

Activities at overseas posts

Introduction

- 3.1 In this Chapter, the Committee discusses the activity of Australia's overseas diplomatic posts. The Chapter is in two parts. The first is a review of the activities which posts must undertake – Term of Reference One.
- 3.2 In the second part, the Committee considers the ability of posts to efficiently and effectively meet their responsibilities. This includes discussion of staffing levels at DFAT – Terms of Reference Three.
- 3.3 The use of information and communications technology and opportunities presented by the development of new technologies and communication platforms – Terms of Reference Four – is discussed in Chapter Four.

Framework for managing overseas posts

Prime Minister's Directive

- 3.4 The management of Australia's overseas diplomatic posts is underpinned by the *Prime Minister's Directive: Guidelines for Management of the Australian Government Presence Overseas* (the Guidelines). DFAT told the Committee

that the Guidelines were created in the 1970s and 1980s and that successive Prime Ministers had re-issued them.¹

- 3.5 The Guidelines had the 'core expectation that [Australian Public Service] agencies work together productively on issues that cross traditional agency boundaries.' It applied to:

... all activities undertaken overseas by diplomatically accredited and non-accredited staff, staff not covered by the *Public Service Act* 1999, staff deployed under various international and bilateral agreements, and official delegations.²
- 3.6 The Guidelines stipulate that the management of each overseas post was 'vested in one agency ... the "managing agency", under the overall authority of the HOM/HOP [Head of Mission/Head of Post].' The managing agency was usually DFAT, but other agencies could be the manager where DFAT was not present and the Foreign Minister agreed.³ This provides the authority for Austrade to be the managing agency for its 13 consular posts.⁴
- 3.7 To put into effect its cooperative arrangements, DFAT has service level agreements with '30 government departments, agencies and federally-funded bodies with overseas representation – and, on certain occasions, to the New Zealand Government.' The agreements underscore the provision of management services on a cost recovery basis.⁵
- 3.8 AusAID advised that its service level agreement with DFAT was:

... negotiated on an annual basis and details key performance indicators to ensure AusAID and DFAT have a common understanding of the services to be delivered. AusAID and DFAT meet regularly, both in Canberra and at post, to monitor and discuss the operation of the [agreement] and the delivery of services.⁶
- 3.9 DFAT also provides information and communications technology (ICT) services to '40 agencies in Australia and overseas' under separate memorandums of understanding, and to an additional four agencies

1 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 4.

2 *Exhibit No. 13*, DFAT, Prime Minister's Directive: Guidelines for Management of the Australian Government Presence Overseas, p. 1.

3 DFAT, *Exhibit No. 13*, p. 1.

4 Austrade, *Submission No. 26*, p. 6.

5 DFAT, *Submission No. 28*, p. 8.

6 AusAID, *Submission No. 23*, p. 11.

under a cost recovery arrangement. Payroll services are also provided to 15 agencies overseas.⁷

- 3.10 The HOM/HOP is the Australian Government's senior representative with 'ultimate responsibility for the conduct of relations in the country/ies of accreditation.'⁸

- 3.11 Customs told the Committee that this had not always been the case:

That is certainly quite different from the circumstance that I was familiar with when I first joined the Defence Department a quarter of a century ago. ... Agencies had a very strong sense of connection back to their home agency and it was really only by personal relationships, grace and favour that in some cases ambassadors would find themselves graced by being advised of things. ... That has been fundamentally changed over the last 10 to 15 years by the formal recognition of the standing authority of the head of mission and, in some cases by delegation, the deputy head of mission.⁹

- 3.12 Australian government agencies who are not the managing agency can determine the profile of their A-based staff present at the post, but this has to be in consultation with the managing agency. The HOP/HOM and the managing agency are:

... responsible for the deployment and withdrawal of A-based staff, the work undertaken by A-based employees and the impact of A-based employees' work and travel on the conduct of Australia's bilateral, regional or multilateral relations.¹⁰

- 3.13 DFAT commented that in practice, departments wishing to change their overseas staffing profile sought its agreement because DFAT provided services at the post, there were accommodation considerations, and DFAT 'might have policy issues in terms of different people from different departments and agencies.' DFAT added that it always sought to be cooperative, but it would 'raise more questions' if departments were withdrawing staff.¹¹

- 3.14 The managing agency is also the legal employer of locally engaged staff (LES) on behalf of all Australian Government agencies, although separate

7 DFAT, *Submission No. 28*, p. 9.

8 DFAT, *Exhibit No. 13*, p. 2.

9 Mr Michael Pezzullo, Chief Operating Officer, *Transcript 10 February 2012*, p. 25.

10 DFAT, *Submission No. 28*, p. 6.

11 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 4.

provisions apply to AusAID and Austrade who are responsible for their own LES employment.¹²

- 3.15 The Guidelines add that where the managing agency is the legal employer of LES:

... it will be responsible for the appointment, termination, setting of salary and conditions of service for LES, in accordance with contemporary Commonwealth management principles, local labour and other relevant laws and good employer practice. Agencies are responsible for all costs associated with their LES establishment.¹³

- 3.16 DFAT told the Committee that it applied the labour laws of the local country which varied considerably around the world, but in any event its employment conditions were competitive compared to those provided by the diplomatic missions of other countries.¹⁴

- 3.17 The managing agency is also responsible for security and for 'coordinating business continuity and contingency planning'. Where other agencies at the post had their own business continuity plans they had to be consistent with, and stored alongside, the post's plans.¹⁵

- 3.18 The Guidelines also empower the HOM/HOP to require all staff to 'undertake additional functions that are part of the regular activities of the mission which are outside their normal area of work.' The agreement of the staff's parent agency is needed if additional duties are to be on a long-term basis.¹⁶

- 3.19 Witnesses told the Committee that in times of overseas emergencies, posts adopted a whole of government response – it was 'all hands on deck'.¹⁷

Committee comment

- 3.20 There is always the potential for disjointed management and coordination at Australia's diplomatic posts. As the Australian Industry Group (AIG) commented, the main agencies with staff at posts – DFAT, Austrade and AusAID – have different perspectives:

12 DFAT, *Exhibit No. 13*, p. 3.

13 DFAT, *Exhibit No. 13*, p. 3.

14 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 4.

15 DFAT, *Exhibit No. 13*, pp. 4, 5.

16 DFAT, *Exhibit No. 13*, p. 4.

17 Mr Peter Vardos, Deputy Secretary, DIAC, *Transcript 10 February 2012*, p. 9;
Mr Peter Jennings, Deputy Secretary, Defence, *Transcript 10 February 2012*, p. 30.

... the DFAT people have their political perspectives and Austrade have their commercial perspectives, and what that commercial perspective is is always the subject of question and dispute. ... The AusAID people are doing God's work, as AusAID do. There are often not the linkages between the three. ... So you have all these competing objectives and suspicions about what the others are up to, and that comes across quite often in places; they are not talking to each other.¹⁸

- 3.21 Members of the Committee have observed at first hand the working relationship of staff at a significant number of overseas diplomatic posts during delegation visits. Organisation at posts is underpinned by a robust framework that will always be influenced by the personalities involved and the leadership qualities of the head of the post.
- 3.22 Notwithstanding the AIG's criticisms, the Committee is confident, from its own observations and the fact that there is a formal management framework, that Australia's diplomatic posts are well-managed and their activities well coordinated.
- 3.23 This will be an advantage when posts have to respond at very short notice to international crises and natural disasters.

Activities of overseas posts

- 3.24 There follows a snapshot of the activities undertaken at Australia's overseas posts. It is not intended to be a definitive list, but instead reflects the evidence presented to the Committee.
- 3.25 Activities undertaken by staff at Australia's posts can be grouped into the following categories:
- representation and liaison;
 - promoting trade and investment;
 - managing assistance programs;
 - managing immigration; and
 - assisting Australians overseas.

18 Mr Innis Willox, *Transcript 27 February 2012*, p. 12.

- 3.26 The proportion of work devoted to particular categories will vary from day to day and from post to post. All activities, however, will create a picture of the host nation whether it be the trade, political, or societal environments. The post conveys this picture to the Australian Government to be used to inform the position of the Government and subsequent representational activities of the post.

Representation and liaison

- 3.27 An important role of Australia's overseas representatives is to convey Australian views to the host government. The value of face-to-face contact by Australian diplomats has been discussed in Chapter 2, but the overseas staff of other departments also undertake advocacy on behalf of Australia.
- 3.28 Examples provided to the Committee included:
- AusAID representatives at the medium and larger posts who undertake 'advocacy and dialogue with host governments'.¹⁹
 - DIAC and officials 'representing and advocating the Australian Government's immigration and citizenship policies'.²⁰
 - Department of Agriculture, Fisheries and Forestry (DAFF) counsellors who seek to 'improve the rules of trade and the trading environment ... through negotiation in multilateral and bilateral government to government forums as well as through policy advocacy with host governments'.²¹ A supplementary submission also detailed market access achievements for Australian exporters.²²
 - Department of Innovation, Industry, Science, Research and Tertiary Education (DIISRTE) education counsellors who engage in 'confidence building cooperation strategies with government representatives and other major stakeholders, such as major educational associations, peak groups and alumni organisations'.²³ An example was the creation in India of the Bureau of Vocational Education and Training Collaboration which brought together Australian State TAFE organisations and their Indian counterparts.²⁴

19 AusAID, *Submission No. 23*, p. 7.

20 DIAC, *Submission No. 21*, p. 2.

21 DAFF, *Submission No. 42*, p. 2.

22 DAFF, *Submission No. 31*, pp. 1-2.

23 Mr Colin Walters, Head, International Education Division, *Transcript 10 February 2012*, p. 37.

24 Mr Colin Walters, *Transcript 10 February 2012*, p. 44.

- Department of Education, Employment and Workplace Relations (DEEWR) Education Counsellors who support 'government to government relationships through Joint Working Groups, Memoranda of Understanding and high level delegations'.²⁵
 - Department of Resources, Energy and Tourism (DRET) which relies on posts to 'lobby other governments ... on key issues ... that potentially affect Australia's resources, energy and tourism sectors'.²⁶
- 3.29 Representation and advocacy activities are strengthened by visits of Australian Government ministers and parliamentary delegations. Such visits are regarded by DFAT as 'the lifeblood of a relationship'.²⁷
- 3.30 Examples provided to the Committee were:
- a visit by the Minister for Agriculture, Fisheries and Forestry to the Middle East which relied heavily on the DFAT network;²⁸ and
 - DRET which 'make significant use of Australia's existing overseas representation to support ministerial and senior official-level visits'.²⁹
- 3.31 Australian officials also represent Australia at multilateral organisations and meetings. Examples include:
- AusAID officers in New York, Geneva and Washington working with World Bank and UN agencies;³⁰
 - DAFF representing Australia at the World Organisation for Animal Health, participating in its Regional Animal Welfare Strategy,³¹ and working with the EU on a range of standards, including environmental standards and animal welfare standards;³²
 - DEEWR's involvement with the OECD Education Directorate and the Directorate for Employment, Labour and Social Affairs, and representing Australia at the International Labour Organisation and at UN committee meetings;³³ and

25 DEEWR, *Submission No. 16*, p. 1.

26 DRET, *Submission No. 4*, p. 2.

27 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 9.

28 Mr Philip Glyde, Deputy Secretary, *Transcript 10 February 2012*, p. 21.

29 DRET, *Submission No. 4*, p. 2.

30 Mr Peter Baxter, Director General, *Transcript 17 February 2012*, p. 32.

31 DAFF, *Submission No. 42*, p. 3.

32 Mr Greg Williamson, First Assistant Secretary, Biosecurity Division, *Transcript 10 February 2012*, p. 20.

33 DEEWR, *Submission No. 16*, p. 2.

- Customs officers posted to Brussels, Washington and Beijing working on border issues such as maritime surveillance, and revenue collection.³⁴

3.32 Australian representatives also liaise with their counterparts in the defence and law enforcement areas. Examples provided to the Committee included:

- 94 Defence Attachés and advisers in 29 countries,³⁵ promoting defence policies and liaising with their counterparts on a range of issues;³⁶
- AFP advisers in Southeast Asian countries, London and Washington liaising in the areas of people smuggling, cyber crime, transnational crime, and counterterrorism;³⁷
- DIAC officials identifying and reporting on people smugglers and irregular people movements;³⁸ and
- Customs officers coordinating and ensuring that the targets selected for disruption were in fact being targeted, and also engaging in 'strategic communications and market research in relation to maritime people smuggling.'³⁹

Trade and investment promotion

Austrade and DFAT

3.33 Austrade's core functions include the promotion of trade, investment and Australian education overseas. Austrade also administers the annual \$150 million Export Market Development Grants scheme.⁴⁰

3.34 Austrade told the Committee that DFAT and Austrade served different aspects of the trade and investment market:

... DFAT, for example, will pick up major resource companies and major banks whose interests and concerns tend to be high-level economic and often political issues, whereas [small and medium enterprises] and medium sized businesses who are looking for a

34 Mr Michael Pezzullo, Chief Operating Officer, *Transcript 10 February 2012*, p. 23.

35 Defence, *Submission No. 32*, p. 4.

36 Defence, *Submission No. 27*, p. 2.

37 AFP, *Submission No. 24*, p. 2.

38 DIAC, *Submission No. 21*, p. 2.

39 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 27.

40 Austrade, *Submission No. 26*, p. 5.

distributor or advice on how to go about selling their product or how to attract investment, will often come to Austrade ... it works very well when you have DFAT and Austrade at the same location.⁴¹

- 3.35 Austrade explained that it sought to position posts in markets where there was 'difficulty in doing business as a result of culture, language or opaque regulatory process; in other words, the more difficult markets.' An example was China where nearly 50 per cent of the 5000 Australian merchandise exporters used Austrade services. There were similar figures of assistance for India and for Japan.⁴²
- 3.36 Austrade would also target emerging economies such as Columbia where there was 'strong actual potential growth prospects,'⁴³ and markets where barriers to trade were decreasing.⁴⁴

Relations with Australian business

- 3.37 Austrade told the Committee that Australian businesses sought practical advice on 'what sort of distribution policy approach they should take, who they should be seeking to target as consumers and what the competition was.'⁴⁵
- 3.38 The AIG provided more information—businesses were looking for:
- ... local market information, contacts on regulatory issues, particularly local politics and economics, and information about how to gain approvals. ... The bigger posts can do that to some extent, but the more regional posts are overall better at doing that, and those that are linked in with Austrade are particularly beneficial.⁴⁶
- 3.39 Businesses and business groups generally indicated they were happy with the efforts of DFAT and Austrade.
- 3.40 The ANZ Bank commented that DFAT had a good understanding of the need to tailor lobbying strategies for different countries:

The process of lobbying in Malaysia would be different from the process of lobbying in India. I have found DFAT to be able to do

41 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 47.

42 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 47.

43 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 47.

44 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 48.

45 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 48.

46 Mr Innis Willox, *Transcript 27 February 2012*, p. 10.

more than understand; they actually set out individual strategies for individual markets to do that lobbying. Sometimes you have to be very patient.⁴⁷

- 3.41 The Bank advised it had taken some two and half years for it to obtain its Indian banking licence. DFAT assistance was vital:

... we would not have got that licence without both the ambassadors – the current ambassador and the predecessor – actively pursuing in very difficult circumstances of multiple tiered relationships. They were a huge help. I personally did probably 12 visits over a two-year span. I think the ambassadors did probably twice-that-plus to help. They were tenacious and value added.⁴⁸

- 3.42 The Commonwealth Bank also provided positive comments:

DFAT's facilitation of networks with key Indonesian government representatives has been invaluable. The ambassador and his team also make themselves available where practicable to support our business growth ... the activities that the Australian Embassy in Indonesia undertakes have been very positive from the group's experience.⁴⁹

- 3.43 The Australia Gulf Council (AGC) told the Committee that it worked well with DFAT and Austrade, who were both happy to step back when they reached their boundaries. The AGC added that 'the more effective dovetailing between, say, Austrade and organisations like ours can offer an efficiency in itself.'⁵⁰

- 3.44 The AAMIG, on the other hand, commented that there should be an increase in Austrade's representation in Africa. While the involvement of Austrade's sole South African representative at the Indaba mining conference had been 'hugely successful', increasing Austrade numbers in Africa would achieve a greater impact than adding to the already significant numbers of Austrade staff in China.⁵¹

- 3.45 Witnesses told the Committee that often the lack of interest in a particular overseas market was not the fault of DFAT or Austrade, but instead was a boardroom issue. The AIG commented that corporate Australia and DFAT:

47 Mr Alex Thursby, *Transcript 23 February 2012*, p. 5.

48 Mr Alex Thursby, *Transcript 23 February 2012*, p. 3.

49 Mr Geoff Coates, Executive General Manager, Indonesia, *Transcript 23 February 2012*, p. 25.

50 Hon. Michael Yabsley, Chief Executive, *Transcript 17 February 2012*, p. 41.

51 Mr Jeff Hart, *Transcript 27 February 2012*, pp. 7-8.

... operate in parallel universes in some ways. They have different core objectives. Business decisions are directed from the boardroom, but then as you go down and actually implement them they are done on the ground, and that is where those linkages are really important to find contacts and to get started. ...

Companies make their own decisions too about how much linkage they want to have with the posts and embassies. Sometimes some companies are not very good at doing that; others are.⁵²

3.46 A similar view was expressed by the ANZ Bank:

The issue of expanding into Asia is more to do with Australian corporations' strategy, their boldness and their understanding of what opportunities are required, not only for growth but maybe for survival. ...

I think we are missing opportunities, but it is a boardroom issue, not a DFAT issue.⁵³

Coordination with State and Territory Government agencies

3.47 DFAT and Austrade are not the only government agencies promoting Australian trade and investment overseas. States too, have overseas offices thereby creating potential competition with Commonwealth efforts.

3.48 Austrade was not concerned:

... we work pretty well as team Australia rather than in competition. Nowadays, for the most part, we are able to establish quite good relationships with the states. Some of them actually operate in our offices, inside the office. You get more concerned by the states on investment issues because they are worried that a lead might go to one state over another state and that might lead to an investment in that state, but we have protocols in place for handling that ... I am fairly relaxed about having states involved.⁵⁴

3.49 DFAT also appeared unconcerned, commenting that there were no criticisms in the department about the states and the Commonwealth getting in each other's way or acting in competition. On the other hand, in London where the states had 'a bigger sense of self' there might have been issues 'from time to time'.⁵⁵

52 Mr Innis Willox, *Transcript 27 February 2012*, p. 10.

53 Mr Alex Thursby, *Transcript 23 February 2012*, p. 3.

54 Mr Peter Grey, *Transcript 10 February 2012*, p. 49.

55 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 9.

- 3.50 A similar mixed response was provided by the AIG witness who had been a former Australian diplomat in the US:

I have good examples of the states working well with the Commonwealth and examples of states going off to do their own thing and competing against each other and against the Commonwealth to attract business, which is just infuriating in many cases. But the states have worked well with the Commonwealth, and there is my own example of Los Angeles, where we were able to drive some really good outcomes because we were a unity ticket. ... The states are competing purely in their own interests all the time. They will take a very hard-headed, parochial view.⁵⁶

- 3.51 The AGC presented a pragmatic view – that state governments would not accept that they should not have an international presence. It would not be ‘fair’ or ‘prudent to expect that’. The AGC suggested, however, that there were efficiencies to be gained because in a major commercial market it was not sensible for there to be Commonwealth government representation and state representation in standalone premises. There was ‘the opportunity to effectively work alongside Austrade, particularly with respect to back office capacity, sharing premises and so on’. It was a ‘perfect agenda item for COAG [the Council of Australian Governments].’⁵⁷

Committee comment

- 3.52 The Committee considers that Australia has adopted an effective model for promoting trade and investment with DFAT and Austrade acting in partnership in their overseas activities. In this regard, the Committee notes Austrade’s comment that other countries often seek advice about Austrade’s processes for promoting trade and investment.⁵⁸
- 3.53 In its Africa report, the Committee noted that, with about 30 per cent of the total mineral resources of the world, Africa is enjoying a resources boom. This will translate into increased wealth and spending power for the continent which in Sub-Saharan Africa has a population in excess of 870 million people. This presents significant opportunities for Australia.
- 3.54 The Committee notes Austrade’s advice that it targets countries where there are ‘strong actual potential growth prospects’, and considers that the
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56 Mr Innis Willox, *Transcript 27 February 2012*, pp. 12, 13.

57 Hon. Michael Yabsley, *Transcript 17 February 2012*, p. 41.

58 Mr Peter Grey, *Transcript 10 February 2012*, p. 47.

countries of Africa qualify for Austrade's attention. Consequently, the Committee agrees with AAMIG's call for Austrade's presence in Sub-Saharan Africa to be increased,⁵⁹ and reiterates its recommendation in the Africa report.⁶⁰

- 3.55 The Government agreed with the Committees recommendation that 'the Government should increase the number of Austrade offices and personnel that are based in Sub-Saharan Africa' and advised:

The government recognises that emerging markets across Africa offer growing prospects for Australian businesses. As part of the reform, Austrade will strengthen its presence in Sub Saharan Africa as resources become available.⁶¹

- 3.56 The Committee, however, has yet to see the outcome of its recommendation to which the Government agreed.

Recommendation 8

- 3.57 **The Committee reiterates its recommendation in its report of its Inquiry into Australia's Relationship with the Countries of Africa that the Government should increase the number of Austrade offices and personnel that are based in Sub-Saharan Africa.**
- 3.58 Whether to enter an overseas market is a strategic decision made at the managerial and boardroom levels of business. It is unreasonable to expect DFAT and Austrade to be successful in promoting a particular overseas market if business is unaware of the potential or is focused elsewhere.
- 3.59 Evidence from the AIG and the ANZ Bank indicates that, notwithstanding any current activity undertaken by DFAT and Austrade, there is room for both agencies to improve their effectiveness in promoting overseas trade opportunities to the higher levels of businesses.
- 3.60 The Committee is aware that representatives of other countries do promote the benefits of trade with their countries to Australian businesses, but the Committee considers that DFAT and Austrade should seek ways

59 Mr Jeff Hart, *Transcript 27 February 2012*, p. 8.

60 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, Recommendation 11, June 2011, p. 130.

61 *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 3.

to broaden their contacts with Australian business boardrooms to further promote the opportunities of overseas trade.

Recommendation 9

3.61 **The Committee, noting the valuable activities of the Department of Foreign Affairs and Trade and Austrade in promoting overseas trading opportunities, recommends that these agencies broaden their contacts with Australian business boardrooms to deepen understanding of how the Department and Austrade can assist in facilitating their overseas activities.**

3.62 While there appear to be few conflicts between Commonwealth and State trade and investment promoting bodies, the Committee sees opportunity for greater cooperation with consequent savings. Co-locating offices and sharing back office capacity would seem to provide a significant benefit. The Committee agrees with the AGC that such cooperation is a 'perfect agenda item for COAG.'⁶²

Recommendation 10

3.63 **The Committee recommends that the Australian Government place on the Council of Australian Governments agenda, discussion of the location, coordination and effective use of State and Commonwealth trade representations in the national interest.**

Managing assistance programs

AusAID

3.64 AusAID is responsible for managing about 90 per cent of Australia's aid program. In 2011–12 the aid budget was some \$4.1 billion – 0.33 per cent of gross national income,⁶³ and is set to rise to 0.05 per cent of gross national income by 2016–17.⁶⁴

62 Hon. Michael Yabsley, *Transcript 17 February 2012*, p. 41.

63 AusAID, *Submission No. 23*, pp. 1, 3.

64 Senator the Hon Bob Carr, Minister for Foreign Affairs, *Media Release, Australia's four year plan to help the world's poorest*, 8 May 2012.

- 3.65 In 2009–10 about 40 per cent of the aid program was delivered through multilateral organisations. AusAID advised that the percentage was expected to increase as the aid budget grew.⁶⁵
- 3.66 Aid-related work undertaken by AusAID staff at Australia's overseas posts includes:
- design, implementation and management of aid program activities (including overseeing work undertaken on AusAID's behalf);
 - program monitoring, performance assessment and reporting; ...
 - managing and coordinating stake holder relations ... ; and
 - fraud prevention.⁶⁶
- 3.67 AusAID's submission provided details of the Indonesian bilateral aid program and the African regional program.⁶⁷
- 3.68 AusAID commented that the aid program had recently been independently reviewed which had resulted in a 'clear strategic policy direction from government' and 'a new aid policy'.⁶⁸

Other Commonwealth agencies

- 3.69 The Committee received evidence of capacity building activities of other agencies:
- DAFF staff assisting the Indonesian Ministry of Agriculture to develop its capacity to respond to emerging infectious diseases;⁶⁹
 - AFP officers being seconded to non-law enforcement agencies to provide law-enforcement advice and to support capacity building initiatives;⁷⁰
 - Defence Attachés and advisers managing the Defence Co-Operation Program, involving oversight of infrastructure and other capacity building projects, in East Timor and Papua New Guinea.⁷¹
- 3.70 Customs and DIAC also advised that they engaged in capacity building projects in a number of countries.⁷²

65 AusAID, *Submission No. 23*, p. 6.

66 AusAID, *Submission No. 23*, p. 7.

67 AusAID, *Submission No. 23*, pp. 7–9.

68 Mr Peter Baxter, *Transcript 17 February 2012*, p. 37.

69 DAFF, *Submission No. 42*, p. 2.

70 AFP, *Submission No. 24*, p. 2.

71 Defence, *Submission No. 27*, p. 2.

- 3.71 A further aspect of providing assistance is the granting of education scholarships. DIISRTE advised that its overseas councillors helped to promote the Endeavour Awards, which were part of the Australia Awards.⁷³
- 3.72 A discussion of Australia's scholarship program and whether it provides a net benefit to overseas countries can be found in the Committee's report into Australia's relationship with African countries.⁷⁴

Response to overseas crises

- 3.73 As noted earlier, from time to time Australia's overseas diplomatic posts mount a whole-of-post response during times of overseas crises and natural disasters. Often the Defence Attaché plays an important role in that response.
- 3.74 For example, a submission from the Hon Tim Fischer highlighted the work of Defence Attachés during the change of government crisis in Libya in 2011 and prior to the arrival of INTERFET in East Timor in 1999.⁷⁵
- 3.75 The role of the Defence Attaché in the response to Cyclone Nargis was also detailed in a Defence supplementary submission.⁷⁶

Potential to mediate conflicts

- 3.76 Professor John Langmore raised the issue of Australia increasing its involvement in overseas conflict resolution as a way to facilitate development assistance. He noted that it was 'clear to most development experts ... that one of the necessary preconditions to effective development strategy is peaceful conflict resolution'.⁷⁷
- 3.77 Drawing on the example of Norway, Professor Langmore suggested that Australia create a mediation support unit:

There is a very close cooperation in Norway between government and NGOs [non-government organisations] ... That has been found to be very helpful in being able to work at a number of levels. They often link their mediation work with development work. The peace and reconciliation unit in the Ministry of Foreign

72 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 26; DIAC, *Submission No. 21*, p. 2.

73 Mr Colin Walters, *Transcript 10 February 2012*, p. 45.

74 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, pp. 82-92.

75 Hon Tim Fischer, *Submission No. 34*, pp. 2-4.

76 Defence, *Submission No. 38*, pp. 1-2.

77 Prof. John Langmore, *Transcript 23 February 2012*, p. 17.

Affairs has a budget of about \$100 million a year for development programs. In countries such as Burundi, for example, they have been significant in constraining what could have become another Rwanda.⁷⁸

- 3.78 Under the proposal, Australia would create a unit comprising three or four staff based in Australia who would be deployed when they became involved in a particular mediation issue. They would coordinate with countries and organisations engaged in similar work, such as the UN's mediation support unit and several 'very high quality international NGOs working on mediation and peaceful conflict resolution, based in Geneva or London' such as the International Crisis Group.⁷⁹
- 3.79 In a letter to the then Foreign Affairs Minister, the Hon Kevin Rudd MP, it was suggested that the mediation unit would enable AusAID and Australia:
- to establish capacity to provide good offices and mediation, providing knowledge and resources to mediation efforts and engaging with conflicts as both a mediator and a legitimate third-party;
 - to offer financial assistance to organisations already working in the mediation field; and
 - to become a regional leader in mediation and conflict prevention in South East Asia and Pacific – regions where mediation was poorly resourced.⁸⁰

Committee comment

- 3.80 The Committee considers that there is merit in Australia creating a mediation unit leveraging its provision of aid in particular to the South East Asia and Pacific regions. Preventing conflict through timely mediation reduces the potential need for aid and rebuilding assistance. The Committee believes a mediation unit should be funded from the aid budget because of this link.

78 Prof. John Langmore, *Transcript 23 February 2012*, p. 16.

79 Prof. John Langmore, *Transcript 23 February 2012*, p. 17.

80 *Exhibit No. 5*, p. 5.

Recommendation 11

- 3.81 **The Committee recommends that the Minister for Foreign Affairs should create a mediation unit within AusAID and funded from the aid budget. The aim of the unit would be to prevent conflict by providing timely assistance to mediation efforts, and acting as a mediator and legitimate third-party.**

Managing entry into Australia

- 3.82 DIAC is responsible for managing the permanent and temporary entry of people into Australia. It has a network of 60 overseas locations and employs 128 A-based staff and 1026 locally engaged staff.⁸¹ Locally engaged staff 'provide local knowledge and language skills as well as assistance with visa processing and decision-making'.⁸²
- 3.83 In addition, DIAC engages service delivery partners to increase its footprint. These partners provide basic client information, receive visa applications and forward them to the relevant DIAC office – they do not make visa application decisions.⁸³
- 3.84 DIAC told the Committee that it was increasing its service delivery partner network so that it could further expand its footprint in a cost effective way.⁸⁴
- 3.85 The Migration Institute of Australia (MIA) criticised the performance of DIAC on two counts
- the long processing times for visa applications; and
 - the performance of locally engaged staff – their attitude, inconsistent decisions, and lack of compliance with the Migration Act.⁸⁵
- 3.86 DIAC provided details of processing times in a supplementary submission. Figures provided indicate that as at June 2011 there were 5806 offshore visa applications older than 12 months that were still being

81 DIAC, *Submission No. 21*, p. 2.

82 DIAC, *Submission No. 21*, p. 5.

83 DIAC, *Submission No. 21*, p. 3.

84 Mr Jim Williams, Assistant Secretary, Offshore Biometrics and Operations Branch, *Transcript 10 February 2012*, p. 12.

85 Ms Maureen Horder, Chief Executive Officer, *Transcript 10 February 2012*, p. 56.

processed.^{86,87} This compares to DIAC delivering in 2010–11 ‘a migration program of over 168 000 places’ and ‘a humanitarian program of almost 13,800 places that included 8900 visas granted to people outside Australia’.⁸⁸

3.87 DIAC advised that delays in visa processing could result from factors including:

... the need for checks to be completed (eg health and security checking), demand for visas which exceeds Migration Program planning levels, delays where DIAC is awaiting additional information requested from the client or their representative, an unexpected increase in visa applications or a need for the rebalancing of internal resource allocation.⁸⁹

3.88 The issue concerning LES is discussed below.

Committee comment

3.89 Using DIAC figures, the Committee calculates that the 5806 visa applications still awaiting processing after a year at the end of June 2011, represents 3.2 per cent of the migration and humanitarian program visas in 2010–11. The Committee considers that, nevertheless, DIAC should endeavour to reduce the backlog further.

Assisting Australians overseas

3.90 The Committee received evidence on two forms of assistance provided to Australians overseas:

- providing Federal Election services; and
- providing consular services.

Federal Election services

3.91 During Federal Elections all of Australia’s overseas diplomatic posts, and the Honorary Consulate in Vancouver Canada, provide election services.⁹⁰ A DFAT or Austrade staff member (depending on which agency manages the post) becomes an Assistant Returning Officer for the conduct of the

86 DIAC, *Submission No. 46*, p. 4.

87 Afghanistan 1331; China 2981; Vietnam 637; Iraq 300; Pakistan 195; Lebanon 192; Thailand 170.

88 DIAC, *Submission No. 21*, p. 2.

89 DIAC, *Submission No. 46*, p. 4.

90 AEC, *Submission No. 22*, pp. 2–3.

poll. In addition, the Australian Electoral Commission (AEC) provides an Overseas Liaison Officer to the posts in London and Hong Kong which 'traditionally experience the greatest workload throughout the election period.'⁹¹

- 3.92 AEC staff provide briefings at DFAT training sessions for staff being deployed to diplomatic posts in the 6 to 12 months before an anticipated election. As well, the AEC provides online training and a procedure manual.⁹²
- 3.93 The AEC explained the eligibility criteria for Australians to vote overseas:
- If you are already enrolled you can register as an overseas elector if you are intending to return to Australia within six years. ... [It] is a matter of declaration by the elector ... if you are not enrolled and have been overseas for less than three years you may still be eligible to enrol if you are an Australian citizen aged 18 years or older intending to return to Australia within six years. You cannot enrol for an overseas address. Instead you must enrol in the electorate you were entitled to before you left Australia.⁹³
- 3.94 For Australians who are overseas, however, voting is not compulsory.⁹⁴
- 3.95 For the 2010 Federal Election, some 9252 postal vote certificates were sent out by overseas posts, the greatest number being from the London post (2618) followed by the post in Los Angeles (1349). 7351 postal votes were received back by overseas posts (79.6 per cent), but this number does not include postal votes sent direct to the AEC in Australia.⁹⁵
- 3.96 Overseas posts also issued a total of 63 054 pre-poll votes, the greatest number being from London (13 423) followed by Hong Kong (7582).⁹⁶
- 3.97 To determine the demand for election services, especially in countries where Australia did not have diplomatic representation, the Committee sought information on where postal votes had been sent. The AEC provided figures in a supplementary submission.
- 3.98 A total of 17 548 'postal vote certificates were sent to an overseas address from Australia or issued from an overseas post.' Of these 4301 (24.5 per cent) had not been returned.⁹⁷

91 AEC, *Submission No. 22*, p. 3.

92 AEC, *Submission No. 22*, pp. 3, 5.

93 Mr Ed Killesteyn, Electoral Commissioner, *Transcript 17 February 2012*, p. 5.

94 *Commonwealth Electoral Act 1918*, s 245(7) *Compulsory voting*.

95 AEC, *Submission No. 22*, pp. 11, 13.

96 AEC, *Submission No. 22*, pp. 11, 13.

- 3.99 Using the figures provided by the AEC in its supplementary submission, the Committee has estimated the number of postal vote certificates which were sent to the following countries:⁹⁸
- UK – 6031;
 - US – 3819;
 - New Zealand – 727;
 - Canada – 612;
 - Hong Kong – 457; and
 - Singapore – 424.⁹⁹
- 3.100 The countries where it has been suggested that Australia open a diplomatic post were the destination of very few postal vote certificates – a total of 93.¹⁰⁰
- 3.101 The cost of overseas voting in the 2010 Federal Election was \$1.1 million, comprising:
- \$800 000 for packaging, dispatch and return of voting materials;
 - \$270 000 for reimbursement of DFAT expenditure; and
 - \$27 000 for reimbursement of Austrade expenditure.¹⁰¹
- 3.102 The AEC funds the additional expenditure associated with the election incurred by DFAT and Austrade – staff overtime and the hiring of additional staff who are employed based on the anticipated demand at the post.¹⁰²
- 3.103 The Committee discusses electronic voting in Chapter 4.

Consular services

- 3.104 A core responsibility of Australia's overseas posts is to provide consular services to Australian travellers and citizens living overseas. These include:

97 AEC, *Submission No. 40*, p. 1.

98 Some of the addresses provided were ambiguous or unclear regarding the country

99 AEC, *Submission No. 40*, pp. 2–15.

100 Czech Republic, 54; Romania, 13; Macedonia, 12; Slovak Republic, 10; Ukraine, 3; Morocco, 1; Venezuela, 0.

101 AEC, *Submission No. 22*, p. 6.

102 Mr Ed Killesteyn, *Transcript 17 February 2012*, p. 7.

... assistance with welfare issues and notarial services, 'whereabouts' inquiries, arrest or detention matters, deaths, and medical emergencies and payment of travellers emergency loans¹⁰³ to Australians in need.¹⁰⁴

3.105 DFAT told the Committee:

Clearly, any Australian government has a responsibility where Australians run into difficulties overseas, particularly difficulties arising from circumstances beyond their own control; for instance, if they get caught up in a natural disaster or if they get caught up in political upheaval. We also have an obligation to assist those Australians who run into the bread and butter problem of losing a passport or having a passport stolen, et cetera.¹⁰⁵

3.106 DFAT added that sometimes Australians travelling overseas had unrealistic expectations:

... some people think that when they go offshore the rule of law does not apply to them while they are offshore. You sometimes receive an impression from some people that any Australian offshore could not possibly commit a crime. ... you can have Australians who are arrested offshore who are found guilty and sentenced way beyond what we would consider reasonable. ... clearly where Australians are subject to the death penalty overseas, regardless of conviction and the like, we pursue that vigorously ... Australians going abroad do need to understand that not all countries have the same legal system and the same sentencing procedures as we do ...¹⁰⁶

3.107 The Lowy Institute advised that the number of DFAT's consular cases had 'risen by more than 50 per cent over the last five years to over 200 000 cases annually. By contrast, funding for consular operations has remained almost static, as has staffing.'¹⁰⁷

¹⁰³ Emergency loans are granted, for example to a traveller who has lost their wallet and money. There is an expectation the money will be repaid, but interest is not charged. Passports are not issued if the loan is outstanding, and the loan is not written off unless there is very clear evidence that recovery is unlikely.

Review of DFAT Annual Report 2009–10, Mr Dennis Richardson, *Transcript 27 May 2011*, p. 19.

¹⁰⁴ DFAT, *Submission No. 28*, p. 10.

¹⁰⁵ Mr Dennis Richardson, *Transcript 10 February 2012*, p. 5.

¹⁰⁶ Mr Dennis Richardson, *Transcript 10 February 2012*, p. 5.

¹⁰⁷ Lowy Institute, *Submission No. 15*, pp. 12–13. The caseload figure was obtained from DFAT Annual Reports 2005–06 to 2009–10 and information provided to the Lowy Institute by DFAT.

- 3.108 Austrade too had experienced an increase in cases. In 2010–11 it assisted 129 592 Australians – a rise of almost 60 per cent over the previous five years.¹⁰⁸
- 3.109 While the demand for consular services had increased, government funding for those services had not. Austrade advised that it managed the increased demand within ‘existing funding by flexible use of staff and other resources.’¹⁰⁹
- 3.110 The Lowy Institute suggested that consular services should be funded in an analogous way to the funding for passport services:
- ... if you get a passport, then you pay a fee and the money goes into a sort of separate revenue stream. The number of people in DFAT issuing passports is hence growing in proportion to the number of passports. It is completely different with consular work. There is no relationship between the resources and the burgeoning caseload, so I would argue we need a model for consular that is analogous to the passport one.¹¹⁰
- 3.111 It could be a fee, the Lowy Institute commented – fees were placed on travel for ‘all sorts of different reasons’ and ‘looking after the welfare of Australians when they are travelling would seem to be a perfectly worthy reason to charge people’.¹¹¹
- 3.112 DFAT advised it did not ‘consider it appropriate to charge consular clients for services provided.’¹¹²
- 3.113 The Lowy Institute also noted that about 20 per cent of Australians travelling overseas did not have travel insurance. It suggested an alternative would be to introduce a way to encourage Australians to take out travel insurance.¹¹³
- 3.114 DFAT told the Committee that it actively encouraged Australians to take out travel insurance and register on the department’s Smart Travel site. Whether to require travel insurance was a broader policy issue beyond consular responsibilities:
- ... it would require someone to sit down and work out the cost-benefit of whether it is more effective for the government to
-

108 Austrade, *Submission No. 26*, p. 8.

109 Austrade, *Submission No. 26*, p. 8.

110 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

111 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

112 DFAT, *Submission No. 45*, p. 1.

113 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

intervene at the front end and provide some sort of insurance for those people, or whether it is more effective not to do anything but to provide assistance to those people who need assistance in some way if the occasion arises.¹¹⁴

Committee comment

- 3.115 The Committee considers that meeting the costs of an ever increasing demand for consular services through existing resources is unsustainable. Diverting resources to meet consular demands reduces the ability of DFAT and Austrade to adequately represent Australia overseas.
- 3.116 Provision of consular services should be funded in part from revenue sources such as increased passport fees or other modest travel levies. If travel levies are to be the instrument, the Government should review the feasibility of a tiered levy to take into account those Australians who have taken out travel insurance or who are unable to obtain travel insurance.

Recommendation 12

- 3.117 **The Committee recommends that the cost of meeting increasing demand for consular services should be met through a combination of increased passport fees and a small hypothecated and indexed travel levy.**

Ability of overseas posts to undertake their tasks

- 3.118 The first part of this Chapter detailed the nature of the activities undertaken at Australia's overseas posts by DFAT and the staff of other departments. The question arises: how adequate is the level of resources that are provided to the departments involved in Australia's overseas representation, and in particular to DFAT? These resources will largely translate into the number of staff, both A-based and locally employed staff (LES).

114 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 5.

Level of staffing and budget

- 3.119 The Lowy Institute, focusing on DFAT, commented that DFAT staffing had not kept pace with the growth of the public service since the late 1990s:

The size of the Commonwealth public sector has expanded by 61 per cent since 1997–98. Over this period ... AusAID nearly doubled in size and the Department of Defence grew by nearly 40 per cent. The intelligence community also grew significantly. The Department of the Prime Minister and Cabinet took on new responsibilities, but its staffing expanded by a massive 650 per cent. By contrast, DFAT staffing has essentially flat lined. Budget comparisons tell a similar story.¹¹⁵

- 3.120 Recent Budget figures show Government funding for DFAT as being: 2010–11, \$875.6 million; 2011–12, \$824.3 million; and 2012–13, \$878.5 million.¹¹⁶

- 3.121 The Lowy Institute told the Committee that in the incoming government brief of September 2010, DFAT had advised it had exhausted ‘opportunities for re-prioritisation and efficiency gains’ and that it would need additional funding if it was to meet the ‘challenge of a more complex, diplomatic world’. The Lowy Institute added:

Since then there has been further demands for efficiency gains: 1.5 per cent per annum as at June 2011, a further 1.25 per cent from 2013–15 and then 1 percent after that. In November last year that was added to further, taking the efficiency requirements for the department to sustain another 4 per cent for the financial year 2012–13. We are talking about another \$40 million to \$50 million a year which the department is required to sustain. Two years ago it said it could not do anymore; all the cuts had been made. ... The department is required to do more and more with less and less.¹¹⁷

- 3.122 The impact of efficiency dividends and budget savings measures was revealed during the 2012 Budget Senate Estimates hearings. DFAT advised that it needed to find savings of \$25–\$30 million and that, when other measures had been taken, the shortfall would require the department to downsize by between 100 and 150 positions. The overseas network and staff training and development would be quarantined, with

¹¹⁵ Lowy Institute, *Submission No. 15*, pp. 11–12.

¹¹⁶ DFAT, *Additional Estimates Statements 2011–12*, February 2012, p. 38; DFAT, *Portfolio Budget Statements 2012–13*, May 2012, p. 46.

¹¹⁷ Ms Alex Oliver, *Transcript 17 February 2012*, p. 9.

positions being reduced in Canberra through natural attrition and voluntary redundancies.¹¹⁸

- 3.123 The Lowy Institute estimated that DFAT's budget now accounted for 'less than 0.2 per cent of GDP [gross domestic product]'. This compared to Defence's 1.9 percent of GDP. It suggested DFAT's budget should be '0.3 to 0.4 percent of GDP'.¹¹⁹ The Lowy Institute added, however, that the increases should be a 'staged investment' because it had 'taken 25 years to run it down and it will take another 25 years to build it back up again'.¹²⁰
- 3.124 DFAT agreed that it had about 5 per cent less staff and about 14 per cent fewer overseas staff than in 1996. In comparison the public service had grown by around 12 per cent over the same period.¹²¹
- 3.125 The composition of Australia's overseas representatives, however, has changed over the years. The Lowy Institute commented that almost all government departments had international divisions and had increased their overseas representation 'over the last two decades'. While DFAT's workload had consequently eased, staff of other departments were often located at DFAT's overseas posts and therefore had increased the burden of coordination and administration. Staff of other departments also 'rely heavily on the diplomatic skills, local knowledge and contacts of heads of mission and DFAT staff'.¹²²
- 3.126 A supplementary submission from DFAT advised there were 599 A-based DFAT staff and 633 A-based staff of other agencies at Australia's overseas posts. A-based DFAT staff are outnumbered by those of other departments in the S & SE Asia and Pacific regions, and in the Americas (excluding the Australia's UN post in New York). There are a further 549 unattached other agency staff working overseas but away from Australia's overseas posts, plus 99 staff working in host government agencies and other bodies.¹²³

Committee comment

- 3.127 In Chapter Two, the Committee recommended that Australia should increase its overseas representation. DFAT will not be able to achieve this

118 Mr Dennis Richardson, Senate Foreign Affairs, Defence and Trade Legislation Committee, *Estimates, Wednesday, 30 May 2012*, p. 12.

119 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 10.

120 Ms Alex Oliver, *Transcript 17 February 2012*, p. 10.

121 DFAT, *Submission No. 28*, p. 15.

122 Lowy Institute, *Submission No. 15*, p. 12.

123 DFAT, *Submission No. 39*, p. 13.

without increased funding. The Committee believes there is merit in apportioning a set percentage of GDP to fund DFAT and has made a recommendation to this effect. This may not be immediately possible in the current environment of financial constraint, but should be achievable in the long term.

- 3.128 The Lowy Institute has recommended the opening of 20 new diplomatic posts. Based on DFAT's estimate of the cost of opening an embassy, '\$25 million over three or four years',¹²⁴ this would require additional funding amounting to approximately \$143 million per year.¹²⁵ Added to DFAT's 2012–13 appropriation of about \$875 million, total DFAT funding would come to \$1022 million.
- 3.129 Expanding Australia's diplomatic footprint would comprise more than just opening new diplomatic posts—it also entails increasing the number of diplomats at particular posts. DFAT advised the Committee how it would expand the diplomatic network if it was provided with an additional \$75 million per year. This amounted to opening an additional 13 posts as well as increasing the number of diplomats in particular geographic regions.¹²⁶
- 3.130 On this figure, opening 20 new posts, albeit involving several consulates, would require about \$115 million per year. This would bring DFAT's 2012–13 appropriation to approximately \$994 million.
- 3.131 Figures on the DFAT's website indicates that Australia's GDP projected for 2012 amounts to \$1 586 000 million.¹²⁷ Therefore the cost of expanding DFAT's diplomatic footprint by 20 posts, as suggested by the Lowy Institute would amount to apportioning DFAT 0.06 per cent of GDP.
- 3.132 The Committee acknowledges that there are likely to be significant additional costs in maintaining an expanded diplomatic network, but apportioning DFAT a reasonable proportion of GDP would be expected to expand Australia's diplomatic footprint to that commensurate with Australia's standing in the OECD.

124 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

125 (25/3.50) x 20

126 DFAT, *Submission No. 51*, p. 2.

127 DFAT, *Country Brief, Australia*, <<http://www.dfat.gov.au/geo/fs/aust.pdf>> Accessed July 2012.

Numbers of A-based staff overseas

- 3.133 A response to budgetary constraints can be reducing the number of staff overseas and employing proportionately more LES who are less of a budgetary burden.¹²⁸
- 3.134 The Lowy Institute documented the changes in DFAT's A-based overseas staff noting the decline began in the late 1980s. The number reached a low between 2003 and 2005 when it had shrunk by '45 per cent' compared to 1988–89. It added that DFAT's current A-based overseas staff 'represents a workforce over a third smaller than it was at its highest point in 1988.'¹²⁹
- 3.135 The Lowy Institute noted that 'the proportion of DFAT staff serving overseas is the lowest of the 13 diplomatic services' it had reviewed.¹³⁰ The size of Australia's overseas posts has also changed:
- ... the number of small posts (those with three or less Australia-based officers) has grown significantly over the last two decades. These posts are often accredited to a number of countries and are severely constrained in their ability to carry out core diplomatic activities in addition to growing administrative consular burdens. Despite the recent addition of staff on overseas postings, there remain at least 18 posts with only two A-based officers.¹³¹
- 3.136 DFAT responded that in addition to the 18 two A-based staff posts, there were 17 where there were three A-based staff. It was necessary, however, to look at the small posts individually because for some posts it was:
- ... not unreasonable that there be two people. ... a mission in Malta with two A-based people makes sense in terms of the size and population of Malta and Australia's interests. ... We have two people in Nauru and that probably is fine. But I am sure that, if you went through some of the places where we have three people, you would probably question whether we should not have more.¹³²

128 For example, Defence advised that the on-costs of deploying a Defence Attaché to Europe could annually amount to \$150,000 – allowances, relocation expenses, family needs such as the education of children.

129 Lowy Institute, *Submission No. 15*, p. 7. While the number has increased slightly since the Lowy Institute's submission, the proportion essentially remains the same.

130 Lowy Institute, *Submission No. 15*, p. 8. The countries reviewed were Switzerland, Norway, Republic of Korea, Sweden, Spain, Netherlands, Finland, US, Denmark, UK, Belgium, New Zealand.

131 Lowy Institute, *Submission No. 15*, p. 9. Referring to a DFAT incoming government brief prepared for the Minister for Foreign Affairs.

132 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 8.

- 3.137 In its submission the Lowy Institute recommended:
- Staff numbers should be increased across all functions, and particularly in the consular and policy areas.
 - Staffing in Canberra and at posts should be rebalanced to increase the proportion of our existing diplomats serving overseas by reducing administrative demands and layers of management at headquarters.¹³³
- 3.138 DFAT responded that it agreed there needed to be ‘a better balance between people serving abroad and people in Canberra’ and there should be ‘a bigger percentage of our people overseas’. It added that it was achieving that aim.¹³⁴
- 3.139 DFAT told the Committee that it was misleading to compare the proportion of A-based staff serving overseas to the total number of A-based departmental staff because there were areas in the department such as the Australian Passport Office and the department’s corporate ICT area where staff were permanently based in Australia.¹³⁵
- 3.140 Further, referring to figures provided in its submission, DFAT commented:
- ... there [are] 1129 A-based policy staff, of whom 547 are in Canberra and 374 overseas, and you will see that 193 are staff off-line. A good proportion of the policy staff off-line are either doing language training or preparing for overseas posts in some way. So, when you look at policy staff we do not have a small percentage of people overseas; we have a significant percentage of people overseas.¹³⁶

Committee comment

- 3.141 The Committee recognises that DFAT’s commitment to increasing the percentage of A-based staff serving overseas. This has been exemplified by DFAT quarantining its overseas network from the current plan to reduce staff numbers.

¹³³ Lowy Institute, *Submission No. 15*, p. 15.

¹³⁴ Mr Dennis Richardson, *Transcript 19 March 2012*, pp. 3–4.

¹³⁵ Mr Dennis Richardson, *Transcript 19 March 2012*, p. 3. Figures provided by DFAT indicate that at 31 October 2011, there were 411 Australian Passport Office staff and 145 ICT corporate staff. DFAT, *Submission No. 28*, pp. 223–4.

¹³⁶ Mr Dennis Richardson, *Transcript 10 February 2012*, p. 6.

- 3.142 The Committee draws attention to DFAT's advice that it would boost the number of A-based staff at overseas posts should it receive additional funding.¹³⁷

Language proficiency of staff

- 3.143 The Lowy Institute drew attention to the foreign language proficiency of DFAT staff. It noted that while language training had increased, as at February 2011, 'only around 10 per cent of DFAT staff have a working level proficiency in an Asian language'.¹³⁸
- 3.144 The AIG also commented that sometimes diplomats with particular language skills were posted to countries with a different language.¹³⁹ There was also the problem of staff leaving after having received intensive language training and completing their first posting:

... [DFAT] will immerse people, particularly before a first posting. Then they will go off and do the posting, come back and leave. I think there is about a 50 per cent attrition rate. ... The big investment has been made, so they have come away and they can speak Japanese, Korean or whatever, and then they go and do other things, and go into the commercial sphere. That is a big problem for DFAT.¹⁴⁰

- 3.145 DFAT responded:

People who have Mandarin, by and large, but not always, do in fact spend a fair amount of time in Mandarin speaking posts. It is a myth that someone who has got Mandarin goes to China one time and then spends the rest of their life doing other things. That can happen, but it would normally happen because the officer either did not want to continue with their Mandarin speciality or may not have been all that good in the job.¹⁴¹

- 3.146 DFAT also told the Committee that it needed to over recruit staff with language skills because of the attrition rate:

Firstly, you lose some because they do not want to continue on with the speciality in that country. Secondly, you lose some

137 DFAT, *Submission No. 51*, pp. 1–2.

138 Lowy Institute, *Submission No. 15*, p. 13. Refers to an answer to a question taken on notice at a Senate Additional Estimates Hearing, 24 February 2011.

139 Mr Innis Willox, *Transcript 27 February 2012*, p. 14.

140 Mr Innis Willox, *Transcript 27 February 2012*, p. 15.

141 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 7.

because the private sector grab them. They have been well trained up and the private sector pay them more. We regularly lose people from that. Thirdly, you lose people sometimes because, while they have the language skills, they do not have the judgement you want with a policy job.¹⁴²

3.147 DFAT advised that in 2010 it had undertaken an internal review of its language training which had identified the need to increase skills in several Southeast Asian languages, and had also resulted in an increase of language designated positions to 163.¹⁴³

3.148 Further, the department advised that:

517 current employees (covering a total of 883 individual language proficiencies*) [had] been tested to a professional working level proficiency (S3/R3 and above) during their career. ... *(this number includes 178 employees with multiple language proficiencies)¹⁴⁴

3.149 Figures provided by DFAT indicate that of the 883 individual language proficiencies, 211 were for a Southeast Asian language.¹⁴⁵

Committee comment

3.150 The Committee notes that DFAT is meeting the criticism offered by the Lowy Institute by increasing the foreign language proficiency of its staff. The Committee is pleased that DFAT has quarantined foreign language training from its current cost cutting measures.

Back-to-back posting of staff

3.151 The issue of back-to-back postings was also raised by the AIG. It commented that such postings were not DFAT policy which meant returning diplomats had to wait before another posting, probably to a different country 'to broaden you out'. This differed from the British diplomatic service which had back-to-back postings and seemed 'to keep its people longer'.¹⁴⁶

3.152 DFAT defended its policy of not having back-to-back postings for its policy officers:

142 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 8.

143 DFAT, *Submission No. 45*, p. 3.

144 DFAT, *Submission No. 28*, p. 19.

145 DFAT, *Submission No. 28*, pp. 35–39.

146 Mr Innis Willox, *Transcript 27 February 2012*, pp. 15, 16.

Policy officers are also required in Canberra. ... [They] provide policy advice to government and draft Cabinet submissions. If something happens overseas it is the policy officers here who provide advice on it ... What about the policy officers back here who also want to work overseas? There is an equity issue. Secondly, if you keep people overseas too long they can sometimes forget the country they come from. That is important to avoid. ... It is important for policy officers in Canberra to actually have experience of the countries they are working on and to have that overseas experience.¹⁴⁷

Committee comment

- 3.153 The Committee does not accept DFAT's arguments concerning the back-to-back posting of staff. In certain circumstances there are clear advantages for a longer posting in a particular country, such as developing a greater depth of understanding of the country and developing broader networks. The Committee rejects the notion that diplomats on longer postings can 'forget the country they come from.'
- 3.154 The Committee notes that diplomatic services, such as that of the UK which has a network twice the size of DFAT's, have been able to accommodate requests for back-to-back postings.
- 3.155 The Committee believes the issue of back-to-back postings should be reviewed as part of the White Paper, the external review and subject to any increases in funding.

Effect on separation rates and morale

- 3.156 The Committee has sought information concerning the effect of staffing constraints on the numbers of staff leaving DFAT – the separation rate – and the general morale of DFAT staff.
- 3.157 The Lowy Institute told the Committee that, anecdotally:
- ... there is a growing sense of strain and issues with morale because people are overstretched and run a bit ragged. ... I think there are issues there because of this long-term trend we have identified and it is difficult for people.¹⁴⁸

147 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 3.

148 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 17.

- 3.158 DFAT subsequently provided figures on staff retention rates and the results of a 2010 staff survey. It stated:

Over the past decade the average separation rate for DFAT was 5.7% compared to an [Australian Public Service] average of 7.1%. ... Staff and funding levels over recent years have had no discernible effect on separation rates. ...¹⁴⁹

- 3.159 The DFAT separation rates are consistently (between 0.5 and 3.0 per cent) below of those of the Australian Public Service (APS) except for 2003–04 (6.2 compared to 6.0) – one of the years identified by the Lowy Institute as being the low point for the numbers of Australian diplomats serving overseas.¹⁵⁰

- 3.160 DFAT advised that its 2010 staff survey ‘showed that staff perceptions and attitudes towards working in DFAT were positive’:

Around three-quarters of staff were satisfied with their job and with DFAT as an employer. Almost nine in ten staff (85%) are proud to work in DFAT (well above the APS large average of 68%).¹⁵¹

Committee comment

- 3.161 On the surface it would appear DFAT’s staff morale, shown by retention rates and surveys, is good. Staff surveys, however, can be an inexact instrument. Without examining the survey in detail – for example, the questions and level of anonymity – it is difficult to draw a firm conclusion.

Locally engaged staff

- 3.162 Evidence provided to the Committee shows that the majority of staff working in Australia’s overseas posts and offices were locally engaged.

149 DFAT, *Submission No. 45*, p. 8.

150 Lowy Institute, *Submission No. 15*, p. 7.

151 DFAT, *Submission No. 45*, pp. 8–9.

Table 3.1: Proportion of locally employed staff at overseas posts and offices

Agency	Total overseas staff	Locally engaged staff	% Locally engaged staff
DFAT ¹⁵²	2260	1661	73
Austrade ¹⁵³	566	496	88
AusAID ¹⁵⁴	760	548	72
DIAC ¹⁵⁵	1154	1026	89
DAFF ¹⁵⁶	33	21	64
DIISRT ¹⁵⁷	40	28	70
Customs ¹⁵⁸	22	9	41
Defence ¹⁵⁹	308	213	69
AFP ¹⁶⁰	179	87	49

3.163 Witnesses identified several advantages of employing LES, including:

- cost savings – DIAC told the Committee that the costs of converting its more than 1000 LES into A-based positions would cost ‘hundreds of millions’ of dollars;¹⁶¹
- providing posts with local knowledge and local language capability;¹⁶²
- providing expertise;¹⁶³ and
- providing higher management skills, sometimes involving supervision of A-based staff.¹⁶⁴

3.164 Austrade told the Committee that on occasions its locally engaged consular staff were brought to Australia to participate in DFAT consular

152 DFAT, *Submission No. 28*, p. 15.

153 Austrade, *Submission No. 43*, p. 1.

154 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

155 DIAC, *Submission No. 21*, p. 4.

156 DAFF, *Submission No. 12*, p. 1.

157 Mr Colin Walters, *Transcript 10 February 2012*, p. 37.

158 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 23.

159 Defence, *Submission No. 27*, p. 3.

160 AFP, *Submission No. 24*, p. 4.

161 Mr Peter Vardos, *Transcript 10 February 2012*, p. 10.

162 Mr Peter Vardos, *Transcript 10 February 2012*, p. 10.

163 Mr Peter Grey, *Transcript 10 February 2012*, p. 46.

164 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

training courses.¹⁶⁵ The Committee observes that this would enable a greater understanding of Australia and Australian culture.

- 3.165 The hiring of LES can, however, impact small labour markets. AusAID told the Committee:

... we have a higher ratio of A-based to locally engaged staff in the Pacific because the labour markets are small and the availability of high levels of local expertise are fairly thin on the ground. There is also another reason, in that we do not want to hire all of the good people out of the national government and have them working on the aid program. The brain drain is something that we are very conscious of.¹⁶⁶

- 3.166 A further risk was identified by the AIG:

... there probably needs to be a much more co-ordinated effort put into getting [LES] to understand the Australian dynamic and what the Australian environment is like. You quite often see that they do not quite have their heads in the right places, particularly related to the latest political or economic developments in Australia or just generally what is going on in Australia. There is a great vagueness there in many cases.¹⁶⁷

- 3.167 The MIA was more specific and listed concerns about the poor client service provided by some LES employed by DIAC at overseas posts. The criticisms included:

- arrogant, condescending or rude attitude of staff ... ;
- poor knowledge of immigration law and natural justice, and inaccurate advice and/or responses given ... ;
- inconsistency and bias in decision-making and failure to take into account valid evidence/policy/legislation ... and case officers conducting one-sided interviews ... ;
- poor record-keeping ... ;
- cultural insensitivity. For example, ... [failure to] understand cultural issues relating to marriage, family obligations, and other norms in cultures ... ;
- poor English language competency of staff.¹⁶⁸

165 Mr Peter Grey, *Transcript 10 February 2012*, p. 50.

166 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

167 Mr Innes Willox, *Transcript 27 February 2012*, p. 9.

168 MIA, *Submission No. 33*, p. 2.

- 3.168 The MIA emphasised to the Committee that its criticism was not directed at DIAC,¹⁶⁹ but concerned the influence of individual LES case officers when applications were initially processed offshore:

It also depends on the particular case officers who may be at posts over two or three years ... some of these posts start to make very significant ... about 10, 15 or 20 per cent of a caseload being refused and on its way to the Migration Review Tribunal. ...

It varies over a period of time. It also varies from post to post. ... they have their prejudices – ...

Racial, religious, sexual in some cases, age. A lot of it is actually based on race and also on religious grounds. They will process a case according to those prejudices. Some cases go through very quickly and very easily. Others get bogged down in the minutiae and you are just forever spending time and time again trying to satisfy each of the requirements.¹⁷⁰

- 3.169 The MIA told the Committee that LES tended to discriminate against other nationalities especially in Europe, the Middle East and Africa.¹⁷¹ The overseas DIAC offices which were identified in the MIA's submission were: Hanoi, Laos, Sri Lanka, China, USA, Brazil, Cairo, and Thailand.

- 3.170 The MIA added that while A-based DIAC officers were ultimately responsible for applications at overseas posts and there was a review process, applicants were reluctant 'to lodge a complaint because of possible retribution.' It called for more A-based officers to be deployed especially in posts which were 'frequently cited in complaints' and, if necessary, improve LES 'training, rotations and reviews.'¹⁷²

- 3.171 DIAC told the Committee that to replace its LES with A-based staff would be impossible to fund and would deny the department with a 'very critical resource' which understood the local environment. It endeavoured to look for an ethnic balance in its offices and if necessary constructed the jobs and duties to achieve that aim.¹⁷³

- 3.172 Nevertheless, it employed LES staff on a merit basis:

We select the best people available to do the job, regardless of their ethnicity, religion or other affiliations, but certainly, we are aware

169 Ms Maureen Horder, Chief Executive Officer, *Transcript 10 February 2012*, p. 56.

170 Mr John Hourigan, Member, *Transcript 10 February 2012*, p. 60.

171 Mr John Hourigan, *Transcript 10 February 2012*, pp. 57–8.

172 MIA, *Submission No. 41*, p. 2.

173 Mr Peter Vardos, *Transcript 10 February 2012*, p. 11.

of the nuances that exist in the countries in which we operate. ... the ethnic rivalries and the other issues that come into play.¹⁷⁴

3.173 DIAC added that it explained the reasons for its decisions:

... yes we do provide answers, which are often not accepted, but there are appeal mechanisms. We accept the fact that if someone feels that they have been discriminated against they have access to a range of bodies that they can appeal to. We can be pursued for defective administration, bias, the failure of our duty of care, et cetera, and people do pursue those avenues of appeal. ...

I would say we are accurate in 99.99 per cent of the time, but we do make errors.¹⁷⁵

3.174 The department was expanding its network of third party providers – Service Delivery Partners – to provide additional access to its services overseas. These partners:

... do not make visa decisions but their services include receiving visa applications and charges, delivering applications to the relevant DIAC office, providing basic client information, arranging client appointments and returning passports.¹⁷⁶

Committee comment

3.175 The Committee has not tested the specific allegations of the MIA through seeking a response from DIAC. It is clear to the Committee, however, that as A-based staff numbers are reduced and LES become more numerous, there is a risk of inadequate supervision. This may allow some LES to indulge any prejudices in processing visa applications.

3.176 Introducing Service Delivery Partners removes applicants further from DIAC's A-based decision-makers.

174 Mr Peter Vardos, *Transcript 10 February 2012*, p. 11.

175 Mr Peter Vardos, *Transcript 10 February 2012*, p. 11.

176 DIAC, *Submission No. 21*, p. 3.

Recommendation 13

- 3.177 **The Committee recommends that the Department of Immigration and Citizenship engage in an ongoing dialogue with interested parties, including the Migration Institute of Australia, to identify poor client service performance by locally engaged staff at overseas offices and by Service Delivery Partners, with the aim of strengthening the performance management and training for underperforming overseas staff and Service Delivery Partners.**

Conclusion

- 3.178 The Committee welcomes the candour with which DFAT responded to the comments and criticisms of the Lowy Institute, and in providing information about how it would expand Australia's diplomatic network should it be provided with increased funding.
- 3.179 The Committee notes that both Austrade and AusAID have undergone recent independent reviews, but it is some time since DFAT was reviewed.¹⁷⁷
- 3.180 AusAID told the Committee that its external review was 'very important' because it injected new ideas, allowed community engagement with the AusAID program, corrected inaccurate perceptions of AusAID's work, and provided a clear 'strategic policy direction'.¹⁷⁸
- 3.181 Recent increases to Australia's aid budget and consequent increase in AusAID staff are likely to increase demands on DFAT's infrastructure and accommodation resources. The Committee notes that several posts which Parliamentary delegations have visited are severely constrained in the provision of infrastructure and accommodation.
- 3.182 The Committee considers that an external review would provide a timely evaluation of DFAT's effectiveness and provide it with a strategic direction to meet Australia's needs into the future. It could also evaluate DFAT's capacity to meet the needs of agencies that use its resources.

177 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 9.

178 Mr Peter Baxter, *Transcript 17 February 2012*, p. 37.

- 3.183 In Chapter Two, the concept of the ‘badge of Government’ through Austrade and DFAT support and advocacy was raised as providing value to Australian companies operating overseas. On rare occasions businesses operating abroad conduct themselves in such a way that reveal them to be behaving with a lack of integrity and probity. Such activities risk tainting any badge of Government association. It is therefore important that DFAT have in place strategies and procedures to ensure the integrity and probity of Australian businesses with which it becomes associated.

Recommendation 14

- 3.184 **The Committee recommends that there be an external review of the Department of Foreign Affairs and Trade. The terms of reference for the review should include, but not be limited to:**
- **ensuring the Department is able to effectively carry out the Government’s priorities as identified in its White Paper;**
 - **strategies and procedures to ensure the integrity and probity of Australian businesses with which the Department’s overseas operations become associated;**
 - **ensuring effective resource allocation of current and any additional funding;**
 - **the efficiency and effectiveness of multiple country accreditation and representation;**
 - **back to back postings of A-based staff;**
 - **the capacity of posts to provide infrastructure and accommodation to meet the needs of increases in AusAID staff and staff other agencies;**
 - **examining the use of locally engaged staff; and**
 - **ensuring that the Department has the capacity to attract and retain high quality staff.**