presence is consistent with that policy.

Senator SCHACHT—What do we export to them? Is it food?

Ms Bird—Yes, milk and cream, flour and wheat, zinc and leather are the key ones.

Senator SCHACHT—Do we have any humanitarian AusAID programs?

Ms Bird—We do not have a bilateral aid program with Burma.

Senator SCHACHT—It is done multilaterally?

Ms Bird—Yes.

Senator SCHACHT—Is that in food supplies and medicines?

Ms Bird—Humanitarian only—HIV-AIDS, refugee emergency assistance and a little on education and health.

Senator SCHACHT—What number of applications do we get from the refugees on the border with Thailand to obtain refugee status to come to Australia? It might be an Immigration question.

Ms Bird—I think it is. It is essentially a DIMA portfolio matter.

Ms Gauci—They are not allowed to apply for visas from the border.

Senator SCHACHT—That is our decision?

Ms Anderson—The refugees on the border are all now across the border in Burma, except for a very small Karen group who are still engaged in military resistance. The refugees on the border are considered internally displaced people inside Burma. They cannot apply, because to apply they would have to come into Thailand and get recognition from the UNHCR by going into the safe area. If they were to do that then they could apply.

Senator SCHACHT—What about these large numbers of Burmese so-called students in Bangkok? Have they been sent back? Or do they still have papers to live around Bangkok? Are they able to apply for refugee status?

Ms Anderson—Those who are registered with UNHCR and in a safe area can be resettled and are still being resettled amongst some countries. The Thai government has been very keen to get those people into the safe area to allow that to happen.

Senator SCHACHT—Where is the safe area?

Ms Anderson—It is a camp which the Thai government set up in the early 1990s to house exactly these people and to set clear parameters to the pool of people who would be re-settled.

Senator SCHACHT—How many are in this safe camp now?

Ms Anderson—Approximately 1,000.

Senator SCHACHT—Has the Burmese government been successful in curtailing or suppressing insurgency activity by the Karen and all the other groups along the border?

Ms Anderson—The Burmese government has signed ceasefire agreements with each of the groups, except for the Karen, so there is still some low-level insurgency involving the Karen. There is still some conflict inside Burma but on a much reduced scale with the other groups.

Senator SCHACHT—And our embassy in Rangoon—we call it Rangoon? And we still call it Burma rather than Myanmar?

Ms Gauci—Interchangeably.

Senator SCHACHT—Has our Australian based embassy staff got any restrictions on its ability to travel round Burma?

Ms Gauci—Australian staff do travel round to various parts of Burma, but normally as part of a group or for some particular function. Our aid people, when they visit, do travel around the countryside.

Senator SCHACHT—I know this is a bit outdated, but in early 1990 I travelled with the ambassador to Mandalay. He needed to get a permit from the foreign affairs department to travel. Is that still required?

Ms Gauci—Yes, I understand it is.

Output 1.5—WTO issues: dispute resolution, public hearings, compliance of EMDG scheme and Seattle negotiations

CHAIR—‘Economic Luddites rain on WTO’s parade’, I notice here from Paul Krugman in the opinion of the Australian. I asked the same question of Austrade. What is DFAT doing to try and sell the message of the benefits of a successful WTO round in Seattle?

Ms Hewitt—I might ask my colleagues to pick that up because there has been a very extensive program of consultation around Australia in the lead-up to this Seattle meeting.

CHAIR—You need to sell the message to the people at large, otherwise we are going to have the Luddites in Australia saying that the protesters are correct.

Mr Pierce—It is a hard question and it is one that we work on every day. I think the answer is just to keep on plugging away. Mr Downer addressed this issue at the National Press Club earlier this week. The point for us is to use every mechanism we have available to us. Direct industry consultation is far and away the most effective. We had public consultations around Australia. There were requests for written submissions earlier in the year for issues to be covered in the new WTO round. Along with questionnaires and mail-outs, we use our web site much more effectively than we have in the past.

The minister and his predecessor—Mr Fischer certainly—are concerned all the time to make sure they can get the message out in their program of speeches, seminars and workshops around Australia. We are always open to new ideas. It is a job of the highest priority for us but there is no quick fix. There is no magic bullet we can use to get the message across. It is going to be a long consistent hard slog.

Senator WEST—Ms Hewitt made a throwaway line that there had been lots of consultations conducted around Australia. I understand that that was in September and October of this year. What was the purpose of these hearings?

Mr Moran—The hearings, as you say, were held in September and early October. They were announced by Mr Vaile on 25 August. At the time of the announcement he said the aim of the hearings was to sharpen the government's market access strategies and help refine our position on the various issues that had been flagged for negotiation in the WTO.

Senator WEST—Right. How much did they cost, or how much was spent by DFAT in arranging, advertising and conducting these hearings? Who conducted them?

Mr Moran—The total cost of the hearings was just over \$24,000, of which \$11,848 was advertising cost. They were conducted by three senior officers of the department: Deputy Secretary David Spencer, the First Assistant Secretary of the Trade Negotiations Division, Peter Hussin, and the Principal Adviser of the Trade Negotiations Division, Graeme Thompson.

Senator WEST—Thank you. What sort of format did these hearings take?

Mr Moran—Around two to three hours was allocated per meeting. They began with a roughly half-hour power point presentation from the departmental officer, followed by questions and answers from the floor.

Senator WEST—You say \$11,800 was spent on advertising. Where was this advertising undertaken?

Mr Moran—At the time of the announcement by the minister of the hearings, the dates and the venues of the hearings were advertised in all metropolitan newspapers of the cities in which hearings were to be held, as well as in the *Australian Financial Review*, which had a full list of the venues. At that time, some of the dates had not been finalised for a couple of the cities—I believe Melbourne was one. There were further advertisements placed in not all of those newspapers but many of those newspapers on the day of the hearing or a couple of days before.

Senator WEST—I understand that these hearings were not just confined to the cities.

Mr Moran—That is right—there were five regional centres.

Senator WEST—How were those regional centres selected? Where were they, first of all?

Mr Moran—The regional centres were Ballarat, Dubbo, Port Macquarie, Bundaberg—they were the initial four—and, further to that, because of demand from Queensland, a hearing was scheduled for Townsville.

Senator WEST—How were Ballarat, Dubbo, Port Macquarie and Bundaberg chosen? What were the criteria used to select them?

Mr Moran—The decision of the venues as a whole was approved and made by the minister.

Senator WEST—So he did the selecting, they were his choice? There was no input from the department?

Mr Moran—They were basically—

Senator WEST—I am not asking what you might have said. I am asking: did the minister do the selection process on his own without any input from the department?

Mr Moran—There was input from the department, but when it comes to a matter of choosing one regional centre over another we had no criteria on which to choose these centres; we just realised we had to get a handful of regional centres.

Senator WEST—I am glad the minister chose a city in his own electorate.

Senator Hill—What is wrong with that?

Senator WEST—Nothing is wrong with it at all, Minister. I said I was glad he had.

CHAIR—Can I just say that for the 30-odd trade roundtables that I ran in the two previous years there was a lot of input from Austrade on where potential and existing exporters were, and such like. They were different to these ones, I know, but maybe there were some criteria put in, because these meetings just do not happen, do they?

Senator WEST—No, Senator, they do not, but I am wondering what some of the Western Australian regional areas might have thought about not getting a look-in.

CHAIR—Well, I had them over there too.

Senator WEST—You were obviously very fair and even-handed, and I am very impressed. I am not sure what the north-west coast or the north of Tasmania might have thought about it as well.

CHAIR—We had them there too.

Senator WEST—Were local members of parliament, state and federal, advised that these were taking place so that they might have been able to participate or to flick people to them who were wanting to talk on the WTO?

Mr Moran—Notification was given to a wide range of people, including the local members, chambers of commerce, Austrade officers, the DFAT regional officers and the state government people responsible for those areas, in an effort to attract the most support and the best attendance we could.

Senator WEST—Did you advise all of the senators, because senators are members for the whole state?

Mr Moran—The advice to members of parliament was done through Mr Vaile's office.

Senator WEST—Solely by his office, not by the department?

Mr Moran—Yes.

Senator WEST—Thank you. Minister, you might like to pursue that subject, please.

Senator Hill—I will follow it up.

Senator WEST—I am not wanting to be partisan or anything, but all of us do get questions about WTO and it would have been nice to have flicked to some of those in my area out in the bush that they could have gone to Dubbo.

Senator Hill—Is the complaint—

Senator WEST—I have not made a complaint.

Senator Hill—that it did not go to senators?

Senator WEST—I do not know. I am asking. I have no recollection of it.

Senator Hill—No, I do not either.

Senator WEST—So if you can find out for me, please.

Senator Hill—That would be unacceptable discrimination—with that I agree. I will follow that up.

Senator WEST—Thank you. Were any hearings arranged and then cancelled?

Senator Hill—I thought you were complaining it did not go to the Labor Party.

Senator WEST—You usually send me stuff; you are very egalitarian about it all. Were hearings arranged and cancelled?

Mr Moran—No.

Senator WEST—So everything took place that was advertised as going to take place. On the department's web site are listed the cities in which the hearings took place but not the exact locations. Can the department please supply me with a list of the addresses where the public hearings took place?

Mr Moran—I do have a list with me at the moment.

Senator WEST—Okay, I am happy to take it on notice. You can just table it if you have got it in a form that can be tabled. The department cannot supply me with a list of the members of parliament involved, presumably, but the minister might like to take that on notice too, please. Okay, thank you.

Senator HOGG—I have a couple of other questions about the WTO. One is about dispute resolution. I understand that Japan has launched a WTO action against the US over steel dumping. What stage has this action now reached and is Australia planning to join it?

Mr Deady—Japan has requested consultations with the United States on the steel dumping case. I would have to check exactly where that is at. I am not sure whether those consultations have been held as yet. That was announced by Japan probably close to a month ago. Under the WTO rules, the US would have 60 days in which those consultations would take place. It is not normal practice that a third party would join at that stage of the consultation phase of such a case, particularly an anti-dumping case.

The next stage would be if Japan proceeded with the case and asked for the establishment of a dispute settlement panel. The question would then arise as to whether or not Australia would participate as a third party. We would need to see the precise terms of the Japanese challenge and other things that would be taken into account. What are our systemic or direct commercial interests in a particular case? They are the sorts of things that we look at in determining whether we might go as a third party to a case.

Senator HOGG—If you will take that first part on notice and get back to us with what has happened that would be interesting indeed. The second issue is: has the government reviewed

the most recent farm aid package passed by the US Congress to see whether it complies with the WTO agreements in all respects?

Mr Deady—At least in my branch we have not done a specific detailed analysis yet of all aspects of the new US agricultural support program. There are a number of aspects of that program with which we have general concerns. The question of their WTO consistency is a very much more detailed question, as under the Uruguay Round outcomes on agriculture, commitments undertaken by the United States and Japan and the Europeans dealt with reductions in domestic support as one element of that package. The support levels that the countries maintained in the period prior to and during the Uruguay negotiations were very high, so there was a large amount of credit in that domestic support area of agriculture for those major subsidising countries.

Senator HOGG—I presume that, when you have done some form of analysis, you will then determine what action you will take. How long would that be?

Mr Deady—The precise nature of particular aspects of the program would need to be looked at. We have begun to look at a couple of aspects that are at a very early stage, so it is probably best not to say too much more than that at this stage. We would need then to have detailed consultations particularly with Australian industry to see what level of interest there was in perhaps proceeding to a consultation phase with the United States or some other dispute settlement action.

Senator HOGG—Have you got some sort of time frame in mind?

Mr Deady—We have commenced some preliminary discussions with Australian industry and we would be looking at some time early in the new year.

Senator HOGG—So when we come back to the additional estimates in February, it could be reasonable to ask this question again, and the issue to have developed to a stage where you could be quite specific about the developments that have taken place?

Mr Deady—By that stage we will have completed our own initial analysis of certain aspects of the support package and also will have held some more detailed consultations with parts of industry by that time.

Senator HOGG—The last question on dispute resolution is: does the government have any plans to make public its submissions to WTO dispute resolution panels?

Mr Deady—The submissions effectively become public on the publication of the dispute settlement panel's report. We develop the submissions themselves in very close consultation with the relevant parties affected by the dispute. Our feeling is that, whilst the case is ongoing, it is not in our interest to have the submissions out there in the public domain. Once the case is completed, they become public as a matter of course. We have put several of these submissions on our web site after the panel report has been released.

Senator HOGG—Thank you very much. My last question in this area relates to a question put on notice at the budget estimates hearing of 9 June by Senator Cook. The question was: has DFAT sought advice to ensure that the EMDG scheme complies with the WTO rules? Is DFAT satisfied that the scheme is within the WTO rules? The answer supplied said that, as is standard practice with trade related policies, there have been consultations about changes to the scheme over the years; this is a longstanding program developed under a number of governments and has never been challenged under the GATT or WTO.

This answer ignored both questions that had been asked and, instead, answered a question that had not been asked. Could you answer the questions put on notice previously rather than choosing to give us an answer to a question that was not asked? It is as simple as that.

CHAIR—Now you are being asked a question that was thought to have been asked and that you did not answer the first time but answered in another way.

Mr Deady—We certainly sought to answer the question. With the first question I really am not sure what is being asked. Has DFAT sought advice? Are you asking whether we have sought advice from a third party about the consistency?

Senator HOGG—Yes, I did not put the questions, so I can only assume—in Senator Cook's absence—that that was the implication.

Mr Deady—I must admit we did interpret that question as: has DFAT been asked for its view on the WTO? That is certainly the normal process and process advice we provide.

Senator HOGG—No, I think the question is: has DFAT sought advice to ensure that the EMDG scheme complies with WTO rules?

Ms Hewitt—Senator, we would probably regard ourselves as the obvious source of advice in government on a matter like that. It would normally be a matter that would be referred to Mr Deady's branch.

Senator SCHACHT—What is the advice? Is EMDG within the WTO rules or not?

Ms Hewitt—The implication of the response is that it has always been accepted as such in practice over many years.

Senator HOGG—The second part of Senator Cook's question is: is DFAT satisfied that the scheme is within WTO rules? What is your answer?

Mr Deady—Yes, Senator, we are.

Senator CALVERT—How many actions under the WTO at the moment are we taking against other countries?

Mr Deady—We are directly taking two cases: one is against Korea's beef import regime. The panel process has commenced. The first panel hearing on that case is being held in Geneva the week after next. The second action where we are directly a complainant is the US safeguard action on lamb. The status of that case is that the panel has been established but not yet composed. That process is really just commencing.

Mr Pierce—In addition, we are engaged as a third party in two cases in the intellectual property area: one pertaining to the so-called spring boarding of pharmaceutical patents and the other to the home exception to the Copyright Act in the United States.

Senator CALVERT—How many cases are we defending at the moment?

Mr Deady—There are two cases we are actively defending. One is the Howe leather case, taken on the so-called implementation case. The United States is not satisfied with our implementation of the previous Howe panel findings and that panel process is under way. That panel met last week in Geneva and we expect will be reporting early in the new year or midway through January.

The other case we were actively involved in was again an implementation case, this time taken by Canada on salmon. One case is in abeyance, and that is the case taken by the United States, again on salmon; that case is in suspense.

Senator CALVERT—They are piggybacking on Canada, aren't they?

Mr Deady—Effectively, yes. That panel has been ‘suspended’—as it is called—until the Canadian case is completed.

Senator CALVERT—Do you have a special branch to do the actioning of these things and defending of these things? Do you have a particular section of your department, a legal section, to handle this?

Mr Deady—My branch, the WTO branch, is responsible for the overall management of Australia’s involvement in the dispute settlement processes in Geneva. As Mr Pierce has said, cases that are more involved, say intellectual property or services, will tend to be handled by that line area. But my branch is the one responsible for the overall management of disputes.

Senator CALVERT—Are these disputes handled like courts of law or are they a bit like estimates? How do they operate? Do you actually have to appear, as you might before a magistrate? Do you have to have legal counsel?

Mr Deady—The panel process involves three persons. Those people would tend normally to be people with detailed trade policy experience. Certainly they could have legal experience as well. They also tend to try and include someone who is currently involved in the trade policy process, the WTO processes, in Geneva. It is a mixture of the people that form those panel processes. Submissions are prepared by both the complaining party and the responding party which are provided to that panel process. Panel hearings are held. The norm would be two panel hearings. I do not think they are really a court of law. Certainly they give an opportunity for oral statements, where we present our particular arguments. They give an opportunity for the panellists to ask questions and seek clarification of particular points by us and by the other parties in the case. There is also the opportunity in those panel processes for third parties to make comments on the particular case.

That is the process that is involved. In relation to the participants, most countries involved in those processes—the United States, Canada, the EU, New Zealand—again tend to be people with trade policy background. Certainly some have legal experience but most of them have very lengthy experience in trade policy work.

Senator CALVERT—I thought in the case of the salmon situation the Canadians were using quite highly qualified legal people.

Mr Deady—The people running the Canadian case were officers from their department of foreign affairs, in international trade.

Senator CALVERT—So our officers would be similar type people with some legal background—not necessarily QC material but people with that knowledge.

Mr Deady—Yes. The other point I should make on salmon is that very clearly on our side we had an extensive team led by the Department of Foreign Affairs and Trade but also very clearly involving AQIS officials and also a salmon expert from Tasmania. The members of the panel themselves in that case sought submissions and there were questions and answers of a range of quarantine and risk assessment experts.

Senator CALVERT—I thought in evidence you gave to us on our salmon inquiry you indicated that on reflection perhaps in future you might look at getting more legal experience because of the complexities that are starting to arising with these cases. I have that in *Hansard* here.

Mr Deady—I did make that point and that is right. I do not think there is any doubt that under the dispute settlement understanding that came out of the Uruguay Round it is becoming more litigious in that area of trade policy. We have moved to strengthen our resources and

expertise in that legal area. I think I made the point—if I did not, I should have—that, with the salmon case in particular, we drew very heavily on the Attorney-General's Department and legal expertise out of our own department as well as legal expertise out of AQIS. There were a large number of practitioners but also people with a broad policy background and the experience necessary to deal with the panel processes as they are.

Senator CALVERT—I was just going to make the point that no doubt there will be other cases and no doubt we, being a small country, being the ants versus the elephants, will need to do the best we can to defend our positions. I just hope you keep that in the back of your mind at all times.

Mr Deady—The one point I would add there is that Mr Vaile announced, again probably two or three months ago now, the establishment of a dispute investigation and enforcement mechanism, which again operates out of my branch. That very much is designed in relation to the way the dispute settlement processes—the WTO—are moving in those areas. That mechanism is I think aimed at a number of things—certainly to increase the awareness and understanding amongst Australian industry of the disputes settlement enforcement aspects of the WTO agreements, but also with a view to a greater understanding across the community, including the legal community, in Australia about what is happening in the WTO.

The only other point is that we have brought legal people from the WTO secretariat to Australia to run training courses and try and expand that legal and other detailed knowledge of the WTO agreements and the dispute settlement processes.

Senator CALVERT—Yes, because we find our constituents say to us 'How come, if I want to import some rump steak or some T-bone steak from any country around the world that has had foot-and-mouth disease or does have foot-and-mouth disease or has vaccinated against it, you just cannot bring it into the country?' On the other hand, AQIS turn around and say, 'Well, yes, you can import raw salmon from countries that have got disease or even farms that have got disease', and they find it very difficult to understand why we would let that happen. I guess when you are arguing these things you have to think about these things and justify your actions in allowing salmon in that comes from areas that have disease—up to 15 of them—any one of which is just as bad as foot-and-mouth disease. At least with foot-and-mouth disease you have got a fall back situation where you might be able to take some action to stop it. But once a disease gets into water you have got no way of stopping it. So it is very hard for us, as politicians, to be able to justify the actions of AQIS and DFAT when they are arguing these cases.

CHAIR—We will move to subprogram 1.6, Trade strategy development and business liaison. Senator Quirke.

Senator QUIRKE—In 1997 DFAT published an orange booklet entitled *Trade liberalisation—opportunities for Australia*. Would DFAT accept however that there are also particular individuals and industries which will be hurt by trade liberalisation?

Ms Hewitt—Perhaps while my colleagues are settling in I could answer very briefly that yes, certainly we do, and I think in publicity material and the analytical work that has been issued by the department in recent times you would find clear recognition of that—that there certainly are adjustment costs, and often they are significant. They are often concentrated rather than dispersed in the way the benefits are, but I think it would be fundamental to putting out responsible public information on this subject to acknowledge that up front.

Senator QUIRKE—Has any effective research been done on how many jobs might be lost from trade liberalisation?

Ms Hewitt—I think the answer probably is that in net terms it would come out the other way, but I will ask Ms Fayle to take that issue up in detail.

Ms Fayle—Most of the research and examination of these issues has in fact occurred at quite a macro level, at a net level, and while it is very easy to demonstrate that there are job losses in firms in protected industries as the protection is removed, it is also true that that is not always the case and it is also true that jobs are created elsewhere in the economy in unprotected sectors, usually scattered fairly diversely across the economy and therefore rather difficult to notice with the naked eye perhaps.

I think there have been studies done. In fact, in constructing the particular report that you refer to we had the Centre for International Economics do a study which indicated that, if you were to remove all the remaining tariffs in Australia, there would be a net job creation not a net job loss.

Senator QUIRKE—Obviously, there are going to be some losers in this particular exercise.

Ms Fayle—Yes.

Senator QUIRKE—Have you done some precise research as to who they are?

Ms Fayle—This particular research, of course, demonstrates that the highly protected motor vehicle and TCF sectors would be inclined to lose jobs if you were to instantly remove the protection. However, one of the interesting things to note there is that leaving the tariffs in place or putting them up does not give you the opposite result. It does not necessarily protect and certainly does not increase jobs in those sectors. In fact, if you are to look at the historical evidence in Australia at times when the tariff protection was increasing for those two sectors, jobs continued to fall in those sectors, indicating that a lot of the job loss is in fact due to technological change and other factors. Also interestingly, if you look at the period since about 1992-93 when tariffs have continued to come down in the motor vehicle sector, you will detect a slow but steady increase in jobs in that sector in Australia.

Senator QUIRKE—Is DFAT aware of a report commissioned by the Furnishing Industry Association of Australia which concluded that a removal of a five per cent tariff barrier in that industry could result in a loss of 12,000 jobs directly and 12,000 jobs in related industries?

Ms Fayle—I am aware of the study. I have not examined it in detail myself. I might ask my colleague whether there is any further information that he has on this, but I am also aware that in that study there were comments to the effect that were tariffs in other sectors such as textiles, which are an input to the furnishing industry, to be removed, that would have a positive effect on the furnishing industry.

Senator QUIRKE—In DFAT's view, how accurate would those conclusions be on behalf of the Furnishing Industry Association?

Ms Fayle—I would have to take a more detailed look at that study to determine that. There are a number of ways you could conduct these studies. As you are probably aware, most of them involve econometric modelling exercises. As with all modelling exercises, the results you get out of them are only as good as the material that you put into them. I am not privy to the particular data sources or the particular equations of the model used in those studies.

Senator QUIRKE—Thank you, Mr Chair.

Senator HOGG—I have a couple of questions on EFIC, if I may. Is the department aware of a report into EFIC by the Mineral Policy Institute and Aid Watch released on the 30 November?

Mr Mugliston—Yes, we are.

Senator HOGG—Does the department intend to make any official response to this report?

Mr Mugliston—We received the report only on 30 November when it was released. We have not been able to consider its findings in detail at this stage.

Senator HOGG—Alright. When will the report be considered? Do you think it will warrant a considered response? If it does, we would be interested in hearing your comments on that particular report?

Mr Mugliston—It is a fairly lengthy and detailed report which we have commenced examining and analysing. We will provide appropriate advice to the minister responsible for EFIC in due course.

Senator HOGG—Does the department have any plans to adopt the more stringent standards of environmental assessment that OPIC, which I understand is the US counterpart of EFIC, imposes?

Ms Hewitt—We have a colleague here with us from the corporation who might be in a better position to answer that question.

Senator HOGG—That is fine, Ms Hewitt.

Mr Jackson—If I understood the question, it was: are we aware that OPIC has higher environmental standards than EFIC?

Senator HOGG—Yes, more stringent, as I understand it. Is there any intention within EFIC to adopt those standards?

Mr Jackson—EFIC's environmental policy is to comply with the Environment Protection (Impact of Proposals) Act. That act requires us to seek advice from the environment department if we determine that a proposal is going to have a significant impact on the environment. So under the current regime, we have an independent third party review in situations where there is going to be a significant environment impact. OPIC has quite a different regime. However, under the new Environment Protection and Biodiversity Conservation Act our environmental arrangements will change in July next year and we are developing environmental guidelines at this time.

Senator HOGG—How often is the independent third party review triggered?

Mr Jackson—I believe we have referred eight cases in the last five years. Three of those have resulted in facilities being provided; five have not because Australian exporters have not gone ahead with business—one business—or the project has not gone ahead for some reason.

Senator HOGG—Is EFIC presently considering whether to assist the development of the Ramu nickel cobalt mine development proposed by Highland Pacific to be situated in Madang Province, Papua New Guinea?

Mr Jackson—I understand that colleagues have had discussions with parties interested in the project but that we have not had a formal proposal at this stage.

Senator HOGG—I understand that PNG environment groups, academics and the PNG department of fisheries, have expressed reservations about the environmental plan that Highland Pacific conducted for the PNG government. Will EFIC carry out its own environmental review of the project if it proceeds?

Mr Jackson—If the project was to proceed to a point where we were to assess it and we were still under the Environment Protection (Impact of Proposals) Act, we would make an assessment and take advice from the environment department. In past projects we have

sponsored environment impact statements, we have commissioned independent review of environment impact statements and referred both to the environment department. I could not pre-empt what we would do in that case, but that is the sort of approach we have taken.

Senator HOGG—All right, I will accept that that is your general approach. Is this the sort of project that would trigger your independent third party review?

Mr Jackson—I would expect that EFIC would need to determine that it would have significant impact on the environment and I would imagine that project would have to, yes.

Senator HOGG—What sort of environmental criteria are taken into account in assessing this and other similar projects? Is there a broad set of criteria?

Mr Jackson—The Environment Australia people are free to reference any criteria they choose when they are reviewing a project that we refer to them.

Senator HOGG—I will go back to this project for a moment—I understand it is not the subject of your approval process. Are you aware that tailings from the mine will be disposed of into the ocean from this project?

Mr Jackson—I am sorry Senator, we have not got to the stage where—

Senator HOGG—You have no details, that is fine. That addresses that issue. The other issue that I want to pursue briefly is the issuance of export permits. Is that the same group?

Ms Fayle—I am not sure quite what you are referring to in terms of export permits.

Senator HOGG—I understand that there was a report in the *Financial Review* on 29 October stating that lengthy delays had been experienced by indigenous artists attempting to obtain permits to export their work. Is the department aware of the delays and that, if these delays do occur, they could potentially damage the Aboriginal art industry? The reason I raise this is not so much about getting a large number of items flowing out of the country or about getting ticks for everything to get out; it is about getting the process speeded up so that people know whether or not they are going to get the permit. Apparently, there are delays in the processing of the permit. So it is the process issue, it is not the broader issue of the merits of whether Aboriginal art should be exported.

Ms Hewitt—This is certainly outside our portfolio area of responsibility.

Senator HOGG—That is all right. I was asked to raise it; I have raised it. It is outside your area.

Senator Hill—Ask Senator Alston on Monday.

Senator HOGG—Ask Senator Alston?

Senator WEST—You are being very generous to all of your colleagues, aren't you?

Senator Hill—If he asks them more questions, I get fewer.

Senator WEST—I think we will have to return the favour, Senator Hill.

Senator HOGG—Can I quote that as the preface to the question?

Senator WEST—That is one to Senator Vanstone, one to Senator Alston. That is just out of three hours this evening.

Senator Hill—I am like that—a sharer.

Senator WEST—You are a good socialist.

Senator HOGG—I am very impressed by that, Minister. Thank you for that advice and we will duly take care of that in another place and at another time.

[10.21 p.m.]

Output 1.7—Nuclear non-proliferation treaty and CTBT

Senator WEST—What is the department's assessment of the long-term implications of the US Senate's decision to reject ratification of the comprehensive test ban treaty?

Mr Paterson—The United States Senate's decision to vote down ratification of the CTBT was certainly a disappointment and a concern. Mr Downer made clear publicly and privately our concern about this during our annual AUSMIN talks with the United States on 3 November and separately in meeting with members of the US Senate Foreign Relations Committee. It is certainly a setback for the treaty but we do not consider it a death knell. Ratifications and signatures have been increasing steadily over the past year. There are now 155 signatures and 51 ratifications. Those ratifications represent 26 out of the 44 needed to bring the treaty into force.

All nuclear weapons states have signed the treaty and are therefore bound by international law not to frustrate its purpose. Certainly, for Australia's part, we have worked actively since the US Senate decision to try to continue to build support for further signatures and ratifications. Mr Downer has written to his counterparts in Russia and China and has also written to his counterpart in India. I think there is some prospect for support being built over a period of time, although I think it is quite uncertain as to when the United States will again address the issue.

Senator WEST—You said all of the nuclear states had signed?

Mr Paterson—All of what are known as the five main nuclear weapons states.

Senator WEST—But not all of those who we know have nuclear weapons or nuclear potential?

Mr Paterson—No, that does not include those who currently stand aside from the international non-proliferation regime—except I am advised that Israel has in fact signed.

Senator WEST—What about Pakistan and India?

Mr Paterson—Pakistan and India are the two main stand-outs there.

Senator WEST—You do not see a great deal of negative implications for the CTBT itself arising out of this failure by the US Senate to ratify?

Mr Paterson—As I said at the outset, it is a significant setback but the damage is repairable. I think it is a question of seeking to build support amongst like-minded and sympathetic countries over time, encouraging their signature and ratification and, therefore, through that, building pressure on other countries to do likewise.

Senator WEST—Have any major countries signed since the Senate's rejection?

Mr Paterson—I might pass that question to Mr Tyson, as I have to confess that I have only been in the job for four days.

Senator WEST—I think you have done extremely well to even get this far.

Mr Tyson—The answer to the question is no. But with reference to Mr Paterson's remarks—and I have been in the job for three months—I would certainly agree that the ramifications are significant and disappointing but by no means terminal. Indeed, there is the prospect that we might see a signature on the part of India over the next six months. It would be no more than a prospect, but it is certainly a prospect and it remains so, despite the decision by the US Senate.

I think it is also permissible to suggest that many countries do understand American political processes. Whilst there is considerable disappointment among many NPT signatories who will be attending the conference in April-May, it is also the case that people do understand that the administration is bound not to in any way detract from the purposes of the treaty. Also, the US administration has made it clear that it will be maintaining its moratorium on testing, despite the failure of the Senate to ratify the treaty.

Senator WEST—What are the implications for other disarmament efforts, such as the negotiations on the convention banning production of fissile material for nuclear weapons?

Mr Paterson—Overall, it is fair to say that we are entering into quite a difficult period for carrying forward further disarmament and non-proliferation initiatives. We have had the US Senate voting down the ratification of the CTBT. We have had India and Pakistan testing in the past year. We are faced with a continuing uncertain situation on the Korean peninsula with North Korea. Of course, there are still issues like the possible interest in weapons of mass destruction in the Middle East and elsewhere.

At the same time, I think it is fair to say that there have been a number of arms control and non-proliferation successes over recent years. It is not entirely a bleak picture. We have had the entry into force of the chemical weapons convention and the establishment and effective operation of the conventions organisation. Five years ago, at the non-proliferation treaty review conference—the most recent one; we have another one coming up next year—we had agreement to the indefinite extension of the non-proliferation treaty. That enjoys near universal support. That is probably the most important and most effective arms control instrument there is.

We have had the CTBT adopted and solid advances towards its entry into force, as I said, despite the recent setback. There has been progress towards the negotiation of a verification protocol for the longstanding biological weapons convention. Also, there has been the entry into force of the Ottawa convention on land mines, and an additional protocol has been negotiated to strengthen the International Atomic Energy Agency system of safeguards. All in all, there has been quite a lot achieved in recent years. It is a tricky environment, but I think there is a solid body of support out there amongst responsible countries for carrying this further forward.

Senator WEST—Do you think it is a major problem for the nuclear non-proliferation treaty review that is under way?

Mr Paterson—Yes; it is going to be potentially quite a difficult conference next year. The NPT is faced with some quite significant challenges from within adherents to the treaty. Iraq and North Korea have been found to be in non-compliance with their NPT obligations. From the small number of four countries which continue to stand outside the treaty, there has been nuclear testing by two of them—India and Pakistan—over the past year. There are also differences within the NPT membership over the nuclear weapon states' record of pursuing negotiations on nuclear disarmament. There is a potential for it to be quite a difficult conference. At the same time, the NPT has shown its resilience. It has responded well to the Iraq and DPRK non-compliance situations and developed ways of handling that. The problem really lies with those countries that continue to stand outside the treaty, not with those who are within it.

Senator WEST—Right. What representations has Australia made to the US senators and to presidential hopefuls? Are we working on them? Are other countries working on them?

Mr Paterson—I will pass that to Mr Tyson.

Mr Tyson—In the lead-up to the vote, representations were made to a number of the key Republican senators by way of letters from Mr Downer and representations by the ambassador. We will continue to make such representations for as long as it takes. We certainly will not miss opportunities to point out to our US colleagues that we believe it to be in their interests, as well as in the interests of the rest of the non-proliferation regime, for the Senate to conduct a further vote, which presumably will not be until after the next presidential election, and which will hopefully be positive.

Senator WEST—Do we know what the attitudes of the frontrunning presidential candidates are on this?

Mr Tyson—I only know from press reports. I have not seen reporting on the views of the frontrunning candidates. I probably should not volunteer a view on that.

Mr Paterson—It is probably fair to say that Vice-President Gore has, as a member of the Clinton administration, been quite strong in his support for United States ratification of the CTBT. It is reasonable to assume he would carry that forward if he were to be elected.

Senator WEST—But he has got some competition, hasn't he?

CHAIR—What about Bradley?

Mr Paterson—I would have to say we are not—

CHAIR—I should not have asked you the question. You sounded quite confident—

Mr Paterson—I do not think we have seen a position taken by Senator Bradley.

Senator WEST—Where did Bradley vote on the treaty?

Mr Paterson—We would have to take that on notice.

Senator WEST—So Australia is not doing anything to understand what the likely presidential frontrunners' positions are, nor do we know—

Mr Paterson—We certainly will. It is at a very early stage. The primary process in the United States elections has not yet got under way. It is fair to say that the question of policy definition is still at a very fuzzy and undefined stage. We will of course monitor that and look to take opportunities, as we have done through the previous US presidential election processes through our embassy in the United States, to get at particular candidates and try to convince them of the merits of the United States taking a leadership role again on this issue.

Senator WEST—Certainly George W. Bush is a bit flaky and a bit uncertain on his foreign policy initiatives.

Mr Paterson—Yes. It is probably fair enough to say that the current administration was deeply disappointed with the outcome. Secretary of State Albright has, since the Senate vote, announced a high level task force in the United States designed to win over the doubters. They have not dropped the ball on this issue; they are continuing to pursue it, which is very welcome to Australia. It is difficult to assess the prospects for ratification under a new administration, but I think we are optimistic that the United States will eventually move to ratify the treaty.

Senator WEST—Has the government undertaken any review of Australia's disarmament and non-proliferation policies following the US Senate's rejection of the CTBT?

Senator Hill—If Senator West has a long list of pre-written questions, we could take them on notice.

Senator WEST—No, this is the last one.

CHAIR—You have got the last there. I have only got a couple more. I was hoping to finish by 10.30.

Mr Paterson—I am sorry, I think you are asking what has Australia done basically in response to the—

Senator WEST—Have we undertaken a review of our policy since their vote?

Mr Paterson—I think we see no need to review our policies, although we see a need to be vigorous in finding opportunities to encourage the United States, and to work with other countries to encourage the United States, to review this matter. As I mentioned earlier, since the Senate vote Mr Downer has written to his Russian, Chinese and Indian counterparts to seek to encourage them to move to signature.

Senator WEST—And that would be our policy priority for next year?

Mr Paterson—It will be one of a number of policy priorities for next year. The NPT review conference is always something Australia has, on a bipartisan basis, attached great weight to. There is ongoing work in a number of other fora. We are taking quite a strong leadership position to encourage development of a verification protocol for the Biological Weapons Convention, as I mentioned earlier, and that, too, will be a significant priority for us next year. We will also work in the ASEAN regional forum and other bodies to have further discussions on regional security in the Asia-Pacific.

Senator WEST—Thank you.

[10.37 p.m.]

Output 1.3—Secure government communications and security of overseas missions

Group 4.1—ADCNET

Senator HOGG—I have a few questions on ADCNET. Briefly, could the officials bring me up to date with the implementation of ADCNET: is the project within budget and has ADCNET met the project requirements as to the level of security and reliability?

Mr Quinlan—The answer is yes and yes. In respect of being within budget, current estimates are that the project, when completed—and the current full completion date is in 2001—will be brought in within budget. In 1997, when the ANAO did a detailed analysis of ADCNET, it noted that the project had cost about \$102 million at that stage. The estimated expenditure on completion was \$127 million. The current estimates are that we will be coming in under that \$127 million. If you build in a figure for some delay in the implementation of the project, we have possibly lost an opportunity for staff savings of about \$13 million. If you build that in, we are still coming in \$1 million to \$2 million below the estimated cost.

In respect of your second question about meeting the project requirements for security and reliability, it has a high level of security and is a very reliable system.

Senator HOGG—Is the system Y2K compliant?

Mr Quinlan—Yes.

Senator HOGG—I had to ask that. The reason I am asking these questions is that I have shown an interest in this on previous occasions, particularly arising out of the ANAO report. My interest is that there are a number of recommendations in that ANAO report on monitoring the project costs and audit management of expenditure of ADCNET. Have those recommendations been implemented to their fullest? When I last asked questions on this, they were still in the process of being implemented, and I thought it was now an appropriate time to raise the issue.

Mr Quinlan—The short answer is that, obviously, the recommendations are still in the process of being implemented in one sense. We have agreed with all the recommendations. Our initial response in relation to the recommendation on having independent quality assurance and performance assessment was a little qualified, since we felt that perhaps the audit had underestimated some of the activities we had, in fact, put in place at the time when the audit was taking place. We have reviewed that again and we have agreed that we should put a little bit of effort into that area. We are doing that at the moment.

In respect of the governance arrangements—one of the key features of the ANAO's focus—we now have a comprehensive governance system for IT projects in the department. We have an information management advisory group, which has recently been made stronger in terms of the membership, the level of the membership and the frequency of meetings. Secondly, we have a consultative committee on information management, which is very much a users committee, which has been meeting more regularly, more frequently than in the past since its establishment. We have also established, over the last six weeks, an information technology steering committee for the management of future IT projects in the department. I chair that one, which has had two meetings so far. The IMAG, which I mentioned first, is chaired at deputy secretary level and will be meeting frequently—certainly within every two-month period and probably a little more frequently than that.

Senator HOGG—I suppose all of these committees would report to the minister, ultimately, and keep him up to date with the progress of the project and, of course, any problems and delays associated with the project. Would that be correct?

Mr Quinlan—That is correct. The last time we reported to Mr Downer about this was certainly within the last two months, when we put a formal submission to him giving an update on where these matters stood. We are proposing, as a normal activity, to report to him again by the end of the year.

Senator HOGG—So the project will be completed within the 2001 year?

Mr Quinlan—Yes.

Senator HOGG—And it will be completed under budget, as I understand it.

Mr Quinlan—That is the current expectation.

Senator HOGG—It will meet all the criteria that have been set down?

Mr Quinlan—Yes.

CHAIR—I thank the members of the department, through the ambassador, for appearing today and remind them that the answers are due by 14 January. Between now and then our secretariat and the department will connect with each other to work out which questions have to be answered. Thank you very much.

[10.44 p.m.]

AUSTRALIAN AGENCY FOR INTERNATIONAL DEVELOPMENT

CHAIR—I welcome AusAID to the table. We have got just one or two questions.

Senator QUIRKE—Can the officials at the table give the committee an overview of Australia's present aid effort in East Timor?

Ms Rawson—I will start things off in general terms with an overview and then ask my colleague Mr Dawson to give some more detail. Over the last few months East Timor has been a high priority for the Australian government overall, in particular the aid program and

AusAID. There has been—as you would be aware, Senator—an enormous humanitarian need in East Timor as a result of the events that took place after the ballot. The aid program has been very much focused on meeting those humanitarian needs which have arisen in East Timor.

The government has over that period announced a total of \$37 million in humanitarian assistance to East Timor. I will ask my colleague to give a little more detail on that. The first group of activities was a package amounting to \$14 million over the first couple of months. The Minister for Foreign Affairs, Mr Downer, announced recently a further package of \$23 million assistance. He also noted at that time that the Australian government would appropriate an additional \$60 million for the aid program overall for East Timor. The \$23 million will come out of that additional \$60 million. Perhaps I could ask Mr Dawson to give you some more detail on how those funds have been directed.

Mr Dawson—Since the crisis in East Timor began, there have been a series of announcements from the minister, Mr Downer, and the Prime Minister, of humanitarian relief. The main focus of those announcements has been designed to meet particular needs as they have been identified, as the crisis has developed and as slowly the INTERFET forces in East Timor have been able to secure the position on the ground and enable the delivery of relief supplies. A significant focus of the early efforts was to deliver some much needed food support, and a lot of that was done through airdrops, using the Australian Defence Force.

It was clear very early on that there was a very significant need for basic logistical support. Almost the entire local truck fleet within East Timor had been either destroyed or taken across the border, so it was very difficult to move relief supplies around within East Timor. A good deal of the assistance that Australia has provided has been to equip the international agencies which have responsibility for the relief effort, particularly the World Food Program, which has had the main focus on the logistical support, with additional trucks and vehicles to assist the movement of supplies.

The international effort was concentrated very much in Darwin. Australia provided two warehouses in Darwin as a staging point for relief supplies which were arriving for a number of international agencies. We also worked to ensure the transport of relief supplies from Darwin to East Timor itself. Much of those logistical contributions comprised the early packages of support which were announced. Other support has been through a number of Australian NGOs which have been working on the ground and other international agencies, particularly the UNHCR and the International Committee of the Red Cross, as well as the World Food Program that I have mentioned.

The focus of the relief effort now is very much on the return and shelter of a large number of people who have been in West Timor. So far, approximately 110,000 people have returned from West Timor. That has required a very large logistical and planning effort—the provision of emergency supplies, shelter and equipment, particularly seeds and farming tools so they can return to their villages and try to plant some crop before the wet season properly sets in. A lot of assistance is now being directed to the return of those people and to providing shelter, preferably permanent, for them.

The focus of the \$23 million package that the minister announced on 22 November is on the return and resettlement of those people. Some other specific areas have been identified for support: in the health sector, re-establishing basic health services and a focus on anti-malarial activities; in the education and community sector, looking at re-establishing basic education services; in public services, water supply and sanitation in particular. Some

allocation has also been made in that package for peace building activities to support strengthening of local NGOs and for other groups within East Timor and their integration within the overall relief effort. That probably comprises the main effort so far. The details of the \$23 million package are being worked through at the moment, in negotiation with the various international institutions on the ground in East Timor.

Senator QUIRKE—You have answered my next six questions, as well. Are you set up and ready for the next wave to come across from West Timor?

Mr Dawson—The position at the moment is that it will always be difficult to deal with a very large number of people coming across the border at any one time. The international agencies in cooperation with INTERFET have positioned supplies at various points where people are expected to cross the border. There is a reasonable expectation that significant numbers could be catered for if they came at once, and that has probably been the position for a number of weeks now. If very large numbers came at one time, I think everyone would acknowledge that the international agencies would be stretched; but, on the other hand, there is a general feeling that it would be preferable to having people remain significantly longer in camps in West Timor.

Senator QUIRKE—You said about 110,000 have come so far?

Mr Dawson—That is right.

Senator QUIRKE—What is your estimate of the number left, yet to come?

Mr Dawson—It is a little difficult to say, but it is probably somewhat larger than that number. We have seen figures of perhaps 130,000 remaining in those camps.

Ms Rawson—There has been, since the beginning, some uncertainty about the overall numbers who went to West Timor. Even though we have reasonably good figures of people coming back, there is still no real clarity about the number remaining and, indeed, about the number of those remaining who would want to return.

Senator QUIRKE—In view of the demands on Australia's overseas aid budget, particularly in recent months, what budgetary allocation remains in the present financial year for emergency and disaster relief?

Mr Dillon—We might ask Ali Gillies to answer this. In broad terms we have about \$13 million available.

Ms Gillies—The answer given by my boss, Mike Dillon, is absolutely right.

Senator QUIRKE—Is there a provisional allocation of funds reserved for emergency relief by country or region?

Ms Gillies—We have notional allocations set against particular countries. We have some break-ups actually allocated; so yes, there are some notional allocations to particular countries.

Senator QUIRKE—Could you give us the breakdown for disaster relief in South East Asia, the Middle East, Africa or elsewhere? I am quite happy to let you take that on notice.

Ms Gillies—I would be happy to take that on notice, but I am not able to predict disaster relief. I can give you a break-up of what has actually happened in disaster relief.

Senator QUIRKE—And contingency funds.

Ms Gillies—I can also give you information on allocations for humanitarian programs, which are for more protracted emergencies.

Senator QUIRKE—One final thing: how are the various programs going in Bougainville?

Mr Dillon—Bougainville is a difficult situation; it always has been. It is getting easier as the peace process develops. We have an extensive program under way. We are in the process of mainstreaming our program so we have efforts in health, infrastructure, education and community development. We are providing assistance to the quasi provincial government there. All in all, there has been significant progress. It is a difficult environment to deliver aid to. We are satisfied that we are doing as well as could be expected.

Senator HOGG—I want to take you back to the figures for East Timor. As I understand it, \$14 million has gone and there is \$23 million in the pipeline. Is that correct?

Mr Dawson—That is correct.

Senator HOGG—That \$23 million is part of a figure of \$60 million?

Mr Dawson—That is correct.

Senator HOGG—So there is another \$37 million to come. What time span is that \$37 million over?

Mr Dawson—It is for the remainder of this financial year.

Senator HOGG—That comes out of the existing aid pot, if I can call it that?

Ms Rawson—No. The \$60 million figure that Mr Downer announced late last month—I have forgotten the exact date—is an additional amount of money for the aid program on top of the \$1.502 billion that was put into the budget. We have an extra \$60 million for East Timor.

Mr Dillon—It is included in the supplementary appropriation bill.

Senator HOGG—You have your supplementation, that is the important thing. There is \$13 million currently left in the pot for emergencies and the like. Is that low for this time of the year, or has that been overdrawn compared with what you would normally be at this time of the year?

Ms Gillies—No, that is not particularly low for this time of the year.

Senator HOGG—I do not want to find out that we are not able to assist in emergencies because all our eggs have gone into the one basket in helping East Timor.

Ms Rawson—In thinking about what we need to do in East Timor, we have certainly considered that we cannot leave the aid program in a situation where it is not able to respond to other emergencies. We have had enough evidence, in the last couple of years in particular, of many emergency situations, particularly around our region, that the government wishes the aid program to be in a position to respond to, so we have been conscious of the need not to be in a position where there is no capacity to do that for the remainder of the financial year.

Senator HOGG—Is prioritising the \$23 million and/or the \$37 million coming out of the \$60 million being done in consultation with the United Nations, with Australian NGOs or others, or with a combination of all?

Mr Dawson—Very much in consultation with the United Nations. The Office for the Coordination of Humanitarian Affairs, which is the key UN agency which manages complex emergencies of this nature, worked with other agencies to produce a consolidated UN appeal for East Timor. All of the activities which are to be funded out of the \$23 million will be related to that appeal or to related appeals—for example, from the International Committee of the Red Cross. It is a contribution to a planned effort which has been set out over the last couple of months, headed by the UN.

Senator HOGG—I had to ask that because Senator Brownhill and I have been participating, along with Senator Quirke, on an inquiry into East Timor, as you are well aware. One of the issues that has come up over and over again with the inquiry has been the matter of coordination of the aid. I am pleased to hear what you have just said to the committee tonight. I realise you are the last people on, so thank you very much.

CHAIR—I thank you very much for your appearance here tonight. There are some questions on notice which obviously you will come back to us on, in conjunction with the secretariat. I think 14 January is the cut-off time for answers to come back. I thank the committee for their help and assistance today in getting through a pretty long agenda within the time frame, and I also thank the other people who did not appear but stayed with us right till the finish. Thanks very much.

Committee adjourned at 11.02 p.m.