



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

ESTIMATES

(Additional Estimates)

THURSDAY, 17 FEBRUARY 2005

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE**FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE****Thursday, 17 February 2005**

Members: Senator Sandy Macdonald (*Chair*), Senator Hutchins (*Deputy Chair*), Senators Ferguson, Mackay, Payne and Ridgeway

Senators in attendance: Senators Bartlett, Conroy, Chris Evans, Faulkner, Ferguson, Hogg, Sandy Macdonald, Payne and Tchen

Committee met at 9.06 a.m.

FOREIGN AFFAIRS AND TRADE PORTFOLIO**In Attendance**

Senator Hill, Minister for Defence

Department of Foreign Affairs and Trade**Portfolio overview**

Mr Doug Chester, Deputy Secretary

Mr Allan McKinnon, First Assistant Secretary Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer, Assistant Secretary Finance Management Branch

Output 1.1: Protection and advocacy of Australia's international interests through the provision of policy advice to ministers and overseas diplomatic activity**1.1.1: North Asia (including Australia-China Council, Australia-Korea Foundation)**

Ms Lydia Morton, First Assistant Secretary North Asia Division

1.1.2: South and South-East Asia (including Australia-India Council, Australia-Indonesia Institute)

Mr Paul Grigson, First Assistant Secretary South and South-East Asia Division

1.1.3: Americas and Europe

Mr David Ritchie, First Assistant Secretary Americas and Europe Division

Mr Richard Maude, Assistant Secretary Americas Branch

1.1.4: South Pacific, Africa and the Middle East

Mr Ric Wells, First Assistant Secretary South Pacific, Africa and Middle East Division

Mr Bassim Blazey, Head Iraq Task Force

1.1.5: Bilateral, regional and multi-lateral trade negotiations

Mr Bruce Gosper, First Assistant Secretary, Office of Trade Negotiations

Ms Virginia Greville, Assistant Secretary, Trade Commitments Branch

Mr Christopher Langman, Special Negotiator, Agriculture

1.1.6: Trade development/policy coordination and APEC

Mr Stephen Deady, First Assistant Secretary Trade Development Division

Mr Nic Brown, Assistant Secretary Trade and Economic Analysis Branch

1.1.7: International organisations, legal and environment

Ms Caroline Millar, First Assistant Secretary International Organisations and Legal Division and Ambassador for People Smuggling Issues

Mr Chris Moraitis, Senior Legal Adviser

Ms Jan Adams, Ambassador for the Environment

1.1.8: Security, nuclear disarmament and non-proliferation

Mr John Carlson, Director-General Australian Safeguards and Non-Proliferation Office

Mr David Stuart, International Security Division

Output 1.2: Secure government communications and security of overseas missions

Ms Penny Williams, First Assistant Secretary Diplomatic Security, Information Management and Services Division

Output 1.3: International services to other agencies in Australia and overseas (including parliament, state representatives, business and other organisations)

1.3.1: Parliament in Australia

Mr Rod Smith, First Assistant Secretary Public Diplomacy, Consular and Passports Division

1.3.2: Services to attached agencies

1.3.3: Services to business

1.3.4: Services to state governments and other agencies overseas and in Australia

Mr Stephen Deady, First Assistant Secretary Trade Development Division

Ms Brontë Moules, Assistant Secretary Executive, Planning and Evaluation Branch

Mr Andrew Todd, Executive Director Aichi Expo Unit

Output 1.4: Services to diplomatic and consular representatives in Australia

1.4.1: Services to the diplomatic and consular corps

1.4.2: Provision of protection advice through liaison with the Protective Security Coordination Centre

Ms Louise Hand, Chief of Protocol, Assistant Secretary Protocol Branch

Output 2.1: Consular and passport services

2.1.1: Consular services

2.1.2: Passport services

Mr Rod Smith, First Assistant Secretary Public Diplomacy, Consular and Passports Division

Mr Robert Nash, Assistant Secretary Passports Branch

Output 3.1: Public information services and public diplomacy

3.1.1: Public information and media services on Australia's foreign and trade policy

3.1.2: Projecting a positive image of Australia internationally

3.1.3: Freedom of information and archival research and clearance

Mr Rod Smith, First Assistant Secretary Public Diplomacy, Consular and Passports Division

Mr Nicholas Coppel, Executive Director Economic Analytical Unit

Output 4.1: Property management

Mr Peter Davin, Executive Director Overseas Property Office

Output 4.2: Contract management

Mr Peter Davin, Executive Director Overseas Property Office

Enabling services

Mr Allan McKinnon, First Assistant Secretary Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer, Assistant Secretary Finance Management Branch

Ms Brontë Moules, Assistant Secretary Executive, Planning and Evaluation 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

1.1: Policy

1.2: Program management

Administered items—Australia's development cooperation program

Mr Charles Tapp, Deputy Director-General, Papua New Guinea, Pacific and Partnerships

Mr Murray Proctor, Acting Deputy Director-General, Asia and Corporate Resources

Mr Alan March, Assistant Director-General, East Timor, Humanitarian and Regional Programs

Ms Jacqui De Lacy, Assistant Director-General, Papua New Guinea Branch

Mr Mark Fleeton, Assistant Director-General, Office of Review and Evaluation

Mr Peter Versegi, Assistant Director-General, Policy and Multilateral Branch

Mr Peter Callan, Acting Assistant Director-General, East Asia Branch

Mr Derek Rookan-Smith, Assistant Director-General, Australian Partners Branch

Australian Trade Commission (Austrade)

Portfolio overview

Outcome 1: Australians succeeding in international business with widespread community support

1.1: Awareness raising

1.2: Government advice and coordination

1.3: Services and opportunities

1.4: Austrade administered: EMDGs for small to medium sized businesses and ITES loans and advances

Outcome 2: Australians informed about and provided access to consular, passport and immigration services in specific locations overseas

2.1: Consular, passport and immigration services

Mr Leith Doody, Corporate Services Director

Mr Greg Field, Chief Finance and Information Officer

Ms Margaret Ward, General Manager, Export Finance Assistance Programs

Mr Michael Vickers, Manager, Exporter Initiatives

Mr Tim Harcourt, Senior Economist

Mr Peter Gunning, Group Manager Business Support, Corporate Finance

Ms Hazel Bennett, Project Manager, Analysis and Planning

CHAIR—I welcome the Minister for Defence, Senator Robert Hill, Mr Doug Chester, the deputy secretary, Mr Allan McKinnon, and officers of the Department of Foreign Affairs and Trade. The committee has before it the particulars of proposed additional expenditure for the year ending 30 June 2005 and the portfolio additional statements for the Foreign Affairs and Trade portfolio. Today the committee will examine the Department of Foreign Affairs and Trade, beginning with the portfolio overview, followed by non-trade outputs and enabling services.

When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions and the questions will be forwarded to the

department for an answer. The committee has resolved that Thursday, 31 March 2005 is the return date for answers to questions on notice at these hearings. With regard to questions on notice, the committee notes that it has received 11 answers to questions submitted to the department and agencies on 2 December last year. Answers were due on 31 January. The prompt return of answers assists the committee to complete its scrutiny of the current year's expenditure. Departments and agencies are encouraged to return the answers as soon as possible.

Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind witnesses that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. An officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy. However, they may be asked to explain government policy, describe how it differs from alternative policies and provide information on the process by which a particular policy was selected. An officer shall be given reasonable opportunity to refer questions asked of that officer to a superior officer or to a minister. Minister, do you or Mr Chester wish to make an opening statement?

Senator Hill—No.

CHAIR—We will begin with the portfolio overview. Senator Evans indicated that he will start with Iraq.

Senator CHRIS EVANS—During general questioning, perhaps we could start with some of the broader issues about Iraq. It seems to be a logical starting point given the priority and the Australian involvement. Can someone give us an update on the security assessment of Iraq—an analysis of the post-election security environment and what we think that means for Australians situated in Iraq and what we think it means for the longer term future of Iraq.

Mr Chester—I will ask Mr Bassim Blazey, the Head of our Iraq Task Force, to answer these questions.

Mr Blazey—You asked about the general security situation in Iraq. It remains extremely unsafe at the moment. As you know, there is an ongoing insurgency. The level of risk goes up and down, obviously. It is a dynamic situation. During the election period itself, there was a small lull in the level of attacks. That was largely due to measures which had been—excuse me; I am just catching my breath as I am a bit nervous—

Senator CHRIS EVANS—It is all right. You could not be in safer hands than with us. Public servants will tell you they will not get kinder treatment than from Senator Faulkner and me.

CHAIR—You are amongst friends, Mr Blazey.

Mr Blazey—Thank you.

Senator CHRIS EVANS—If we are going to attack someone it will be Senator Hill.

Mr Blazey—That had been largely due to measures which the Iraqi security forces had put in place—such things as curfews, restrictions on movement of vehicles—to avoid the risk of mass casualty attacks. They were largely successful. The fact that around 60 per cent of Iraqis turned out to vote I think was testimony to the effectiveness of their security measures. It is

our assessment that the success of the security measures during the election period does not mean that the insurgency itself has stopped or is likely to change significantly. There will continue to be attacks on Iraqi security forces, on Iraqi civilians, and on coalition military and civilian presence. Consequently, there will remain a need for extremely robust and carefully managed force protection both for the ADF and for Australian civilian personnel. Our travel advice remains extremely cautious. We tell Australians to not travel to Iraq, to leave Iraq and, if they are there, to be conscious of the security environment.

Senator CHRIS EVANS—Thanks for that. There are just a couple of things I want to pick up from that. Forgive my ignorance—I have not had a lot of involvement in the foreign affairs area previously—but this has troubled me for some time. It takes us back to the sort of semantic argument we had yesterday about what is an interrogation and what is an interview. What is an insurgency? The word is used all the time as the ‘insurgency’. What do we mean by that?

Mr Blazey—There are a number of terms used, obviously. There are ‘anti-Iraqi forces’, ‘anticoalition forces’ and ‘insurgency’. I guess you could tackle it in a couple of ways. One is to look at the motivations of the groups involved in the attacks. Broadly speaking, they can be classified as Islamist and religiously motivated groups, such as al-Zarqawi. There are other groups which are former regime elements, former Baathists and so on. To my mind, the key element to this is that these groups are not legally constituted military or militia. They are involved in attacks on civilians, established government forces or multinational forces which are authorised to be in the country under UN resolutions.

Senator CHRIS EVANS—So I should not take it to mean that they are necessarily non-Iraqis.

Mr Blazey—There is a mix of Iraqis and non-Iraqis.

Senator CHRIS EVANS—That is the bit I am never quite clear on. Insurgency implies for me that these were all foreigners and Islamists who have come into the country to destabilise. But, essentially, it is a mixture of those and former Baathists and other local Iraqis who are resisting the new order. Is that fair?

Mr Blazey—As I said, there is a combination of foreign elements and local elements.

Senator CHRIS EVANS—You mentioned how unsafe it is—and that is obvious from the news each night—and that you expect the attacks to continue. What is the formal assessment about whether they are going to get on top of that? This has been going on for quite a long period now. As you say, there was a bit of a lull around the election when more extreme measures and heightened security were put in place to allow people to vote. That is understandable. It is almost as if you are saying that we are back to normal now and we are going to have this ongoing very unsafe security situation. What is the longer term analysis about whether they are winning the battle for providing safer conditions inside Iraq?

Mr Blazey—There are people more expert than me. ONA and DIO, for example, would be better placed to answer this. There are a couple of factors which influence the trajectory of the issue you are talking about. The most important one is the speed with which Iraqi security forces can be trained, equipped and become effective to address the threat posed by the insurgency and by terrorists. The other is the political process and the extent to which groups

which are currently marginalised or alienated from the process can be brought into a political process to give up the pursuit of their aims by violent means.

Senator CHRIS EVANS—I understand the second, certainly. That is obviously advanced by the conduct of the election. While there are some issues about the turnout, I think they had a better turnout than the US had in its presidential elections. That is obviously a step forward. In terms of the training and equipment of local Iraqi security forces, we have obviously put some effort into that. There have been Australian trainers and it has been part of our commitment to Iraq. What do we do to monitor the success of that training and that investment? Many of those people who have been trained seem to have been the target of many of the attacks. Correct me if I am wrong, but the focus often seems to be on police recruits, policemen and the military, obviously to undermine the Iraqi commitment to those roles. What have we done to monitor the success or otherwise of that training. Do we just do it in terms of numbers trained? There have also been reports of desertions and ineffective behaviour of those troops. What analysis do we have of the success, if you like, of the training of Iraqi police and security forces?

Mr Blazey—It is certainly true that the insurgency is targeting the Iraqi security forces as a key pillar of the Iraqi state and that is part of their destabilisation strategy. In terms of monitoring, that is not something we in DFAT would do. I am not aware of activities by the multinational force in making those assessments. The point you made about the patchiness of the performance of the Iraqi security forces is certainly true. Different units have performed at different levels of effectiveness. Some of the more paramilitary type police units have, I am told, been more effective. It changes with the psychology of the military itself. For example, a success such as the elections would constitute an important psychological boost and improve their effectiveness.

Senator CHRIS EVANS—What have we done to monitor the effectiveness of the units we have trained?

Mr Blazey—I am not aware of the answer to that. It is a Defence issue.

Senator CHRIS EVANS—So you have no information on any monitoring. We have made a number of different efforts. You are not aware of any analysis of the effectiveness of that investment in training in police, military and other areas?

Mr Blazey—I am not aware.

Senator CHRIS EVANS—What about more generally? Is there an assessment of the effectiveness of locally trained Iraqi military now? Obviously we are not the only ones investing in that training and it is done by the coalition forces, but what do we know about the effectiveness of Iraqi police, security and military forces?

Mr Blazey—As I said, the effectiveness does vary between units and across time. I am not aware of any specific review of effectiveness but there may well be such reviews done by the multinational force and others.

Senator CHRIS EVANS—Perhaps you could take that on notice for me. If you cannot find anything, that is fine, but it seems to me that part of the debate in Australia is what

ongoing contribution we made to Iraq. Some analysis of the success or otherwise of the previous contributions is a useful starting point.

Mr Blazey—We can certainly look into that.

Senator CHRIS EVANS—Can you provide me with a bit more specific information on the security assessment of the safety of Australians deployed inside Iraq?

Mr Blazey—The threat assessment is high and has been high for a very long time.

Senator CHRIS EVANS—Obviously there have been some changes in the status of where we are housing Australians and this question about the embassy. Do you want to take me through where the Australians are now located and what the security arrangements are—what the changes are? I understand we are looking to build a new embassy. For instance, what have you got in the way of Foreign Affairs, Defence and Trade personnel inside Iraq now?

Mr Blazey—We have an establishment of nine. Let me find the right section. Of those nine positions eight are currently filled. There is obviously a turnover of staff. Also people take leave, travel and so on. My understanding is that there are currently five embassy officials in the country, but that obviously changes on a week-to-week basis.

Senator CHRIS EVANS—Of the five in country—I do not want their names—can you tell me their functions?

Mr Blazey—We have an ambassador, a consul general, two first secretaries and a third secretary.

Senator CHRIS EVANS—Last time I inquired about this in another capacity there were Trade type people there doing wheat negotiations or reconstruction project stuff. Have you got any of that sort of commercial presence?

Mr Blazey—Yes, there is a commercial counsellor who covers the Iraq market but is currently based in Dubai.

Senator CHRIS EVANS—The commercial counsellor is actually in Dubai now.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Who else is in Dubai?

Mr Blazey—Only him.

Senator CHRIS EVANS—Is it fair to say you are down to the core embassy staff located inside Iraq?

Mr Blazey—I think that would be fair to say, yes.

Senator CHRIS EVANS—Last time I remember discussing this with someone there seemed to be quite a trade focus and rebuilding focus, but that sounds like it is pretty well core embassy function staff now. So there are five in country. Where are they currently located? Obviously you will answer within the limits of security. I just want the general description, not the address.

Mr Blazey—At Camp Victory, which is close to the airport, and also in the international zone.

Senator CHRIS EVANS—When were they moved to Camp Victory?

Mr Blazey—They moved after 19 January. You might recall there was a truck bomb attack at the chancery site.

Senator CHRIS EVANS—So they moved immediately following the truck bomb attack.

Mr Blazey—Not immediately. It was the next day.

Senator CHRIS EVANS—The truck bomb attack was on 19th, and they moved on the 20th—is that right?

Mr Blazey—I understand it was the 20th. It might have been the 21st. It was within a 48-hour period.

Senator CHRIS EVANS—Perhaps if that is wrong you might like to correct that later. So on the 19th the truck bomb went off and you think they moved on the 21st. They moved into Camp Victory. I presume they are in temporary arrangements inside Camp Victory, are they?

Mr Blazey—That is correct.

Senator CHRIS EVANS—How long do you expect them to be there?

Mr Blazey—Until such time as suitable accommodation and office space is secured within the international zone.

Senator CHRIS EVANS—That is the green zone?

Mr Blazey—That is correct.

Senator CHRIS EVANS—This is contingent on building this new embassy, is it?

Mr Blazey—There are two parts to that. The embassy is the end point, but we are also looking at a bridging solution whereby we might have our staff move before the completion of the embassy.

Senator CHRIS EVANS—I see: you might move them into some temporary accommodation inside the green zone before the embassy is completed.

Mr Blazey—That is correct.

Senator CHRIS EVANS—When do you hope to have the embassy completed?

Mr Blazey—I might ask colleagues who are working on the embassy project, if they want, but it will be in the second half of this year.

Senator CHRIS EVANS—I suspect keeping to a construction schedule inside Iraq might be even worse than in Australia.

Mr Blazey—It is certainly not a normal building project. They are working in a very difficult security environment. Getting workers into the site is complicated. Getting materials into the site is complicated. Often, because of curfews and so on, workers can only do a very abbreviated work day. There is also a requirement to move large quantities of specific security related equipment for the building, which comes to over 100 tonnes of such material. So it is a complex project.

Senator CHRIS EVANS—Mr Davin, can you give us any more detail about when we expect the embassy to be finished construction and ready for occupancy? I will not hold you to an exact date.

Mr Davin—We expect the main construction phase to be completed by the end of May and then we expect to relocate into that site in early July, on current planning.

Senator CHRIS EVANS—What size is the new embassy?

Mr Davin—It is around 1,200 square metres.

Senator CHRIS EVANS—So it has obviously been designed for a much larger staff than we currently have.

Mr Davin—Yes. It is an existing building. We are not actually building it from the ground up. We are refurbishing an existing building.

Senator CHRIS EVANS—With a view to sole occupancy?

Mr Davin—Yes.

Senator CHRIS EVANS—What is the capacity, personnel wise, for that sized building? Are you designing it for a projected staff complement?

Mr Davin—Yes, it has been designed on the basis of space briefs provided by the agencies that intend to take up residence there when that is appropriate.

Senator CHRIS EVANS—So what sort of personnel are we talking about?

Mr Davin—In round terms, about a dozen Australian based staff and a number of locally engaged staff who would also work from that site.

Senator CHRIS EVANS—That would obviously depend in part on the security situation before some of those staff go.

Mr Davin—Yes, it will depend on the security situation and the local environment whether the staff can go about doing the tasks they would be sent there to do.

Senator CHRIS EVANS—Are you in charge of trying to find temporary accommodation in the meantime as well, Mr Davin?

Mr Davin—Not directly. I am aware of the efforts being made to find some interim accommodation, but it is not a construction or a project in that line.

Senator CHRIS EVANS—It was more a question of whether I should direct my question about that to you or to Mr Blazey, really.

Mr Davin—It is probably more appropriate to Mr Blazey at this point, I think, with regard to the interim accommodation.

Senator CHRIS EVANS—That is called a handball, Mr Blazey.

Mr Davin—If I can help, I am certainly pleased to.

Senator CHRIS EVANS—He says he retreats to the backbench. Mr Blazey, what can you tell us about the temporary accommodation plans?

Mr Blazey—That is obviously a priority for us. Between the 11th and 14th of this month we had a senior team visit Baghdad for the express purpose of looking into this question. They have just returned yesterday and they have recommendations with them.

Senator CHRIS EVANS—You essentially sent a team in to look at suitable site options.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Will they be putting a recommendation up to the minister shortly?

Mr Blazey—They have recommendations which we will be working through, yes.

Senator CHRIS EVANS—Obviously if you are hoping to move in in July, and given you have temporary accommodation, you would be hoping to do that fairly shortly, I assume.

Mr Blazey—That is correct; as soon as we can.

Senator CHRIS EVANS—What is the disadvantage of being out at Camp Victory compared with being in the green zone?

Mr Blazey—I suppose the major disadvantage is that you are quite remote from the Iraqi interim government, and the ability of the embassy to work is constrained, although there is a trade-off involved in that Camp Victory is, we would say, a lot of safer than other locations within the city.

Senator CHRIS EVANS—This means, I presume, that our officials are having to do increased travelling from Camp Victory to the green zone and other sites inside the green zone—to other embassies and other Iraqi buildings. Is that a concern? I know the transport is highly dangerous. I think the minister experienced that recently. Is the main problem the fact that moving around is so difficult? At Camp Victory there is the risk factor of getting them to where they need to be for appointments and doing their work.

Mr Blazey—There is not necessarily more travel. We restrict travel to essential purposes only and any specific trip is assessed for the risk and we decide on the best mode of undertaking that trip.

Senator CHRIS EVANS—How often are they required to leave Camp Victory?

Mr Blazey—It varies. Obviously, they have only been there for a few weeks now. As I said, we also vary the transport arrangements. Where possible we use helicopters.

Senator CHRIS EVANS—As an alternative to road transport.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Whose helicopters do you use?

Mr Blazey—My understanding is that they are coalition helicopters.

Senator CHRIS EVANS—We do not have any helicopters in Iraq at the moment, do we, Senator?

Senator Hill—No.

Senator CHRIS EVANS—If you are going to call on a helicopter, I suspect they do not move unless absolutely necessary.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Is most of the travelling that they want to do to other sites inside the green zone, largely? Is that a fair characterisation or not?

Mr Blazey—The majority of travel would be to the international zone, yes.

Senator CHRIS EVANS—Is movement around the green zone far more secure than movement between the green zone and other sites?

Mr Blazey—Yes. Although, I should say, even within the green zone it is not necessarily safe and risk mitigation measures have to be put in place, including the type of vehicle one might use and personal protective equipment.

Senator CHRIS EVANS—When did we take the decision to build the new embassy?

Mr Blazey—It was in May 2003.

Senator CHRIS EVANS—Can you tell me how that works. I assume there are not a lot of land sales going on inside the green zone. I suspect these are rather unusual circumstances. It is an existing building. Did we just buy it off somebody?

Mr Davin—In the early days of the overthrow of the former regime in Baghdad we asked the ADF to look out for a likely building where it would be appropriate to establish a new embassy. They were very quickly successful in identifying a former regime building which was appropriate in size and location.

Senator CHRIS EVANS—So they saw a ‘for sale’ sign out the front as they drove past?

Mr Davin—No, it was not a situation of a normal property environment.

Senator CHRIS EVANS—I can imagine.

Mr Davin—It was something that was identified as suitable, and in consultation with the provisional authority we obtained title or possession of the building. That was confirmed when the interim government came in. So from the outset, from May 2003, we identified a building. We worked through a process of surveying as there was some war damage to the building that had to be repaired and we worked through a process of finding out what our requirements were—doing space briefs and technical surveys of the building—to the point that we were able to commence the refurbishment work.

Senator CHRIS EVANS—When you say you obtained the title—

Mr Davin—We obtained permission to occupy the building as an embassy.

Senator CHRIS EVANS—So we did not actually purchase the building?

Mr Davin—No, it has not been purchased. It is on a lease basis—or it will be when appropriate authorities are in place to put that into a normal environment.

Senator CHRIS EVANS—I appreciate the difficulty. So you have a lease arrangement for the building, but do you know who you are leasing it from?

Mr Davin—We have an agreement with the interim government for us to occupy the building. Terms and lease arrangements will be established when there is an appropriate authority to negotiate with. We are making provision for that in the department.

Senator CHRIS EVANS—So basically you have an in-principle agreement and you are going to have to negotiate a lease with the appropriate authority when you know who that authority is.

Mr Davin—That is correct.

Senator CHRIS EVANS—Have you employed a local building contractor?

Mr Davin—That is correct. We have an Australian based project manager and we are using local contractors, surveyors and architects—we are using the local work force.

Senator CHRIS EVANS—Where is the Australian project manager located?

Mr Davin—He is located on site, in the international zone.

Senator CHRIS EVANS—Are we responsible for his security?

Mr Davin—We are. There is a small detachment from the ADF also providing security at that site.

Senator CHRIS EVANS—Are there any other Australian personnel involved in the construction of the embassy?

Mr Davin—There are a number of Australians involved, but he is the only on-site representatives of my office. There are occasional visits from others to assist in the planning and development, but he is the only on-site Australian.

Senator CHRIS EVANS—Where are these other Australians located?

Mr Davin—They are Canberra based.

Senator CHRIS EVANS—They make an occasional visit, if required. I presume they are kept to a minimum.

Mr Davin—That is correct.

Senator CHRIS EVANS—They are not volunteering to go more often, I suspect. Just so I am clear, Mr Blazey, when did we take the decision to build the embassy?

Mr Blazey—The decision to work in the international zone was taken in May 2003.

Senator CHRIS EVANS—That was when you then set about trying to find suitable premises?

Mr Blazey—That is my understanding, yes.

Senator CHRIS EVANS—Why had we not moved into the zone before then?

Mr Blazey—The decision was taken in principle to move into the zone while the chancery project was being progressed. With the assistance of ADF we found other suitable accommodation on the Karrada peninsula. ADF indicated that security at that site was adequate at that time and, as a temporary arrangement, we moved in there.

Senator CHRIS EVANS—That was because you could not find suitable accommodation at the time inside the green zone?

Mr Blazey—That is my understanding.

Senator CHRIS EVANS—So the ADF did a security assessment of this other site—how did you refer to it?

Mr Blazey—It is the Karrada peninsula. That is the district where the chancery is.

Senator CHRIS EVANS—Did that ADF assessment of security at Karrada peninsula change?

Mr Blazey—No, not that I am aware of.

Senator CHRIS EVANS—So from the time you moved in there the security assessment was still that the site was as safe as the green zone or acceptably safe in the Iraqi context?

Mr Blazey—That is correct. That said, security is dynamic; it was not a static security situation. Obviously between May 2003 and now the situation has moved.

Senator CHRIS EVANS—Sure. Obviously there were a number of car bomb attacks and other things that would have affected that.

Mr Blazey—That is correct.

Senator CHRIS EVANS—When was the security situation assessed to be unacceptable at Karrada peninsula?

Senator Hill—‘To be unacceptable’ I do not think is the right way of putting it.

Senator CHRIS EVANS—I am happy for the officer or you to use your own words.

Mr Blazey—The assessment of security I think is not simply related to the site but to the site and location plus the risk mitigation measures that can be put around that site. That has been managed on a day by day, week by week, trip by trip basis. We look at the site, we look at the risk mitigation which can be put around that particular site, and the combination of all those risk mitigation factors plus the location gives us a composite picture of risk.

Senator CHRIS EVANS—Did that assessment, for instance, change in the lead-up to the election? You said yourself the situation was very dangerous and there were extra security measures put in place. Did you reassess?

Mr Blazey—Yes, we did. We reassess risk and risk mitigation, as I said, if necessary daily and we put in place mitigation measures. Those include a whole variety of steps, including travel restrictions; adjustments to mode of travel or the number of staff who might be at a particular location, whether we move staff from a location or some subset of staff from a location; and obviously then putting static protection elements in place, including blast protection and so on. I am trying to convey the picture that it is a dynamic assessment rather than just an assessment of a site.

Senator CHRIS EVANS—I appreciate that. You say your establishment is actually nine with eight filled but there are five in country at the moment, and you mentioned that the commercial counsellor is now in Dubai. Have some of them been moved out of country for security reasons?

Mr Blazey—He has, and during various periods we have sought to maintain a smaller staff profile to reduce risk. Obviously the number of people is very closely associated with the level of risk we take.

Senator CHRIS EVANS—So is the commercial counsellor one of the nine establishment?

Mr Blazey—That is correct.

Senator CHRIS EVANS—Which other positions have you moved out of country?

Mr Blazey—That is the only one, although individuals may be placed outside of the country for short periods as necessary. Even in fact the counsellor's position is a temporary arrangement and can be reviewed at any time.

Senator CHRIS EVANS—There are two other staff unaccounted for. Is that because they are on holidays or in Dubai or Jordan or something?

Mr Blazey—One is on holiday and one is outside of the country.

Senator CHRIS EVANS—Is that security driven?

Mr Blazey—No, the person is on holiday—

Senator CHRIS EVANS—I was referring to the people outside of the country not on holiday.

Mr Blazey—My understanding is that he was undertaking a bag run and we advised him just to stay, I believe it is in Kuwait, until accommodation and other issues can be settled.

Senator CHRIS EVANS—A bag run?

Senator FAULKNER—Sounds like the Queensland Liberal Party!

Senator CHRIS EVANS—I do not think I will explore that. I will leave that well alone. So, as a result of that, we have five in-country at the moment. Are there any plans to increase the establishment in the short term?

Mr Blazey—No.

Senator CHRIS EVANS—But you would obviously move others out if you thought the risks warranted it?

Mr Blazey—That is right.

Senator CHRIS EVANS—A number of other countries have actually decided to locate their embassy staff in neighbouring countries. Have we considered that?

Mr Blazey—We do not think it is necessary at this point. There is important value in having a presence on the ground, in the country; but it needs, obviously, to be adequately protected.

Senator FAULKNER—What about the cost of this new facility? What was the original budget in May 2003?

Mr Davin—This project started out as a fairly modest and standard embassy building refurbishment. The cost estimate at that time was about \$3 million, with an extra \$½ million for the standard security features we have placed in the building.

Senator FAULKNER—So the original budget was \$3.5 million?

Mr Davin—That is correct.

Senator FAULKNER—What are we looking at now—the same?

Mr Davin—No. The latest estimate we have is that it will cost about \$13 million to undertake this project.

Senator FAULKNER—That looks like a massive cost blow-out to me, from \$3.5 million to \$13 million.

Mr Davin—It is not so much a cost blow-out as a re-evaluation of the level of security required on that site. The cost of the actual refurbishment works, unrelated to security, remains at less than \$4 million. The balance of the funds are related to quite extensive physical security barriers and enhancements being undertaken on that site.

Senator FAULKNER—Are there any cost blow-outs involved in this? How do we get from \$3.5 million to \$13 million in a period of under two years?

Mr Davin—As I said, there have been re-evaluations of the level of security required for that site—to reflect the local environment—which have escalated the amount of work that has to be done and increased the cost.

Senator FAULKNER—As for the current assessment of an unstable security situation, do you see that remaining for a considerable amount of time?

Mr Davin—I do not make any judgment about the long-term security situation, but certainly the embassy is being constructed, and protective features are being incorporated into that building which will provide adequate security for the staff in the current circumstances and of course into the future.

Senator HOGG—Is the embassy itself both a residence and a working office?

Mr Davin—No, the embassy has been designed purely as an office, although I have to say we are currently looking at some options to include some residential facilities within that building.

Senator HOGG—What about the one that you are in currently? Does that have both functions?

Mr Davin—The staff are currently at Camp Victory; I do not have any knowledge of that environment. The embassy we were occupying prior to the movement in January was purely an office—

Senator HOGG—It was purely an office?

Mr Davin—Purely an office, with accommodation in a hotel nearby.

Senator HOGG—So the costs associated with securing the office are by virtue of the fact that it has nothing to do with a residence; it is purely and simply an operating office as such?

Mr Davin—That is correct.

Senator HOGG—And that would add to the increased cost that you have flagged here today, from \$3.5 million to \$13 million?

Mr Davin—That is correct. The increase in cost has been driven purely by enhanced security requirements that have evolved over the period between when we first commenced the project and where we are now.

Senator HOGG—Is there an increased risk factor for the people travelling from the current residence to the new site?

Mr Davin—The project manager resides on the site, so he is not undertaking any travel. He is located within the international zone. All of the other workers involved—and you have anything up to 65 people on site each day—are local Iraqis who commute to and from the site.

Senator HOGG—What about the A-based staff when they finally move into the site? Will that pose a greater travel risk for them to get to the new site?

Mr Davin—They will be resident in the international zone when they move into that building.

Senator FAULKNER—Can you break down for us the additional \$9.5 million? Not in great detail, just in the broad areas where this is being expended?

Mr Davin—In the broadest terms I would say that this expenditure is related to very secure perimeter boundary fencing. This is a ram-proof, very substantial cement construction with very deep foundations. There are substantial guard houses. There are vehicle traps incorporated into that design. The perimeter walls of that building have been hardened. All of the glass will be high-quality polycarbonate. The roof of the building has been reinforced. I do not want to go into much more detail than that. The scale of the work there is substantial. The technical difficulties of design and the challenges of undertaking that work have been substantial.

Senator FAULKNER—What I was trying to understand are the actual works themselves, which you have outlined. That is obviously included in the \$9.5 million. Additional design in the \$9.5 million?

Mr Davin—That is correct.

Senator FAULKNER—That is the sort of breakdown I was after. Are you able to give us a breakdown there? For example, what are design costs? What are the physical works at the site itself? Have you got those sorts of figures available? That is what I was requesting.

Mr Davin—Not in the detail you are asking for. A substantial amount of the cost is freighting a lot of this material into the site. There are quite a lot of specialised security features involved that are being brought in—many, many tonnes.

Senator FAULKNER—Are the main elements of it the freighting, obviously the additional expenditure on the measures themselves, and design?

Mr Davin—Yes. Design is certainly a substantial part. The freighting would be anything up to one-third of the cost and the actual construction is the balance.

Senator CHRIS EVANS—Mr Blazey, can I follow up on the security arrangements now that we have a good sense of who is where et cetera. That is the extent of DFAT staff, the nine establishment, is it? Apart from defence personnel, the DFAT establishment that you referred to and the project manager, are there any other Australian personnel inside Iraq?

Mr Blazey—Yes, there are AusAID contractors. There is currently one in the country. Obviously on the defence side there is a whole group of people, including defence civilian advisors and so on.

Senator CHRIS EVANS—Does DFAT take responsibility for the AusAID contractor?

Mr Blazey—We work very closely with AusAID on that but the primary contract for his security, which is with a private security firm, is managed by AusAID.

Senator CHRIS EVANS—So he has a private security firm providing his security?

Mr Blazey—That is correct.

Senator CHRIS EVANS—A local firm, or an Australian firm?

Mr Blazey—I believe it is an international firm with an Australian office.

Senator CHRIS EVANS—So the questions about that ought to be directed to AusAID.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Does he work out of your embassy or is he co-located with your staff?

Mr Blazey—No, he is located in the international zone.

Senator CHRIS EVANS—So he works independently of the embassy?

Mr Blazey—That is correct.

Senator CHRIS EVANS—Anybody else?

Mr Blazey—I do not believe so.

Senator CHRIS EVANS—So the rest are all defence personnel under CDF direction?

Mr Blazey—That is correct.

Senator CHRIS EVANS—Can you describe for me the process for your security arrangements in country?

Senator Hill—What do you mean?

Senator CHRIS EVANS—I know the Australian Defence Force provide personnel for your security. I want you to describe how that works. For instance, do they provide you with a security assessment before you take a decision to travel inside Bagdad? I am trying to understand how it works.

Mr Blazey—Our diplomatic presence is very much predicated on the protection provided by the ADF and the security detachment. They provide the perimeter security, they provide security during transportation, and on any individual trip we would rely on SECDET advice on the safety of that particular trip.

Senator CHRIS EVANS—So how does that work in practice? A DFAT officer says, 'I want to travel to the green zone to meet the Iraqi water authorities.' Do they submit a request to travel to the ADF personnel who assess security?

Mr Blazey—That is correct. They will make a whole range of assessments about the time of the travel, any incidents which might have occurred, the overall threat situation at the time, the mode of transport, et cetera and make a decision about whether the trip should go ahead or not.

Senator CHRIS EVANS—Is there then a discussion between Foreign Affairs and ADF personnel about whether it is worth the risks? Is that how it works?

Mr Blazey—We take their advice.

Senator CHRIS EVANS—But obviously some of your needs are more important than others. Is there a discussion about that?

Mr Blazey—Our advice to our personnel is to only undertake essential travel.

Senator CHRIS EVANS—So ADF come back and say to you, ‘Yes, we could probably do that on Tuesday in the morning,’ or, ‘No way, it is not going to happen.’

Mr Blazey—They absolutely can come back to us and say, ‘The threat is too great; the trip should not be undertaken.’ We will take their advice.

Senator CHRIS EVANS—Very wise I am sure. At the moment, are you effectively only travelling out of Camp Victory by helicopter?

Mr Blazey—It varies. Our preference is helicopter but again, predicated on SECDET advice, we can travel by other means.

Senator CHRIS EVANS—So currently there are officers travelling out of Camp Victory by means other than flight by helicopter? And is that by road transport?

Mr Blazey—Yes.

Senator CHRIS EVANS—Can you give us some idea of how often they actually leave Camp Victory?

Mr Blazey—Again, given that they have been there for a short time, I do not think there is a pattern that I can refer to. But there have been very few trips. I can think of two—I will need to check—road trips since they went into Camp Victory.

Senator CHRIS EVANS—What about helicopter trips?

Mr Blazey—I believe there have been two helicopter trips.

Senator CHRIS EVANS—Given that we do not have ADF helicopters, do the ADF personnel arrange for coalition forces to provide the helicopters?

Mr Blazey—That is correct.

Senator FAULKNER—The road between Camp Victory and the green zone, is that the infamous Route Irish?

Mr Blazey—That is correct.

Senator FAULKNER—Which you would have to say is exceptionally dangerous.

Mr Blazey—That is correct.

Senator Hill—There is a plan—I am not sure how far it has advanced—to improve the security through the provision of a dedicated lane for military type vehicles. The danger has predominantly been vehicles having to stop at checkpoints and the like, where the military vehicles have then been intermingling with civilian vehicles.

Senator CHRIS EVANS—An express lane type of thing?

Senator Hill—Yes. I am not sure whether that has progressed, but I know that in particular the Americans were looking at a range of different options to improve the security on Route Irish.

Senator CHRIS EVANS—How many ADF personnel are providing security to the Foreign Affairs staff at Camp Victory currently, Mr Blazey?

Mr Blazey—I do not have that exact figure. That is one for the ADF. I have heard it is around 90.

Senator CHRIS EVANS—That is the whole security detachment, I think, Minister. Ninety is about the totality of the security detachment, isn't it?

Senator Hill—I was going to say 120, but it depends on just how you define it, because they do not only provide security for foreign affairs staff; they provide security for a range of other defence operations—for Defence staff that are working in Baghdad, predominantly. We would still need some of the transport elements there even if the embassy was not operational.

Senator CHRIS EVANS—That is right. You sent the extra detachment from Darwin, didn't you, with some extra—

Senator Hill—Lab vehicles. That was to provide a more secure travelling arrangement for the trainers that were operating in the north and had to travel over road.

Senator CHRIS EVANS—Are they not being used inside Baghdad?

Senator Hill—I am not sure what the current arrangement is in relation to moving the labs about. We have labs that are being used in Baghdad, and labs that are being used for the northern transport.

Senator CHRIS EVANS—I only referred to you, Minister, because I figured you would have the overall picture. Mr Blazey, I was not trying to catch you on that. You think there are about 90 involved. That was the original size of the security detachment, but I think it is now, as the minister says, closer to 120 in total. Is it fair to say that their predominant role is protection of the Foreign Affairs officials?

Senator Hill—The security detachment was established in Baghdad to protect the embassy and embassy staff, so that is true. The SECDET building is located alongside the embassy building.

Senator FAULKNER—I must have missed this, but is the embassy vacant?

Senator Hill—I am sorry?

Senator FAULKNER—Is the building vacant?

Senator Hill—I assume the embassy building is now vacant.

Mr Blazey—Yes, it is.

Senator FAULKNER—So there is no-one at that building at all?

Mr Blazey—That is correct.

Senator CHRIS EVANS—And the security detachment presumably have followed the Foreign Affairs officials to Camp Victory?

Senator Hill—No, they have remained in their reinforced SECDET building.

Senator FAULKNER—But they are protecting no-one, because the building is vacant.

Senator Hill—They are protecting by providing the transport when necessary. They are protecting other Australian personnel and assets, as I said. Let us say, for example, Chief of Army visits; they provide transport and protection for him and his staff.

Senator FAULKNER—How often has the Chief of Army visited?

Senator Hill—There is quite a regular flow of operational leaders.

Senator CHRIS EVANS—Just so I have got this straight, we have the Foreign Affairs diplomats inside Camp Victory, physically there, not moving much—

Senator FAULKNER—Moving twice. I think you said they have moved out of there twice—that is right, isn't it?

Mr Blazey—That is my understanding.

Senator FAULKNER—On two occasions only. And how long have they been in Camp Victory now?

Mr Blazey—Since about 20 January.

Senator FAULKNER—Since 20 January there have only been two movements outside Camp Victory?

Mr Chester—I think it was two by road. There were some by helicopter.

Senator CHRIS EVANS—We have the principal manager of the embassy project—the construction manager or whatever his correct title is—inside the green zone with some ADF personnel providing his security. Is that correct?

Mr Davin—Yes.

Senator CHRIS EVANS—And the main security detachment is still at Karrada peninsula.

Mr Blazey—Yes.

Senator CHRIS EVANS—Are they in the building they occupied next to the old embassy? They are in a separate building which is theirs next to the old embassy.

Mr Blazey—That is correct. It is a highly fortified structure.

Senator CHRIS EVANS—The embassy is now vacant.

Mr Blazey—There are no people there but there is obviously equipment and so on.

Senator FAULKNER—They are protecting equipment in a vacant building.

Senator Hill—They have to be based somewhere there to do their ongoing task. It has been assessed that, for the time being, it is best they remain where they are. As has just been said, it is a highly fortified building. They have all their equipment there. They can carry out whatever requirements there are to provide protection from that building.

Senator FAULKNER—We have just been told that that security detail is protecting what is inside a vacant building. What is inside the vacant building? A minute ago it was vacant.

Senator Hill—Their primary responsibility is to protect Australian government officials.

Senator FAULKNER—There are no officials inside the building.

Senator Hill—Australian government officials are in Baghdad and the SECDET is there to protect them. When the Australian government officials move into the green zone, it is likely that the ADF security detachment will move there as well.

Senator CHRIS EVANS—In the meantime, they are still in the zone in which you thought it was not safe enough for the officials to stay—the Foreign Affairs, Defence and Trade officials. We have left their guards there.

Senator FAULKNER—Who are guarding no-one. There is no-one in the vacant building.

Senator Hill—Their responsibility is to protect Australian officials and Australian assets.

Senator FAULKNER—The reason they were placed there is because the buildings are side-by-side—is that right?

Senator Hill—That is correct.

Senator FAULKNER—They are now in the building which contains no people at all—which is empty and vacant. Is there anything inside the vacant building at all? I took the word ‘vacant’ to mean it was empty—not just empty of people but empty of other material as well. What is inside this building? What has been left in the embassy building that is of significance? It seems an odd thing to do if there are no people inside it. We had better establish that, given that it has been raised by officials.

Mr Blazey—The equipment and what is in the building and its location is very much secondary to where SECDET is. All of that can move. The question is: where is SECDET best located? The advice we have is that CDF has indicated that the best option for SECDET at the moment is to remain where it is.

Senator FAULKNER—My question is: what is inside the vacant embassy building? There are no people there; we know that. I assume there is some furniture and so forth. What of significance has been left behind?

Mr Blazey—The most significant would be the communications equipment and classified materials.

Senator FAULKNER—You are leaving classified material in a vacant building.

Mr Blazey—A protected vacant building.

Senator Hill—The building is very secure.

Senator FAULKNER—This is obviously classified material that is not required by the embassy staff, who did actually have direct access to it. Now they do not even have direct access to the classified material. I mean, come on.

Senator Hill—The primary purpose of the SECDET is obviously to protect personnel. A secondary purpose is to protect other Australians.

Senator CHRIS EVANS—How far is it from Camp Victory to where SECDET is located?

Mr Blazey—I do not have the exact details.

Senator Hill—It would be about 20 kilometres.

Senator FAULKNER—You say the primary purpose is to protect personnel. There are no personnel in the embassy building, are there?

Senator Hill—They have to protect the personnel wherever the personnel are. If the personnel wish to travel to the green zone or somewhere else in Baghdad or Iraq then they will protect them.

Senator FAULKNER—In relation to travelling by road, on two occasions only since January have we had embassy personnel venture outside Camp Victory. That is true too, isn't it? I am just trying to get a picture of this.

Senator Hill—Obviously travel at the moment has been much reduced. One would hope that it will not always be the case because it is obviously difficult for embassy officials to carry out their tasks from Camp Victory.

Senator FAULKNER—However, in the embassy building we have classified material. That is true, too, isn't it? That is what we have been told.

Mr Blazey—Yes.

Senator FAULKNER—And, I assume, furniture, equipment and so forth. The classified material cannot be very important classified material. It might be important but it certainly does not appear to be significant enough to use on a day-to-day basis if it has been sitting there for months without anybody accessing it. Would that be fair?

Mr Blazey—Eventually, of course, the embassy will require—

Senator FAULKNER—Is it archived classified material?

Mr Blazey—They are current files which the embassy would use, and there is communications equipment.

Senator FAULKNER—They cannot be current files that the embassy would use because they are not being used, are they? One assumes the active files went off to Camp Victory, didn't they?

Senator Hill—Providing a location for the embassy staff in Camp Victory was always seen as an interim measure. I am not privy to what materials went with them. Basically, it was a decision to provide an added level of protection for the individuals during a period of time. What otherwise makes up the embassy will ultimately be moving from where it is located at the moment into the green zone. Although details have not been settled, I expect that SECDET will also move into the green zone, as well.

Senator FAULKNER—Let us say the embassy staff wanted to access one of these classified documents. The staff are in Camp Victory, the classified documents—are I a little doubtful about their current relevance—are in the embassy building. What would happen? Would a security detail go next door into the embassy building and then down the 20 kilometres to Camp Victory? Is that how it would work out? Has any of this classified material been used or accessed since January?

Mr Chester—Maybe I can help explain this to you. In a sense it is incidental that the embassy building still has files—

Senator FAULKNER—I am sure it is, Mr Chester. That is the whole point. Of course it is incidental.

Mr Chester—It is convenient for the department to keep the equipment and files there because SECDET has made a decision to stay in the building next door. It is convenient and perhaps safer to leave the material where it is because we know it is secure—safer than seeking to transport it elsewhere or move it to another temporary site pending the completion of the embassy itself. My understanding is that if we did make that decision and move the files and equipment about, SECDET would still remain in the building it is in. It is not the chancery that is driving the SECDET decision; it is a decision by the CDF that that is the most appropriate place for SECDET to be located so it can do the other range of tasks that it has to do.

Senator FAULKNER—I am sure it is incidental, Mr Chester; that is the whole point. The security detail, the fact that it has been suggested that they are taking some responsibility for classified material in an otherwise vacant building, is incidental. Of course it is.

Senator CHRIS EVANS—Isn't the key issue—which is what I am trying to get at—why, if it was necessary to move the embassy officials out of that area for security purposes, we have left SECDET, the security detachment, in the building next door?

Senator Hill—That is really an issue for you to have taken up with the acting CDF yesterday. The military assessment is that the best location for the security detachment at the moment is where they are located. It is a heavily reinforced building, and it is a professional judgment that has been made. An alternative option clearly was that we move the SECDET to Camp Victory as well and then move them again in due course from Camp Victory into the green zone. That has a range of risks attached to it. All of these matters were considered, and the professional judgment was that the best location for that security force at the moment is where it is.

Senator CHRIS EVANS—But we have established that the prime function of SECDET is to provide security to Australian foreign affairs officials inside Iraq and other visiting officials—

Senator Hill—Foreign affairs and other officials working there or visiting in a professional capacity.

Senator CHRIS EVANS—We have established who is permanently there, and that seems to be five foreign affairs officials and the project manager for the embassy, who is actually inside the green zone with a separate ADF security detachment. What we have got now is that SECDET are still located next to the old embassy and they are responsible for the security of foreign affairs officials who are 20 kilometres down the road—down what is probably the most dangerous road in the world at the moment. Does that mean that, for them to provide security for a foreign affairs official to leave Camp Victory, they have got to drive down to Camp Victory, pick up the official, drive to the green zone, drive back to Camp Victory and then get themselves back to SECDET headquarters? Is that the way it works?

Mr Blazey—I do not have the specific answer to that. Obviously it is an ADF operational issue. My understanding is that a part of SECDET is located with the embassy now in Camp Victory and is providing security to them there.

Senator CHRIS EVANS—Do you know what the size of that detachment is?

Mr Blazey—No, I do not.

Senator CHRIS EVANS—Could you take that on notice, Mr Blazey. Is there are shortage of space inside Camp Victory?

Mr Chester—There is also a part of SECDET inside the green zone providing security for the building site and the Australians there. So they are not all located in the SECDET building—

Senator CHRIS EVANS—I think Mr Davin told us that the project manager was there and that he had security personnel attached to him, so obviously that is part of that SECDET detachment.

Senator Hill—And there are other officials working in Baghdad as well.

Mr Chester—The SECDET building is really the headquarters of SECDET. It is convenient that it was next to the existing chancery that we had, and it was convenient that it was only a few hundred metres away from the accommodation that DFAT and other officials stayed at. That worked out well in the environment at that time.

Senator CHRIS EVANS—But of course they are not in that accommodation anymore, are they? They are living at Camp Victory.

Mr Chester—That is right. But SECDET was not next to that accommodation block; it was next to the chancery.

Senator FAULKNER—Because of their role in protecting those staff.

Mr Chester—As one of their roles, that is right.

Senator FAULKNER—A key role in protecting the embassy staff.

Senator Hill—The building was well located, but it was also a very suitable building in the eyes of the ADF—for a range of different reasons we can go into. They were able to reinforce it well, they get tremendous visibility from it—

Senator FAULKNER—How often would the vacant embassy building be accessed? How often would someone go in there?

Mr Blazey—I believe embassy staff have accessed it once since they moved to Camp Victory.

Senator FAULKNER—Once since January?

Mr Blazey—Yes, since 20 January.

Senator FAULKNER—How many embassy staff?

Mr Blazey—I believe there was one trip made.

Senator FAULKNER—I appreciate there was one trip—

Mr Blazey—I will need to check that.

Senator FAULKNER—but how many staff were involved in the trip?

Mr Blazey—I do not know. I will need to check.

Senator FAULKNER—Was this one of the vehicle trips?

Mr Blazey—Yes, that is my understanding.

Senator FAULKNER—There was one vehicle trip since January for embassy staff to go into the vacant embassy building.

Senator CHRIS EVANS—Was that the trip that involved the car bomb attack?

Mr Blazey—No, I am referring to another trip.

Senator CHRIS EVANS—So, of the two trips, it was on the second trip that the car bomb attack occurred.

Mr Blazey—No, that was the first trip. I believe there was a subsequent trip, but I will need to check that.

Senator CHRIS EVANS—Where were the embassy officials going on the occasion of the car bomb attack?

Mr Blazey—They were going to the chancery site, the Karrada site.

Senator CHRIS EVANS—So they were going back to access the old, vacant chancery.

Mr Blazey—That is correct.

Senator CHRIS EVANS—I presume it was to recover some documentation—is that right?

Mr Blazey—We do not know.

Senator Hill—They carry out their professional responsibilities.

Senator CHRIS EVANS—They were going to the chancery site to carry out their professional responsibilities in an empty building. I presume they were going to access documents—

Senator Hill—Maybe not documents.

Senator CHRIS EVANS—or equipment. That is why I asked the question.

Senator Hill—It could have been meetings; it could have been communications.

Senator CHRIS EVANS—How were they going to hold a meeting in an empty building?

Senator FAULKNER—How many meetings have been held in that empty building since January?

Mr Blazey—It was related to communications equipment.

Senator FAULKNER—Come on! The building has been opened once since January, so of course it would be accessing some sort of equipment or document that was there, Senator Hill. Let us be sensible.

Senator Hill—It turns out that you were wrong. It was not to access the documents.

Senator CHRIS EVANS—Mr Blazey now says it was to access the communications equipment.

Senator FAULKNER—Documents or communications equipment.

Senator Hill—You have added that. That was an afterthought.

Senator FAULKNER—It was not an afterthought.

Senator CHRIS EVANS—While being escorted back to the empty chancery building, these officials and a security detachment were the subject of a car bomb attack—is that correct?

Mr Blazey—The vehicle they were travelling in was subject to an attack, yes.

Senator CHRIS EVANS—Was this the attack where the two Australian soldiers were injured?

Mr Blazey—Yes, I believe so.

Senator CHRIS EVANS—This is the one on 26 January—is that right?

Mr Blazey—I believe that is right.

Senator CHRIS EVANS—Do you know whether they were attacked on their way to the vacant chancery building or on their way back?

Mr Blazey—On their way there.

Senator CHRIS EVANS—So security detail was providing security to how many DFAT officials?

Mr Blazey—There was one DFAT official in the vehicle.

Senator CHRIS EVANS—There was one DFAT official going back to the vacant chancery building to access communications equipment.

Mr Blazey—That is correct.

Senator CHRIS EVANS—In the course of that, the vehicle he—was it a he?—

Mr Blazey—Yes.

Senator CHRIS EVANS—was travelling in was subject to a car bomb attack, and two Australian soldiers were injured in that attack.

Mr Blazey—On the ADF casualties, I cannot really answer that. That is a Defence issue.

Senator CHRIS EVANS—I am just trying to make sure we have got the right attack, that we are in the right spot. Was the DFAT official injured at all?

Mr Blazey—No, he was not.

Senator CHRIS EVANS—He would have been shaken up, I suspect.

Mr Blazey—I would imagine so, yes.

Senator CHRIS EVANS—Was he left in the country? Did he return to duties?

Mr Blazey—No, he remained. I understand our staff counsellor contacted him to check on his welfare.

Senator CHRIS EVANS—I think I would have insisted on being debriefed in Canberra, myself! Sorry, I mean interviewed.

Senator FAULKNER—Not interrogated.

Senator CHRIS EVANS—So basically he is fine.

Mr Blazey—He is fine.

Senator CHRIS EVANS—And he is still based in Baghdad?

Mr Blazey—Yes, he is.

Senator CHRIS EVANS—Send him our best—and our best to the two Australian soldiers who were injured. Was that the last of the trips out of Camp Victory? It obviously would have raised your security concerns.

Mr Blazey—There was a subsequent trip but, as I indicated, I will need to check that and let you know.

Senator CHRIS EVANS—Do you know what date that was?

Mr Blazey—I believe it was in the last two days.

Senator CHRIS EVANS—So after the 26th there has been no travel by road for a while and one might have occurred in the last couple of days.

Mr Blazey—That is my understanding, yes.

Senator FAULKNER—But that trip was not to the vacant embassy building, because you have told us there has been only one of those since January.

Mr Blazey—The trip which took place in the last couple of days was to the chancery site.

Senator CHRIS EVANS—That is not consistent.

Mr Blazey—Sorry, the old chancery site.

Senator FAULKNER—That means that the building has been opened twice since January.

Mr Blazey—That is my understanding.

Senator CHRIS EVANS—So both trips were to go back to the old chancery to access files or communications equipment left in the otherwise vacant chancery.

Mr Blazey—I am not sure about the purpose of the second trip. I will need to get advice on that.

Senator CHRIS EVANS—Perhaps you could take that on notice. Effectively, both trips have been to go back to the vacant chancery.

Senator FAULKNER—It could have been a meeting. Senator Hill has assured us there could have been a meeting in the empty building.

Senator Hill—There could have been a meeting.

Senator FAULKNER—He has a very vivid imagination.

Senator Hill—I assume that when they travel by helicopter the ADF provides protection at the other end.

Mr Chester—I would dispute the fact that the building is vacant. The fact that a building does not have people in it does not mean it is vacant—

Senator FAULKNER—That is interesting, Mr Chester.

Mr Chester—It is full of equipment and so on.

Senator CHRIS EVANS—You come from the same school as Senator Hill!

Senator FAULKNER—That is right. This is the interview-interrogation definition. What word would you prefer to use? There are no people in it. You do not like vacant. How about empty?

Senator Hill—It is not empty.

Senator FAULKNER—Why? Because there is a bit of equipment, carpet, furniture and maybe some files in it? How about unpopulated?

Mr Chester—It has got the normal embassy set-up in there. It just does not have the people all the time. They go in there as they need to go in there.

Senator FAULKNER—Does not have people all the time—it has been open twice in two months, in three months.

Mr Chester—It has had people as necessary go into it.

Senator FAULKNER—Of course it is vacant.

Mr Chester—As I said, people go in there as they need to go in there.

Senator FAULKNER—Which has been twice in two months. Isn't that right, Mr Chester?

Mr Chester—As it appears, yes.

Senator FAULKNER—It does appear so, yes. If it is not vacant, what is it?

Mr Chester—It is not used. It is still set up as a chancery.

Senator FAULKNER—The unused building. Okay, I am happy with that definition. Even under Senator Hill's use of English language that is fine—unused.

Senator CHRIS EVANS—I am reminded of that *Yes, Minister* episode where they had a hospital without patients. Now we have got a chancery without staff but it is not vacant.

Senator FAULKNER—What about unoccupied, Mr Chester? Would that be a better word to use?

Mr Chester—Probably, yes.

Senator FAULKNER—Let us agree on that: unoccupied.

CHAIR—It being close to 10.30, we will take a short break.

Proceedings suspended from 10.28 a.m. to 10.51 a.m.

Senator CHRIS EVANS—I ask now about the involvement with the WMD monitoring inside Iraq. Can you tell me what contribution we have currently got to the ISG?

Senator Hill—We have not got any.

Senator CHRIS EVANS—It was not clear to me from yesterday's evidence whether—

Senator Hill—ISG is finished.

Senator CHRIS EVANS—we still had somebody in country or not.

Mr Blazey—There is a successor organisation to the ISG.

Senator Hill—We will get you the name.

Mr Blazey—There are Defence personnel in it and some Defence—

Senator FAULKNER—You do not know the name, Senator Hill. You are normally so good on names. It is your long suit.

Senator Hill—Give me a minute or two. I will work it out.

Senator FAULKNER—You will find some definition that suits you, no doubt.

Senator CHRIS EVANS—Mr Blazey, maybe we can start with the ISG. What was the Department of Foreign Affairs and Trade's involvement with the ISG and when did that end?

Mr Blazey—DFAT officers were not seconded to the ISG. We had no direct links with the ISG.

Senator CHRIS EVANS—There was no reporting to you?

Mr Blazey—Not directly to DFAT, no.

Senator CHRIS EVANS—Mr Stuart, are you able to help us here?

Mr Stuart—I can provide a little more information on that. We were consulted, of course, on foreign policy aspects for Australia—whether Australia would be involved in the ISG and, indeed, on the question of whether we should provide personnel to it. Otherwise, we were generally kept informed of developments in the ISG, but we were not involved in day-to-day decision making in relation to that—which people would be chosen to go and issues like that.

Senator CHRIS EVANS—The Australian contributions to the ISG were coordinated through Defence, were they?

Mr Stuart—Yes.

Senator CHRIS EVANS—But obviously you had a policy role advising the minister, and a lot of this hinged around pretty much your territory in the sense of advice about what weapons may or may not exist inside Iraq, the enforcement of UN resolutions et cetera. So obviously you were pretty central to this whole thing.

Mr Stuart—Yes. We had a keen interest in its work.

Senator CHRIS EVANS—Did the ISG reports come to Foreign Affairs and Trade?

Mr Stuart—Certainly when they were finalising an issue, we would get them and look at them closely. We were from time to time given drafts on the basis of filling out information. In that sense, yes, we took an interest in what they were producing.

Senator CHRIS EVANS—Those were the sorts of reports that were going to go to the UN were they? They were the more major reports or was it the weekly—

Mr Stuart—The ISG reports did not go to the UN. They went to the governments that formed the ISG. The major reports that have come out are the report issued by Mr Kay when he was the head of it in October 2003, an interim progress report in March 2004 and what is called the interim report but is considered the final report. I will clarify that. There is an interim report that came out, I believe, in October. There will be the final version of that later this month, I understand.

Senator CHRIS EVANS—I guess I am trying to get a sense, though, of your more regular contact other than the publicly available information—I am sorry; not publicly available but the major reports that were going to governments, of which most seemed to become public at one stage or another. For instance, the weekly sit reps early in the piece about whether they had found any chemical weapons—was that the sort of information that was coming through Foreign Affairs? There was the task force structure, wasn't there?

Mr Stuart—Not to my knowledge.

Senator CHRIS EVANS—Mr Blazey, you head the task force, don't you.

Mr Blazey—That is correct.

Senator CHRIS EVANS—So were they keeping you in the loop of the ISG reports?

Mr Blazey—My understanding is that personnel seconded to the ISG did not report back to DFAT. We did receive, latterly, reports from Defence which related to video conferences that were held between countries that were part of the ISG and dealt with day-to-day progress of the activity.

Senator CHRIS EVANS—I am just trying to get an understanding of process here. Forgive me if I am missing the point. During the Abu Ghraib inquiries conducted at Senate estimates, we learnt that reports of the legal officers inside Iraq were being forwarded on to Foreign Affairs and Trade as part of the information flow. I think that is a matter of record; I do not think that is disputed. I suppose in my naivety I assumed that you were getting access to reports of Australian personnel involved in the International Survey Group, given that that is more directly involved with your issues—the reasons why the war occurred, the reasons why we were in Iraq and the question of whether or not the WMD capacity was there. Are you telling me you were not getting those sorts of regular communications from the ISG, and in particular from Australian personnel there?

Mr Blazey—My understanding is that the Australian personnel reported through the defence chain to Defence. We were not in that chain of reporting. I am not aware of any regular stream of reporting into DFAT other than those reports of the video conferences.

Senator CHRIS EVANS—I do not want to verbal anyone but I thought the evidence of Defence yesterday was in fact that, in Mr Barton's case—you would be aware of Mr Barton—he actually had some communication reporting to the ambassador inside Iraq or at least to the mission there. Is that not right?

Mr Blazey—He did have meetings with DFAT staff, but it was not in the nature of regular weekly reports.

Senator CHRIS EVANS—Maybe I will start from a different angle then. Can you tell me what sort of contact DFAT officials had with Australian members of the Iraq Survey Group in country? That is an open-ended question so you can pick up the scope of that contact.

Mr Blazey—We had meetings with Mr Barton on a number of occasions at the embassy itself but also, on at least one occasion, the head of the Iraq Task Force when he visited Baghdad met with Mr Barton. So we had—

Senator CHRIS EVANS—Senator Faulkner, your idea of sotto voce is not what most people would consider it to be. I am having trouble hearing the witness, do you mind?

Senator FAULKNER—No, I do not mind. I am sure that both Senator Ferguson and I apologise for not hanging on your every word.

Senator CHRIS EVANS—I do not mind if you do not hang on my word, but Mr Blazey was giving some evidence and I could not hear him.

Mr Blazey—We have got records of a number of meetings with Mr Barton, both in Canberra and in Baghdad. He had meetings with our ambassador, with I think the charge d'affairs at the time in Baghdad, at which he provided us with information relating to the work of the Iraq Survey Group.

Senator CHRIS EVANS—Okay, but can I just go to the general before we come to the specifics of Mr Barton. I want you to characterise for me the relationship in terms of the Australians serving in the ISG—the nature of the contact between them and DFAT. We know that there were at various times 12 to 15 Australians participating in the ISG, so over a long period of time quite a few Australians have been through there in those roles.

Mr Blazey—I am not aware of any structured contact. There is obviously an Australian community in Baghdad, and there might have been contact on several occasions, but there was nothing, that I am aware of, in the nature of a formal reporting mechanism or regular contact between the embassy and ISG staff.

Senator FAULKNER—So how often did it occur?

Mr Blazey—Did what occur?

Senator FAULKNER—These discussions.

Mr Blazey—We have a record of a few occasions. For example—

Senator FAULKNER—No, let us not use the examples; let us just go through the dates that you have.

CHAIR—Could you please speak up, Mr Blazey?

Senator CHRIS EVANS—Under normal circumstances, Mr Blazey, we would be able to hear you, but Senator Faulkner's constant interruptions make it very difficult for every witness.

Mr Blazey—Just to go through some of the records, we have here on my list of contacts that we might have had—not necessarily all with Australians—a report dated 9 February, which was a cable from Baghdad reporting on—

Senator CHRIS EVANS—Which year?

Mr Blazey—It was 2004. It is a DFAT cable reporting on a meeting between a defence official and ISG officials.

Senator FAULKNER—Does that mention Mr Barton's name?

Mr Blazey—Yes, it does.

Senator FAULKNER—Right.

Mr Blazey—On 26 February, we have an email from our embassy in Baghdad, the context of which suggested a meeting with Australian ISG staff. The former head of the Iraq Task Force has a recollection of a meeting with ISG staff around 29 February to 5 March. We have a record of an embassy official speaking to Mr Barton on 19 March. On 30 March we have a record of a debriefing which Mr Barton had here in Canberra at which—

Senator FAULKNER—What was that date again, sorry?

Mr Blazey—It was 30 March.

Senator FAULKNER—A debrief in Canberra. Who did that involve from your department?

Mr Blazey—It involved an officer from the Iraq Task Force.

Senator FAULKNER—A DFAT officer from the Iraq Task Force.

Mr Blazey—That is correct—among others. We do not have the full list of who was at the meeting.

Senator FAULKNER—Was that a round table? We heard about a round table yesterday in an estimates hearing. Was that debrief described as a round table?

Mr Blazey—It is not clear from this context. There was, however, a round table on 5 April.

Senator FAULKNER—That would be the round table.

Mr Blazey—That involved Mr Charles Duelfer and members of the Iraq Task Force. We have a report from 3 June of a meeting between our ambassador and Charles Duelfer.

Senator FAULKNER—But did the round table of 5 April involve Mr Barton?

Mr Blazey—Apparently not—not according to my notes.

Senator CHRIS EVANS—But 30 March did, because that was his debrief.

Mr Blazey—That is correct.

Senator CHRIS EVANS—So who was at the 5 April round table?

Mr Blazey—There was Charles Duelfer—I do not have a list of who attended. We can try to let you know.

Senator CHRIS EVANS—If you could take that on notice, that would be good. But that was a meeting of agencies involved in the task force?

Mr Blazey—That was hosted by another agency. It was not DFAT.

Senator FAULKNER—Which agency hosted that?

Mr Stuart—I believe it was DIO.

Senator FAULKNER—DIO hosted that. Was Mr Barton present at that?

Mr Blazey—It appears not.

Senator FAULKNER—Okay. Any others? You are at 3 June.

Mr Blazey—Yes.

Senator CHRIS EVANS—The 3 June thing was a meeting between the ambassador and—

Mr Blazey—Charles Duelfer again.

Senator CHRIS EVANS—In Canberra or in Baghdad?

Mr Blazey—It was in Baghdad. Besides these, our embassies overseas have had contact with Barton. Barton visited Washington in late September, early October 2004 and had contact with the embassy. October 2004 was our last contact, I believe. DFAT hosted an internal round table with Rod Barton.

Senator FAULKNER—In October 2004?

Mr Blazey—That is right.

Senator FAULKNER—In Canberra?

Mr Blazey—In Canberra.

Senator FAULKNER—What was the purpose of the round table?

Mr Blazey—It was held at his request to debrief us on the Duelfer report. In addition, of course, embassies in UN New York had contact with Duelfer over an extended period when he was working with Hans Blix. There were frequent meetings. Similarly, in Washington there would have been meetings as well. We cannot be sure that the list of contacts in Baghdad is comprehensive. It was an Australian community, and people might have met.

Senator CHRIS EVANS—Sure. Could you clarify something for me, because it seems to contradict evidence from yesterday—or it may be a separate meeting, so that is why I am querying it. You say that on 5 April there was a round table hosted by DIO, which Mr Duelfer was present at, but that Mr Barton was not there?

Mr Blazey—I cannot be definitive about that. My notes say it was a round table with Duelfer. There is no mention of Barton here.

Senator CHRIS EVANS—The evidence yesterday was that there was a round table hosted by another agency which Mr Barton was at. I am trying to check whether that was the same one.

Mr Stuart—There was a meeting with Mr Barton in DFAT—I believe it was on 30 March—discussing WMD in Iraq issues. That may well have been described as a round table. There would have been a number of people there from either the Iraq Task Force or my division who follow these issues. I do not have a list of exactly who was there. We can take that on notice and try to find it. It may not have been recorded precisely. That seems to be separate to the 5 April meeting, which our records show was in DIO with Mr Duelfer.

Senator FAULKNER—But it is separate to the debrief that Mr Blazey speaks of on that same date? Mr Blazey described a debrief on 30 March.

Mr Stuart—That is the one that I believe was in DFAT. It did not involve Mr Duelfer; it just involved Mr Barton. Then there was a meeting the following week, I guess. Then you have 5 April in DIO with Mr Duelfer and, I believe, General Dayton. I have a record of one of my staff attending that, and I believe someone from the Iraq Task Force attended. But I also do not have a full list. Probably the best people to give you a full list of who was there would be DIO. But the first meeting was in DFAT. We will go and see if we have any further record,

but we were looking energetically in the last couple of days. We would not necessarily have kept a detailed record of everyone who went to such a meeting.

Senator CHRIS EVANS—Perhaps you could take that on notice. I think you will find Defence took that on notice for us yesterday as well, as I recall.

Senator FAULKNER—Could we go through these: the 9 February 2004 cable from Baghdad from a defence official mentions Mr Barton by name—is that correct?

Mr Blazey—That is correct.

Senator FAULKNER—The 26 February email from the embassy in Baghdad mentions Mr Barton by name?

Mr Blazey—That is correct

Senator FAULKNER—The former head of the Iraq Task Force met with Mr Barton some time between 29 February and 5 March 2004?

Mr Blazey—That is correct.

Senator FAULKNER—Mr Barton met embassy officials on 19 March 2004?

Mr Blazey—That is correct.

Senator CHRIS EVANS—In Baghdad.

Mr Blazey—In Baghdad.

Senator FAULKNER—There was a debrief of Mr Barton in Canberra on 30 March 2004 with an officer of the department's Iraq Task Force, amongst others.

Senator CHRIS EVANS—I think we established that there were two officers there, one from—

Mr Stuart—Sorry, which meeting are we referring to?

Senator FAULKNER—We are now on the 30 March meeting, which has been described by Mr Blazey as a debrief. I do not care what terminology you use, but 'debrief' is fine because obviously this was just when Mr Barton had returned from Iraq, so 'debrief' sounds reasonable—involving at least an officer of your department's Iraq Task Force.

Mr Chester—On this meeting on 30 March, we may have to do some checking on whether there was one meeting or two meetings that day. There may have been a meeting in DFAT, with one area of the department, and separately a debriefing held outside the department that members of the ITF went to, but I cannot be sure.

Senator FAULKNER—Right, so there was definitively one and there may have been two.

Mr Chester—There may have been two. We will need to check that.

Senator FAULKNER—There was definitively one involving Mr Barton, and there may have been two meetings—another one attended by Mr Barton and one or more departmental officials on the same day.

Mr Chester—That is right.

Senator FAULKNER—Thank you for that. The roundtable of 5 April—departmental records that you have accessed at this stage do not indicate whether or not Mr Barton was present?

Mr Blazey—That is correct.

Senator FAULKNER—On 3 June, contact with ISG about ISG issues was in Baghdad and did not involve Mr Barton.

Mr Blazey—There is no mention of Mr Barton in my notes, no.

Senator FAULKNER—There is no mention of Mr Barton. Then there were a range of embassy and post visits, including Washington, New York and London—is that right?—over the period from, effectively, late September 2004 onwards. We do not have all the detail on that.

Mr Blazey—No, and it could have been earlier because Mr Barton was in New York when he was working with Mr Blix.

Senator FAULKNER—Thank you. So there are a range of contacts with posts, the detail of which at this stage we do not know.

Mr Blazey—There is of course, as I mentioned, the October meeting in DFAT with Mr Barton.

Senator FAULKNER—Can you say that again.

Mr Blazey—On 15 October 2004 there was a meeting with Mr Barton.

Senator FAULKNER—Yes, that was an internal roundtable which was a debrief on Duelfer's final report.

Mr Blazey—That is correct.

Senator FAULKNER—And, as far as you know, that is the last contact, with a caveat which I think we understand: there may have been other contacts with posts, but you have not been able to check that. As far as you know, that is the last?

Mr Blazey—There was some subsequent contact with Mr Barton. At the 15 October meeting he indicated to us that a company had been wrongly listed in the Duelfer report and that he would be going back to the US to ask for that to be corrected. There was some email exchange between him and us on this. Subsequently we found that the CIA web site with a link to the Duelfer report had a reference and a correction to that effect.

Senator FAULKNER—Was that a subsequent telephonic communication or something like that?

Mr Blazey—I believe it was email.

Senator FAULKNER—After that email communication, as far as you aware—with the caveat that something may have happened at a post—there has been no other departmental contact with Mr Barton?

Mr Blazey—As far as I am aware, yes.

Senator FAULKNER—I know this is not necessarily the direct responsibility of your department, and in the public statements that Mr Barton has made he has not indicated that he raised issues in relation to prisoner abuse or mistreatment with officials of the Department of Foreign Affairs—that suggestion has never been made publicly by Mr Barton; no doubt the witnesses at the table have had the same advantage as I have had to read the transcript of his public comments—but you could confirm for the record that those matters have not been raised with departmental officials. I again stress that there has never been a suggestion that that was done by Mr Barton. He has talked exclusively about contact with the Department of Defence, which of course was his employing department. Just for the record, could you please confirm that for me.

Mr Blazey—That is correct. We have checked with all of the officers we believed might have had contact with Mr Barton, and none of them have any recollection of him having raised detainee issues with them.

Senator FAULKNER—Did the reporting on these meetings with embassy officials in Baghdad while Mr Barton was in Iraq only relate to the work of the ISG?

Mr Blazey—Yes, it did.

Senator FAULKNER—So it is exclusively at that level?

Mr Blazey—Yes, that is my understanding.

Senator CHRIS EVANS—Did the ambassador or his predecessor report on the work of the ISG as part of their regular reports back to Foreign Affairs? I know you said there were no formal reporting lines between the Australian ISG officials and the embassy, but I assume that one of the matters on which the embassy reported was the question of the success of the search for weapons of mass destruction. It was obviously a key part of the whole context. First of all, did foreign affairs officials report on those issues as part of their regular reporting?

Mr Stuart—No. Because the Australian government was receiving some information through the links between defence and personnel there, we had some visibility of what reports were likely to cover. We did not get regular reporting from the embassy, which had many other competing priorities and very limited capability. So this was not one of its focuses.

Senator CHRIS EVANS—But they obviously reported on discussions they had with Mr Barton, for instance.

Mr Stuart—Yes.

Senator CHRIS EVANS—We have just had that evidence then, so it is obviously part of their work.

Mr Stuart—What we have are a couple of reports, usually to do with the mechanics. For example, one of the contacts specifies that it is about what might happen with a visit by Mr Duelfer to Australia—that was reported in a discussion with I think Ambassador Mules.

Senator FAULKNER—Can one of the witnesses at the table say to the committee when DFAT itself became aware of suggestions of prisoner abuse or mistreatment at Camp Cropper?

Mr Blazey—I can refer back to testimony made by my predecessor on 2 June last year in which he reported that he asked a question about the Iraq Survey Group and detainees and that he had received a response to that. That is the earliest record that I have of an awareness. It is possible, of course, that there might be something before that.

Senator FAULKNER—He asked a question of whom?

Mr Blazey—The *Hansard* says:

I had some concerns in relation to the Iraq survey group, so I said, ‘Are there any issues here in terms of process we need to be aware of?’ A message went through the military chain and through the ARO to check in terms of the Iraq Survey Group whether there were any particular issues that needed to be raised with us.

Senator CHRIS EVANS—Did he give the date of that?

Mr Blazey—This is in the *Hansard* of 2 June.

Senator CHRIS EVANS—Tracking back from there, did he in that *Hansard* give evidence as to the date that they made those inquiries?

Mr Chester—You will recall that at the estimates hearings in June last year there was quite a deal of discussion about Abu Ghraib and possible Australian involvement. You will recall that Mr Quinn gave testimony that, when we became aware of Abu Ghraib, he, as head of the Iraq Task Force, had made inquiries of any possible Australian involvement and Australian knowledge of abuse. His testimony that has just been read out was in relation to him doing a broad trawl of Australians that were in Iraq. He said that, just so he had a complete knowledge, he sought advice from those Australians who were working with the Iraq Survey Group about whether there were any issues that he needed to be aware of in relation to the prisoner abuse allegation.

Senator FAULKNER—Were they individually contacted?

Mr Chester—That I do not know. He sent a message through the Defence channels and through our office in Baghdad at that time. So I do not know.

Senator CHRIS EVANS—I remember the generality of that; what I do not remember is the specifics. Forgive me for that but there has been a lot of testimony and a lot of hearings. That is why I was asking Mr Blazey to clarify for me when that process occurred.

Mr Chester—I think all we can say at this stage is that it is between the Abu Ghraib abuse being made public and the June estimates hearings.

Senator FAULKNER—The International Committee of the Red Cross produced their report in June 2003. Wasn't it on overcrowding in Camp Cropper? That is right, isn't it?

Mr Chester—I do not know.

Senator FAULKNER—You would know this, Mr Chester.

Mr Chester—My memory may not be this good.

Senator FAULKNER—Didn't sit reps in June 2003, to a range of addressees, including your department, go to this issue of the ICRC report?

Mr Chester—In relation to Camp Cropper?

Senator FAULKNER—Yes.

Mr Chester—I do not know. I would need to check.

Senator CHRIS EVANS—Can you take on notice for us, Mr Chester, the date of the inquiries made by Mr Blazey's predecessor of Australian ISG staff and others about their knowledge of any prisoner abuse, whether that was limited to Abu Ghraib or was more general, and what form that took? I thought it was probably in the *Hansard*. Mr Blazey may know. I am trying to refresh my memory of that process. I am more familiar with the Defence process.

Mr Chester—I will do that. It may well be in the record of the June estimates.

Senator CHRIS EVANS—I suspect it might be. It might be my fault that I cannot remember the detail. I am just trying to put the timing together again.

Mr Chester—We will try to ascertain that.

Senator FAULKNER—I think on 11 June 2003, there was an ADF sit rep which talked about ICRC criticism of overcrowding at Camp Cropper. Do you recall that, Mr Chester?

Mr Chester—I do not specifically.

Senator FAULKNER—Do you recall the ADF sit rep report of 20-29 June 2003 that spoke of a 'range of problems dogging detainee management regime'.

Mr Chester—No, I do not specifically.

Senator FAULKNER—This is the evidence extracted over the last year in relation to these matters and Australian government and agency knowledge of them, which I would hope would have been front and centre in the minds of senior DFAT officers and officials. But you do not remember any of that?

Mr Chester—I do not recall the specific details, Senator.

Senator FAULKNER—You would know, of course, whether any DFAT officials ever visited Camp Cropper.

Mr Chester—I am advised we have no record of any DFAT officers visiting Camp Cropper.

Senator FAULKNER—Having no record of it is one thing. That means that no DFAT officers have visited Camp Cropper.

Mr Chester—We do not believe they have.

Senator FAULKNER—Would you describe the contact by Mr Barton with the Australian representative office in Baghdad as formal or informal, regular or irregular?

Mr Blazey—It certainly was irregular. We only have a very few reports of meetings. As to the level of formality, I just do not know.

Senator CHRIS EVANS—But Mr Barton was the senior Australian official in the ISG at the time, so I assume Australian embassy officials would have been interested in his views and perspectives. The department obviously had a lot to do with him over recent years. He is

obviously someone of standing and with knowledge of the Iraq weapons programs et cetera. Is that a fair assessment of how he is seen in the department?

Mr Blazey—I am not sure I have got the question, Senator.

Senator CHRIS EVANS—I am just wondering: does the department recognise him as someone who is regarded as being a person with deep knowledge of weapons programs and long experience in dealing with Iraq?

Mr Blazey—Yes, quite so.

Senator CHRIS EVANS—So it is not counter-intuitive to think the embassy staff would have spoken to him about his experiences and how the ISG work was going in an informal sense, because he would have been someone who would have provided useful information, I would have thought.

Mr Stuart—Senator Evans, I will just clarify this—and Mr Blazey is better qualified than I am to comment on the conditions in Baghdad at the beginning of last year when Mr Barton was working there. As I said before, we have very few staff there, in demanding conditions. The representative office—later to become an embassy—were to focus on a very defined list of tasks. We had participation in the ISG and contacts through the defence organisation. We had some visibility of its work. But I do not think it was at all high on Ambassador Mules's list of defined tasks to be giving us information about how the ISG went. I think every now and again he helped us with things like, 'I've seen Mr Duelfer and he believes the next report will be drafted at this point.' But we were not getting a stream of reporting on the issues which the ISG was going into through Ambassador Mules and his embassy. I think that might help you in understanding.

Senator CHRIS EVANS—That is helpful.

Mr Stuart—I cannot go into what social contact there was, but I just sort of imagine it was not the normal situation where you would drop around for a cocktail in the evening. It was a very harsh environment.

Senator FAULKNER—Have you checked that—not whether it is a harsh environment but have you checked that sort of contact? How do you know that?

Mr Stuart—Senator Faulkner, I do not know how often—

Senator FAULKNER—No, exactly—

Mr Stuart—We can follow it up, yes.

Senator FAULKNER—I would like you to, because it is a very courageous assertion, in my view, not having contacted the individual concerned, to be able to make that statement. I asked a question about contact because I do not know. But I do not then jump to a conclusion that—

Mr Stuart—Senator Faulkner, I do not think I made an assertion; I said that it was not high, or possibly even on, Ambassador Mules's priority list to be doing such reporting. What I said was that I do not know how much social contact he had. Possibly in that environment it would have been difficult.

Senator FAULKNER—That is why I asked deliberately my question about regular and irregular, formal or informal contact. I think we all understand that not all the work of an ambassador or, in this case, the Australian representative in Baghdad, depending on the timing, would be formal meetings across the table, as you would appreciate. But what I know is that the sit reps that I referred to earlier included the embassy in Baghdad in their distribution list, didn't they? You can confirm that, at least, Mr Chester.

Mr Chester—Yes, Senator.

Senator FAULKNER—Yes, because that was all included in Senator Hill's now discredited speech of 16 June—or statement, as it is described; we want to get the terminology right because Senator Hill is a stickler for the correct terminology—Senator Hill's discredited statement of 16 June. I listen to this evidence and hear that contact with the ISG was not a high priority. Well, what the hell were we there for in Iraq?

Mr Chester—Senator, the ISG was reporting through Defence, not through our head of mission in Baghdad. The office in Baghdad were focusing on other issues. That interaction with the ISG was working fine through the Department of Defence. On the—

Senator FAULKNER—Wait a minute, Mr Chester.

Senator FERGUSON—Let him finish his answer.

Senator FAULKNER—He is going off to another issue.

Mr Chester—No, I am not. I was actually going to explain this point of the contacts, where we have indicated that on a number of occasions the embassy had reported contact with Barton. At least two of those were where visiting officials from Canberra, in the course of their visits to Baghdad, had meetings with Barton and the office or embassy reported back on the fact that those meetings had taken place. So the head of the Iraq Task Force, for example, had a meeting with Barton. That was reported back. And a senior official from Defence had a meeting. That was reported back. That is two of the occasions where we set out that there had been contact with the office. That is, in a sense, irregular contact, but it comes about because of a general interest in talking to him about his work—but not the sole source of information for what is going on in the ISG.

Senator FAULKNER—Frankly I think people would be gobsmacked hearing that this sort of contact was not a high priority, when it is the whole stated reason for the invasion of the Iraq—the whole issue of weapons of mass destruction. When you tell me it is not a high priority—

Mr Chester—Not for the office in Baghdad. The material and information was coming back through other means.

Senator FAULKNER—I would have thought it was the highest priority, given the stated reason—although a false reason—and justification for the invasion of Iraq. I hear from witnesses at the table that it is not a high priority. I think that is going to shock a lot of people.

Mr Chester—It certainly was not the highest priority.

Senator FAULKNER—Tell me this, Mr Chester: we heard yesterday from your colleagues in the Department of Defence that two communications in writing were made with

the US embassy here in Canberra—the first directly to the US Ambassador, Mr Schieffer; the second to the deputy chief of mission in Mr Schieffer's absence. I do not know if you are aware of that evidence but I assume that you are now.

Mr Chester—Yes, I am.

Senator FAULKNER—These two matters were considered so serious by the Department of Defence that they believed senior US representatives in Australia should be contacted directly about them. When did your department and you become aware that that communication had taken place?

Mr Chester—I believe we first found out about that communication sometime last week.

Senator FAULKNER—Sometime last week! Do you know the date of that communication?

Mr Chester—I do not have it in my head but it was mid to late last year.

Senator CHRIS EVANS—It was 29 June and 6 July, as I recall.

Senator FAULKNER—Mid last year is accurate, not late last year.

Senator CHRIS EVANS—It was 29 June and 6 July.

Senator FAULKNER—Australia's Department of Foreign Affairs and Trade found out about this last week?

Mr Chester—That is my understanding. That is as much as we can determine so far.

Senator FAULKNER—How did you find out about it, Mr Chester?

Mr Chester—We were told by Defence.

Senator FAULKNER—Last week?

Mr Chester—That is right.

Senator FAULKNER—Who told you, and whom did they tell?

Mr Chester—Mr Pezzullo told Mr Blazey last week. I cannot rule out that there was not earlier advice but we have not been able to ascertain whether there was any and if so when and between whom.

Senator FAULKNER—The first of these items of correspondence, which was a direct communication from the Secretary of the Department of Defence, was a piece of correspondence from the secretary, Mr Smith, to the Ambassador, Mr Schieffer. Does it normally take eight or nine months for the Department of Foreign Affairs and Trade to be informed of such communications?

Mr Chester—It is not unusual. There will be communications between agencies and heads of mission from various countries that we will not be aware of.

Senator FAULKNER—That is the usual practice, is it?

Mr Chester—It is not unusual practice. I do not know if you can describe what the usual practice is.

Senator CHRIS EVANS—This is not about a passport photo or something, is it? It is about a senior official whom you have had contact with and who has serious concerns about the death in custody of a high-value Iraqi detainee.

Mr Chester—Sorry? That we have had contact with?

Senator FAULKNER—You do not want us to run through all the dates, do you?

Senator CHRIS EVANS—I am talking about Mr Barton, with whom you have had contact. He is at the centre of this correspondence because he had serious concerns about the death of a high-value detainee while in custody inside Iraq. It is not as if the Department of Defence is sending Mr Schieffer a note about what is going to happen on Anzac Day next year or whatever. This is a highly serious matter that involved the minister and the secretary of the department, and involved them hand delivering correspondence direct to the ambassador to raise their serious concerns about it and possible US investigations. I am gobsmacked that no-one told Foreign Affairs. I find it hard to understand why they would not have. Surely this is a matter that goes to the US relationship, and impacts on your work quite directly. You think it is usual that you would not be informed?

Mr Chester—As I said, it is not unusual that there would be correspondence that we would not know about. I do not know if you can describe it as usual or unusual.

Senator FAULKNER—It is not Defence to Defence contact, is it? It is Defence contact to the US embassy here about matters which we were told yesterday might affect the relationship. Is that not core business for the Department of Foreign Affairs and Trade?

Mr Chester—With correspondence like that, we would expect to be notified. The fact is that it appears that we were not.

Senator FAULKNER—You would expect to be and you were not, so what has happened as a result of that serious omission? What have you done about it?

Mr Chester—I do not believe we have done anything at this stage.

Senator FAULKNER—When Mr Pezzullo informed Mr Blazey, did you immediately inform Mr Downer?

Mr Chester—I am not sure.

Senator FAULKNER—You are not sure?

Mr Chester—That is right.

Senator FAULKNER—Oh, come on. This is last week. Can we just try and establish whether your minister was informed? Mr Blazey is sitting beside you, so perhaps he can tell us what he did. But that answer, Mr Chester, is totally unsatisfactory. You are not sure? It happened last week. Let us see if we can do a bit better on that one. Was Mr Downer informed?

Mr Blazey—I will need to check. My recollection is that I did speak to Mr Downer's office about the Barton allegations and the response which Defence had taken to them.

Senator FAULKNER—Right, so your recollection is that last week you spoke to Mr Downer's office about these matters?

Mr Blazey—That is correct.

Senator Faulkner—Given that it was last week, I would expect you, Mr Blazey, to be able to be stronger than just having a recollection. Even I can remember the phone calls that I made last week, so I expect that you would be able to too. So could we do better than a recollection? Can you confirm to the committee that last week you spoke to Mr Downer's office about these matters? I do not think that that is unreasonable.

Mr Blazey—It is certainly not, and I shall talk to the person in the office with whom I spoke to confirm it.

Senator FAULKNER—I do not want them to confirm it; I want you to confirm it.

Senator Hill—For clarification, I think the evidence yesterday was that one involved Mr Barton, not both of them.

Senator FAULKNER—That is true. One of these pieces of correspondence involves Mr Barton.

Senator Hill—I think you said both.

Senator FAULKNER—If I did, I should not have. One of them involves Mr Barton. But what I am asking Mr Blazey is not to confirm with someone in Mr Downer's office; I want to know what Mr Blazey did, at this stage.

Mr Blazey—That is the state of my recollection and I would prefer to confirm it with the person I believe I spoke to.

Senator FAULKNER—Is the department aware of the detail of the two issues that were raised by Defence with the US embassy here in Australia? Are you aware of the content of the letters, the detail of the issues?

Mr Blazey—The second matter I had no knowledge about until I heard the testimony yesterday. On the first, I do not have the details; I have not seen the letters.

Senator CHRIS EVANS—So you are saying to us that the Department of Foreign Affairs and Trade did not know about the second matter until the evidence delivered at estimates yesterday?

Mr Blazey—I cannot speak for the department, but I certainly had no knowledge of it.

Senator FAULKNER—But you knew about the letter a week ago?

Mr Blazey—I knew about the Barton allegations—

Senator FAULKNER—This is crucial. Are you saying that you knew about only one letter until the estimates hearing yesterday? Are you saying that the federal opposition is more in the loop than the Department of Foreign Affairs and Trade? Which should please us, but I can assure you it does not.

Mr Blazey—I only had knowledge about the Barton allegations and Defence's response.

Senator FAULKNER—That means you only had knowledge of the first letter from Mr Smith to Ambassador Schieffer.

Mr Blazey—I only had knowledge about the Barton allegation and Defence's response. That is correct.

Senator FAULKNER—You did not know that they had sent a letter to Mr Schieffer, because that was not on the *Four Corners* show. Is that what you are saying?

Senator Hill—I think you might now be confusing the witness.

Senator FAULKNER—You were very careful, Mr Blazey, to say you had knowledge of the Barton matter. I am just trying to be clear. When you say that, does that include—

Senator Hill—Perhaps you should clarify.

Senator FAULKNER—I will, Senator Hill. That is what I want to be clear about. Mr Blazey, when you say you had knowledge of the Barton matter a week ago, did that include the knowledge that Defence had written to the US Ambassador and referred their concerns to him?

Mr Blazey—I think I should make a correction. What I learned from Defence was about the allegation which Mr Barton had made and Defence's response. I cannot recall whether they indicated to me that the communication to the United States was by letter or by other means, but I was aware that they had communicated with US authorities and that, subsequently, an investigation had commenced.

Senator FAULKNER—Mr Blazey, thank you for that, because I think that does make it clearer. I appreciate your clarifying that. Let us also be clear for the record with regard to the second matter—that is, the second letter, which was a communication under the signature of Mr Pezzullo to the deputy chief of mission at the US embassy. Are you saying that the first the department became aware of that matter being referred to the US was as a result of evidence winkled out of Defence at this estimates committee hearing yesterday?

Mr Blazey—As I said, I cannot speak for the department. I do not know who else might have known but, as far as I am concerned, the first I heard of it was yesterday. That is correct.

Senator FAULKNER—Thank you. I would assume that, given your responsibilities in the department, you would know, but let us go to your superior sitting beside you there, Mr Chester, who is the fount of wisdom on these matters. You are the head of the Iraq Task Force, aren't you, Mr Blazey?

Mr Blazey—That is correct.

Senator FAULKNER—I would expect you to have knowledge of that. As the senior official at the table, Mr Chester, can you indicate to me whether before yesterday there was any knowledge in Australia's Department of Foreign Affairs and Trade that the Department of Defence had contacted the US embassy about a matter they saw as so serious in early July last year to have contact at that level? Is it true that, from the Department of Foreign Affairs and Trade's perspective, that awareness of that only occurred as a result of evidence provided by Defence officials at yesterday's estimates hearing?

Mr Chester—I am not aware of the department having prior knowledge of that correspondence or communication.

Senator FAULKNER—Do you now know what incident, issues or matters that second item of correspondence refers to?

Mr Chester—No.

Senator FAULKNER—So when there was contact from the Department of Defence to your own department last week about the first matter, did the relevant Defence official, in this case Mr Pezzullo—I am not going to the detail of what it was even though we understand in broad measure—provide to you the content or the detail of the issue, the Barton issue, Mr Blazey?

Mr Blazey—I was informed about Mr Barton's allegations and the course of action which Defence took as a result of knowing about those allegations.

Senator CHRIS EVANS—That was via a telephone conversation with Mr Pezzullo?

Mr Blazey—No, it was at a meeting.

Senator Hill—I don't think 'allegations' is the right word.

Senator FAULKNER—Don't you worry about right words, Senator Hill. You are the wrong person to start talking to this committee about the right words.

Senator Hill—I know you like things ending up in the record that might be inaccurate, but—

Senator FAULKNER—After your effort with 'interviews' and 'interrogations', if I were you I would just be quiet about that.

Senator Hill—I think what was said yesterday is that Mr Barton, after reflecting on a piece of information that was in the *Los Angeles Times*, brought matters to the attention of the department and they were passed on to the Americans. I do not think he made any allegation at all.

Senator FAULKNER—Did Australia's Minister for Foreign Affairs, Mr Downer, know about these two representations to the United States made about these very serious matters identified by Australia's Defence Department?

Mr Chester—We would have to check with the minister. I do not know the answer to that.

Senator CHRIS EVANS—The answer has to be that you did not tell him prior to last week at the earliest, doesn't it?

Mr Chester—As it appears, we did not have knowledge prior to last week; that is right.

Senator FAULKNER—Given that Mr Blazey does not know about the second matter, obviously the department could not have informed Mr Downer about that, could they? That is not possible.

Mr Chester—You are right, Senator.

Senator FAULKNER—I am right about that. So we think that Mr Blazey, although he is going to check with a member of Mr Downer's staff for their recollection—risky business, I would say, Mr Blazey. I would much prefer to trust your recollection than a member of Mr Downer's staff or Mr Downer. That is my view; you do not have to comment on that. But we

think that Mr Blazey has told a member of Mr Downer's staff about the first incident. That is right, isn't it, Mr Chester?

Mr Chester—That is correct.

Senator CHRIS EVANS—Senator Hill, did you tell Mr Downer?

Senator Hill—I am appearing here for Mr Downer.

Senator CHRIS EVANS—Did you tell yourself, then? In representing Mr Downer, can you as the representative of the Minister for Foreign Affairs tell us whether Senator Hill told—

Senator Hill—Communications between ministers I think can remain between ministers. What you were told yesterday was that, apart from the fact that the communication was passed on to the United States ambassador, it was also brought to the attention of the Secretary of the Department of Prime Minister and Cabinet.

Senator FAULKNER—The Department of Prime Minister and Cabinet did not have the courtesy to—

Senator Hill—You cannot put it like that.

Senator FAULKNER—I can put it how I like, Senator Hill.

Senator Hill—Well, Mr Chester will not be answering it. If you want to make a statement then you are making a statement.

Senator FAULKNER—Senator Hill, I am not really listening to your concerns now about the use of language. You are very discredited in this area.

Senator Hill—It is not for you to be raising issues of courtesy of the Department of Prime Minister and Cabinet in this forum.

Senator FAULKNER—We look forward to your falling on your sword, if nothing else out of sheer embarrassment at the flimsiest defence ever presented in Australian public life. If I were you, I would not say very much at all.

Senator Hill—After your performance in recent years, we know who is discredited.

Senator FAULKNER—I would keep that quiet place. You should sit there as Mr Downer's representative.

Senator Hill—Did you have a question?

Senator FAULKNER—I would like to ask, through you, Senator Hill, so you can flick-pass it to Mr Chester, whether the department of foreign affairs received any notification from the Department of Prime Minister and Cabinet that these communications had taken place.

Mr Chester—I am not aware that we were advised by the Department of Prime Minister and Cabinet.

Senator CHRIS EVANS—I will go back, Mr Blazey, to the question of your being alerted to the Barton issues. I thought I understood that Mr Pezzullo had phoned you but I obviously got that wrong. Perhaps you could tell me the sequence of events. You said it was at a meeting: was it called for that purpose?

Mr Blazey—No, it was not.

Senator CHRIS EVANS—So this is a meeting for another purpose.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Mr Pezzullo pulled you aside and said, ‘By the way ...’ Characterise it how you like; I am not trying to verbal you.

Mr Blazey—No, it was a meeting not dealing with this matter. We did not know it would come up, and it was mentioned at that meeting.

Senator CHRIS EVANS—Who was the meeting of? I mean it was done in the generality of the meeting, not a one-on-one between you and Mr Pezzullo.

Mr Blazey—No. There were a number of people there.

Senator CHRIS EVANS—What was the purpose of the meeting?

Mr Blazey—I would rather not go into that.

Senator CHRIS EVANS—Were there other agencies represented?

Mr Blazey—Yes, there were.

Senator CHRIS EVANS—And this was a meeting at Defence?

Mr Blazey—That is correct.

Senator CHRIS EVANS—And at that meeting Mr Pezzullo alerted all of you to the Barton issue.

Mr Blazey—It was within everyone’s hearing, yes.

Senator CHRIS EVANS—Is there a distinction there in the sense that you are suggesting to me that it was not the purpose of the meeting but he raised it with you and others could hear it, or did he raise it with everyone represented at the meeting?

Mr Blazey—I do not think it was meant exclusively for me.

Senator CHRIS EVANS—So as part of a discussion with a number of agencies, Mr Pezzullo raised the question of the Barton issues and he told you that an allegation or concerns had been raised and that Defence’s response had been to refer that to the US authorities. Is that a fair summary?

Mr Blazey—That is correct.

Senator CHRIS EVANS—You are not sure whether you talked about whether there was a letter or not, but the import of it was that the concerns et cetera had been referred on to US authorities for investigation?

Mr Blazey—That is correct.

Senator CHRIS EVANS—And you are quite certain that Mr Pezzullo did not raise the issue of the second set of allegations.

Mr Blazey—I have absolutely no recollection of him having raised that second matter.

Senator CHRIS EVANS—Did this come up in the context of a discussion about Mr Barton?

Mr Blazey—No, it did not. It was meeting about something else.

Senator FAULKNER—Where are we placed with this? At yesterday's hearing, we had some broad understanding of the content of the first of these communications to the US embassy. In relation to the second matter, Minister Hill refused to give us any detail at all on the grounds of the sensitivity and possible impact on Australia's relationship with the United States of America. That was the reason given. It was of such sensitivity it was not appropriate to canvass at all publicly. Yet now we hear it is not of sufficient sensitivity—or perhaps it is of such sensitivity—that Australia's department of foreign affairs, which is responsible for managing our relationship with the United States, does not even know about it. Where does that leave us, Senator Hill?

Senator Hill—Sorry, I was distracted. But I am now no longer distracted. You have my full attention.

Senator CHRIS EVANS—You will not remember the question.

Senator FAULKNER—You are not even concentrating on these issues.

Senator Hill—Is it worth re-asking?

Senator FAULKNER—This is typical of your contempt.

Senator Hill—I sit here hour after hour listening to your political diatribe, Senator. Is there a question you have of me?

Senator FAULKNER—I did ask a question, yes.

Senator Hill—It is obviously not very important if you will not repeat it. Do you have any other questions?

Senator FAULKNER—Perhaps you would care to comment on the fact that yesterday you told us that the content of the second communication to the Deputy Chief of Mission at the US embassy was of such a nature, it was so sensitive, it had an impact on our relationship with the United States. That is what you said yesterday. I am happy to look up your comments in *Hansard* but that was the import of it. I think the evidence was accepted and not challenged at this committee. But now we hear the nature of that serious issue that could have an impact on our relationship is not communicated to the department of foreign affairs. Why could that be so?

Senator Hill—From an administrative perspective it was communicated to Australia's most senior bureaucrat.

Senator CHRIS EVANS—The secretary of PM&C?

Senator Hill—The secretary of PM&C.

Senator CHRIS EVANS—But it was not thought to be important enough to tell Foreign Affairs?

Senator Hill—I beg your pardon?

Senator CHRIS EVANS—It was considered too important to tell Foreign Affairs?

Senator Hill—I did not put it in those words at all.

Senator CHRIS EVANS—Were you worried about the confidentiality, whether they would respect it?

Senator Hill—Of course not. That was a judgment I made. The judgment I made recommended the material should be passed to the United States and the fact that it had been passed to the United States should be communicated to the Secretary of the Department of the Prime Minister and Cabinet.

Senator CHRIS EVANS—But you cannot tell us whether or not Minister Downer knew?

Senator Hill—I do not think it is appropriate for me to sit here and talk of communications between ministers.

Senator CHRIS EVANS—So you will not tell us whether Mr Downer knew or not?

Senator FAULKNER—That is more accurate, Senator Evans.

Senator Hill—What you can ask me to do is to ask Mr Downer whether he wishes to answer a question on that subject.

Senator CHRIS EVANS—Surely they would get the information. But I was more interested, Senator Hill, in whether you thought Mr Downer trustworthy enough to tell him, given that he has been making a large number of public comments about the conduct of Australians and their involvement in the operations inside Iraq. He obviously is someone journalists and others go to for information on these matters.

Senator Hill—I hold Mr Downer in the highest regard.

Senator FAULKNER—If the department of foreign affairs cannot be trusted with this information, can the Minister for Foreign Affairs—

Senator Hill—That is your statement.

Senator FAULKNER—be trusted with this information?

Senator Hill—Now you are just playing political games.

Senator CHRIS EVANS—You will take on notice the question about whether or not you thought it appropriate to inform Mr Downer of these serious matters?

Senator Hill—No, I am not taking that on notice. I said if you wanted me to ask Mr Downer whether he was made aware of this matter I would do so.

Senator CHRIS EVANS—Could you ask Mr Downer then for us whether he was made aware of this matter before Mr Blazey contacted his office last week and, if so, when he knew and how he knew.

Senator Hill—Of which matter? I think Mr Blazey was saying he spoke to—

Senator CHRIS EVANS—Mr Blazey only referred to the Barton matter.

Senator Hill—One matter, yes.

Senator CHRIS EVANS—We have established that the department until yesterday did not know anything at all about the second matter. Thank God they get a direct feed from estimates; otherwise, they would not know what the hell was going on.

Senator Hill—You have established that certain officials do not know of this matter.

Senator FAULKNER—We should have a consultancy for ourselves!

Senator CHRIS EVANS—All we can do is have the senior official at the table speak on behalf of the department. Mr Chester says he had no knowledge of it.

Senator Hill—He said ‘not to his knowledge’.

Senator FAULKNER—He is completely in the dark. He hasn’t got a clue what is going on.

Senator CHRIS EVANS—No doubt, if that is not correct and Mr Chester is not properly informed, he will come back and correct the record. But it does seem that Mr Chester and Mr Blazey were the two officers in the best position to know and it seems neither of them knew. Anyway, if you could take on notice what Mr Downer might have known of these matters, that would be good. As far as we know, Mr Blazey, no-one in the department knew anything about the second matter at all until the estimates hearings yesterday.

Mr Blazey—Mr Chester just said that, as far he was aware, no-one in the department knew.

Senator CHRIS EVANS—In terms of your task force you certainly were not aware of it.

Mr Blazey—That is correct.

Senator FAULKNER—There is probably no point asking them what else they do not know.

Senator CHRIS EVANS—So, Mr Blazey, following the conversation with Mr Pezzullo you are going to check your records, but your evidence to us is that you contacted someone in the minister’s officer some time last week?

Mr Blazey—That is correct.

Senator CHRIS EVANS—And that was just to brief them on the content of the conversation with Mr Pezzullo?

Mr Blazey—That is my recollection but, as I said, I will check.

Senator CHRIS EVANS—Yes, sure. Did you follow that up with a minute of some sort, a note or an email to the minister?

Mr Blazey—There may have been some talking points sent out. I will need to check that.

Senator CHRIS EVANS—Perhaps you could take that on notice and get back to us this afternoon as to what was sent to the minister’s office. But you think there may have been some talking points prepared for the Minister for Foreign Affairs some time last week covering the Barton matter?

Mr Blazey—That is correct.

Senator CHRIS EVANS—But obviously there were no talking points for him on the second matter, because you had no knowledge of that?

Mr Blazey—That is correct.

Senator CHRIS EVANS—Did Mr Pezzullo follow up his raising in passing with you the Barton matter with any formal correspondence, email or further information?

Mr Blazey—No, he did not.

Senator CHRIS EVANS—So the only basis you have of the knowledge of the foreign affairs department at the moment is the conversation with Mr Pezzullo?

Mr Blazey—That is correct—and the testimony provided by Defence.

Senator CHRIS EVANS—And I presume you have a transcript of the *Four Corners* show?

Mr Blazey—Yes.

Senator CHRIS EVANS—So at least they are keeping you reasonably informed.

Senator FAULKNER—Who else did you brief apart from Mr Downer's staff about that contact by Mr Pezzullo?

Mr Blazey—I mentioned it to Mr Chester.

Senator FAULKNER—You mentioned it to Mr Chester?

Mr Blazey—That is correct.

Senator FAULKNER—Oh, well, aren't we lucky that Mr Chester is here—very fortunate that he is sitting beside you. You can tell us, Mr Chester, what you did as a result of being briefed by Mr Blazey on this matter. Who did you brief?

Mr Chester—I did not brief anyone on it.

Senator FAULKNER—You just took it on board.

Mr Chester—I took it on board. I cannot recall the full detail of the discussion, but I am sure we would have discussed what steps Mr Blazey was going to take with the information.

Senator FAULKNER—In other words, the contact to the minister's office?

Mr Chester—Yes, I would assume so.

Senator CHRIS EVANS—You are having trouble recalling the conversation of last week, Mr Chester—is that as I understand it?

Mr Chester—I certainly do not remember the detail of the conversation. I remember the discussion we had.

Senator CHRIS EVANS—Do you remember the day?

Mr Chester—No.

Senator CHRIS EVANS—So neither of you are able to tell us what day this occurred?

Mr Blazey—I will need to check. It was in the last few days, obviously.

Senator FAULKNER—Mr Blazey, you do not remember the full content of the discussion you had with a member of Mr Downer's staff. Do you remember which member of Mr Downer's staff you had the conversation with?

Mr Blazey—Yes, I do.

Senator FAULKNER—Could you share that with us, please.

Senator Hill—I do not know that we normally name staff members in these committees.

Senator FAULKNER—Yes, we do, Senator Hill. What: we do not want to say that, Senator Hill?

Senator Hill—Well, I do not know that it is really—

Senator FAULKNER—No, of course not. That does not suit.

Senator Hill—I will bow to the guidance of the chair, but there was a communication with Downer's office.

Senator FAULKNER—Oh, of course! I am sure he will take the hint. He wants to get on.

Senator FERGUSON—Unlike you, Senator Faulkner.

Senator FAULKNER—He would like to be a parliamentary secretary at some stage, so he will take the hint. Anyway, let's see what the chair says.

Senator FERGUSON—Well, you jumped off pretty quickly, so—

CHAIR—Hope springs eternal for me, Senator Faulkner, but I am not quite sure if it still does for you.

Senator FAULKNER—It certainly doesn't. I am the first to admit it. I can at least say—

CHAIR—If you are asking me, I think advice to a cabinet minister is commercial in confidence—no, it is not commercial in confidence; it is just confidential.

Senator FAULKNER—Commercial in confidence!

CHAIR—No, it is not. It is confidential.

Senator FAULKNER—We are not talking about the Queensland Nationals here, you know. 'Commercial in confidence'—I mean, fair dinkum!

CHAIR—Well, it is cabinet in confidence—I do not know.

Senator FAULKNER—Oh, it is now cabinet in confidence what Mr Blazey said to a member of—

CHAIR—Look, I cannot have an argument with you.

Senator FAULKNER—Have another crack at it. See if you can come up with a better excuse.

CHAIR—I am not going to argue with you, Senator Faulkner.

Senator FAULKNER—We have heard 'commercial in confidence', which is a long bow.

CHAIR—You are not interrogating me, Senator Faulkner.

Senator FAULKNER—We have had 'cabinet in confidence'. Why don't you just say it does not suit you to tell us—

CHAIR—Please ask your question, Senator Faulkner.

Senator FAULKNER—because Senator Hill has given you the big hint that he does not want the name of the staff member mentioned?

CHAIR—Come on, Senator Faulkner. You have had your bit of fun.

Senator CHRIS EVANS—If you do a good job, you might be appointed Ambassador to Iraq.

Senator FAULKNER—I reckon that parliamentary secretaryship has been put back a year or two now, after that effort. Blimey!

Senator CHRIS EVANS—You are refusing to give us the name of the officer Mr Blazey spoke to, Minister. Is that the nub of it?

Senator Hill—Yes.

Senator FAULKNER—That is standard operating procedure for you.

Senator Hill—I am actually very open and helpful but I know you keep trying to get into the intricacies of the office of ministers.

Senator FAULKNER—It is just as well someone holds you accountable, Senator Hill.

Senator Hill—You can hold a minister accountable but that is not what you are trying to do. You are trying to drag individual ministerial staff into the issue and I do not think that is really in accordance with the usual practice of these committees.

Senator FAULKNER—At least we have established that Mr Blazey remembers whom he had the conversation with, so I suppose that is something.

Senator CHRIS EVANS—I would like to go back to the debrief issue because I was not clear what we were saying about this. There seems to be some confusion, and I appreciate that the department is going to take on notice whether there was one or two meetings on 30 March. I want to explore that a bit. I appreciate that you will get further advice from you. As I understood it, we described it earlier as the debrief of Mr Barton. Mr Blazey, are you saying that your officers were part of that debrief?

Senator Hill—I think Mr Stuart wants to make a contribution. It may lead to some modification of the question.

Mr Stuart—I can clarify this. I think I told you that we had hosted a meeting on 30 March and a debriefing by Mr Barton. That is not correct. We attended a debriefing but it was not one we hosted. I think an officer from the Iraq task Force attended, and other attendees were from the Department of Defence. I apologise if I made a misleading comment before. There was a meeting on 30 March with Mr Barton. It was a debrief. Then there was a meeting on 5 April at DIO with Mr Duelfer and Major Dayton of the ISG. There were those two meetings. We have not yet ascertained whether Mr Barton attended the 5 April meeting.

Senator CHRIS EVANS—Let us deal with them one at a time so we are clear. The meeting on 30 March was hosted by whom?

Mr Stuart—It is not absolutely clear to me from this correction note but it appears to be in the Department of Defence. I will check that over the lunch break and get back to you.

Senator CHRIS EVANS—Mr Blazey, are you at one with that—that it was in Defence? As I understand it, Mr Stuart is trying to be helpful and clarify the record. From what he is now saying I understand that the officer who attended the debrief on 30 March was a member of your task force. I thought you might have better particulars than Mr Stuart. I am not trying to divide you.

Mr Stuart—Mr Blazey does not have the benefit of this correction note. My staff had the presence of mind to go and check and they have given me an updated note. It has just come. We will check over the lunch break whether in fact Mr Barton attended that second meeting, and confirm with you that the first meeting on 30 March was in fact hosted by the Department of Defence.

Senator CHRIS EVANS—You told us you had nothing to do with this stuff and you were not hosting the meeting. That does not surprise me. Mr Barton was an employee of the defence department so I assume the prime responsibility for his debrief lay with them. It is not counterintuitive to me that perhaps they were hosting the debrief. What can we say we know about foreign affairs' involvement in the brief of 30 March?

Mr Stuart—I will check that over lunch break and get back to you.

Senator CHRIS EVANS—I thought that was the point of clarifying notes that you now have.

Mr Stuart—The note clarifies that we did not host the meeting on 30 March. I told you earlier that we had hosted the meeting on 30 March and that caused some confusion. We were going to say how many meetings there were, but it appears there was a debrief that we attended. It was not held at DFAT. My note suggests, but it is absolutely clear, that it was held in Defence. I will check over lunch break that it was in fact held in Department of Defence.

Senator CHRIS EVANS—We can come back to those issues. I just want to be clear though. At one stage you seemed to be suggesting that an officer from your section and from the task force attended. What are you now telling me? That only a member of the task force attended?

Mr Blazey—My notes here say that an officer from the Iraq Task Force attended. There is no mention of any other DFAT attendee.

Senator CHRIS EVANS—What else do your notes tell us about the meeting, Mr Blazey? It was obviously a meeting to debrief Mr Barton, who has recently returned from Iraq. You were obviously invited to attend because his information was of value and interest to Foreign Affairs. That all seems quite normal. Are you able to tell us who else was at the debrief?

Mr Blazey—The Department of Defence was there. There is no mention of anyone else. The note indicates that the debriefing concerned Mr Barton's views on the ISG, including his reasons for resigning, but did not include treatment of ISG detainees.

Senator CHRIS EVANS—I presume the note does not say: 'did not include treatment of detainees'. I presume that is your editorialising—that the note does not include it.

Mr Blazey—The note in the sense of what is in front of me here.

Senator CHRIS EVANS—I am sorry; I thought you were reading from a file note of the meeting. I will just make it clear: what is the source of the information you are providing to us today?

Mr Blazey—I believe the source is a discussion officers of the task force had with the officer concerned and his notes of the meeting.

Senator CHRIS EVANS—Is there a formal record of the meeting or just his personal notes?

Mr Blazey—It was not hosted by DFAT. We did not maintain a formal record. I understand there are some of his notes but I will need to check that.

Senator CHRIS EVANS—Perhaps you could check that for me over the lunch break as well. I am just trying to work out what the basis for your advice to us is. As you say, if there is a formal record of the meeting I would expect that to have been kept by Defence if they hosted the meeting. But you are advising us what did and did not occur in terms of the officers' recollections. I just want to know what the basis for that is. You obviously had your officers interview that officer in recent days. Is that correct?

Mr Blazey—That is my understanding, if the individual involved is the person I have in mind, and he is no longer in Canberra, so there is a communication issue. He is overseas at the moment.

Senator CHRIS EVANS—I see. So the officers would only have been able to interview him over the phone.

Mr Blazey—That is correct.

Senator CHRIS EVANS—As far as you know, there is no formal Foreign Affairs and Defence record of the debrief?

Mr Blazey—That is correct, yes.

Senator CHRIS EVANS—Was there a copy of a Defence record of the debrief?

Mr Blazey—Not that we have, no.

Senator CHRIS EVANS—So that debrief occurred on 30 March and, as your notes indicate, was centred on his views on the ISG and the reasons for resigning.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Was any action taken by Foreign Affairs as a result of that meeting?

Mr Blazey—Not that I am aware of, no.

Senator CHRIS EVANS—So it did not require you to do anything?

Mr Blazey—I believe not, no.

Senator CHRIS EVANS—The officer who attended was a task force officer, wasn't he?

Mr Blazey—That is correct.

Senator CHRIS EVANS—Would he have fed that information on the ISG back to the disarmament people? You have a disarmament section, haven't you? Is that part of the international division?

Mr Stuart—Yes. I have no record of that but I will check what involvement there was from my division over the lunch break.

Senator CHRIS EVANS—Thank you for that but essentially I suspect that, as well as informing the task force, that would have helped form the views of the international division.

I have been briefed in the past by some of your officers who follow the disarmament debates et cetera. Obviously firsthand feedback would have been quite important for them. Did the officer provide a file note, an email or a memo to other sections?

Mr Blazey—I do not know, but we can check.

Senator CHRIS EVANS—Perhaps you can check as to what the officer did with the information he got from the debrief—who he circulated that information to or who he provided advice to and when. It seems to me that there would have been other officers outside the task force who would have had an interest in Mr Barton's experiences and views. How do you normally do that sort of thing inside Foreign Affairs? Do you email relevant sections with a summary of an outcome of a meeting? Is that how it works?

Mr Blazey—It would obviously depend on the meeting and the importance of the meeting, the level of formality. There might be an official record, a virtual verbatim record or just a summary, an email or a phone call. I do not think there is a standard way of doing it.

Senator CHRIS EVANS—It would not be uncommon to send an email off to another section saying, 'I met with Barton. He had some interesting views on this,' and that sort of thing.

Mr Blazey—No, it would not.

Senator CHRIS EVANS—What do we know about the 5 April round table? We know that General Dayton and Mr Duelfer were there. Who else was there?

Mr Blazey—My predecessor, Mr Quinn, and someone from ISD.

Senator CHRIS EVANS—What is ISD?

Mr Blazey—The International Security Division.

Senator CHRIS EVANS—The officer who was at the debrief was not at that meeting?

Mr Blazey—He might have been. There is a position listed rather than a name. It is possible that it was him.

Senator CHRIS EVANS—Does it look like the right sort of level?

Mr Blazey—Yes, it does.

Senator CHRIS EVANS—So it is possible that that officer who was at the debrief might have been at the round table as well? Are we able to verify that?

Mr Blazey—We can check, yes.

Senator CHRIS EVANS—Obviously this was a more senior meeting. Is that a fair assessment?

Mr Blazey—I do not know. I would assume so, yes.

Senator CHRIS EVANS—Mr Quinn was there. He was the chief of the task force at the time. Who was there from ISD? If you do not want to give me the name, just give me the rank or the serial number.

Mr Stuart—It is listed as an executive officer. Rather than take a guess at which one it was, I will check it over lunchtime.

Senator CHRIS EVANS—What is the seniority of that position?

Mr Stuart—It would be the deputy to the director of one of my sections.

Senator CHRIS EVANS—A fairly senior person.

Mr Stuart—Middle level.

Senator CHRIS EVANS—What was the purpose of the round table?

Mr Blazey—It was hosted by DIO, so I am not in a position to know how they characterised the meeting and what it was intended to do. I assume it was to enable Australian officials to hear first-hand from Charles Duelfer on the work of the Iraq Survey Group.

Senator CHRIS EVANS—I thought I was the only one who went to meetings where I was not sure what the purpose of them was. It is an occupational hazard. It seems like that was the purpose of the meeting. Were there any outcomes for Foreign Affairs—any actions required?

Mr Blazey—Not that we have recorded.

Senator CHRIS EVANS—Do you have a formal record of the meeting?

Mr Blazey—I do not believe so.

Senator CHRIS EVANS—Did Mr Quinn make a file note or a summary or something?

Mr Blazey—I will need to check the files.

Senator CHRIS EVANS—Okay.

CHAIR—On that point, we might break for lunch.

Proceedings suspended from 12.29 p.m. to 1.38 p.m.

CHAIR—We are moving now to output 1.1, which is the protection and advocacy of Australia's international interests through the provision of policy advice to ministers and overseas diplomatic activity. I understand you have some questions, Senator Bartlett.

Senator BARTLETT—I have a few initial questions that come under the South and South-East Asia section. I am interested particularly in the situation in Aceh. I do have some questions about the tsunami aid package in general, but I presume they would be better suited for AusAID, which has primary carriage for that.

Mr Chester—The big aid package is being managed by the Department of Foreign Affairs and Trade.

Senator BARTLETT—In any case, I am sure you would be aware of the concerns about how the situation in Aceh post-tsunami is playing out, given the long-running unrest in the area. My understanding is that there is a plan by the Indonesian government to register more than 100,000 Acehnese people who have been displaced by the tsunami and relocate them to semipermanent camps. Concerns have been expressed that it may end up being a permanent relocation that might prevent them returning home. Can you confirm the correctness of that understanding and do you have any concerns about that?

Mr Grigson—There is continuing work about how best to help displaced persons within Aceh. I do not think there have been any final decisions made on that. We would want to see how the process worked out. We would obviously be very concerned to make sure that those people were well treated.

Senator BARTLETT—So at present the department does not have any cause for significant concern?

Mr Grigson—Not that has been brought to my attention.

Senator BARTLETT—Have you been engaging in discussion with the Indonesian government at all about the measures that are being taken to protect the human rights of displaced people?

Mr Grigson—We have made general representations about human rights in Aceh province over a number of years, including most recently. That would include people who have been affected by the tsunami. But there have been no particular reports drawn to my attention that would cause us concern.

Senator BARTLETT—So are you saying that, at the moment, there is still no finalised plan or carrying out of a plan to forcibly relocate people?

Mr Grigson—Not that I know about, but I could check for you and make sure that is correct.

Senator BARTLETT—Thank you. On the broader situation in Indonesia flowing on from the tsunami: the government announced a package of measures of over \$1 billion in assistance, which I and many other people have welcomed. I know there is some material in the public arena and on the department's web site et cetera about the breakdown of that, but are you able to give the committee any further information about which governments and UN bodies and NGOs have received assistance and whether there are any conditions on that assistance?

Mr Grigson—Those questions are probably better directed to AusAID this afternoon. I can run through quickly what I have for you and see if that helps. The government has committed \$1.06 billion and \$60 million in tsunami relief. Of course, the billion dollars of that, as you would know, is in the package for Indonesia. Indonesia has received \$33 million towards relief efforts and \$18 million of that was for key UN agencies. Sri Lanka had \$10 million made available to it and the Maldives also received assistance from us. The Thai government, as you probably know, Senator, did not seek international assistance, although we are working cooperatively with them on technical issues—and similarly with India.

Senator BARTLETT—The Australia-Indonesia Partnership for Reconstruction and Development came out of the billion-dollar package. I know that was established by the Prime Minister, and one of my colleagues asked some questions of PM&C earlier in the week and some of their answers directed us to you guys, which is appropriate. Are you able to give a bit of a breakdown on that joint commission that was announced by the Prime Minister of Australia and the President of Indonesia? I understand that the two leaders are respective heads of that commission but the day-to-day work will be generated through Foreign Affairs. Can you update us on the progress of that partnership?

Mr Grigson—That is correct. The Prime Minister and the President are the heads of the commission. The foreign ministers from both countries will sit on it and there will also be an economic minister appointed from each country. Advising that commission on the Australian side will be a secretaries committee, which will be chaired by the secretary of Foreign Affairs

and Trade. On that secretaries committee also will be the secretary of Prime Minister and Cabinet, the secretary of the Treasury, the secretary of Finance and Administration and the Director-General of AusAID. There has been a small secretariat established within DFAT to provide advice both to the secretaries and to ministers.

Senator BARTLETT—What is the best title I should use for that joint commission?

Mr Grigson—Joint commission is correct.

Senator BARTLETT—The joint commission actually has not had a meeting yet. Is that right?

Mr Grigson—No, we are working towards one soon, hopefully in March.

Senator BARTLETT—Again tell me if this starts to get into AusAID territory specifically, but the package of measures is basically split into half a billion in grants and half a billion in concessional loans. Is there any preference for Australian companies to provide reconstruction projects from those loans?

Mr Grigson—The procurement guidelines are still being worked through. Of course, Australian and Indonesian companies will be eligible to tender. One of the advantages we have of the joint partnership approach being taken is that we can watch carefully both the project bidding and the use of the money once the projects have been tendered..

Senator BARTLETT—Has there been any indication yet from the Indonesian side of things about those sorts of guidelines, any representations about restrictions on certain types of organisations that could apply for it or anything like that?

Mr Grigson—No, that is still being worked through by the secretariat.

Senator BARTLETT—Are there any goals set for when those guidelines would be finalised and people can start tendering and spending the money?

Mr Grigson—We plan to have basic principles in place and agreed by the first meeting of the joint commission, which will be, we hope, next month.

Senator BARTLETT—There has obviously already been money spent by a whole lot of people. One of the questions at the time when the large amounts of public donations were coming in was how much of that should be used to fund immediate relief when the public interest was high and governments then stepping in when understandably the interest dropped off. Is there any general figure you could give on the amount of expenditure to date?

Mr Grigson—From the billion dollars?

Senator BARTLETT—Yes.

Mr Grigson—There has not been any from that. The assistance we have provided so far has been from the \$33 million announced earlier and from in-kind assistance from the ADF and through NGOs.

Senator BARTLETT—The other expenditure is in addition to the billion dollars.

Mr Grigson—Correct.

Senator BARTLETT—The half a billion, \$500 million, for concessional loans: that is counted as part of the billion?

Mr Grigson—Yes.

Senator BARTLETT—Have the terms for those loans been finalised?

Mr Grigson—No, they have not. That will be discussed with Indonesia. I think you have the basic details, which are \$500 million over 40 years with no payment of principle for the first 10. Other than that, the details and repayment schedules have not been worked out.

Senator BARTLETT—And the \$500 million that is an up-front donation, for want of a better word, or grant: is that spread over four years?

Mr Grigson—The disbursement of that has not been decided. That will be one of the issues for the joint commission next month.

Senator BARTLETT—Is there an expectation of how much in the first financial year?

Mr Grigson—No, not that I am aware of.

Senator BARTLETT—The constraints on what it can be used for in terms of infrastructure projects, those sorts of things, would also be worked out in March.

Mr Grigson—That is right. That will flow from both the needs assessments that are being done and the first meeting of ministers on this issue.

Senator BARTLETT—There are one or two bits I might save for AusAID. Are you able to give an update for the benefit of the committee on just what the general progress of the situation is in all the countries affected by the tsunami, or those that come under your purview at least?

Mr Grigson—If I could concentrate on Indonesia and Sri Lanka, in Indonesia we have moved from the immediate emergency phase into the next stage of assisting people. That will go to helping the displaced people that you talked about earlier and the longer term reconstruction needs. There is a plan to move from the provision of emergency assistance by military forces to longer term sustainable civilian help. In general, things are moving ahead but, as you know, the devastation was quite serious, so it is hard to say that things are better, but they have definitely improved.

Senator BARTLETT—As well as Aceh, there have also obviously been reports about the tensions with Sri Lanka and northern Sri Lanka in the Tamil areas and how the ongoing civil conflict there has impacted on the situation. Is there anything specific to that? I have heard reports, for example, of orphaned children being targeted for conscription into the resistance and those sorts of things. I have heard reports about alleged undesirable activities from the Sri Lankan government side of things. Is there any validity to any of those?

Mr Grigson—I was coming to Sri Lanka—similarly in Sri Lanka we have moved from an emergency assistance phase to something more long term. On the two issues you raised, we have seen those reports as well. It is very difficult to get credible information on those sorts of claims. We are confident, however, that assistance has got through to the north and the east. We have had officers from the High Commission in Colombo visit those areas and they have seen it for themselves.

Senator BARTLETT—So you are pretty confident that the assistance is getting through in those areas.

Mr Grigson—Largely, yes.

Senator BARTLETT—I guess that is part of ongoing work.

Mr Grigson—It is.

Senator BARTLETT—There is some speculation about the severity of the impact in Burma, in particular, and difficulty in getting precise information there. Can you give us what your best guess is on what has happened?

Mr Grigson—There were two statistics that came out of Burma. One was in the high 50s, which was the official statistic. There was another one that was at just below 100 that came out of the UN. We think that the UN number is probably a credible number. There is just a difference in the way the numbers have been added up and counted. But it is less than 100.

Senator BARTLETT—What are the latest casualty figures—as in not just deaths but the injured and displaced and those sorts of things?

Mr Grigson—There are a range of numbers around. I have been using 290,000. If it helps I can quickly run through the latest figures we have got for each country. For Indonesia the death toll I have as of 15 February was 119,679; missing, 114,897; and displaced persons, 426,849. For Sri Lanka the death toll as of 31 January is 30,959; missing, 5,443; and displaced persons, 552,641. There is some debate about that last number. In the Maldives the death toll is 82 with 26 missing. For Thailand the death toll number I have as of 15 February is 5,395, missing is 2,995 and I do not have a figure for displaced persons. The last figure I have is from an official source in India from 18 January. The death toll there is 10,749 and missing is 5,460. The total displaced ranges up to 1.5 million. If I could put a caveat on those numbers: people, of course, count missing and injured in different ways, so in some countries an injury might count and in others it may not. But they are our best estimates based on official sources.

Senator BARTLETT—I know Africa is not your area but have you got them for there?

Mr Grigson—It is not but, if you let me have a look through my papers, I can see if I have got them. Is there something else I can help with while I do that?

Senator BARTLETT—What is the latest with Australian people of concern?

Mr Grigson—I would have to ask one of my colleagues from the consular branch to answer that for you.

Senator BARTLETT—I can leave it till then.

Mr Grigson—The African numbers I have are: Somalia, 59 dead; Tanzania, 10; Kenya, 1; and the Seychelles, 3.

Senator BARTLETT—Thanks.

Mr Smith—The current number of Australian casualties is 19 confirmed dead and 8 individuals who are still unaccounted for and about whom we have grave concerns. Of the 19 confirmed dead, 16 of those have been confirmed killed in Thailand and 3 in Sri Lanka.

Senator BARTLETT—Thank you for that. I might leave it till your section to do some of the follow-through of assistance with Australians and that sort of thing. Thanks for the cameo.

It was good. Briefly getting back to the region and the billion dollar package to Indonesia, have we provided or are we anticipating providing other assistance to other countries in the region beyond the initial response?

Mr Grigson—You could talk to AusAID about that. There is an ongoing review within the programs that we have to see whether other countries need further assistance. I do not have a note on that I am afraid.

Senator BARTLETT—With regard to the reconstruction partnership, which is hopefully meeting next month in joint commission, how is it envisaged that is going to operate in an ongoing way? I am sure this will be finetuned but are there any expectations about whether there will be regular meetings? Are we just setting down the guidelines and then letting them all flow with occasional touching base?

Mr Grigson—Those details are to be worked through. One of the advantages of having a small secretariat is that you can do work out of session if ministers so decide. That sort of process is exactly what ministers will talk about next month.

Senator BARTLETT—Sit sounds like I should probably wait until next estimates before pursuing this much further. That is all I had for that region.

Senator PAYNE—Mr Grigson, in relation to the announcement of the extension of house arrest of Tin Oo in Myanmar and the move to resume the national convention, have we made any statements in response to either of those?

Mr Grigson—Senator, as you would know, since the middle of last year we have made our positions very clear on the circumstances in Burma. We remain deeply concerned by the lack of political reform there and the lack of credibility, frankly, of the national convention. Again, as you would probably know, unless that convention is open and free, it really cannot be a credible process in terms of taking forward reform. The extension of the arrest of Tin Oo is really just a continuation of his current circumstances, as it was with Aung San Suu Kyi. We last spoke to Burmese ministers about the circumstances there this month, on 2 February.

Senator PAYNE—Is Australia's current ambassador in Burma?

Mr Grigson—There is currently a vacancy there.

Senator PAYNE—When is that appointment to be filled?

Mr Grigson—That is a matter for the minister. I have not seen anything yet.

Senator PAYNE—Just before we also leave this section, are you the person to ask about Nepal?

Mr Grigson—Yes.

Senator PAYNE—Lucky you. With regard to the state of emergency, the dismissed government and the appointment of a pro-royalist cabinet, I understand this week there has also been increased conflict between the Army and Maoist guerrillas, notwithstanding the fact that I think the government is saying they remain open for peace talks. Have we made any statements on that situation?

Mr Grigson—We did. The minister released a statement on 4 February following the dismissal of the government on the 1st. Our ambassador in Nepal has spoken to the foreign

minister on at least two occasions—from memory, on 7 and 15 February—underlining our concerns about human rights. We are very concerned about the recent events, which I think will set back the prospects of a return to multiparty democracy and stability any time in the near future.

Senator PAYNE—I understand the EU have acted to recall their diplomatic representatives for consultations. Is there any contemplation of that in relation to Australia's ambassador?

Mr Grigson—That is right. A number of countries have recalled their ambassadors, but the minister has not yet considered that issue.

Senator FAULKNER—This is 1.1.1?

CHAIR—It is.

Senator FAULKNER—I have a question about the world expo, which is in Japan I believe. That is correct, isn't it, Mr Grigson?

Mr Grigson—That is correct, but that is not me. That is in North Asia. That is a different output.

Senator FAULKNER—I thought that was under output 1.1.1.

Mr Grigson—We are actually doing 1.1.2 at the moment.

Senator FAULKNER—There we are. It just shows how quickly we move, doesn't it? We have moved right past it. Did you know that, Chair?

CHAIR—I did know we were on output 1.1, yes.

Senator CHRIS EVANS—I think the chair allowed Senator Bartlett to have a bit of a go.

CHAIR—I allow quite a lot of flexibility, Senator Faulkner.

Senator FAULKNER—You are noted for it.

Senator CHRIS EVANS—Except when it comes to the issue of smokos, when he is very strict!

Senator Hill—We have lost the expo expert.

Mr Chester—Senator, if you can hold off, we will see if we can find the head of the expo unit.

Senator FAULKNER—By all means. Were you going to come back after the luncheon break, Mr Chester, with any further information for the committee?

Mr Chester—Mr Blazey has some additional information.

Senator CHRIS EVANS—Would he like to join us, then?

Mr Chester—If we want to move to that now.

[2 p.m.]

CHAIR—I think that was the understanding. We moved on to 1.1 to clear some other matters for Senator Bartlett so if you wish to respond further through Mr Blazey I think he should come back now.

Senator BARTLETT—I do have some questions in other outputs. I was trying to stick to the program, which is 1.1.2, but I have some in 1.1.4 and 1.1.8.

CHAIR—Senator Bartlett, you were allowed to go on so generously; you should have taken advantage of it while you could. Anyway, you will just have to follow the program now. Mr Blazey is back to respond to some matters raised by Senator Faulkner before lunch.

Mr Blazey—Thank you. I can now confirm that the officer who attended the meetings of 30 March and 5 April was in fact the same individual. We have his notes which he prepared at the end of those two meetings and we have also spoken to him. On that basis, I can inform you that there was no mention of Mr Barton's concerns raised at either of those meetings.

Senator FAULKNER—Let's just go back a step. Have we been able to establish, first of all, if Mr Barton was present on 5 April?

Mr Blazey—In relation to the meeting of 5 April, there is no record of Mr Barton having been present. None of the officers we have spoken to—

Senator FAULKNER—Well, he would not be expected to raise any concerns at all—in fact, you would not expect him to speak—if he was not present, would you? So that is a slightly different twist on things, isn't it? You are telling us he did not raise his concerns at either of the meetings. It is a bit hard to raise your concerns if you are not there. So he was not there, as far as we know?

Mr Blazey—As far as we know, he was not there.

Senator FAULKNER—That is a slightly different thing, Mr Blazey, with respect.

Mr Blazey—Secondly, in relation to the *Hansard* of 2 June, when Mr Quinn indicated that he had previously asked for some information on the Iraq Survey Group, we now understand from him that those concerns were raised at a meeting on 26 February of the Iraq Task Force's legal working group.

Senator CHRIS EVANS—What are you saying to us there, Mr Blazey—that Mr Barton's concerns were raised at it?

Mr Blazey—No. You might recall that Mr Quinn, in his testimony of 2 June last year, indicated that he had asked for some further information on the Iraq Survey Group. Before lunch you asked when he had raised those concerns which were reported on 2 June. Those concerns were raised by Mr Quinn on 26 February.

Senator CHRIS EVANS—At a meeting with whom?

Mr Blazey—A meeting of the legal working group, which is a subset of the Iraq Task Force, which includes a number of departments.

Senator CHRIS EVANS—He did not actually raise it with the ISG officers serving in Iraq? Or did the legal working group then raise it with those personnel?

Mr Blazey—No. He asked for the information he was seeking to be passed back to the Iraq Survey Group through military channels and the response came back through military channels as well.

Senator CHRIS EVANS—Did he request any information that those officers had relating to concerns or issues regarding prisoner abuse? Is that a fair characterisation?

Mr Blazey—That is right. Perhaps it is best if I read what he said on 2 June:

I had some concerns in relation to the Iraq survey group, so I said, ‘Are there any issues here in terms of process we need to be aware of?’ A message went through the military chain and through the ARO to check in terms of the Iraq Survey Group whether there were any particular issues that needed to be raised with us. The reply came back: ‘No, our Australian colleagues in the ISG are not involved in interrogation or detention processes. There is no issue that we need to be concerned about.’ So I guess in my role as sweeper I just raised the issue.

Your question related to when he raised this concern.

Senator CHRIS EVANS—Yes. You say he did that at the legal group on 26 February.

Mr Blazey—That is correct.

Senator CHRIS EVANS—That is a group working in Canberra.

Mr Blazey—Yes.

Senator CHRIS EVANS—Did they take action?

Mr Blazey—My understanding is that, arising out of that meeting, action was taken. As the *Hansard* indicates, the request went back through the military chain and to the ARO.

Senator FAULKNER—You said the reply came back. Who did the reply come back from? Both chains?

Senator Hill—I think there is a big risk in reading too much into somebody’s notes. This is hearsay at its best.

Senator FAULKNER—It was said that a reply came back. I am asking the department. They may not know. They said, ‘The reply came back.’ First of all, you would expect two replies to come back, would you not, Mr Chester, because it has gone through two chains?

Mr Chester—If two messages went out, then, yes.

Senator FAULKNER—We have been told. Evidence has been provided—let’s hope it is accurate—that it went through two channels. We have heard that evidence, haven’t we, Mr Chester?

Mr Chester—That is right.

Senator FAULKNER—If the request went out through two channels, one would contemplate that those two channels separately might provide a response. That sounds reasonable.

Senator Hill—They might.

Senator FAULKNER—Did they?

Mr Chester—We do not have the information with us here. We would need to check our files to see what the responses were.

Senator FAULKNER—Could you do that and let us know.

Mr Chester—Yes.

Senator CHRIS EVANS—Mr Blazey, was there anything else? You were going to check on your conversation with the minister's office.

Mr Blazey—Yes, I did check and advice was provided to the minister's office.

Senator FAULKNER—What advice was provided?

Mr Blazey—I do not think I should be going into what advice was provided.

Senator CHRIS EVANS—Is that different from a telephone call that you described earlier?

Mr Blazey—I think it is probably sufficient to say that advice was provided.

Senator FAULKNER—Let us go to the process issues first of all, without going to the substance. How did you provide the advice? By carrier pigeon?

Mr Blazey—As I said, I provided advice. I do not want to go into the exact methods by which I provided it.

Senator CHRIS EVANS—It is worse than that. You said to us earlier you thought you phoned someone in Mr Downer's office.

Senator FAULKNER—Some unnamed person.

Senator CHRIS EVANS—Are you saying now that is not right?

Senator FAULKNER—We are not asking you to give away state secrets here. We are only asking you how this advice was communicated. We do not think you put it in a bottle and threw it in Lake Burley Griffin and hoped it washed up on the shore and someone from Mr Downer's office picked it up. We assume you picked a phone up, wrote a letter or a note or sent an email or some other form of communication. It is not that hard.

Senator Hill—I certainly think that whatever advice, if it is advice that is given to the minister, is between the officials of his department and the minister. What the witness has said is that he, following the discussions with Pezzullo, then communicated matters to the minister's office.

Senator FAULKNER—That is right, and did you know, Senator Hill, on umpteen occasions, in umpteen committee hearings, it has been standard information to indicate how this was done. We are not going to the substance of the advice. I really do not understand what concerns the witnesses so much about this. Did you pick up a telephone, send an email, shoot over a brief to the minister's office or use any other form of communication? Did you write it in a letter, stick a stamp on it and leave it up to Australia Post? How was it done? Perhaps they did use carrier pigeons. Nothing would surprise me. It is a toughie, this one. Did you send over a messenger? Did you press the panic button? Did you just shout down the corridor?

Senator Hill—The witness feels uncomfortable about communicating the form of advice that he gave.

Senator FAULKNER—Why would that be?

Senator Hill—I am not sure why, but if he feels uncomfortable—

Senator FAULKNER—Why don't you have a little private chat with him and establish—

Senator Hill—If he feels uncomfortable in doing that then I do not think he should at the moment disclose any further.

Senator CHRIS EVANS—It is a little bit more complex than that. The witness prior to the break indicated that he made a telephone call to someone on Mr Downer's staff who you refused to allow him to name.

Senator Hill—I did.

Senator CHRIS EVANS—So the public record provides that Mr Blazey made a telephone call to a secret member of Mr Downer's staff. We are now saying that the form of communication is a state secret unable to be released to this committee.

Senator FAULKNER—Let us hope it is a telephone call, because otherwise you will have to correct the record.

Senator Hill—We are not quite saying that. The witness obviously has some aspects of this matter that he is uncomfortable with. I think that he should leave it at that at this stage and we might be able to provide further information later.

Senator FAULKNER—What do you mean by that? He must know how he communicated. He has already told the committee he had telephonic communication with Mr Downer's office. If that is not right then the witness will need to correct the record.

Senator Hill—He has said he does not want to add to what has already been said on this matter. If that is his position then I would say to him he should stand where he is and we will all take the consequences of that.

Senator FAULKNER—The consequences are just the usual lack of transparency. I do not think any reasonable person—

Senator Hill—You get more transparency from this government than has ever occurred. You can hardly complain about that.

Senator FAULKNER—The level of transparency of this government is demonstrated by the fact that you will not provide information on how a matter was communicated to the minister.

Senator Hill—What is the relevance of it? You can only ask relevant questions.

Senator FAULKNER—I think it is important how this was done, how quickly it was done. We have not got to the timing yet; we are just trying to get to the method of communication first of all.

Senator Hill—It strikes me as entirely irrelevant.

Senator FAULKNER—There may be a record of it; there may not. If it was in writing there would be a record. If it is not in writing there would not be.

Senator Hill—I see. That is what it is all about.

Senator FAULKNER—No, that is not it is all about. It was just to give you example.

Senator CHRIS EVANS—What we have got so far, Senator Hill, is the witness saying that last week, or a couple of days ago, or within the last couple of days, he thinks he might have had a telephone conversation—but he is not sure—with an unnamed officer in the office

of Mr Downer whose name you refuse to have disclosed to the committee. Now he says the method of conveying that information is too secret to share with us. It was not a problem before lunch, it is just that he was not sure. Now it is a problem.

Senator Hill—I think he could have answered differently this morning. If it was his wish, he could have said that any communications between him and his minister are between him and his minister and that is basically not the business of this committee. What I think he is saying now is that any further detail in relation to a matter of communication between him and his minister is not the business of this committee.

Senator FAULKNER—That is high farce, even for you, because never before, at any estimates committee—or, as far as I am aware, any other committee of this parliament—have we ruled out questions on process issues such as the method of transmission between departments and ministerial offices. Never has it been ruled out.

Senator Hill—I do not think what you are saying is correct at all. I can remember when I was in your seat, we were never given that sort of information.

Senator FAULKNER—Just wait a minute. Obviously from time to time questions about the content of advice to ministers have not been responded to, but never a process issue like this.

Senator Hill—In recent years we have provided more information than ever before in relation to communications between departmental officials and their ministers. We do that in the interests of transparency and accountability. But if an official is uncomfortable with that aspect then I will support the position of the official.

Senator FAULKNER—See, what has happened is that he has had a conversion on the road to Damascus, has he, Senator Hill? Something has changed since we were last meeting here this morning.

Senator Hill—I presume he has reflected on the issue and now has concerns about talking about—

Senator FAULKNER—The witness has been nobbled.

Senator Hill—putting into the public record matters that relate to communications between officials and their ministers.

Senator FAULKNER—You have nobbled the witness over the lunch break.

Senator PAYNE—Chair, this is an extraordinary intervention by Senator Faulkner which left unchallenged on the record is, in my view, entirely inappropriate. I know Senator Faulkner will dismiss that as only my view and therefore not worth contemplation. But I do think it is very important to note that it is, in fact, an inappropriate reflection on the witness, who has responded as best he is able to this point.

Senator FAULKNER—It is not a reflection on the witness, it is a reflection on the way the Howard government and its ministers do business. And it is a reflection on them. This is a witness who told us about a telephone conversation before the luncheon break and probably has been stitched up in either Minister Hill's or Minister Downer's office and now will not provide what is straightforward information for a committee like this: the method of

transmission of information to the minister's office—not going to the substance or content of the advice at all.

Senator PAYNE—Senator Faulkner, you know as well as I do that speaking to the witness in this way puts the witness in a very difficult and invidious position, and I do not think it helps the situation at all.

Senator Hill—Intimidation of witnesses has been turned by Senator Faulkner into an art form, but that is a different issue.

Senator PAYNE—Not a sort of art you would pay for.

Senator Hill—It is no wonder witnesses prefer not to attend before—

Senator FAULKNER—These are issues directed to you, Senator Hill.

Senator Hill—You can ask me any question you like.

Senator FAULKNER—I am asking why, for the first time in the history of Senate estimates committees—

Senator Hill—It is not.

Senator FAULKNER—you are not willing to provide information in relation to the method of transmission of this information to Minister Downer's office, when the witness before the luncheon adjournment of this committee was willing to speak about it. What has changed?

Senator Hill—My answer to that is that I am reverting to the practice that was commonplace when you were in government.

Senator FAULKNER—Rubbish, and you know it is rubbish.

CHAIR—Have you got further questions, Senator Faulkner?

Senator CHRIS EVANS—The question is, Minister: has the witness been advised by the government not to answer questions on this matter, because before the luncheon break he was a cooperative witness who was just going to check his records; now he feels unable to answer direct questions about the process.

Senator Hill—I understand that the witness would prefer not to answer these questions and I am defending his right not to answer them.

Senator CHRIS EVANS—Since when has estimates been about which questions witnesses want to answer?

Senator Hill—Whatever has led to him adopting that choice is not really my business.

Senator FAULKNER—I suspect thousands of questions over the years have been asked, with governments of different political persuasions in office, that witnesses would have preferred not to answer, Senator Hill—thousands of questions. And they have been answered. I actually understand if an official would prefer not to answer a question, but so be it. This is a straightforward process question and it ought to be answered in a straightforward way.

CHAIR—Are there any further questions?

Senator CHRIS EVANS—Mr Chester, have you or anyone in the department provided advice to Mr Blazey not to answer this question?

Senator Hill—I think that is just dragging Mr Chester into the same issue.

Senator CHRIS EVANS—He is the senior official at the table.

Senator Hill—I am saying that matters between officials on how they should approach particular questions, particularly as they relate to matters between officials and the officers of the office of their minister, is not something that is appropriate to be required to be put on the public record.

Senator CHRIS EVANS—I asked Mr Chester—

Senator Hill—You are suggesting to me that if officials discuss what is appropriate or not to put on the public record they should have their process of analysis examined publicly. I do not think that that is right.

Senator CHRIS EVANS—No. What we have is a very clear difference between the behaviour prior to the break and the behaviour after the break, with no explanation. The witness gave us an explanation of what had occurred. He was going to confirm the date and the nature of the communication to the minister's office. He suggested it was a telephone call but was going to double-check the detail. After lunch we find that somehow a decision has been taken that this information is not to be shared with the committee. Obviously we are interested as to why that decision has been taken. I do not for a minute assume that Mr Blazey took that decision on his own. I am sure he would have consulted with senior officers and I would like to know from Mr Chester why the department has taken that decision.

Senator Hill—I do not think that Mr Chester has to answer that question. I think that that is a matter between officials and between officials and their minister.

Senator CHRIS EVANS—So answering questions at estimates now is just optional for any official, is it?

Senator Hill—No. You ask the questions and I will decide what can be answered.

Senator CHRIS EVANS—But you made it clear you did not decide this.

Senator Hill—No, but I will decide what can be answered and, if I find an official is uncomfortable with providing an answer, I will protect the official in that circumstance if I think he has a reasonable justification.

Senator CHRIS EVANS—Oh, you know what his justification is?

Senator Hill—And I am interpreting the reasonable justification in this instance to be the privacy of communications between an official and his minister.

Senator CHRIS EVANS—Do you know that? I thought you told us a minute ago you did not know the reason.

Senator Hill—That is what I am assuming, and that is the basis—

Senator CHRIS EVANS—So you do not know.

Senator Hill—That is my process of rationalising why I regard it as legitimate for this witness to decline to answer.

Senator CHRIS EVANS—You do not actually know on what basis he is declining to answer, other than that he feels uncomfortable. So in future any request from a witness to you not to have to answer a question because they feel uncomfortable is all that you need to hear and no answers will be provided to the Senate estimates committee. He could be on an uncomfortable chair.

Senator Hill—If it was a witness in my own department I might have a very different attitude.

Senator CHRIS EVANS—So the fact that the witness is from Mr Downer's department is the key issue here.

Senator Hill—I am here in a representative capacity. I have no wish to interfere in the way in which another department is administered.

Senator CHRIS EVANS—It is not a question of how it is administered.

Senator Hill—It is.

Senator CHRIS EVANS—It is a question of whether it answers legitimate questions at the estimates committee.

Senator Hill—It is administered through ministerial authority. The communication from officials to the minister is part of that process and communication between officials and ministers is something that it is not necessary to put on the public record if that is the wish of the official.

Senator CHRIS EVANS—If it is the wish of the official? So now estimates will be confined to things the official wishes to share with us.

Senator Hill—No, not at all.

Senator CHRIS EVANS—That is the logic of your position. We had chapter and verse from you yesterday on the communications—

Senator Hill—No, it is the logic of my position in relation to communications between officials and ministers.

Senator CHRIS EVANS—I see. So it is only the nature of communications to the minister's office that allows the witness to choose what they will or won't tell us.

Senator Hill—That is the instance that we are addressing at the moment.

Senator CHRIS EVANS—I thought the rule was that they were not required to share the content of the advice or the nature of the advice they had given to the minister. When has it been expanded to this new definition? You are having a big week on definitional issues.

Senator Hill—I am saying that in the time of our government we have considerably relaxed the information that we make available to committees and have made available to committees in relation to communications within departments and between departments and ministers. But there is no reason that we have to do that. As I said, if you wish we can return to the practice under the previous Labor government, when hardly anything was ever disclosed.

Senator CHRIS EVANS—You took this decision to change policy at lunch today, did you? Is that when the government changed its policy on answers that were acceptable in estimates committees? There was a meeting at lunchtime?

Senator Hill—The government has not changed its policy.

Senator CHRIS EVANS—You allowed the witness to answer the question before lunch. Now you insist that he does not have to answer it after lunch. What happened at lunch?

Senator Hill—The witness apparently was prepared to answer the question before lunch. After lunch he indicates that he would prefer not to answer further questions on this subject. As the subject relates to communications between an official and his minister, I do not think he has to answer those questions.

Senator CHRIS EVANS—But it is the same subject matter he answered questions on before lunch. Clearly something has happened at lunchtime that the official has been encouraged not to be open with this committee. We want to know why.

Senator Hill—Well, he might have reflected on the situation.

Senator CHRIS EVANS—What he has done is he has left on the record an impression which now he is unwilling to confirm.

Senator Hill—You can do what you like with what the witness has put on the public record. But what you are now asking him to do is to put more on the public record and he has declined to do so. I have interpreted that that it is on the basis of the right to maintain privacy between officials and ministers in order to ensure confidence in the administration of public affairs, and I believe that to be a legitimate argument.

CHAIR—Senator Evans, can I interrupt you. Senator Bartlett does have a couple of questions on output 1.1 and I might ask him to ask some questions on that, and you might reflect on what questions you wish to ask.

Senator CHRIS EVANS—I am happy to come back to Senator Bartlett and cede him some time but I think we need to resolve this. One of the things I was going to raise with the minister is that, as I understand the procedures, a witness is under obligation to correct the record as soon as possible if he has given a misleading impression in providing evidence. I do not know whether the witness have been given that advice over the lunch break as well, because he gave evidence. If he now is in the situation where that was not correct he is obliged to correct the record. So I think he is in a bit of difficulty if he now refuses to answer the same question unless he is confident that the original answer was correct.

Senator HILL—I am sure he appreciates the advice he has been given by Senator Evans.

Senator CHRIS EVANS—I would not rely on my legal advice Senator Hill, so I hope he has got better advice than that.

Senator Hill—I did not know it was a question of law, Senator.

Senator CHRIS EVANS—I want to make it clear to the witness that I am not pretending to be an expert and not pretending to give him advice but I am quite shocked that this has occurred. I want to make sure the witness understands what is occurring because it seems to me he has obviously been given some advice at lunchtime by either his minister or senior

department officials not to answer this question. And you say you do not know why but you are prepared to allow him to refuse to answer the question on the basis that you assume there might be a reason but you do not know.

Senator Hill—No. I have said, in my submission, he has a right not to answer questions that relate to communications between him and his minister, and I think that that includes the form as well as the substance.

Senator FAULKNER—Mr Blazey, can I ask you a question: did you listen to the chairman's opening statement at the commencement of this hearing this morning?

Mr Blazey—Yes, I did.

Senator FAULKNER—I will quote this part of what our chairman said directly:

... the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

Are you aware of that?

Mr Blazey—Yes, Senator.

Senator Hill—And before you intimidate him further, let me say that that means he can decline to answer a question, and you have the right to take such parliamentary process as you wish.

Senator FAULKNER—Senator Hill, the point I make about this is how—

Senator Hill—The point I am making is that I do not think you heavying the witness is going to help this matter.

Senator FAULKNER—Actually, I am not heavying the witness. The responsibility—

Senator Hill—You always heavy the witnesses. It is your style.

Senator FAULKNER—The person who should take responsibility for this, of course, is you—

Senator Hill—I am.

Senator FAULKNER—and you have taken unprecedented action—

Senator Hill—It is not unprecedented; it used to be common practice.

Senator FAULKNER—at this committee in covering up a simple matter—

Senator Hill—I wondered how long it would take to get to today's cover-up.

Senator FAULKNER—of a method of communication from the department to a minister's office. Just the methodology; just how it was done—that is utterly unprecedented.

Senator Hill—It is unusual to get into a second session of an estimates day without Senator Faulkner alleging a cover-up.

Senator FAULKNER—What is it, Senator Hill?

Senator Hill—I am happy to go through the argument again if you wish.

Senator FAULKNER—Just let us know.

Senator Hill—If you wish I will spend all afternoon doing it.

Senator FAULKNER—Just answer the question. If you are not going to cover it up, answer it. Answer it.

Senator Hill—Mr Chairman, I put my position. I could repeat it.

Senator FAULKNER—You are going to cover it up.

Senator Hill—Cover up what? I could repeat it but I do not know that that is going to help the committee.

Senator FAULKNER—Senator Hill, can you give us any other example of where there has been an instance of a process question such as this not being answered where such a refusal to answer a question has been given previously?

Senator Hill—My recollection from 13 years of sitting in your chair is that the Labor Party would rarely give any information in relation to any communication between a minister and a departmental official. In fact, they used to get upset at the question even being asked as if it was some sort of affront. We have relaxed that considerably in recent years and we have done it for the purpose of trying to improve transparency—

Senator CHRIS EVANS—Till lunchtime today.

Senator Hill—and accountability. But, nevertheless, if the witness is uncomfortable with it—

Senator FAULKNER—That is absolute misrepresentation and you know it.

Senator Hill—I will protect the rights of the witness.

Senator FAULKNER—Perhaps those in this building who have a better knowledge than you do of the history of these committees can look at this issue of whether such a process question, as simple and straightforward a process question as this, has ever met with the response of a refusal to answer in the history of the establishment of these committees. I believe it is unprecedented—absolutely unprecedented. How typical of the way you operate.

Senator CHRIS EVANS—Mr Blazey, the other matter you were going to check over lunch was the date of your communication to the minister's office.

Mr Blazey—Yes, I can provide that. It was Friday, the 11th.

Senator CHRIS EVANS—Friday, 11 February. So last Friday?

Mr Blazey—That is right.

Senator CHRIS EVANS—So the only issue that remains outstanding is the question of whether the carrier pigeon was used, the telephone, the email or a longbow and arrow—a Welsh longbow perhaps. Mr Blazey, were there other matters you were going to get back to us on?

Mr Blazey—None which I have with me at the moment. We are still checking a few of the questions which you had put to us.

Senator CHRIS EVANS—To double check the status of this 5 April roundtable, you can now confirm that Mr Barton was not there or that you have no record of him being there.

Mr Blazey—We have no record of him being there and none of the officers who attended have any recollection of him being there.

Senator CHRIS EVANS—Right. Can you tell me: was the 3 June meeting with the ambassador in Baghdad?

Mr Blazey—Yes.

Senator CHRIS EVANS—Who else was at that meeting, do you know?

Mr Blazey—It appears that it was—on our side, that is—Mr Mules and Mr Duelfer from the ISG. I am not sure whether Mr Mules was accompanied by a note taker.

Senator CHRIS EVANS—Do you know the purpose of that meeting?

Mr Blazey—It was to discuss draft checks of the ISG's final report.

Senator CHRIS EVANS—Who was the ambassador at the time?

Mr Blazey—Neil Mules.

Senator CHRIS EVANS—So, despite this not being one of his key priorities, he had a meeting with Mr Barton to discuss the draft ISG report.

Mr Blazey—He met with Mr Duelfer.

Senator CHRIS EVANS—So he was there in an accompanying capacity. Is that what you are trying to tell me?

Mr Blazey—No. You said he met Mr Barton. On 3 June he met Mr Duelfer.

Senator CHRIS EVANS—I thought you gave us 3 June as one of the dates on which you had contacts with Mr Barton. Have I misunderstood that?

Mr Blazey—It was contact with the ISG. It was with Charles Duelfer.

Senator CHRIS EVANS—I see. So Mr Barton was not there but it was with the ISG.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Sorry. I was just fleshing out. You gave us those dates but they were actually contacts with the ISG. We established 9 February and 26 February were with Mr Barton. We had a meeting between Mr Barton and the former head of the task force. I think you gave us a range of dates: 29 February to 5 March. Have we been able to tie that down as to the date of that meeting?

Mr Blazey—Could you repeat that?

Senator CHRIS EVANS—I think you gave us a range of dates.

Mr Blazey—Yes, that is correct.

Senator CHRIS EVANS—Have you been able to ascertain the date of the meeting?

Mr Blazey—No, we have not.

Senator CHRIS EVANS—I presume that was the period in which your predecessor was in country, was it?

Mr Blazey—That is correct. It would have been during the time he was in Baghdad.

Senator CHRIS EVANS—He has told you he met with Mr Barton but we do not know the precise date.

Mr Blazey—That is correct.

Senator CHRIS EVANS—Have you got any details of the purpose of the meeting with embassy officials in Baghdad on 19 March?

Mr Blazey—That was with regard to planning for the visit that Mr Duelfer was planning to make to Australia.

Senator CHRIS EVANS—What was Mr Barton's role in that?

Mr Blazey—I assume they were just going through the details of the visit program.

Senator CHRIS EVANS—Was Foreign Affairs providing the program for Mr Duelfer?

Mr Blazey—Yes. My understanding is that we arranged some of the visit elements back here in Canberra.

Senator CHRIS EVANS—I am just trying to work out what Mr Barton's role as a member of the ISG based in Iraq would be in that.

Mr Blazey—I do not have any details on that. He was a senior member of the ISG who knew Canberra. Perhaps he was contributing to the planning process in that context.

Senator CHRIS EVANS—Has Mr Barton ever been employed by Foreign Affairs?

Mr Blazey—Not that I am aware of. When he worked for the United Nations, he would have been a UN employee. I am not aware that he was ever employed by DFAT.

Mr Chester—I do not believe he was.

Senator CHRIS EVANS—I wonder whether he had been on your payroll as part of those various commissions involved with Iraq. As you say, he was at the UN for a long period and would have been directly employed by the UN.

Mr Chester—That is correct.

Senator CHRIS EVANS—But he was never contracted or employed by Foreign Affairs?

Mr Chester—I do not believe so but I cannot be absolutely certain.

Senator CHRIS EVANS—In more recent times, he has obviously been briefing you and involved in meetings at embassies et cetera. That does not reflect a contractual relationship; that just reflects his knowledge and expertise in the area and his willingness to participate with the department in providing information and discussing the reports. Is that a fair characterisation?

Mr Chester—That is right. And that is quite normal—in various places around the world, Australians who are working in a country will make contact with the embassy and talk to them about issues of relevance to us.

Senator CHRIS EVANS—I think I saw in a transcript of the *Four Corners* show that he was listed as a consultant or had his own business now. He no longer works for Defence. I am checking he was not contracted to provide services to you.

Mr Chester—Currently?

Senator CHRIS EVANS—Currently or in the past.

Mr Chester—I do not think he is or has.

CHAIR—Do you have your world expo expert back?

Mr Chester—We do.

CHAIR—We might call that person forward.

[2.44 p.m.]

CHAIR—We now move on to output 1.1.1.

Senator FAULKNER—Is the expo in Japan?

Mr Todd—In the city of Nagoya, Japan.

Senator FAULKNER—How long is it going to run for?

Mr Todd—It runs for six months—185 days.

Senator FAULKNER—Do you have the dates?

Mr Todd—From 25 March to 25 September.

Senator FAULKNER—Do you know if it is open to the public throughout that period?

Mr Todd—It will be open to the public from 25 March to 25 September.

Senator FAULKNER—And there will be an Australian pavilion?

Mr Todd—There will be an Australian pavilion.

Senator FAULKNER—That will be open the whole time the expo is open?

Mr Todd—That will be open for 185 days, essentially 12 hours a day.

Senator FAULKNER—What is the budget for this year's expo?

Mr Todd—For the three years—the budget is spread over three years—it is \$35 million from the Australian government. We have also received support from a number of sponsors. A number of Australian state governments have also sponsored our pavilion and will be undertaking their own series of events and activities.

Senator FAULKNER—So the Commonwealth government contribution is \$35 million?

Mr Todd—Yes.

Senator FAULKNER—Out of what total figure?

Mr Todd—That is the core budget for the pavilion. Sponsorship is an additional \$4.5 million of cash and in kind. Above that, state governments have decided to spend additional amounts of money on related activities.

Senator FAULKNER—And the Commonwealth government contribution is all sourced from the DFAT budget, is it?

Mr Todd—It is a special appropriation that we administer. It is administered funds.

Senator FAULKNER—So it is a special appropriation administered by DFAT, is it?

Mr Todd—That is correct—on behalf of the Commonwealth.

Senator FAULKNER—Does this include the cost of travel to and from the expo?

Mr Todd—It would cover the cost of my travel, relocating to Nagoya. It would cover the cost of travel of other members of the departmental team who have been overseeing the construction and fit-out of the pavilion. It would cover costs associated with the various contractors. It is up to them to decide how they allocate their money. The way we have managed the project is that a number of separate contracts have been let with separate Australian companies to run various aspects of the pavilion.

Senator FAULKNER—So would it cover all departmental travel to the expo?

Mr Todd—It would cover the travel of departmental officers attached to the expo unit—to my unit—in the department.

Senator FAULKNER—It would not cover the cost of ministerial travel then?

Mr Todd—It would not cover the cost of ministerial travel.

Senator FAULKNER—Are you confident at this stage that spending will be within the budget allowed for in that special appropriation?

Mr Todd—I am.

Senator FAULKNER—So you are on target?

Mr Todd—On target.

Senator FAULKNER—You may not have the detail here, but are you able to give us a breakdown of the budget?

Mr Todd—I can give you a breakdown in broad elements, certainly.

Senator FAULKNER—Thank you.

Mr Todd—As I mentioned earlier, the budget is divided up into a number of components that have gone to contractors. The design, construction and maintenance of the Australian pavilion is approximately \$13.1 million; the operation of the pavilion is approximately \$8.6 million; arts and entertainment are \$2.4 million; public relations and broad marketing are \$1.7 million; and the decommissioning of the pavilion is \$1.5 million.

Senator FAULKNER—What is the total there? That is obviously only a proportion of the \$35 million.

Mr Todd—Yes. As I said, the \$35 million is spread over three financial years. Do you want 2004-05?

Senator FAULKNER—What I am driving at is what the balance might be used for.

Mr Todd—The balance, surplus or underspend money?

Senator FAULKNER—The remainder.

Mr Todd—The remainder would be returned—

Senator FAULKNER—‘Remainder’ might be the best word to use. After all, at this committee we are right into using the right word.

Mr Todd—Should there be an underspend, the money would be returned to consolidated revenue.

Senator FAULKNER—On notice, could a more detailed disaggregation be provided?

Mr Todd—Sure. I can provide 2004-05 budget figures divided by categories orally, but I am more than happy to take it on notice and provide it to you in writing.

Senator FAULKNER—If it could be provided soon, Mr Chester, that might save a little bit of time. Are you comfortable with that?

Mr Chester—Yes.

Senator FAULKNER—Thank you. What did the design of the pavilion cost? I read in a newspaper somewhere that it was done by a Melbourne based production company.

Mr Todd—A Melbourne firm called Think!OTS. The contract was \$12.2 million to Think!OTS to design, construct and maintain the pavilion.

Senator FAULKNER—That was obviously subject to a tender process.

Mr Todd—It was subject to an open tender process with tender boards publicly advertised and fully documented.

Senator FAULKNER—Were any other elements of the expenditure on the expo also subject to a tender process?

Mr Todd—Yes, all major expenditure items were subject to open tender processes. The pavilion operations contract of approximately \$8.6 million was won by a Melbourne firm called Australian Pavilion Operations following an open tender process. The arts and entertainment contract of approximately \$2.4 million was won by Sydney based Jack Morton Worldwide in an open tender process. The public relations and marketing contract of approximately \$1.4 million went to Parker and Partners, an Ogilvy International company, and the Japanese partner.

Senator FAULKNER—I was wondering whether there was a separate arts and entertainment budget, but it sounds like there is.

Mr Todd—There is quite a separate arts and entertainment budget. It has just gone to the contractor, Jack Morton Worldwide, to develop.

Senator FAULKNER—Can you let us know what the arts and entertainment elements are, please?

Mr Todd—Individual components or expenditure?

Senator FAULKNER—The total and then we can break it down.

Mr Todd—The total expenditure this financial year for arts and entertainment is \$2.3 million.

Senator FAULKNER—That is arts and entertainment.

Mr Todd—That is correct.

Senator FAULKNER—What does that involve? What do we get for that?

Mr Todd—That is essentially the cultural program that will be conducted in conjunction with the Australian pavilion. It entails a large number of Australian entertainers, ranging from the Sydney Children's Choir to Tommy Emmanuel coming to perform for the public at the expo as part of our broad projection of Australia to the visitors at expo.

Senator FAULKNER—That planning is done by your consultant—the contracted party.

Mr Todd—That planning is done by the contractor. They submit proposals to us and we have a final right to approve or not.

Senator FAULKNER—There is an approval process of the arts and entertainment program?

Mr Todd—Yes.

Senator FAULKNER—I see. What about the budget for alcohol and food?

Mr Todd—Alcohol and food have been included in our broad pavilion operations budget. We will provide hospitality for business delegations, sponsors, Australian businesses and cities and towns that have sister city relationships. We will host events and functions on their behalf in the pavilion.

Senator FAULKNER—Can you give us a figure for the alcohol and food element of that?

Mr Todd—Certainly. We can take that on notice.

Senator FAULKNER—You do not have that here?

Mr Todd—I do not have that to hand.

Senator FAULKNER—There has been an increase—as one would expect. The last world expo was in Hanover in 2000. What was the total budget for that?

Mr Todd—I would have to take that on notice. I do not have that figure.

Senator FAULKNER—I recall that it was in the \$5 million to \$7 million range.

Mr Todd—I would not like to hazard a guess at that.

Senator FAULKNER—It did strike me that there was a dramatic difference between the Hanover and the Nagoya expo. But you cannot comment on that?

Mr Todd—No.

Senator FAULKNER—Would it not be logical to compare the budget for the 2000 world expo with what is happening in Nagoya?

Mr Todd—I am focused very much on operating a \$35 million budget and presenting an excellent presentation of Australia. I am more than happy to find out what the expenditure was on Hanover.

Senator FAULKNER—The Australian division at Hanover was a big success, wasn't it?

Mr Todd—I understand it was.

Senator FAULKNER—I would have thought that the experience of Hanover would, at a minimum, inform you in terms of—

Mr Todd—It certainly has. As I said, I cannot comment on the budget but I can comment on the Hanover experience and the lessons that we have learnt from there that have been applied to this particular exercise.

Mr Chester—In putting together the budget for Aichi, we did look at Hanover, how that had operated and the budget. So there was a comparison done at that stage, but unfortunately I do not have the details of those comparisons with me and I cannot remember what the final cost of Hanover was. I believe it was more than \$5 million.

Senator FAULKNER—Someone has just kindly informed me that in the DFAT budget portfolio statement for 1999-2000 it was \$6.428 million. I thought it was five to seven and you say it is a bit over five, so we now know.

Mr Chester—I said more than five.

Senator FAULKNER—You were right on this occasion. It appears that I might have even been right too.

Senator CHRIS EVANS—Treasure the occasion that you are in agreement with him, Mr Chester.

Senator FAULKNER—Mr Chester, I suppose the point is that, if it was \$6.428 million, this is a five-fold increase. I am not saying that is not justified but I assume you would want to satisfy yourself that it was justified.

Mr Chester—We went through that process in putting together the bid for this and planning for the—

Senator FAULKNER—How was that done?

Mr Chester—That was done within the department. In the early days of setting up the Aichi unit, we did that work.

Senator FAULKNER—What is the unit called?

Mr Chester—The Aichi Expo Unit.

Senator FAULKNER—Is that an acronym or a placename?

Mr Chester—Aichi is where the expo is.

Mr Todd—It is a political boundary. It is a prefecture—Aichi prefecture.

Senator FAULKNER—Nagoya is part of that.

Mr Todd—Nagoya is the capital city. Aichi is a state. Victoria, for example, is the sister state of Aichi.

Senator FAULKNER—But that is how the World Expo is being identified—not as Nagoya, in fact. I was not sure; I just knew it was in Japan. So it is identified as Aichi. You do have internal processes, don't you, to ensure that you are getting value for money? Obviously \$35 million is no small appropriation. I assume that you would be keeping a very close eye on that expenditure to ensure that you are getting value for money.

Mr Chester—That is right. The head of the unit has been very careful in setting out the initial budget and ensuring that we come in on or under budget and produce a very good outcome.

Senator FAULKNER—So that responsibility falls to you?

Mr Todd—It does.

Senator FAULKNER—How are you dealing with that heavy burden?

Mr Todd—Well, I hope.

Senator FAULKNER—I hope so too.

Mr Todd—How? It sounds like a simple question.

Senator FAULKNER—All my questions are. It just appears that the answers are very difficult for the department.

Mr Todd—In terms of managing each of the individual contracts, we have very detailed contract reporting requirements with each of our contractors that include both penalty and reward clauses for delivery on time or over time. There is a very detailed risk management plan that is updated on a monthly basis that covers each individual contract. Each individual contractor has to report to us on a monthly basis on work performed. Any variation to a contact must be a legally binding document entered into between both parties. We have monthly budget reviews that are forwarded and discussed with the executive of the department.

Senator FAULKNER—As we speak now, are all these performance benchmarks being met?

Mr Todd—They are all being met. There has been no requirement to investigate further any penalty clause. The final fit-out of the pavilion occurred last week on time, on schedule and on budget.

Senator FAULKNER—So you can say to the committee, ‘This is going well’? You have not been able to identify any problems or weaknesses?

Mr Todd—None at all, other than ones that would normally come about with managing large contracts where there might be staff turnover in one of the contractors—fairly minor sorts of issues like that.

Senator FAULKNER—What is the expectation in terms of visitor numbers?

Mr Todd—The Japanese organisers are anticipating 15 million people will visit the World Expo, and we are anticipating that approximately 20 per cent, or 3.5 million, of those visitors would be interested in visiting the Australian pavilion.

Senator FAULKNER—As I said, I think in Hanover there was a pretty good reaction to the Australian pavilion and it did have high visitor numbers.

Mr Todd—We are already experiencing a great deal of interest in Japan in our pavilion. It is gaining a lot of media attention.

Senator FAULKNER—I assume at the time of the budget estimates you will probably be over there, will you?

Mr Todd—I will be there until 25 September.

Senator FAULKNER—No doubt Mr Chester will assure us that there will be some official here who can let us know how we are going.

Mr Todd—There will indeed.

Senator FAULKNER—That was 1.1.1.

CHAIR—Have you got any further questions on 1.1.1, Senator Faulkner?

Senator FAULKNER—No.

CHAIR—You have asked your questions on 1.1.2, haven't you, Senator Bartlett? I understand you have some questions on 1.1.4: South Pacific, Africa and the Middle East.

Senator BARTLETT—I do, as long as nobody has any on 1.1.3.

CHAIR—I do not think our colleagues have.

Senator FAULKNER—I have something on the Americas and Europe.

[3.02 p.m.]

CHAIR—We will move to output 1.1.3.

Senator FAULKNER—I just wanted to ask in relation to the visit to Australia by the Prince of Wales whether you can confirm to the committee that contact was made by Clarence House with departmental officials in London.

Mr Ritchie—After reading the transcript of the estimates session where this came up, I called our high commission.

Senator Hill—That is impressive. Maybe you are short of things to do.

Senator FERGUSON—He must have a lot of spare time.

Mr Ritchie—I spoke to our acting high commissioner there who has been acting since probably early January and he confirmed that he had received no information about the proposed royal wedding before it became public information.

Senator FAULKNER—Do we know where contact was made by Clarence House? As you would know, because you have read the transcript—big tick for that—the suggestion was that these might be questions I might ask of this department. That does not necessarily mean the high commission but can the department say where this contact from Clarence House occurred?

Mr Ritchie—No, I cannot.

Senator FAULKNER—You cannot. So, Mr Chester, can we then rule out that Clarence House contacted the department of foreign affairs in relation to the possibility of Prince Charles visiting Australia?

Mr Chester—Are you answering in relation to the visit or the wedding?

Mr Ritchie—Oh, to the visit?

Senator FAULKNER—You are talking about the wedding! What—are you trying to angle for an invitation to the wedding?

Mr Ritchie—No, no. Sorry, what was the question again?

Senator FAULKNER—I did not realise your heightened—

Senator FERGUSON—I thought you said ‘wedding’.

Senator FAULKNER—I did not realise your mind had already moved on to the wedding, Mr Ritchie, but it just goes to show—

Mr Ritchie—Does it answer your question that is coming on the wedding?

Senator FAULKNER—It was suggested by the Department of Prime Minister and Cabinet that contact from Clarence House about the suggestion that the Prince of Wales might visit Australia had come to, I thought, the Australian High Commission in London.

Mr Ritchie—Not—

Senator FAULKNER—The Prince of Wales basically invited himself to Australia. All I am trying to find out is who Clarence House contacted. Prime Minister and Cabinet could not help me. The Governor-General could not help me. Everyone suggested that this department would have the answers.

Mr Ritchie—Not to my knowledge. I do not know where the contact would be placed.

Senator Hill—Senator Faulkner ran this line the other night. I thought it was somewhat offensive at the time; perhaps I should have said something then. To be continually saying that the Prince of Wales invited himself I do not think quite reflects the situation. I think that senior members of the royal family in effect have an open invitation: whenever they are able to visit Australia they are very welcome.

Senator FAULKNER—I do not know whether that is right or not, but what I do know is that evidence was provided that Clarence House contacted Australian officials about the Prince of Wales’s interest in touring Australia. That is what I do know. All I am asking is who they contacted.

Mr Chester—We will have to check with the high commission in London as to whether there was contact there. We do not have that information with us.

Senator FAULKNER—Which means that, perhaps, Mr Ritchie, an even closer read of the *Hansard* might be in order. We have also recently had a meeting in Australia of—is it called a European heads of mission meeting?

Mr Ritchie—We have, yes.

Senator FAULKNER—I think there were some 16 ambassadors involved in that?

Mr Ritchie—There were, yes.

Senator FAULKNER—Mr Downer was in Europe just a few weeks ago. I assume these heads of mission meetings involve more than just discussions with Mr Downer. That would be right, wouldn’t it?

Mr Ritchie—Yes.

Senator FAULKNER—I just wonder if it might not have been possible to cut some costs by perhaps having Mr Downer meet the heads of mission while he was touring Europe.

Mr Ritchie—They certainly did meet Mr Downer. They also met Mr Vaile and they met a range of senior officials from other government departments. It would have been difficult, if not impossible, to put all those diaries together so that that range of officials and the two ministers coincided for two days in a European location.

Senator FAULKNER—How often do these European heads of mission meetings occur?

Mr Ritchie—Roughly every two years. It has been about two years and, from memory, four months or so since the last one.

Senator FAULKNER—Are they always held in Australia?

Mr Ritchie—They are mostly held in Australia. The practice with heads of mission meetings varies somewhat. There have been heads of mission meetings held in various regions. The European one has been held in Australia for the last two times.

Senator FAULKNER—Is there a cost issue with this?

Mr Ritchie—The cost of the head of mission travel is covered by mission budgets. My own division allocated something like \$6,000 for various costs. The costs are really recovered within the existing appropriation.

Senator FAULKNER—Are these heads of mission meetings held in Europe sometimes?

Mr Chester—Around every two years, we try to have heads of mission from regions come back to Australia for a meeting. In the interim, we will have a meeting in the region. For the European heads of mission, every second year, for example, they will meet in Europe and in the other year they will come back to Australia.

If I could add to what Mr Ritchie said. The people they are meeting with here is much broader than ministers and senior officials in Canberra. They spend quite a deal of their time back here meeting with industry and business. Just looking through the list of their itineraries, there are probably 200 or 300 businesses that they are meeting with. They are meeting with state premiers and the odd governor, so it is quite a large group.

Senator FAULKNER—Which odd governor are they meeting?

Mr Chester—I think I saw a governor somewhere on this list.

Senator FAULKNER—And you are convinced that they are odd.

Mr Chester—The purpose of this is for them to have some more regular exposure to Australia and what is happening here. After all, they are out there representing Australia, and as well as doing work for the government they are doing work for business. If you wanted to do some cost-effective analysis of this, given the people they are going to see—200 or 300 Australian government officials, ministers and businesspeople—I think it is much more sensible to have them back here on a regular basis to have that interaction.

Senator FAULKNER—I did wonder about the cost and that is why I asked if some of these European heads of mission meetings were actually held in Europe.

Mr Chester—It is the same with other regions. For the reasons I said, we do try and have our heads of mission come back on a regular basis so they do not forget who they are working for.

Senator PAYNE—Is this a recent innovation? How long has it been going on?

Mr Chester—It has been going on for many years. With the European ones, it goes back at least to the early nineties and probably earlier than that.

Senator FAULKNER—We have heard about some mid-term consultations.

Mr Chester—That is right. It is mid-term leave and consultations. They come back for consultations and can take some leave in Australia at the same time. A number of the heads of mission who are back for this European heads of mission are combining that with their so-called mid-term leave and consultations.

Senator FERGUSON—There are guidelines set out for returning ambassadors. I think I spoke to one who said there is a small allocation of time that is allowed privately—something like 20 per cent. In the case of one ambassador I spoke to, he had three days with his family and the rest of the time he was working and going through the program set for the ambassadors.

Mr Chester—Depending on the purpose for which they are coming back to Australia, then, yes, it is not normally for a long holiday. They can add leave to their period of official consultations back in Australia. As I said, this is all about ensuring that our heads of mission remain in touch with Australia and what is happening here in the political and the business world.

Senator FAULKNER—Thank you.

[3.14 p.m.]

CHAIR—We move now to output 1.1.4: South Pacific, Africa and the Middle East. I welcome Mr Wells to the table.

Senator BARTLETT—I am interested in the situation in Sudan. Firstly, what steps has the Australian government taken, either publicly—or as publicly as you can take those private steps—or privately to encourage members of the Security Council to pass any stronger resolution or take stronger action regarding the crisis in Darfur and surrounding areas?

Mr Wells—As you would appreciate, Australia is not a member of the Security Council, which is obviously where most of the focus has been in diplomatic attempts to deal with the crisis in Darfur. Nevertheless, Australian representatives have played a very active role in encouraging the Security Council to take action. I could work my way through a list of such measures but perhaps I will just give you an idea of the sorts of things that our representatives have done. In June last year Australia, Canada and New Zealand made a joint statement to a Security Council debate, urging the council to take immediate action to end war crimes and crimes against humanity in Darfur. In July-September last year the Australian permanent representative was part of a group of permanent representatives that made a series of coordinated high-level representations to Security Council members. In September last year the permanent representatives of Australia, Canada and New Zealand circulated a letter to the president of the council conveying their concern at events in Darfur and again urging the council to take action.

In November last year the Australian permanent representative wrote to the President of the Security Council conveying the grave concern of the Australian government at the

deteriorating situation in Darfur and again encouraging the Security Council to play an active role in resolving conflict. Again in November last year the Australian High Commissioner to Kenya addressed a meeting of the Security Council which was held in Kenya on the subject of the Sudan. That statement was on behalf of the Australian and New Zealand governments. Most recently, the permanent representatives of Australia, Canada and New Zealand wrote to the President of the Security Council again urging council members to take immediate action to prevent further violence and suggesting a series of specific measures that could be taken. Rather than listing all of those I will just highlight the fact that we did ask the Security Council to consider new measures, possibly including sanctions, to prevent further violence. I can provide you with a full list of those measures if you are interested, but I think that gives an indication of the sorts of diplomatic steps that Australia has been taking, bearing in mind, as I said, that we are not a member of the Security Council.

Senator BARTLETT—I appreciate that and perhaps for the record you could provide that full list on notice. That would be handy. But that does give a good outline. You mentioned as one of the earliest actions there a concern about taking action to address crimes against humanity and war crimes. Does the government have a view on the referral of those sorts of crimes to the International Criminal Court?

Mr Wells—If you are asking that question in general, I think there are others in the room who can answer it better, but in the case of this specific instance, the last letter that I mentioned—the one written by the permanent representatives of Australia, Canada and New Zealand—did suggest that findings of crimes against humanity, genocide or war crimes in this case should be referred to the International Criminal Court.

Senator BARTLETT—That is a view the Australian government signed up to?

Mr Wells—Yes.

Senator BARTLETT—Is that a public document?

Mr Wells—I am almost certain it is, but I will check.

Senator BARTLETT—If you could provide a copy, that would be helpful. As I understand it, it has got to be a formally agreed matter for something to be referred and to come under the ambit of the ICC. Are they able to start looking at any of the alleged crimes that have occurred as yet?

Mr Wells—I think some of my colleagues could better answer questions on how the ICC works.

Senator BARTLETT—That is probably in 1.1.7. I will leave it until then, as long as we get to it. If the Australian government signed up to that, along with those other countries—Canada, New Zealand and a few others—that is useful. Can you give a very brief overview of how the department sees the situation there at the moment: whether there has been progress or whether it has just bogged down?

Mr Wells—There has been very limited progress. The humanitarian situation continues to deteriorate. Diplomatic efforts are not proceeding rapidly. However, the African Union peace monitoring mission is deploying and continues to deploy—although more slowly than we would like—to Darfur. Without wanting to overstate it, that is an encouraging sign, and the

Australian government has in the past offered its assistance to the African Union in deploying its peace monitors to Darfur.

Senator BARTLETT—Is there any sign of that sort of assistance being taken up?

Mr Wells—The assistance that we offered at the time was not taken up—essentially air transport—but the Australian government made the offer. For a variety of reasons, the African Union was not in a position to take advantage of it.

Senator BARTLETT—The offer still stands?

Senator Hill—As you know, we are heavily committed to support the efforts in response to the tsunami with C130 aircraft, so we could not do it at the moment. If we hear that there are likely to be any requests later in the year, we could look at it again. But it was a fairly frustrating process, to be frank. We sent a forward team to resolve issues of logistics, law and that sort of thing, but the various forces that we were considering carrying did not seem to be able to be carried when they so indicated. From a defence point of view, if there is a useful role we could play—which would tend to be a supportive role such as providing some air transport for relocation of troops—then we would want to do so, provided we have the capability at the time that the need arose.

Senator BARTLETT—What were the barriers to the offer being taken up—politics?

Senator Hill—I think they were overambitious in their dates when they indicated that they would be ready to travel—that sort of thing.

Senator BARTLETT—Would enabling references to the ICC of certain cases be one aspect that would help progress the situation?

Mr Wells—Clearly, any action that can be taken that would discourage people on the ground from committing humanitarian crimes would be of use.

Senator BARTLETT—Such as?

Mr Wells—Among other things, referral of any findings of crimes against humanity, genocide or war crimes to the ICC.

Senator BARTLETT—Thank you. I also have a couple of questions on Nauru, which, whilst a long way from Darfur, is still in your field of responsibility.

Mr Wells—Yes.

Senator BARTLETT—In the last few months there has been an election in Nauru. I think there is finally quite a clearly defined government that does not have the problems of a finely balanced parliament that we had in the past—that is correct, isn't it?

Mr Wells—There is a government with a working majority, but I add that—

Senator BARTLETT—There are no parties—or few parties.

Mr Wells—The parliament in Nauru is very small, so it only requires a move of one member. But at the moment there is a government that we regard as relatively stable.

Senator BARTLETT—Has that enabled progress to be made on some of the improvements in governance and the delivery of assistance through some of the

memorandums of understanding or agreements that have been reached and renewed a few times in recent years to make some more progress?

Mr Wells—Yes, there has been some promising progress, including the fact that the current government passed what we regard as a fiscally responsible budget, the first in many, many years—possibly ever. That was done largely through the assistance of Australian officials who occupy inlying positions in the government of Nauru. There is one official from the Treasury department and two from the department of finance, both provided under the MOU. So that was an encouraging step. But I would caution you, Senator: as you well know, the problems that confront Nauru are of such gravity and seriousness that it will be many, many years before the country will be on a reasonable footing.

Senator BARTLETT—I realise that the detention camp there is not specifically a primary role of DFAT—that is more through DIMIA and some of their linkages—but is there any movement in attempting to finalise that arrangement? What is the current status of the agreement? It is part of a broader agreement, as I understand it, with the Nauru government about other ongoing assistance.

Mr Wells—There is, as you mentioned, a memorandum of understanding between the Australian government and the government of Nauru that concerns cooperation that is related to the processing centres. But, as for the agreement on the processing centre itself, I think I would rather refer you to DIMIA.

Senator BARTLETT—I would have asked questions of them if we had not run out of time. What is the main focus of the ongoing engagement at your department's level with Nauru? Is it governance and financial matters? This is possibly spilling into AusAID again—I do not know.

Mr Wells—DFAT plays a coordinating role on many of these issues. At the moment the department's main focus is in the area of governance, bearing in mind that in addition to the financial officials Australia has in Nauru there are also two or three Australian police who are assisting the Nauruans with law and order. So that is very much a focus of our efforts. But there are many other problems that the government of Nauru needs to work its way through, including problems in maintaining its airline. DFAT with a range of other agencies is involved in helping Nauru work through those problems.

Senator BARTLETT—That will probably do me for now, Chair, given the time.

CHAIR—We will have 15 minutes of hearing before we move on to AusAID, which will take place between 4 p.m. and 5 p.m. At 5 p.m. we will go to Austrade until the dinner break at 6.30 p.m.

Proceedings suspended from 3.29 p.m. to 3.51 p.m.

CHAIR—The estimates committee is now back in session.

Senator FAULKNER—Could I ask you, Mr Chester, whether you could indicate to the committee, please, whether the embassy in Baghdad reports or has reported on civilian casualties as a result of the war in Iraq.

Mr Chester—I am not aware of that but I ask Mr Blazey to come forward again.

Mr Blazey—On the question of civilian deaths, the embassy as far as I know has not reported in any substantive way on that issue. We in DFAT, I suppose very similarly to ONA and the information provided by them, are aware of a number of assessments of the numbers of civilian deaths, but we do not know of any single authoritative data series which would enable us to make any definitive statement on those numbers.

Senator FAULKNER—You say it has not been done in a substantive way. Has it been done in any way at all?

Mr Blazey—The reason I said that is that there may be the odd reference to it in the cable reporting over the months, but I am not aware of any single product which advised us on civilian deaths.

Senator FAULKNER—But I assume you would get regular reporting on the humanitarian situation in Iraq, wouldn't you?

Mr Blazey—To a very limited degree. A lot of the data which we got on the humanitarian situation came to us through the CPA, the Coalition Provisional Authority, rather than through embassy channels.

Senator FAULKNER—Putting the embassy aside for a moment, can you say to me whether the department has received or sought information on civilian casualties?

Mr Blazey—As I said, we are aware of a number of different estimates of the number of civilian casualties. These range quite widely. We know, for example, that the *Lancet* published a report in October of last year in which they had a finding that 100,000 more civilian deaths than otherwise would have been expected had occurred. We are also conscious of other reports—for instance, the Brookings Institution's Iraq Index, which assessed them at a much smaller number, about 12,000 to 13,000. There has been some attempt by the Iraqi ministry of health also to collate some data based on hospital returns. Their numbers are even lower. We have seen figures from them of about 2,041 people killed in military action and 1,233 killed in terrorist incidents. The trouble with some of these data, of course, is that they cover different periods as well, so we are not really in a position to compare their validity or make any substantive assessment of which one might be the more accurate. But the basic point is there is not a single authoritative data series which we are aware of.

Senator FAULKNER—Thank you, but what I am asking is whether the department itself has taken the initiative, any initiative at all, to seek information on civilian casualties. I too am aware of the estimates that you mention from the sources that you mention, but what I am asking you is whether DFAT itself has initiated any action to try and establish the number of civilian casualties in Iraq.

Mr Blazey—We certainly try to follow these publicly available estimates as best we can, but we have not commissioned any work ourselves to try to reach any estimate of our own.

Senator FAULKNER—Have you received any direction? Has the department been tasked in any way to see if it can find this information? Alternatively, has it been tasked not to find it? Has it been tasked about the issue of civilian casualties?

Mr Blazey—There is no tasking one way or the other that I am aware of.

Senator FAULKNER—So it is just not seen as core business?

Mr Blazey—I can just repeat what I said: there is no tasking one way or the other that I am aware of.

Senator FAULKNER—You now head up the Iraq Task Force, which we know has now been in place for a considerable amount of time. I would have thought that this would be a pretty important element of the task force operations, to try and establish the number of civilian casualties and the impact the war was having in this important area.

Mr Blazey—As I said, we follow as best we can publicly available data on this issue, but we certainly do not have the resources to do any estimates of our own.

Senator FAULKNER—Are you aware of any like-minded governments who are involved in Iraq who are undertaking this sort of work?

Mr Blazey—No, I am not.

Senator FAULKNER—You are not aware of any. Does this mean that you have an awareness that this sort of work is not going on?

Mr Blazey—Could you repeat that?

Senator FAULKNER—Wouldn't it be true that, if governments with whom Australia is closely allied in Iraq—other governments or agencies of those governments—are undertaking work to establish the level of civilian casualties in Iraq, Australia, I would assume, would be aware of that work, those endeavours?

Mr Blazey—I would be speculating but I think it would be a reasonable assumption that if work was being done by like-minded countries they would share the data they had with us.

Senator FAULKNER—And Australia, quite rightly, would want to know in that circumstance. I think it is a reasonable assumption too. But no such work is known to DFAT's Iraq Task Force.

Mr Blazey—No, we are not aware of any government which is undertaking such work. Again, I refer to the testimony provided by ONA, which similarly indicated that it is not aware of any such work.

Senator FAULKNER—So to sum up, Australia has no knowledge of the number of civilian casualties in Iraq?

Mr Blazey—That is correct.

Senator FAULKNER—And Australia has made no attempts to find out about the number of civilian casualties in Iraq?

Mr Blazey—Other than obviously following what is publicly available through a range of non-government organisations which attempt to assess this information.

Senator FAULKNER—But Australia has taken no initiative itself to establish the number of civilian casualties in Iraq though you collect copies of information provided by certain NGOs?

Mr Blazey—We have not ourselves initiated work that I am aware of to count the number of civilian deaths in Iraq. Indeed, I very much doubt we would have the capability of doing that.

Senator CHRIS EVANS—Could I just ask a couple of quick questions about the maritime identification zone?

CHAIR—To be fair, we might give you the five minutes. Senator Bartlett has got a couple of questions then we might move on to AusAID, if that is all right, Senator Evans.

Senator CHRIS EVANS—There is one area I have listed. It should only take five minutes.

CHAIR—Proceed and then we will go to Senator Bartlett.

Senator CHRIS EVANS—I think it is 1.18. I asked some questions about the maritime identification zone at PM&C the other night. They helpfully suggested that I ought to direct the hard ones to Foreign Affairs. They gave me the chronology of the decision making and the systems that underpin the government work on that but, when it got to the question about why there seemed to be an adverse reaction by some of our near neighbours to the proposition, they indicated that the responsibility for briefing foreign governments on the proposal was left to Foreign Affairs and they were not able to help me as to why the proposition seemed to have gone down so badly in a couple of places. Could someone outline for me the process by which our near neighbours who are impacted by the announcement of this 1,000 nautical mile identification zone were briefed about the Australian proposition?

Mr Stuart—The two neighbours most affected—Indonesia and East Timor—were informed before the announcement by the Prime Minister on 15 December.

Senator CHRIS EVANS—When were they told?

Mr Stuart—Our embassy in Jakarta briefed the Indonesian government on 14 December.

Senator CHRIS EVANS—The day before, on the 14th.

Mr Stuart—Yes. In fact, Dili was briefed on the morning that the announcement was made—slightly before because of the time zone but not much before.

Senator CHRIS EVANS—What about New Zealand and PNG?

Mr Stuart—We had some discussions with New Zealand I think the day after the announcement, when there was a flurry of reporting in their press based on a misinterpretation. That was resolved quite quickly. The foreign minister in New Zealand, Mr Goff, issued a press release quite quickly pointing out that the measures were understandable and in fact little different from those which New Zealand itself applies.

Senator CHRIS EVANS—I will come to the debate in a minute. I just want to be clear. You briefed Indonesia on the day before the announcement—14 December. You briefed the East Timorese government in Dili on the morning of the announcement, we think maybe just before it was made. PNG was briefed when?

Mr Stuart—We briefed the government in Port Moresby along with a range of regional governments, I believe, within a day or so. I do not have the exact details of when the high commission in Port Moresby took the matter up with our counterparts. It was within a couple of days of the announcement.

Senator CHRIS EVANS—Are you telling me you told them after the announcement?

Mr Stuart—Yes.

Senator CHRIS EVANS—Can you take on notice the date that you briefed PNG.

Mr Stuart—I can do that.

Senator CHRIS EVANS—Are you sure it was after the announcement had been made public?

Mr Stuart—Yes. If I could clarify: you would like the date that we briefed the government in Port Moresby.

Senator CHRIS EVANS—Yes. In relation to New Zealand, you referred to the press speculation, the initial reaction and then further advices. When did you actually brief them or was that as a result of them making press comment?

Mr Stuart—That happened on 16 December.

Senator CHRIS EVANS—Was that planned or was that a response to the comments made by their transport minister?

Mr Stuart—We had planned a range of approaches in regional neighbouring capitals to happen within a short period after the announcement. In the case of the New Zealanders, there was a lot of press speculation and as a result we had contacts both here and in Wellington on 16 December.

Senator CHRIS EVANS—Who else was briefed? The ones that occur to me are Indonesia, East Timor, PNG and New Zealand. You said you had a range of others. Who else did you brief?

Mr Stuart—To give you the whole list I would have to take it on notice. It certainly included countries such as Malaysia, Singapore, Brunei—really, all the countries within our immediate region.

Senator CHRIS EVANS—Is it fair to characterise that those countries you refer to were briefed after the announcement?

Mr Stuart—Yes. We identified two countries we wanted to tell before they read it in the press, if you like—Indonesia and East Timor. In the case of East Timor, we actually had hoped to do so on the 14th, but it was not possible. Our embassy in Dili briefed the acting secretary of their foreign ministry on the morning of the 15th.

Senator CHRIS EVANS—Could you explain for me the rationale for generally telling people after they read about it in the papers, given that it was obviously an issue that was going to impact on their perceptions about our intentions in the neighbourhood.

Mr Stuart—We identified the two capitals that we thought would have the strongest interests and where it would be desirable to give them advice before they found out about it publicly. As I said, in the case of New Zealand, to give you an example, there was a lot of misleading reporting portraying this maritime identification zone, as it was called then, as if it were some territorial claim to undertake activities in other people's territory.

Senator CHRIS EVANS—There was some of that in Indonesia as well, wasn't there?

Mr Stuart—There was, but in fact that was not what the policy entailed. In the case of New Zealand, we were quite easily able to provide reassurance. As I say, their foreign

minister put out a press statement later that day, clearly understanding what the nature of the policy was.

Senator CHRIS EVANS—I have a copy of those statements—thanks for that. I want to be clear on this. You were obviously part of this task force that prepared this policy for announcement by the PM—by you, I mean Foreign Affairs.

Mr Stuart—We took part in interdepartmental meetings chaired by the Department of the Prime Minister and Cabinet, which were organised with the task force to take forward preparation of the policy.

Senator CHRIS EVANS—You were not on the task force. Is that the distinction you make?

Mr Stuart—We did not have a member. There was no member from the Department of Foreign Affairs and Trade on the task force itself. It was established within the Department of the Prime Minister and Cabinet.

Senator CHRIS EVANS—You were not actually on the task force but there was an interdepartmental committee that provided some support to the task force—is that fair?

Mr Stuart—Yes. We participated in that committee and of course we worked in consultation with the task force on some issues.

Senator CHRIS EVANS—Was that consultation prior to the announcement about who would brief and when they would brief other countries on it?

Mr Stuart—Yes.

Senator CHRIS EVANS—Was it agreed then that we would brief people after the event?

Mr Stuart—The approach we took with the countries we identified—yes, it was agreed then.

Senator CHRIS EVANS—Is that recorded in the minutes? PM and C seem to have a bit of a different view about that.

Mr Stuart—It was discussed both in IDCs and in other senior exchanges with officials, and I have seen it recorded, yes.

Senator CHRIS EVANS—I realise we are very short of time. What can you tell me about the jurisdictional issues? Can you help me on those? Obviously, the 1,000-mile zone goes well beyond our maritime borders. What is the legal basis for our operation or claim to go beyond our normal maritime borders?

Mr Stuart—It is a matter of the finer points of international law, and I would ask my colleague legal adviser to comment. Briefly, it is an identification system that will help give us knowledge of vessels which are heading for Australian ports or possibly coming through our waters, and there are three levels. The intention is that up to 1,000 nautical miles—that is how long it would take a commercial vessel steaming at normal speed to arrive in Australia; 48 hours covers 1,000 nautical miles—we would seek to get advanced arrival information from vessels that are intending to call on Australia. That is not a departure from international practice. Up to—

Senator CHRIS EVANS—I am trying to ascertain: what is the legal basis? I am not a lawyer, so if I have got the wrong concept, let me know. As I understood it, we have the ability to operate inside those maritime boundaries; outside of those boundaries, we do not have any particular rights other than the normal international law of the sea. Is that a fair summary or is it different?

Mr Stuart—It is slightly more complicated than that. There are some things a country can do with a vessel that is heading for its port but is outside of its territorial waters. Mr Moraitis might be able to clarify some of this better than I can.

Mr Moraitis—You are asking about the jurisdictional nature of this so-called—

Senator CHRIS EVANS—Yes. We have declared an identification zone of 1,000 nautical miles. As I understand it, on most, if not all, occasions that includes a zone well beyond what is regarded as our normal maritime boundaries. Therefore I want to know what the legal basis is for us doing anything in the gap, if you like, between the 1,000-mile limit and the normal maritime borders.

Mr Moraitis—The normal law of the sea process would involve a territorial sea, a contiguous zone, an EEZ, and that is well accepted in the law of the sea. Beyond that in an international legal context that is really the high seas area, but I think the question that is being asked sort of misses the point of the nature of the activity that is being sought to be undertaken in that area beyond the 200 nautical mile zone. There is no suggestion of assertion of any jurisdiction or sovereignty by Australia as far as I can see. Having looked at it again, I cannot see any jurisdiction of a sovereignty nature. As Mr Stuart has just mentioned, the objective is to focus on ships which are heading towards Australian ports. On a voluntary basis they are asked to provide information. The only jurisdictional basis I would assert that would provide Australia with some sovereign jurisdiction would be Australian flagged vessels, of course. As you know under the law of the sea any vessels flagged under Australian law would be regarded as Australian and, for all intents and purposes, as Australian territory. So if an Australian—

Senator CHRIS EVANS—Unfortunately, most of them are foreign flags these day.

Mr Moraitis—I concede that point, but for the sake of completeness I am making the point that—

Senator CHRIS EVANS—I accept that. So you say we are not asserting any rights and so on—

Mr Moraitis—That is how I read it, yes.

Senator CHRIS EVANS—I wanted to get that clear because I was a bit unsure about that. But outside of the 200-mile zone—is that the—

Mr Moraitis—Yes. The EEZ—exclusive economic zone.

Senator CHRIS EVANS—We basically have no further rights or no ability to assert anything other—

Mr Moraitis—The legal term, to use the jargon of the law of the sea convention, which is widely used, is the 'high seas'. In this context my understanding is that it is not an assertion of

jurisdiction or sovereign claims; it is a request to vessels which are heading towards Australia. I understand it is common practice in many countries. From a legal perspective—let me be clear—there is no suggestion of any jurisdictional assertion of sovereignty.

Senator CHRIS EVANS—Effectively, we have no ability to assert anything outside the 200-mile zone?

Mr Moraitis—Except in a practical way in the sense that any vessel that wishes to dock in Australian ports would be wise to take up the invitation to provide information.

Senator CHRIS EVANS—I was just getting the legal advice from you. Legally, you maintain that we do not have any rights beyond the 200-mile zone and the government is not asserting any. Is that a fair comment?

Mr Moraitis—That is how I have understood the identification zone. As I said, the exception is Australian flag vessels. That could be anywhere in the world.

CHAIR—Senator Bartlett, I understand you have some questions on output 1.1.7.

Senator BARTLETT—I want to follow on from my questions earlier regarding Sudan. What is required to enable the ICC to be empowered to start cases against war crimes in Sudan?

Mr Moraitis—I do not have the statute in front of me so I am recalling from memory, but I will try my best to explain how it works. As you know, the Rome statute created the International Criminal Court, which is basically an international judicial body which asserts international universal jurisdiction over certain international crimes as defined in the Rome statute. The basis of the jurisdiction under which you could do that would be: one, the nationality of persons committing crimes; and, two, a territorial basis—by country in which the offences have occurred. In both cases the basis would be that they are states parties. In the case of Sudan that does not happen because Sudan is not a party to the ICC. On that basis there is no ICC jurisdiction.

Having said that, in one of its provisions the statute provides for the Security Council to refer a matter to the ICC once it is seized of the matter because of the nature of the crimes. There is express provision providing for the Security Council to be seized of that matter and to refer it to the International Criminal Court. Any such referral would require the Security Council to make a decision, and Security Council decisions are basically by majority without a veto by a permanent five member, which is the normal process under the United Nations Security Council system, under the UN Charter.

In the case of Sudan, the Security Council mandated a group of experts to prepare an independent study into what happened in the Sudan, focusing on, as you have mentioned, war crimes, crimes against humanity and genocide as defined under the genocide convention. My recollection of reading the executive summary of that report was that it focused on, in particular, war crimes and crimes against humanity. Although it referred to genocide, I think it found that there was an absence of genocidal intent as a general proposition, but it did note that there were cases of individuals who could be charged with perpetrating acts of genocide. Having said that, both war crimes and crimes against humanity are serious international

crimes and in that context they come well within the purview of the International Criminal Court.

On the face of it they would also come within the purview of the capacity of the Security Council to refer a matter to the International Criminal Court. As my colleague Mr Wells has mentioned, Australia along with Canada and New Zealand has written to the Security Council expressing the view that we believe that, in the circumstances as they have prevailed in Darfur and continue to do so, and in the light of the report that has been prepared most recently, this is an appropriate way that this could be done.

Senator BARTLETT—It requires an active decision of the Security Council to refer a matter?

Mr Moraitis—Correct.

Senator BARTLETT—My understanding is that the United States has expressed some misgivings about going down this path and wants to establish some sort of separate Sudan tribunal, for want of a better phrase.

Mr Moraitis—That is my understanding as well. I have not followed the details. As you may be aware, the United States is not a party to the Rome statute and has certain views about the International Criminal Court.

Senator BARTLETT—Yes, I am aware of those.

Mr Moraitis—It is not a party to it as such. In dealing with international crimes you have various options. You can set up a chapter 7 specific tribunal, as has been the case with Rwanda and Yugoslavia. As you know, Australia has contributed quite a bit to the latter. With mixed tribunals you have a combination of international support and local judiciaries. In this case I think the United States view has been some sort of ad hoc tribunal, but I am not absolutely sure if that is the case.

Senator BARTLETT—But our government's view, as reflected by that communication that you have mentioned and was mentioned previously—

Mr Moraitis—That is my understanding, yes.

Senator BARTLETT—If there is an inability to get an agreement, if the US prefers this other approach and other nations prefer the ICC, that does risk the situation of a stand-off occurring and nothing happening, I presume.

Mr Moraitis—Multinational diplomacy is a fluid situation, if I can use that phrase.

Senator BARTLETT—Indeed. I will quickly go on to another aspect of the ever-flowing fluidity of modern diplomacy. This is perhaps a bit more bilateral. What is the most recent communication between Australia and the US regarding the US request for Australia to enter into an article 98 agreement under the ICC?

Mr Moraitis—In fact, it was about three days ago that I had—

Senator BARTLETT—Hot off the presses.

Mr Moraitis—yes—an approach by the US embassy about further discussions on this. To be quite honest with you, I have not had the time to focus on the details but that will be one of the first jobs when I get back to the office this afternoon.

Senator BARTLETT—I do not know whether to let you go or not, in that case. Maybe we should question you all night! The next question may be irrelevant. Does the government maintain its in-principle willingness to enter into such an agreement?

Mr Moraitis—Yes, that is a longstanding government position that has been explained on many occasions.

Senator BARTLETT—Do you have any idea about when negotiations might be completed about that?

Mr Moraitis—No. Our desire is to conclude an agreement which is to the mutual satisfaction of both parties. As has been expressed many times in this and other fora, Australia's view is that we are willing to negotiate such an agreement which is consistent with our obligations as a state party to the ICC.

Senator BARTLETT—Okay. Given that the sooner you finish the sooner you can go back and work on that, I might try to think of some other questions. But, being serious, thank you for that. Feel free to work on the Sudan thing at the same time, though.

Mr Moraitis—I will be.

Senator BARTLETT—The final component of the program deals with disarmament. I have a question or two on that.

[4.22 p.m.]

CHAIR—This is output 1.1.8.

Senator BARTLETT—My understanding is that there is a conference of the parties for nuclear weapon free zones coming up at the end of April. Is that correct?

Mr Stuart—I believe there may be one in Mexico.

Senator BARTLETT—Is Australia going to that?

Mr Stuart—I do not think we have taken a decision yet.

Senator BARTLETT—That conference, as I understand it, is for all parties who are members of various nuclear weapon free zones, treaties and agreements around the world.

Mr Stuart—That is my understanding

Senator BARTLETT—Has Australia been involved in discussions leading up to that conference, on the draft declarations or attendance at and running of the conference?

Mr Stuart—Not in any formal sense. I think we had some discussions, including informally, with delegations, including the Mexicans, on the margins of the First Committee meeting in the last General Assembly in New York.

Senator BARTLETT—When are we likely to decide? I am assuming Australia is still committed to its nuclear free zone treaties et cetera.

Mr Stuart—To be quite frank with you, I had not set a particular time frame but obviously fairly soon. There are a lot of competing priorities as we are coming up to major meetings in the arms control and disarmament area in the next few months.

Senator BARTLETT—So in a sense this one, which is only two months away, would be a bit lower down the list of priorities. Is that what you are suggesting?

Mr Stuart—For example, we are chairing the Australia group in Australia, the 20th anniversary meeting in April. That is going to require a number of my staff to be fully occupied, so I have to balance it with that. There are other options too, including asking our post in New York or Geneva to assist, but we have not really decided yet.

Senator BARTLETT—Wouldn't this Mexican meeting be a flow-on from the 20th anniversary stuff?

Mr Stuart—No, I am not sure it would be. It is a specific meeting about nuclear free zones. It is just a decision in front of us. I cannot really add to that.

Senator BARTLETT—Finally, there has obviously been some talk lately about facilitating some uranium sales to China. Has Australia started or does it intend to start a process towards a nuclear cooperation treaty with China?

Mr Carlson—The answer is yes, informal discussions have commenced between Australian and Chinese officials on this subject. I will be travelling to Beijing at the weekend to progress those discussions.

Senator BARTLETT—Would it be an automatic guarantee that Australia would not sell uranium to China without China being a signatory to the test ban treaty?

Mr Carlson—That would not be one of our policy requirements. We have a very well-established set of safeguard conditions to ensure that nuclear material would remain in exclusively peaceful use. The test ban treaty is not one aspect of those conditions.

Senator BARTLETT—So there is no particular necessity to link it to any schedules to do with disarmament unilaterally or multilaterally as part of conditions?

Mr Carlson—No. That has not been our policy.

Senator BARTLETT—Are you able to—probably on notice—refresh the committee on and have on the record in this context the range of requirements that the federal government would require in any proposal to expand sale of uranium to any nuclear weapon states, I guess—beyond China, perhaps India or others, given some of the broader global debates happening at the moment.

Mr Carlson—I could take that on notice if you like, but I could also give you an answer now.

Senator BARTLETT—Certainly. I was thinking of time but off you go, depending on how long the list is.

Mr Carlson—First off, we would require that the state be a party to the NPT, and that clearly rules out one of those you mentioned, India. We require that Australian nuclear material be subject to the country's agreement with the International Atomic Energy Agency. We require that Australian prior consent is necessary for any high enrichment, reprocessing or

transfer to third parties. We require that supplied nuclear material be used for exclusively peaceful purposes, and that excludes not only nuclear weapons or other nuclear explosive uses but also military propulsion or use in depleted uranium munitions.

Senator BARTLETT—That depleted uranium aspect you mentioned there, that also applies to current countries?

Mr Carlson—Yes, it does.

CHAIR—That completes that output.

[4.30 p.m.]

Australian Agency for International Development (AusAID)

CHAIR—I welcome you, Mr Tapp, your senior staff member Mr Proctor and officers of AusAID. Senator Evans will commence questioning.

Senator CHRIS EVANS—No, I defer to the senators on my right who said they had AusAID questions, in the spirit of cooperation that I bring to these proceedings.

Senator BARTLETT—Indeed—very cooperative. I shall be brief in order to enable colleagues on my left to also ask questions. There was a statement put out by the parliamentary secretary, Mr Billson, on 10 February—it is off the AusAID web site, so I presume it is in your purview—about some \$50 million for African communities to fight HIV-AIDS in particular. It is headed:

Further Australian Support For HIV/AIDS Fight In Africa

That appears to be a direct grant through what is called the Australian Partnerships With African Communities Program. Is that a new program or is that one that has been around a while?

Mr March—It is a reasonably longstanding partnership that has been in place. It is additional funding for it, and it works with pre-accredited partners to undertake HIV related activities.

Senator BARTLETT—Is that linked in to the global fund that has been established to fight HIV-AIDS, tuberculosis and other things or is that a parallel activity?

Mr March—It is linked conceptually, but it is a separate and parallel activity.

Senator BARTLETT—What is the policy behind funding down that channel rather than the global fund?

Mr March—The approach Australia has taken with HIV funding is to pursue a number of channels, the global fund being one. Australia itself had significant success with HIV control and mitigation by working with communities and peer education. The particular modality you refer to is working with those communities and working at the grassroots level, whereas the global fund works particularly with health departments and other national and international structures.

Senator BARTLETT—Would officers here have heard the questioning earlier about the tsunami aid package? Are you aware of some of the responses there? Are there any extra

details that you are able to give—rather than me going through and repeating all the questions—in addition to what was provided earlier?

Mr Proctor—I am aware of the basic points you were raising about what was being done for internally displaced people. I am not fully aware of the answer. I just want to point out that some \$3.25 million was provided by the government—some through IOM, some through the International Committee of the Red Cross—variously for household kits and drinking water and generally to assist in food and shelter for internally displaced people.

Senator BARTLETT—The overarching committee that is being established—I do not have its formal title in front of me; it is on a bit of paper here somewhere—that was announced by the Prime Minister—

Mr Proctor—The joint commission.

Senator BARTLETT—That is the one. Is AusAID going to have the major day-to-day implementation responsibility for that or will there be a different dissection of it?

Mr Proctor—The governance structure for that under the joint commission is a secretariat, the Australian end of which is established within the Department of Foreign Affairs and Trade, comprising officers from a number of departments. Undoubtedly AusAID will have a significant role in some of the day-to-day delivery, but the policy direction servicing of the joint commission is in the hands of that secretariat.

Senator BARTLETT—It is probably a little bit too early—until that first meeting has happened in March—to look at the speed of the roll-out of the funds, conditions attached to the loans and those sorts of things. Is that correct?

Mr Proctor—Yes. We are in the process at the moment of moving towards that major meeting of the joint commission. So I am afraid it is difficult to give any emphatic details about particular focus and, as you say, the roll-out of the funds.

Senator BARTLETT—It will be very advance warning for questions for the May estimates or whenever the next ones are. There has been some commentary about the role of all the different Australian NGOs in all the areas affected by the tsunami—not just Indonesia. Are there any issues of concern to the government or department about how those aid groups are operating? Or are they working in fairly well?

Mr March—We are working closely with our Civil Society partners. You will be aware of an overwhelming response from the Australian community. Over \$250 million has been raised from public and corporate voluntary offers. We have a weekly phone hook-up with Civil Society, and we also addressed their CEOs forum recently on the challenges. This almost overwhelming response from the community has meant that there are new players looking to be involved, and there are existing players with expanded funding, and we are working closely with them. We do not seek to lead them but we certainly are working closely with them to emphasise coordination as fundamentally important. What we are doing is to rebuild and re-establish the existing structures, be they Sri Lankan, Maldivian or Indonesian, so we are working with those partners to re-establish their structures and systems, and that imposes a discipline on all of us working in the rehabilitation processes.

Senator BARTLETT—It strikes me that one of the risks of such a significant response from civil society, as you put it, is, in a sense, the danger of wasting such a large amount of money, spending it in a smallish amount of time. Are there any particular measures being taken to maximise the effectiveness of the use of the money?

Mr March—Yes, Senator. If I could make three points. The first point is that we and the Civil Society partners are taking a long-term view. This is not something that we see is time limited to a matter of weeks or months. You will be aware of the government's commitment to five years in Indonesia, and that is the sort of time frame that we are taking. The second point is that we are working extremely hard to advance this in partnership with the national authorities. That has caused some consternation with some partners who want to get in and do it, but AusAID has been playing a gatekeeper role in making sure that we do meet priorities and we do meet with the exact needs and items that can be stored. The third point is that we make absolutely sure that the assistance that we are providing is getting to the communities.

Senator BARTLETT—I have just one broad question before I hand over to colleagues. I noticed recent comments of the Prime Minister which got some coverage when he was over in Europe that the best way to address poverty reduction was by opening up trade opportunities for underdeveloped countries, if I can paraphrase. We will get on to some of those issues shortly with Senator Conroy, I am sure, about the desirability of opening up trade everywhere. But I take it that that does not signal any watering down or shift in the government's view about the ongoing desirability of aid assistance as well. Just for the record, does the Australian government still have a policy position of supporting overseas development assistance as part of the poverty alleviation?

Mr Tapp—The government has been very clear in maintaining its commitment to the overseas aid program. Indeed, the Prime Minister, in the announcement of the aid package to Indonesia, indicated that this was additional to the existing expenditures that were occurring under the aid program. The question of the relative roles of trade and aid is a very important issue. The significant impact that trade liberalisation would have on the poor in developing countries is well documented in analysis which has been done by the World Bank and many others. The impacts in terms of the benefits to those individuals have been quantified in analysis which has been done by the World Bank, and they would be greater than the total amount of money that is being spent annually in aid flows to developing countries. The government certainly maintains its commitment to the aid program because aid is able to achieve significant impacts. But the issues are also complementary. The government has been very clear in terms of its commitment to the program.

Senator BARTLETT—What is the formal status of the 0.7 per cent GNP development assistance goal? Is that still something we aspire to?

Mr Tapp—I think that it would be correct to say that there is a view globally amongst all donors that 0.7 per cent is certainly an aspirational goal. The position in relation to the percentage of aid as part of the GNI ratio has been made quite clear on a number of occasions. Allocations are made on an annual basis through the Australian budget process. There are not multiyear commitments which are being made in that regard. I think that certainly a need for a significant focus on the quality of what is being provided in aid is of significant importance rather than just the issues of quantity. And the issues of outcomes and the quality and impact

of what it is the aid program is doing have been very much an emphasis of the government and us at AusAID for a number of years now.

Senator BARTLETT—Our current level, if I have got it correct, is about 0.25 per cent. Has the Indonesian package, or the tsunami package, changed that ratio at all?

Mr Tapp—We are waiting for information still to come in relation to pulling these numbers together in the context of the budget process. I cannot comment in relation to what those percentages may be. It depends on the level of growth we have in the country and other such things. This work is ongoing at the moment as work is beginning to be prepared in relation to the budget. Certainly at the next budget estimates meeting we will be able to have some accurate answers for you.

Senator BARTLETT—But the half billion at least—maybe not the full billion, with half of it being a loan—is new money, isn't it? It is not reallocated?

Mr Tapp—The full \$1 billion of the package to Indonesia is additional money.

Senator PAYNE—I have a couple of questions, firstly in the HIV area—no surprise. What is the current activity of the Asia-Pacific leadership forum? Where is it currently spending its time?

Mr Tapp—It is quite interesting that you should be asking that question in relation to the APLF. Annmaree O'Keeffe, the minister's Special Representative on HIV-AIDS, is currently up in Papua New Guinea for a steering committee meeting of the APLF where they are reviewing and approving the business plan for the APLF. I think it is fair to say that, to date, the APLF has fallen short of some of our expectations in terms of some of the deliverables that we have been looking for, and this has been due to delays in recruitment—in getting some of the key individuals in place. A number of those individuals are now in place, and we are certainly looking forward to seeing some more positive progress through the rest of this year. I do not have the details of what is in that business plan at the moment. I am very happy to take that on notice and provide you with some of the details, probably next week; that is when Ms O'Keeffe gets back from Papua New Guinea.

Senator PAYNE—Do you have any idea of the sorts of individuals you are talking about when you say, 'We have been waiting for individuals to come into place'? What sorts of people and what sorts of jobs are we talking about?

Mr Tapp—These are some of the key staff working within the APLF secretariat and working on the APLF program.

Senator PAYNE—What is the funding status of the APLF at the moment?

Mr Tapp—I think I have that here. At the second ministerial meeting on HIV-AIDS held last year in July, I think it was—

Senator PAYNE—The Bangkok meeting?

Mr Tapp—the Bangkok meeting—the minister announced a \$3 million three-year funding arrangement for the APLF. I do not have at hand information on the amount of that \$3 million that has been spent so far this financial year.

Senator PAYNE—When it was launched, I recall there was some discussion about contributions from other governments and partners. Have those contributions, those resources, been forthcoming?

Mr Tapp—I cannot answer that. I do not have that information at hand. I am very happy to take that on notice and provide that information to you.

Senator PAYNE—I appreciate that. When it was first established, I think there was an expectation—and this may be impacted by your observation that expectations have not been met—that countries like Japan, the US, New Zealand and the EU countries would be ‘mobilising resources’. I would be interested, in that response that you are going to provide, in what has been done in that regard. The next question I have is about the review of the National HIV-AIDS Strategy that is going on at the moment in Australia—the MACASHH review, the review by the Ministerial Advisory Committee on AIDS, Sexual Health and Hepatitis. What role or contribution has AusAID played in that?

Mr Tapp—To be able to provide you with a detailed response I would need to take that on notice, in terms of what the exact input has been. I believe that it had been commented on previously that our involvement earlier on had been very small in that process. But I need to get more information to get back to you. I would not want to misstate the level of our involvement. I am very happy to take that on notice.

Senator PAYNE—Finally on this issue, in July of this year, I think, the Seventh International Congress on AIDS in Asia and the Pacific is scheduled to be held in Kobe, in Japan. It was cancelled, which I think was due to a SARS issue, and rescheduled. What support is the Australian government giving to that congress?

Mr Tapp—I do not have the details of that, but I would be very happy to provide those for you. Ms O’Keeffe is our minister’s Special Representative for HIV-AIDS and is working with our HIV-AIDS task force within the agency which we have established around that and we have been working in relationship to this. As I say, I would be very happy to take that on notice and get that information to you.

Senator PAYNE—There have been observations made that the success of the congress, which I think this year is operating under the broad title ‘Bridging science and the community’, relies on a fairly extensive community engagement—by definition, given it is an AIDS congress in Asia and the Pacific—from a significant number of developing nations. I understand there are some concerns about the level of registrations and therefore the level of funds available to sponsor or give scholarships to delegates from developing countries in the region. I am interested in what may be done not only by Australia but more broadly to ensure that it is a successful forum and there is the sort of community engagement that is necessary to make it effective in spreading messages.

Mr Tapp—Certainly. I might comment briefly on that, but I will also ensure that we provide you with more information on it. The issue of ensuring adequate representation at congresses such as these is to ensure that there is a suitably broad level of debate, sharing of information and learning and bringing a level of community engagement, which are the things that we see as very important. We have a number of mechanisms that we use to try and facilitate this not only with funding that we may be able to provide from our country program

areas but also through programs such as the International Seminar Support Scheme where we are specifically able to provide funding for people to attend these types of events.

We have in the past, and I am sure we will in the future, encourage other donors where necessary and where appropriate to also make contributions to ensure there is adequate representation. We take a particular focus because we are the primary donor and others do not tend to cover this off. Our particular primary focus is to ensure PNG and the Pacific have adequate representation but we also encourage representation from other countries around the region. There are many donors within our region to whom we would be certainly prepared to look for support in joining with us on initiatives that we are supporting, and we would actively look to do so.

Senator PAYNE—I would appreciate the other information you said you could provide. Finally, in relation to the general question of the delivery of Australia's aid program in the Pacific specifically, I understand that in broadly recent times some of the responsibility for the delivery of programs has been taken up by NZAID.

Mr Tapp—We have been working very closely with NZAID now for probably the last three or four years. On the issue of ways in which collectively we may be able to reduce the transaction costs on the host governments within our region, particularly some of the smallest island states, it is quite extraordinary the burden that is placed upon some of these governments when there are, for example, multiple donors coming in individually having discussions and consultations with them. Some of our objectives in many of these countries that are looking to the poverty alleviation objectives are very similar to New Zealand's objectives.

We have looked to establish a number of ways in which we can harmonise more closely what it is that we are doing. In the Cooks, for example, we joined with New Zealand in terms of a joint program of policy discussions with the Cook Islands government. The specific implementation within that framework, though, is with NZAID. The idea there is that we do not want to have multiple duplication of implementation. We are looking at harmonisation in the context of Niue.

We also engaged in joint high-level consultation aid talks with Samoa last year, which the Samoan government was extremely appreciative of. In relation to Tonga, meetings are ongoing this week in which we are having joint aid discussions with the government of Tonga. The New Zealand government, NZAID, are talking to us about places where we might be looking to take on some of the implementation responsibility for some of their resources. It is a very active agenda within the development community at the moment in terms of ways that we are able to bring greater harmonisation and reduce some of those transaction costs.

Senator PAYNE—That is lots of collectivism and lots of harmony, which is maybe a good thing. At the moment is NZAID specifically delivering any projects—for want of a better turn of phrase—that were previously delivered by AusAID?

Mr Tapp—Whether the answer to that question is yes or no at the moment I am not sure. This is something we have been putting in place quite recently. The exact details of how that will work are still being discussed and worked out with the government in the Cook Islands. I

am very happy to get back to you with some more details in relation to that and exactly how that is going to work.

Senator PAYNE—What is the feedback or the response from governments, such as that of the Cook Islands? I think you mentioned Samoa were very happy in their situation. What is the feedback from the others on this arrangement?

Mr Tapp—Tonga were extremely positive.

Senator PAYNE—It was Tonga that was happy, not Samoa.

Mr Tapp—Both Tonga and Samoa are very happy. In the context of the Cook Islands, the issue that they were raising with us was that they wished to ensure that we were involved in the policy and program discussions which determine the ways in which both the Australian and New Zealand aid was going to be applied and used. They would certainly have been very uncomfortable were we not involved, for example, in that role, which had never been our intention in the first place. It is extremely important that we are part of that broad decision-making.

Senator PAYNE—Where do we do that from?

Mr Tapp—That is done in the Cook Islands. We go and have those discussions with the Cook Island government.

Senator PAYNE—How many AusAID staff do we have in New Zealand?

Mr Tapp—In New Zealand we have no AusAID staff.

Senator PAYNE—So we serve the Pacific region by having specific staff placed in the countries.

Mr Tapp—We have staff placed in the various countries around the Pacific. Our office in Suva also has some regional responsibilities, as do staff in Canberra.

Senator PAYNE—So when we are collectively harmonising, how do we maintain our corporate name and reputation, as it were, for the valuable work that AusAID does? How do we ensure that that is part of delivering?

Mr Tapp—It is very important to ensure that there is adequate and suitable recognition for the work that Australia is providing. For example, there are aspects which may still be very much conducted from an Australian perspective, such as scholarships—there may be individuals serving under scholarships here in Australia. But the need for the recognition of what we are doing and understanding that we are making contributions is an important element of the framework under which we would be operating.

I just need to make one comment. I am reminded that we have one AusAID staff member who is seconded to NZAID. We have a secondment arrangement.

Senator PAYNE—What is that person's role?

Mr Tapp—I am not sure of the exact work, but they are essentially doing work within NZAID. It is not a liaison role, but is part of a secondment arrangement we have. I can give you more details of what they do.

Senator PAYNE—Thank you.

Senator FERGUSON—I just have one brief question. It is a question of budget expenditure, which we do not seem to have had much in the last couple of days. Because of the recent disasters and the ongoing aid work that is required in various places around the world, in the last couple of months I have had a number of charity groups—and one in particular, the Salvation Army—saying that many of their groups can raise goods but cannot raise cash. They sort the stuff out and they put it in containers, but their real problem is that when it comes to getting these goods to countries, particularly Africa, the cost of transporting a container is beyond their means. So they have the goods but they have no means of actually transporting them to the countries. For instance, the cost of transporting a container to Tanzania is somewhere between \$7,000 and \$8,000 because of the sea journey and then \$2,000 or \$3,000 for road transport. Is there any contingency or any budget from any of the aid organisations that can assist charitable organisations with the transport of goods?

Mr Tapp—I think it would be sensible to put that question to the Australian Council for International Development, who have information on the respective roles of the various charitable organisations that are operating in the overseas environment. From the aid program's perspective in the context of major humanitarian emergencies, we are always supportive of the call that tends to be made by the charitable community for cash rather than goods in kind. There are a number of reasons for this, which you have just touched on. One of them is the very significant transport costs which may be involved. It also may be questions in relation to the applicability and suitability of the goods which are being provided.

There have been situations—and Mr March might comment on them—where we have provided some assistance in the transport of goods where those goods are clearly highly relevant, are very badly needed, are being asked for by the country concerned and are going to have a very real impact. So it does happen. It is very much a case-specific issue. With regard to the charities that might be able to provide assistance in transport, that would be a question to ACFID. Our role is, as I said, case specific, but Mr March might want to briefly touch on that.

Mr March—In the case of both Sri Lanka and Indonesia, we have been in a position where donated and community funded medical equipment and school material has been collected and that has been brought to our attention. We have said, 'Don't send it until we can talk to the national authorities concerned—in this case, in Aceh and in Sri Lanka—to ensure that it is of use, it can be stored but, more importantly, once it gets there it can be distributed to where it can go.' We have sent over 200 tonnes of equipment that has been assembled by the community—some commercial, some smaller organisations—to those places. The issue is therefore making sure that we can match what is a priority, which is what is on offer on Australia.

It is highly understandable that there is an overwhelming sense to make a contribution but, as we have heard recently in the case of Sri Lanka, the government itself has said they do not want clothing and they do not want food items from Australia. We have not called for those to come forward. Where communities have raised this stuff and collected it, it is a disappointment when I give the message down the phone, 'I'm sorry, this is not required,' but I guess we would much rather people being a little disgruntled with me as a civil servant than

items landing on the dock in either Sri Lanka or Aceh and being stamped 'return to sender'. That is not the outcome we wish for.

Senator FERGUSON—That is true, but there are two different types of aid required: one is the natural disaster aid, which is what we have seen more recently, but there is also ongoing aid for 20 years where there is time to plan and there is knowledge of what is required. We tend to be able to find ways of giving aid in the event of a natural disaster where the aid is so urgent, but that is making a judgment about whether or not it is urgent in the other places that have required aid for years and years.

Mr Tapp—I am aware of some charitable organisations who have been able to develop quite successful relationships with shipping companies, for example, whereby they are able to receive free shipping. The timing of it has to depend on shipping schedules, but that is a way in which the charities have been able to make a link with the corporate sector and been able to bring the community sector and the corporate sector together within a joint program. The Salvation Army has quite a well-known name within Australia. I imagine it would be the sort of name with which the corporate sector may wish to be associated. That may be another route that they might be able to take.

[5.06 p.m.]

Austrade

CHAIR—I now welcome to the table Mr Doody and the officers from Austrade.

Senator CONROY—Welcome to estimates. Where are you at with the appointment of the 30 export facilitators to the US as announced by the government during the election campaign?

Ms Bennett—We have been appointing the additional export advisers in certain tranches in order to ensure a smooth implementation. The first phase was complete by 31 December; the second phase will be concluded by 31 March this year; the third phase, by 1 July this year; and the remaining by 3 September. In terms of our progress, as I said, the first phase is complete. We have appointed three export advisers into Miami, Houston and Denver. These locations are not manned offices, so those export advisers are in essence mobile, working within the market.

Senator CONROY—So they just wander the street?

Ms Bennett—Yes—not exactly wandering the street; it is targeted. But our point is that they do not correspond with any location where you will find an Austrade office. It is a very deliberate strategy to get our export advisers into the market.

Senator CONROY—How do people find them?

Ms Bennett—How do the customers find them? More particularly, in some sense it is the other way around. We are conducting very targeted, focused marketing initiatives highlighting the industry sectors that we believe will most benefit under the free trade agreement.

Senator CONROY—What office support have they got? Do you rent an office for them to sit in?

Ms Bennett—Essentially, the arrangement we are going to is that they are supported out of a local office that is around their location, a sort of hub and spoke arrangement. Our large offices support the smaller ones. The smaller ones provide the management and support for these export advisers who work in the market. The second phase, as I said, is to be concluded by 31 March this year. That puts export advisers into Boston, Seattle and Honolulu, as well as additional staff into the Washington office and the New York office.

Senator CONROY—How many of these export facilitators will be in place by 31 March?

Ms Bennett—By 31 March we will have 11 in place in total.

Senator CONROY—So that was three by December, I think you said—

Ms Bennett—And then we have Boston, Seattle, Honolulu, three into Washington and two into New York.

Senator CONROY—And 1 July?

Ms Bennett—The 1 July phase sees new export advisers moving into Austin, Las Vegas and Kansas City, further staff moving into our Chicago office, San Francisco office and Atlanta office, and a new trade commissioner into the Washington and LA offices as well.

Senator CONROY—So how many will be that be of the 30?

Ms Bennett—That is an additional eight. So there will be 19 in total. Our final phase sees staff going into the Charlotte, Phoenix and Colorado Springs areas and into our LA office, bringing the total complement to 23 export advisers offshore. There are then seven who are essentially liaising between offshore and Australia.

Senator CONROY—In October the Prime Minister promised to immediately send 30 export facilitators to the US to capitalise on the FTA—

Ms Bennett—Indeed.

Senator CONROY—but ultimately the plan is to only have 23 offshore.

Ms Bennett—The plan was always to have 23 offshore. We need the linkage back in to onshore to ensure that we are able to service the clients and take them through to the market.

Senator CONROY—So when the PM promised to ‘immediately send 30 export facilitators to the United States’ to capitalise on the FTA, he was incorrect.

Ms Bennett—I think the important thing is that we need to ensure that there is a proper staffing of appropriately skilled and qualified export advisers. We have moved as fast as we are able to ensure that the Prime Minister’s commitment is fulfilled.

Mr Doody—If I may add, the seven will be mobile from here. It is not as if they are going to be just locked here. So they are part of the 30.

Senator CONROY—At any point, would 30 be in the US?

Ms Bennett—Yes, there could be 30 in the US at any one given point in time.

Senator CONROY—So those seven might all be over there at the same time.

Ms Bennett—They could be, because they will be specifically targeting different industry sectors.

Mr Doody—Depending on market need.

Senator CONROY—But there are only 23 based over there—

Ms Bennett—There are 23 based.

Senator CONROY—and you are not moving to 30 based over there at any stage.

Ms Bennett—No.

Senator CONROY—Will Austrade appoint and manage all of the facilitators or will other organisations have some responsibility?

Ms Bennett—No. Austrade will appoint and manage all the export facilitators.

Senator CONROY—Who are the three that you mentioned have already been appointed? What are their skills?

Ms Bennett—I would have to take that on notice. My apologies; we can get that information to you.

Senator CONROY—Thank you. Have the 10 business development managers to work directly in the US been appointed?

Ms Bennett—As I said, we are doing a phased implementation. At the current point in time, we have three in place and by 31 March we will have a further eight in place.

Senator CONROY—In general, for the export facilitators, what is the skill set you are looking for?

Ms Bennett—In general, a combination of coaching skills, so people who understand how to assist our Australian exporters in the markets, and significant experience in the trade arena—sometimes they have themselves been part of a organisation and sometimes they come from more of a facilitator background—according to the needs. Some of them are working very specifically in an industry sector so they obviously need to have experience and skills in that industry sector. It is combination of the relevant industry and facilitation experience.

Senator CONROY—Are they Australian or will they be American?

Ms Bennett—I believe they are Australian.

Senator CONROY—Are they hired locally or do you advertise in America?

Mr Doody—They could be a mixture.

Senator CONROY—They could be a mixture of Australians and Americans?

Mr Doody—Yes.

Senator CONROY—Have any Austrade staff been appointed? If so, how many?

Ms Bennett—Of the staff who are onshore, we indicated there are seven facilitators who are essentially mobile between Australia and onshore. Some of our current Austrade staff have been appointed. There are two in particular: a former trade commissioner in San Francisco and New York has taken up one of the positions and a former business development manager from Atlanta has taken up another position.

Senator CONROY—Who is the San Francisco trade commissioner?

Ms Bennett—The former San Francisco trade commissioner is Shelley Jackson.

Senator CONROY—Have the five business development managers to work specifically on government procurement opportunities been appointed?

Mr Doody—I do not think so yet. There is a mixture going on at the present moment relative to where they are based.

Ms Bennett—I cannot provide that information for you. I will take that on notice.

Senator CONROY—Are the big gains from the US government procurement market flowing through to Australia yet? Have we won any new contracts?

Mr Doody—It is early days. We have actually just had a mission out here, including some people who are well versed in this area, and we did a circuit towards the end of last year. So it is the beginning of that phase.

Senator CONROY—So that would be a no: we have not won any new government procurement contracts yet.

Mr Doody—Already a large Australian air service organisation has identified and won a \$20 million contract to manage the air traffic control towers in the Pacific region.

Senator CONROY—Does the Pacific region mean the US?

Mr Doody—The business is written in the States, but it is actually for out in this region. A Canberra based high-tech software company has won business in the United States government intelligence market, involving contracts with large systems integrators such as SAIC, and in the vicinity of some millions of dollars have been written there. A further Canberra based new exporter who develops unique contaminated mail isolation units has also won some business. A Brisbane based developer of shredding technology found a reseller for their media shredding hardware. The units have been purchased by the US government agencies. So business is starting to flow.

Senator CONROY—Have any Canberra staff been appointed to any of these positions? Have you got an application in, Mr Harcourt?

Mr Harcourt—No, I am pretty happy where I am.

Mr Doody—Not at this stage.

Senator CONROY—What is the strategy to tap into the government procurement market?

Ms Bennett—We have established a specialist government procurement team to advise and assist our Australian exporters developing their own market entry strategies. The team will be of five members, four of whom will be based out of the Washington office. Essentially that is targeting the key areas of the homeland security, e-government and state and local government. The fifth member of the team will be located in Colorado Springs due to its proximity to NORAD. Fundamentally, the initiatives that we are pursuing at the moment are some seminars, which have already been held across Australia in late 2004, in conjunction with our industry allies to promote the benefits and the opportunities of the free trade agreement. Seminars have also been held in partnership with other state, local and federal government agencies, including the Department of Finance and Administration and the Department of Defence. At the moment, it is a combination of some Australian and in-market

seminars raising awareness and coordinating some very specific events such as one in Washington where a premier IT event for the US government will be held in April. We will be taking some Australian exporters there.

Senator CONROY—What about the three business development managers to work specifically on agricultural export opportunities?

Mr Doody—Can we take that one on notice?

Senator CONROY—Sure. Has Austrade received the new funding for the US export facilitator program?

Mr Field—There is nothing in the additional estimates.

Senator CONROY—Has any funding come through from anywhere, like a special account or a brown paper bag?

Mr Field—No.

Senator CONROY—Oh dear. Has the government established its free trade agreement export advisory panel that was promised last October?

Mr Doody—The free trade advisory panel?

Senator CONROY—Yes.

Mr Doody—We are working on that at the present moment.

Senator CONROY—Okay. Do we know who is on that panel or who will be on that panel?

Mr Doody—Not as yet.

Senator CONROY—It is too early.

Mr Doody—We are still putting options together.

Senator CONROY—Is there a chair?

Mr Doody—The chair will be the chair of Austrade, Ross Adler.

Senator CONROY—What will the panel actually do?

Mr Doody—It will be there to provide advice on the way forward on free trade agreements to give a bit more practical input and strategy input.

Senator CONROY—Why wasn't there any money in the additional estimates, Mr Field? Where did it go?

Mr Field—Where did the money go, Senator?

Senator CONROY—Why didn't it turn up? It was promised.

Mr Field—It wasn't promised. The commitment at the time of the election did not include money this year.

Senator CONROY—It did not include money this year?

Mr Field—No.

Senator CONROY—Where is the money coming from to fund the facilitators?

Mr Field—We have scraped through our budget—

Senator CONROY—Scraped through your budget—

Mr Field—We have scraped through our budget and we have identified economies. We have reduced board travel requirements, we have got higher than budget earnings from interest and VAT refunds, reduced travel usage in our other regions, reduced telecommunications costs—

Senator CONROY—Catching the train to Sydney and back, are we?

Mr Field—Regional travel mostly.

Senator CONROY—How is the process of co-location between Austrade and AusIndustry progressing?

Mr Doody—With the export hubs? Could I ask Mr Vickers to answer that question, please.

Mr Vickers—The co-location with the export hubs is under way. There have been a number of meetings with AusIndustry to identify the real estate and staffing issues in the eight export hubs that were outlined in the policy statement.

Senator CONROY—So you are just at the beginning of the process.

Mr Vickers—There are a number of real estate issues which need extra space, so that—

Senator CONROY—From the sound of it, Washington is going to need an extra floor— with all the extra people you're going to have in that building. Have you got an application in to put an extra floor on any buildings?

Mr Vickers—I am joining my colleague here and being happy where I am.

Senator CONROY—How much is each of these facilitators costing?

Mr Doody—The export hub facilitators?

Senator CONROY—Yes.

Mr Vickers—In the export hubs there are only two new hubs that have new staff in them. The other six have existing staff.

Senator CONROY—Just in terms of the 30—

Mr Doody—Oh, you are back to the 30 facilitators?

Senator CONROY—Yes, sorry. I shifted back. How much is each of them going to cost?

Mr Doody—For each of the facilitators?

Senator CONROY—Yes. I want to know how much scraping you have been doing.

Mr Field—The average over the 30 would be between \$100,000 and \$150,000 each—fully costed.

Senator CONROY—So you have only had to scrape together enough money for the three at the moment? How many are you going to have by 30 June?

Ms Bennett—There are three already and then an additional nine. So it will be 12 by 31 March.

Senator CONROY—So it would be \$1 million?

Mr Field—For part of a year it is less than a million.

Senator CONROY—So when you said you scraped together by cutting back, that was regional travel, did you say?

Mr Field—That is some travel from our other regions. We have got an extensive videoconferencing network now, and we are looking at less travel across the entire network in the future in any case.

Senator CONROY—When you say ‘regions’, are you talking about regions in Australia or regions in the world?

Mr Field—I mean our overseas regions, from offshore to onshore.

Senator CONROY—So instead of coming back twice a year they are only coming back once a year or something like that.

Mr Field—Something like that. Less travel anyway.

Senator CONROY—Is that the main area?

Mr Field—No, actually, the main area is higher than budget earnings from interest and VAT refunds.

Senator CONROY—Is there a hollow log you’ve been holding out on?

Mr Field—I do not think so. We just did not do very well in our budgeting estimate.

Senator CONROY—There was part of a \$4 million commitment by the government so that companies can benefit from a one-stop shop service. Have you received the \$4 million in funding for this?

Mr Vickers—I think you are meaning the export hubs.

Senator CONROY—That is the hubs?

Mr Vickers—Yes, we have received the budget for the export hubs.

Senator CONROY—You have got the \$4 million.

Mr Vickers—It has been varied in that the amount of money which has been provided to Austrade extends over a longer period than that in the policy announcement but at the same rate.

Senator CONROY—Have you established the Launceston hub?

Mr Vickers—Not yet. The organisation which is going to house that hub is still in its early set-up stage, and we waiting for the real estate there to be available.

Senator CONROY—Just on that calculation we were talking about before—the \$4 million—it is not actually \$4 million over three years. That is just a very quick calculation in my head.

Mr Vickers—The policy announcement was for \$4 million over three years. In the additional estimates we have a longer period of time, so the program is now funded over five years.

Senator CONROY—So they have stretched the money out.

Mr Vickers—No, at the same rate. It is more than \$4 million, so it accounts now for \$6.4 million—

Senator CONROY—So you will get \$4 million in the three years and then there are two extra years of equivalent level funding.

Mr Vickers—On top of that. Yes, that is correct.

Senator CONROY—How is Bega going? Have we got the Bega hub yet?

Mr Vickers—No, it has not started yet.

Senator CONROY—Is that a real estate problem or is it one of the ones on the backburner?

Mr Vickers—Because the Bega office is a new office, we have to open a new TradeStart office and that requires going through a competitive process. We are preparing the paperwork. There have to be newspaper announcements. We have a review committee and an audit process. We are preparing those processes now with a view to advertising in the near future.

Senator CONROY—Looking down a list here—I will not bore you by reading them all out straightaway—Launceston, Bega, Tweed Heads, Ballarat, Darwin, Port Augusta, Bundaberg, Carnarvon. At least seven of them are marginal seats—do you think that is a coincidence? Just an accident?

Mr Vickers—You would have to ask the minister that question.

Senator CONROY—Minister, they sound very much like marginal seats to me.

Senator Hill—If it is, it is a coincidence.

Senator CONROY—Just a coincidence.

Senator Hill—Absolutely. I am surprised you would raise the issue.

Senator CONROY—You seem to have an awful lot of those of coincidences, don't you?

Senator Hill—I am surprised that you would raise that issue. You would not want to go to Port Augusta and try that line.

Senator CONROY—I actually was not briefed on this. I have just sat here and gone: Launceston, Bega, Tweed Heads, Ballarat—it occurred to me that there is a familiar pattern as I cast my eye over marginal seats in the past.

Senator Hill—Anyway, Port Augusta—that is not in a marginal seat.

Senator CONROY—As I said, seven or eight of them.

Senator Hill—That is not in a marginal seat.

Senator FERGUSON—It used to be once, Senator.

Senator CONROY—No, I know but I know your good work in that seat.

Senator FERGUSON—You are a bit late.

Senator Hill—These days Launceston is pretty safe, isn't it?

Senator CONROY—Don't be cruel, Senator Hill! As I say, I was wondering if it was a coincidence.

Senator Hill—Darwin has moved in the right direction.

Senator CONROY—You have reassured me it is a coincidence.

Senator Hill—It is all on merit.

Senator CONROY—All on merit. Tweed Heads—how are we going with Tweed Heads?

Mr Vickers—Tweed Heads is also a new office. We are doing the offices progressively because we have a large number of real estate transactions involved. We have yet to start work on Tweed Heads.

Going back to one of my earlier comments about the budget, I want to clarify that the money in the budget includes funding for AusIndustry as well. When we are talking about the budget for the export hubs, it is apportioned between Austrade and AusIndustry, so we are talking about the total.

Senator CONROY—So you are not getting the full \$4 million—it has been lumped together.

Mr Vickers—We have been put together—that is correct. We are the lead agency, so we account for the money, but that budget is spread across the two agencies.

Senator CONROY—Thank you for clarifying that. So you did not get it all. Never mind. How is Ballarat going? Is that a new office?

Mr Vickers—Ballarat is an existing office and there is work under way there this week to start the real estate inspection for that office.

Senator CONROY—Darwin?

Mr Vickers—Darwin is an existing office. We have yet to start work on Darwin.

Senator CONROY—Port Augusta?

Mr Vickers—Port Augusta is an existing AusIndustry office and we have not started work on that office either

Senator CONROY—Bundaberg?

Mr Vickers—Bundaberg is an existing TradeStart office. We have had some initial conversations with the Queensland government, which is the partner in Bundaberg, and we are reviewing the real estate options there.

Senator CONROY—Carnarvon?

Mr Vickers—Carnarvon is an existing office, and we have not commenced work on that office yet.

Senator CONROY—What was the process to determine where these hubs were going to be placed?

Mr Vickers—There was a policy announcement.

Senator CONROY—It was not a departmental assessment of where they might be useful; it was a ministerial decision or an office decision.

Mr Vickers—It was a policy announcement, Senator.

Senator CONROY—By the minister.

Mr Vickers—By the minister.

Senator CONROY—Excellent choices. Has Austrade received the additional \$30 million that was committed by the government for the EMDG scheme?

Mr Field—You will see from the additional estimates statement an increase in administered appropriations of \$10 million in 04-05, 05-06 and 06-07. However, we will not need the \$10 million this year, so we have essentially given it back as a saving.

Senator CONROY—You have given back the money that the government just gave you?

Mr Field—It is a capped scheme.

Senator CONROY—There must be some pretty grumpy exporters who did not get their full dollar expenditure back, if they find out that you have given back \$10 million.

Ms Ward—To clarify, just as background, as I think you know, the export market development grants scheme is a reimbursement scheme for expenditure made the previous financial year. The application period starts from 1 July for five months up until 30 November. So the value of money expended for the year depends on the applications received for the period of time. In this current year, the result of application numbers being in aggregate terms down from last year, for reasons that I can go into to do with the legislative changes to the scheme, the value of claims is down and so the total claim value this year is \$151.5 million.

On our estimates of how much we will actually pay out, which is a high proportion of those applications which will be assessed during the year, of which we always make some adjustments during the audit process, there will be some claims paid from previous years which have not been finalised until this year. There is administration costs included in that as well. So our total estimate as shown in the additional estimates statement for expenditure from the program this year is \$134 million. This leads to the fact that there will be savings, which is shown in that additional estimates document.

Senator CONROY—So, despite the cap, we have actually fallen below the cap. Is that the first time?

Ms Ward—Sorry, I missed your last question.

Senator CONROY—The \$134 million is below the \$150 million cap.

Ms Ward—That is correct.

Senator CONROY—Is that the first time we have fallen below the cap?

Ms Ward—No, it is not the first time. It has been the case in some earlier years under the capped scheme. I can identify those years for you, if you would like.

Senator CONROY—No, that is okay. Could you tell us where it does appear? I noted, Mr Field, you referred to the additional estimates: where does that appear in the bills?

Mr Field—The breakdown of additional estimates by appropriation bill, table 1.2 on page 68, shows a reduced estimate of \$16.4 million.

Senator CONROY—And that is the difference between \$134 million and \$150 million? That is what that other 16 represents?

Mr Field—The 16 is the difference between the previous cap and the \$134 million that Ms Ward mentioned. The other 10 is in the financial statements.

Ms Ward—There is an additional \$10 million reported as a budget measure included in the statements, and that is included in the forecast within the statement of savings of \$26.4 million.

Senator CONROY—Could I have the page identified? It was a little hard to track down. I think someone is coming to your aid.

Mr Field—You are right, it is hard to track down.

Mr Doody—Can we take that on notice?

Mr Field—I will get you the page number.

Senator CONROY—If someone behind you could keep working on that while we move on, that would be fine. In Appropriation Bill (No. 3), table B, it identifies a saving of \$932,000 from Austrade, due to a cut to a program called ‘Australians succeeding in international business with widespread community support’. Could you explain in detail what has actually happened?

Mr Field—That is the net amount of the items shown as savings on page 67 and the measures, which add up to \$2.199 million. I will just talk you through them one at a time. Firstly, for the savings, I will take you to the table called ‘Other variations to appropriations’ on page 67 and to ‘Variations in departmental appropriations’. The items listed are, firstly, forex adjustments within year, \$921,000 increase in appropriation; forex adjustments between years, \$3.137 million reduction in appropriation; thirdly, price deflators, \$43,000 increase; and, fourthly, depreciation, \$950,000 decrease. So that accounts for \$3.123 million net reduction in appropriation.

That is offset by the operating component of each of the measures mentioned on page 65. So in the table entitled ‘Variations—Measures’ the numbers there include both capital and operating expenditure. The operating component of those measures are blast proofing \$429,000 increase, security \$854,000 increase and export hubs \$908,000, which adds up to \$2.191 million increase. So the wash up of all of that is the reduction that you see on page 68 in table 1.2 of \$932,000 decrease in appropriation.

Senator CONROY—Austrade has received \$341,000 for consular passport services—is that right?

Mr Field—That is right. That is an increase in appropriation, which is offset by a decrease in our other revenue. Previously we were paid a fee by DFAT for those services.

Senator CONROY—Overall there is a cut to Austrade’s budget of \$591,000—is that right?

Mr Field—That is the net effect of all that. That is correct. It is largely due to between year adjustments for foreign exchange, which is essentially maintaining the organisation's purchasing power overseas. It essentially reduces or increases our base according to which way the currencies have gone that we actually spend money in overseas. So we are maintaining our purchasing power parity with that adjustment.

Senator CONROY—I was wondering if you could tell me where the funding for the EMDG is. I was not sure if it was in table C. The additional estimates document is a little difficult to follow.

Mr Field—I am sorry; which page?

Senator CONROY—I think it was table C, which I think is page 43. That may not be right.

Mr Field—That belongs to DFAT.

Senator CONROY—As I said, I could not quite follow all this. Could you could point me to EMDG.

Mr Field—As I said, the increase in EMDG funding is shown on page 65 in the table headed 'Variations—Measures' with the \$10 million increase in each of the three financial years. The question you asked me was: where did the \$10 million for 2004-05 get taken away from? I still have not got to that.

Senator CONROY—Okay. How is the review of the EMDG scheme going? When will it report? Are you able to give us a brief outline of what sorts of issues have been raised in the review?

Ms Ward—The review is a legislative requirement of the act. The act specifies that the minister must cause Austrade to conduct a review. He had to do that no later than 1 January 2005. He in fact required Austrade to do that and announced that in late June 2004. So it is Austrade that is required to undertake the review. Austrade, also as a legislative requirement, must complete that review and provide a written report to the minister no later than 30 June of this year. The review is underway and still in progress. A range of activities have been undertaken as part of that.

The minister announced it publicly with a media release and that media release specified that public submissions would be called for. It is also a requirement in the act that Austrade must call for submissions from the public. We advertised quite widely throughout the media through the press to call for those submissions. Although we originally specified a closing date of some time, I think, in August, we have in fact been quite flexible about that as we saw no reason to cut off while we were still progressing the review. We have quite recently put on our web site that the submission period has closed. We have received 394 public submissions as a result of that. Austrade also appointed a review facilitator on an internal contract. He is Mr Peter Jollie, a well-known and respected businessman with a lot of trade expertise. We asked him to do a consultation process around Australia. He has now recently completed that. He held a total of 70 meetings around Australia involving in the order of 260 people.

We also commissioned by tender a contract for independent research and analysis on the effectiveness of the scheme. That tender process was undertaken in about September last year.

Part of that process is to conduct an external survey of past EMDG recipients over the last two years, asking a series of questions to test on the effectiveness of the EMDG scheme. That research and survey is still under way. The survey has not yet closed off. We expect it to be closed very shortly. We have not yet had any results out of that research. We expect to get preliminary results perhaps in about mid-March and final ones in about April. As well as that, not surprisingly, we are drawing on our own operational experience as administrators of the scheme over many years. We will be pulling together all those various strands in a review report. At this stage, we still have not finalised some of the strands of that, so the review report has not yet been drafted. We are still in the research stage at this time.

Senator CONROY—Thank you for that very full answer. Moving on to the US FTA. What has been the overall impact of the FTA on Austrade's business at this stage? Obviously you are cranking up.

Ms Bennett—We are indeed. As you are very well aware, the United States FTA came into effect on 1 January. Essentially, therefore, our results of last year reflect our repositioning work and our promotion work in preparation for that coming into effect. In terms of the results last year, our 2003-04 year compared with the prior year. We assisted 103 new exporters in the year 2003-04 compared with 29 in the previous year. In the first six months of this year, we assisted approximately 60 new exporters achieve export success in that market, indicating that we are increasing the number of Australian exporters going through to market. In addition, I would note the established exporters that we are assisting. Again, that moved last year to 148 from the prior year of 127, and year to date in the first six months we have assisted 82 established exporters continue with their export success in that market.

Senator CONROY—How are you managing this sort of extra activity, which sounds reasonably substantial? Have you created a new section or a group?

Ms Bennett—We naturally determine the positioning of our resources according to our clients—our Australian businesses demand. They have engaged with the free trade agreement and are looking for success in those sectors now reflected in it. Those include dairy, automotive and seafood. There has been a natural drift towards those areas that are promoted most by the free trade agreement. Therefore, that is a large part of our focus in that market. We have also conducted extensive promotion work, as I have previously indicated, organising seminars around Australia—for example, on government procurement early in December and dairy workshops to facilitate new and existing dairy quota holders are being held this month.

Senator CONROY—Are you aware of any Australian companies that are being forced to move from Australia to the US to take advantage of the FTA?

Ms Bennett—I would have to take that under advisement.

Mr Doody—I think we would need to take that on notice. I am not aware of any anecdotally but we could take that on notice. Is there any particular one you have in mind?

Senator CONROY—It was reported in the *Australian* on 11 January this year that a Perth based security equipment firm, QRSciences, was forced to shift his headquarters from Perth to California to be able to benefit from the deal. Are you aware of that particular case?

Mr Doody—No. Can we take that on notice.

Senator CONROY—It was in the *Australian* on 11 January.

Mr Doody—Thank you.

Senator CONROY—What types of factors may have led QRSciences to move to the US? Why would they be better off there than here? Obviously, you can take that on notice. Was it envisaged that the US FTA would lead to this type of situation—Australian companies forced to move to the US to benefit from the deal? Was that an objective?

Ms Bennett—No, indeed not, although Australian companies, as they determine their own growth strategies, may for very good reasons want to engage in putting some part of their business offshore for various reasons. But it certainly was not an objective.

Senator CONROY—I am particularly interested in this next question because it was one of the key arguments that swung me in support of the FTA. How are we going exporting Holden Monaros to the US?

Ms Bennett—Specifically I cannot answer that. But, in general, as you have seen, our results are very positive in assisting more Australian exporters achieve export success.

Senator CONROY—Minister Vaile was emphatic there was going to be a flood of Monaros onto the market. Is there any evidence yet of this flood of Monaros?

Ms Bennett—I would have to determine that. We will take that on notice.

Senator CONROY—Just while you are looking—

Senator Hill—You sound pretty negative, Senator.

Senator CONROY—It was one of the key arguments that swung me, Senator Hill. You may be interested in this next question.

Senator Hill—It might help to talk up the Australian product.

Senator CONROY—Are you aware, Minister, of any suggestions that Holden may transfer the production of Monaros to Detroit? Is that something Austrade is aware of?

Mr Doody—Not specifically. Maybe we can take it on notice in the context of your first question on Monaros.

Senator CONROY—There was a report in the *Sydney Morning Herald* on 12 January 2005 suggesting that the US FTA ‘moved the goalposts dramatically’ on where Holden may build some of its cars as early as 2007. Does that ring a bell?

Mr Doody—When was the report?

Senator CONROY—It was from 12 January 2005 in the *Sydney Morning Herald*. That would be a very disappointing outcome—wouldn’t it, Minister?—if we were hot to trot to get Holden Monaros locally built and sent over to the US and suddenly they started making them there. They may even then start sending them back here. That would be a bit of a disappointing outcome.

Senator Hill—We want to grow the Australian export market—

Senator CONROY—Absolutely.

Senator Hill—particularly from Adelaide.

Senator CONROY—I could not agree with you more.

Senator Hill—Thank you.

Senator CONROY—But it would be a disappointing outcome if Holden Monaro production was moved offshore and they started exporting to Australia instead of the other way around, don't you think?

Senator Hill—That would be very disappointing. I doubt that that is going to happen. I have great confidence in the competitiveness of South Australian industry.

Senator CONROY—The report went on to say that Holden makes too many different models in Australia and there could be a rationalisation if production of some models, such as the Monaro or the ute, were transferred to Detroit. Wouldn't that mean less jobs in Australia if production of these cars moves to the US?

Senator Hill—Provided the overall numbers continue to grow and the export sector continues to grow, it should be good for employment.

Senator CONROY—This was an agreement designed to facilitate exports, not facilitate export production. Would that be a fair call? I am not quite sure that the goal of the FTA was for the whole facility to move OS.

Senator Hill—It is to open up new markets and expand existing markets for Australian exporters.

Senator CONROY—Any progress on the ute? Once again, one of the key arguments that swung me on this was that the ute was in such hot demand. There was pent-up demand for utes in the US, we were told. Is there any evidence of sales of utes yet in the US?

Mr Doody—Can we take that one on notice as well.

Senator CONROY—It might take you a while to find? Our ute apparently is really appealing over there.

Senator FERGUSON—You should buy one, Senator Conroy.

CHAIR—He prefers his BMW.

Senator CONROY—I am not a hobby farmer like Senator Ferguson. What is Austrade's view on Australia's export performance in recent years?

Mr Harcourt—As the trade promotion agency, Austrade has been focusing on helping exporters at the margin to get into new markets. That is the reason for the objective of growing the exporter community. The recent results show that on average we have been able to grow the number of exporters that get into new markets on a regular basis. Take the exporter community as comprising the heartland, the ones that do not, and the middle cross-section of regular, opportunistic exporters. We are growing the heartland. If I were a political scientist and not an economist, I would say it is a bit like you have the blue ribbon, or the true believers—your rusted on voters; the group that votes for the other mob; and the swinging voters in between. We are trying to grow the heartland.

Senator CONROY—Sure, but I was actually wanting to talk about volumes, not numbers of exporters. That is what I was talking about when I said export performance.

Mr Harcourt—I understand.

Senator CONROY—Volumes and dollars rather than the number of exporters.

Mr Harcourt—With respect to volumes, we have noticed the research of the Reserve Bank, their statement on monetary policy about export volumes, particularly in the resource sector. Generally what we have noted is that the resource sector at one stage in terms of volumes was, partially due to world demand—particularly after 2000 but also in recent years as the world economy has picked up—predominantly a supply question rather than a demand question. Issues such as the low levels of investment in the resource sector and also infrastructure issues were holding back volumes. But the Reserve Bank and a number of private sector commentators believe that a number of investment projects—including the third train in the North West Shelf and some of the LNG projects that are still to come through into the data—will mean an improvement in volumes and an improvement in values, of course. Prices have been relatively high, and they believe that will lift volumes overall amongst exports.

Senator CONROY—Would you describe our performance as good, sluggish or bad?

Mr Harcourt—Austrade is the trade promotion agency. We predominantly try and make exporters successful in markets. I would say that export performance—in terms of trade policy, government policy for the Reserve Bank and the Treasury, and the current accounts and in terms of building the heartland of the export community—is quite promising.

Senator CONROY—So would you describe our performance at the moment as good?

Mr Harcourt—I think that it is in the interests of Austrade that export volumes improve and export values improve.

Senator CONROY—Are exports in 2004 still below the 2001 level?

Mr Harcourt—The value of exports in 2004—you are correct there—were at their highest level, except for the level in 2000, in terms of calendar year. I guess you are right in distinguishing between values and volumes. Improved prices of commodity exports means that we have had improved terms of trade, and that drives values. When you abstract from that, you would like to see volumes improve. The view of the Reserve Bank is that we will see an improvement in volume.

Senator CONROY—Some have argued this is our worst trade performance in living memory, if not ever. What factors do you consider have caused this trade performance?

Mr Harcourt—I think a couple of things determine trade performance. Of course demand factors and, as has been pointed out, certain unusual events that occurred after 2000—drought, SARS, Iraq and some of those demand influences—played a role. As I mentioned before, and as the Reserve Bank has mentioned, capacity constraints and supply factors as well have played a part.

Senator CONROY—There has been pretty strong world growth over the last couple of years.

Mr Harcourt—That is right.

Senator CONROY—World growth is going up and our share of it is not keeping pace.

Mr Harcourt—If you look at the consensus forecasts after 2000, 2001, 2002 and 2003, we were below our 30-year world average. In 2003 and 2004, and 2005 forecasts, we will be above world averages. That would suggest that concentration on capacity and supply constraints and looking for the investment projects to come through the results would be part of it. For our part as a trade promotion authority, we mainly look at numbers of exporters, particularly amongst small and medium sized enterprises. They account for 87 per cent of the exporter community but around 10 per cent of export value.

Senator CONROY—What about our international competitiveness. How is that?

Mr Harcourt—I think in terms of productivity growth, you would know as well as I, Senator, that we have had improvement relative to the United States as a result of two decades of economic reform. As a result of opening up to exports and imports we have improved per capita incomes at a faster rate than the OECD and the United States. I would say that with the reform process a lot of contribution made by business, by workers and by farmers has helped improve productivity.

Senator CONROY—Productivity levels are still pretty low though. It is not growth. You would not let something define itself in productivity.

Mr Harcourt—It depends whether you are talking about labour productivity or total factor productivity. There is some evidence that we have made significant gains on labour productivity. Of course, in a lot of our export sectors there is a lot of capital involved. Most of the research shows that on average the export sector is more productive than the rest of the economy, pays better wages and has been able to lift our overall rate of productivity.

Senator CONROY—What are the main issues that need to be addressed to improve our export performance?

Mr Harcourt—There is a range of issues. We cannot do very much about the Chinese fixing their exchange rate or some of the international issues, but certainly they would help. I think there are issues to do with human capital, with infrastructure and with investment.

Senator CONROY—Bottlenecks at our ports, still?

Mr Harcourt—That has been an issue identified by the Reserve Bank in various consultations. One thing that is important is market access. In the DHL export barometer, about a third of exporters who are regular exporters surveyed said that trade barriers is an issue for two-thirds of them but not a third of them. There are things like business culture and regulation and actually finding good matches. I think once you get success in reducing trade liberalisation, reducing trade barriers, then these types of cultural issues come into play and that is why Austrade is focused on those issues.

Senator CONROY—How can we best achieve market access?

Mr Harcourt—That is clearly principally a trade policy question. There is some evidence in the surveys that a lot of regular exporters now do not face as many trade barriers as they used to so the gains that have been made in the bilateral and multilateral fora have actually started to deliver some good improvements to exporters.

Senator CONROY—You mentioned the Reserve Bank has pointed to the bottleneck at the waterfront.

Mr Harcourt—The Reserve Bank mentioned two issues. One was a number of investment projects that have not come into the export data, particularly for resource exports—they mentioned LNG and Gorgon and so on—mainly because business investment was very low in the resources sector in the late nineties. It is starting to pick up and that comes through export volumes in a lag sense. The other issue is to do with capacity constraints, which they have outlined in their statement, which go to infrastructure and some transport issues. There is also an issue in some resource sectors with some of the goldmines and oilfields reaching the end of their natural life. It takes a long time to basically regenerate some of those projects.

Senator CONROY—Thanks very much. Mr Field, have we found that \$10 million yet?

Mr Field—Yes. The reference to the \$10 million in the portfolio additional estimates statements, because of the way they are put together, does not show as a reduced estimate. But on the top of page 68 it discloses what has happened. Administered expenses include a new measure for \$10 million; however, with lower expected grants payments, a saving of \$26.4 million is forecast, which is \$16.4 million less than the 2004-05 budget appropriation.

Senator CONROY—So the \$10 million was never specifically identified anywhere. That is an aggregate figure of \$10 million and \$16 million to give you the \$26 million.

Mr Field—The way the documentation is put together it does not show in the tables but the disclosure is there in the words.

Senator CONROY—Okay. Thanks very much.

[6.01 p.m.]

Department of Foreign Affairs and Trade

CHAIR—I welcome back Mr Chester and officers of the Department of Foreign Affairs and Trade. The committee is continuing its examinations of trade outputs—output 1.1.5, Bilateral regional and multilateral trade negotiations, and output 1.1.6, Trade development policy coordination.

Senator CONROY—Are you aware of the commentary by the Reserve Bank and private sector commentators about Australia's trade performance in recent years?

Mr Deady—Yes, we are aware of a deal of commentary including by the Reserve Bank about aspects of Australia's trade performance over the last several years.

Senator CONROY—Okay. On the basis of their assessments, can you provide me with DFAT's assessment of Australia's trade performance in recent years?

Mr Deady—We now have data on the export performance for the 2004 full calendar year. We actually saw a strong growth in Australia's exports in 2004 over 2003. There was around eight per cent growth in value terms, up to \$152 billion, which is actually the second largest export level in Australia's history. We saw pretty strong growth across all of the key sectors. I think certainly in the rural sector there was something like a 20 per cent growth and that would particularly reflect coming out of the impacts of the drought in those last couple of years. In the resources sector there were, again, increases—about 13 per cent in 2004. In manufactures, the growth was smaller but still positive—around two per cent growth in

manufactured exports over the course of 2004 over 2003. In services, there was also some reasonable growth—five per cent in 2004.

Senator CONROY—You would have heard—I think you were here—my discussion with Mr Harcourt from Austrade. That is not keeping pace with world growth, is it?

Mr Deady—I am not sure. There certainly was a pick-up in world economic activity in 2004, and no doubt that does reflect some of the performances of sectors from Australia. But, as I heard Mr Harcourt say—and as the RBA and other commentators that you have mentioned, Senator, have said—a number of factors are still impacting on Australia's performance. One of them is the supply constraints that you mentioned, and there is certainly an aspect of that in the resources sector. I think it is fair to say too that, when you look at this data, you have to look over perhaps more than one year and at the very significant economic developments since 2000. We had very strong growth in 2001, as you mentioned. Then a series of events—the slowdown in the world economy, obviously the very serious impact of September 11, SARS, the drought in Australia; our position was unique in relation to the drought—had an impact on our performance. I think the encouraging thing is that in 2004 you started to see a significant recovery from those numbers. That is encouraging, certainly in value terms but also in volumes. One example is grains. As I can recall, the exports of cereals in Australia increased by 90 per cent last year. That is clearly a recovery from drought conditions.

Senator CONROY—Many commentators are correctly pointing to sluggish growth in exports demonstrated by a continuing negative contribution from exports to GDP—that is a negative—with little prospect of a pick-up soon. You indicated just then you felt that that was wrong.

Mr Deady—I think the commentators would say that there has been a drag on GDP from net exports. That is the trade balance. The imports have grown very strongly. The growth in imports in 2004 was, in value terms again, about the same percentage increase but it came from a slightly larger number. There was obviously that growth in imports. That is the net contribution to GDP. It was a negative but, again—without getting into all the architecture of the GDP accounts—it reflects the very strong growth of the Australian economy, consumer demand, investment demand and sucking in of imports. Those obviously contributed to the growth of the economy, very much so. But they are not measures of domestic production, so they take growth off the bottom line. Clearly imports are a significant contributor to the performance of the Australian economy, and the strength of imports is a reflection of the strength of the economy.

Senator CONROY—So it is the economy's fault?

Mr Deady—I do not think it is the economy's fault. I think, if you look at the structure of those imports and the capacity limitations or some of the constraints on Australia's exports, you will see that imports and the capital flows contribute to the growth in development of industries that over time pay back those investments through increased exports. Capital imports have increased by 13 per cent. These are imports coming into the country and contributing to the capacity of the Australian economy over time.

Senator CONROY—Some commentators are suggesting this is the worst export performance in our history, certainly in living memory.

Mr Deady—I have not heard them actually say that. The sheer balance of trade deficit is the largest, I think, in history, if that is what they say.

Senator CONROY—That is the measurement.

Mr Deady—That is the balance, as I say. The export performance is not the worst in history. It is actually the second highest in history, and I think that reflects the sorts of things I spoke about. There has been some discussion, I think with Mr Harcourt again, about manufactured exports. If you look at the long term—say the last 10 years—you will see a significant improvement in Australia's exports of elaborately transformed manufactures over that whole period. That reflects a number of things: improved competitiveness of Australian industry, greater export orientation and these sorts of things. You did see very strong growth in these early years coming from a smaller base. Now the average growth rates are not as high because we are coming off higher levels of exports, but that is a fact in itself and argues against this being the worst performance in history. We are coming from very big numbers. The growth in those numbers is obviously not as large as it was 10 years ago, but it is still reasonable.

Senator CONROY—But the last three years have had a negative net export contribution.

Mr Deady—To GDP, that is right.

Senator CONROY—Has there been a similar three-year contribution like that?

Mr Deady—My colleague reminds me that we looked at some of these issues in questions on notice. I think you do go back to the 1960s, when there was again a negative contribution from net exports to GDP.

Senator CONROY—Over a three-year run?

Mr Deady—I think it was longer in fact.

Senator CONROY—So it is our worst export performance since the 1960s?

Mr Deady—Again we are splitting hairs. The export performance is not the worst in history. In fact the export performance is, I think, solid. The contribution to growth from the external sector has been negative for the last three years, reflecting to a very significant extent the strength of the domestic economy and the contribution of imports—capital imports, consumer goods and inputs to industry. Many of those products are imported and they contribute to the growth of the Australian economy. With the way the national accounts are calculated, they come off the bottom line.

Senator CONROY—Export volumes have not changed in four years. Do you expect them to pick up? Or do you disagree with that?

Mr Deady—There was volume growth, as I understand it, through 2004 and certainly through the course of the year, and I thought there was some volume growth year on year. There would have been growth in the rural sector, with grains certainly. For some of the meat and livestock products, with recovery from the drought there would have been a bit of a lag.

Senator CONROY—I am not arguing with you that there may be some sectors that have had volume growth, but overall volume growth has not changed.

Mr Deady—The latest volume data for goods and services we have is for the nine months to September, and there, Mr Chester shows me, we have actually had four per cent growth in volume over that period, which is quite solid, given these factors that we have talked about. It does reflect increased exports in the rural sector and some pick-up in resources. Perhaps services and manufactures are a bit hard to calculate in volume terms, but in those key commodity sectors you see growth.

Senator CONROY—I appreciate the last nine months, but for the last four years it has just been flat. I am sure the statistics Mr Chester has given you go back beyond the last nine months. You got the scissors out quickly then did you, Mr Chester, and just snipped it off?

Mr Deady—It has been flat. The total volume of goods and services exports between 2000-01 and 2003-04 was one per cent, which is a very small increase.

Senator CONROY—Very flat.

Mr Deady—Flattish.

Senator CONROY—Flattish?

Mr Deady—Again we can go over the reasons, but there are certainly significant reasons for that in 2003-04, and the drought would be a major part of that. It comes back to a strongly growing domestic economy. As I said, the performance of Australian manufacturing industry over the longer term has been a substantial increase, with greater export orientation in that industry. But with strongly growing domestic demand again some of those exports will be sucked back into the domestic economy.

Senator CONROY—In the last decade exports have grown by five per cent, but that was only half of the 10.8 per cent in the previous decade. That is a quick peek at 20 years. Why is that, do you think?

Mr Deady—You really need to analyse these things through the course of those decades, perhaps picking start and end points. Part of it would be, in the manufacturing case certainly, the greater export orientation. The lower dollar that was apparent through a large part of the 1990s would have enhanced the competitiveness of those industries. As I say, you have got fluctuations—certainly cyclical and seasonal fluctuations in rural commodities—over those periods. So all of those factors—droughts and other things—would have contributed.

Senator CONROY—Did the drought affect manufactured exports?

Mr Deady—No. Things like the dollar would have more impact. The dollar, the competitiveness, the level of domestic economic activity—

Senator CONROY—The dollar has been at record lows for ages.

Mr Deady—That is right.

Senator CONROY—I know it is running amok now—

Mr Deady—That is where you saw the growth, I think, through—

Senator CONROY—but manufactured exports have only grown 3.6 per cent over the last decade with the dollar low, as we have been pointing to, compared to 13.7 per cent in the previous decade.

Mr Deady—As I mentioned earlier, you have got manufactures. In manufactures you certainly had that early growth in elaborately transformed manufactures coming from a relatively low base. So again you have got average growth rates there that would be coming off a lower base. You have a higher export orientation within that sector now, so although the percentage increases are smaller that is still significant expansion in exports.

Senator CONROY—Our share of global trade has fallen from 1.22 per cent in 1989 to 0.98 per cent in 2003. That is the lowest in 25 years.

Mr Deady—Again, that is taking those individual years. But you have to look at the growth of the world economy over that period, the very significant expansion of economic activity in countries, particularly China, India and other countries in that period—

Senator CONROY—It shows we are not holding our own.

Mr Deady—The growth performance of Australia over those periods has also been very substantial. The external sector, as you say, in the last three years was a negative to that. But you have had expanding trade performance by manufacturing industries. The fact that Australia's share of world trade, as I understand it, over the long term has declined, earlier on was due to really declining terms of trade. Because we are a commodity exporter, the terms of trade certainly trended long term against Australian commodity exports. Now you have had some shift in that. You have seen the terms of trade certainly turn around in the last few years in Australia's favour.

Senator CONROY—So we should just sit back and let the terms of trade improve?

Mr Deady—I do not think anyone is suggesting we should sit back. Certainly that is not what the government is doing.

Senator CONROY—What advice are you giving the government to improve our export performance?

Mr Deady—The export performance is certainly a whole-of-government exercise. Much of what the trade part of the Department of Foreign Affairs and Trade has done in terms of improving market access is trying to improve those situations faced by Australian exporters in overseas markets through activities in the WTO, through various disputes that we have taken over in the period and through the bilateral negotiations that we have gone with. All of those things are aimed at improving the prospects for Australian exporters. You have got aspects of competitiveness, which are also improved. Overall low levels of inflation, high levels of growth—all those things—contribute to the capacity of Australian industry to increase exports. But again there are leads and lags in this. At the moment you have certainly seen, with very strong demand, as you have said, Australia pulling in imports, and net exports being negative.

Senator CONROY—Given our comparative inflation rates with, say, the US and other trading partners, has our dollar been appreciating in real terms or depreciating in real terms?

Mr Deady—With the run-up of the dollar against the United States dollar in the last two years, there would be a real appreciation of the dollar against the US dollar.

Senator CONROY—Probably a bit longer than just two years, I would suggest to you.

Mr Deady—That is right.

Senator CONROY—I would probably say that over the last five or six years we have had a real appreciation.

Mr Deady—That is right. From the lows of the 50c we certainly have a real appreciation. Our relative inflation performance has been very good, certainly comparable with the United States

Senator CONROY—I am talking about the real rather than just the 50c.

Mr Deady—That is right.

Senator CONROY—Which means I think it goes back before the 50c.

Mr Deady—The components of the real exchange rate are clearly our relative inflation rates and relative nominal exchange rates. My point is that our inflation performance has certainly been comparable to the United States over that period so the real increase—the real appreciation—has reflected the nominal appreciation of the Australian dollar over that period. The decline in our competitiveness has been due to the movements in the dollar rather than any deterioration in our inflation performance, which again gets to the fundamentals of the economy, productivity, growth—those sorts of things.

Senator CONROY—The real appreciation is the fact that they are nominal.

Mr Deady—That is right. The real movements in the Australian dollar are a reflection of relative inflation performance and movements in the nominal exchange rate.

Senator CONROY—What impact do you expect the FTAs the government have signed will have on our export performance? When can we expect this surge of activity?

Mr Deady—There are significant improvements in access as a result of the FTAs that have been negotiated by the government.

Senator CONROY—I appreciate the improvements in access, but show me the dollars. Show me the money!

Mr Deady—As I was saying, the Thai FTA and the United States FTA came into force on 1 January this year, so we have only had them for a little over a month. We probably need a little more time than that—

Senator CONROY—I am very keen.

Mr Deady—before we pass final judgment. The Singapore FTA also came into force in about July last year, so we are almost getting onto 12 months there. Those market access opportunities are what the government does through its trade negotiations and trade policy in this area. It opens up access opportunities; it is for Australian industry to take advantage of those opportunities. There is certainly an ongoing role for the government in ensuring that Australian industry is aware of those opportunities. The government can assist in taking advantage of those opportunities through the Austrade programs and various other programs.

Senator CONROY—So when am I going to be able to pick up a set of accounts and look up the individual exports and say, ‘There is a positive plus for Australia.’

Mr Deady—Again, most of the forecasters that are looking at 2005 are certainly looking at prospects of stronger growth for Australian exports in 2005.

Senator CONROY—I am talking about the impact of the FTA—isolated.

Mr Deady—I do not think you can isolate these things; that is the point. Our export performance depends on these various factors—seasonal factors and the sorts of things that we have talked about, the growth of these other economies. What we have through the FTA, with the lowering the barriers in those other countries, is increased opportunities. It is a matter of Australian industry forming relationships and taking advantage of that access that has been opened up to them. These things do not happen overnight, and they do not happen in isolation.

Senator CONROY—Is it next year, is it the year after? When am I going to pick up an account and you will be able to show me the money?

Mr Deady—I think you will see that Australian industry in the past has certainly been able to take advantage of expanding opportunities. There is nothing to suggest that that will not be the situation in the future.

Senator CONROY—The modelling on the US and the Thai FTAs both suggest that they will lead to increases in our trade deficits with those countries. Do you believe that modelling is correct?

Mr Deady—We have had lots of discussions—

Senator CONROY—I am talking about the government’s own modelling.

Mr Deady—I cannot talk too much about the precise aspects of the Thai modelling, but the US modelling—again, we have had these discussions before—shows that in the very early period there in fact would be a widening of the deficit as a result of the FTA, given the nature of the model.

Senator CONROY—And as somebody famous once said, ‘In the long run we are all dead.’

Mr Deady—But you have asked what the impact will be over time. There again, certainly the modelling of the US shows that over time Australian exports will expand as a result of those negotiations.

Senator CONROY—I said trade performance. I moved from purely an export position to the actual net position.

Mr Deady—Again, these models also show, yes, increases in imports from the United States as a result of the increased access.

Senator CONROY—In other words, the modelling for both of these FTAs, which you are not contesting, shows that in actual fact our currently worst trade performance in 25 years is going to be exacerbated.

Mr Deady—All I would say there is that the FTAs are one element of the world economy that Australia will face as we go forward in 2004 and beyond. The expansion of growth in

China will obviously have an impact on our export performance—the ability for Australian industries to take advantage of that expansion. Again, you have heard earlier the discussion about some of the supply constraints in the resources sector that are having some impact on our export performance. The growth of the domestic economy relative to the world economy has an impact on our export performance. All of those things will continue to impact on our trade performance. The improved market access that we get through trade negotiations certainly offer enhanced opportunities for Australian exporters to take advantage of those things. With a strongly growing economy and low levels of inflation, the prospects are there for Australian industry to take advantage of these opportunities.

Senator CONROY—So when I say to you, ‘I am going to be opening up the trade figures over the next few years—show me the money,’ it will actually be in the red.

Mr Deady—We do not do our own forecasts in Foreign Affairs and Trade—

Senator CONROY—No, but you employed a forecaster to do it. This is what the forecaster came up with.

Mr Deady—We employed some modellers to do some work on the US FTA, but as I say we do not do macroeconomic forecasting in the department; we do not forecast the export performance but we certainly monitor and look at the economic analysis of others. And there is our own knowledge: we talk to Australian industry in great detail and we talk to other agencies, and there you look at the prospects for Australian exporters, the rural sector. People like the Minerals Council are talking about what \$8 billion worth of increased investment in the resources sector will do—that will flow through to increased exports for Australian industry.

Senator CONROY—Minister, why are you pursuing these FTAs when clearly these two, just on your own evidence, are actually exacerbating what is our most—

Mr Deady—Well—

Senator CONROY—disastrous trade performance in 25 years? That was actually to the minister, Mr Deady; I thought I would save you the trouble of saying it was a policy question.

Senator Hill—What is the alternative—you put up barriers?

Senator CONROY—I am not suggesting that at all. I am just suggesting that in the face of our worst trade performance in 30 or 40 years you are pursuing individualised policies that, on your own statistics, will lead to a further deterioration in our trade performance.

Senator Hill—We are pursuing policy that provides greater opportunity. But it is true that Australian business has got to take those opportunities.

Senator CONROY—But your own modelling says it is going to make it worse.

Senator Hill—Even if we maintain the fundamentals, if we keep the fundamentals at the appropriate levels, as they are now—interest rates, inflation and the like—it still requires Australian business to seize the opportunities that are presented and I think that is—

Senator CONROY—So it is Australian business’s fault that we are going backwards—for not taking up the opportunities you have presented?

Senator Hill—The government is not the trader; business is the trader. Business needs a domestic economy that gives it the basis to be internationally competitive. It needs an entrepreneurial outlook, investment in the opportunities and all of those other factors that decide whether or not you are successful.

Senator CONROY—But your own modelling says that, even when they take up the export opportunities, the overall picture is still in the red, negative. It is a negative contribution towards Australia's worst export performance in 25 years.

Senator Hill—In the short term.

Senator CONROY—In the short term. And in the long term, if someone famous wants that, we are all dead.

Senator Hill—You can be the eternal pessimist.

Senator CONROY—I am just looking at those very expensive and extensive expert studies that you commissioned.

Senator Hill—There is no doubt the world is becoming more competitive, there are more competitors in the global marketplace and it is going to be very challenging for Australian industry in the years ahead. But we see that government has a number of responsibilities in that environment: firstly, it is to get the fundamentals right in terms of our economic management and, secondly, it is to go all out to open new export markets, to give business greater opportunity.

Senator CONROY—Thanks for that. Mr Deady, we can move on to an optimistic topic, the developments in the WTO, which is no longer your responsibility. Mr Gosper is rushing to the table. Mr Gosper, can you give me an update on developments in the WTO Doha Round.

Mr Gosper—The Doha Round negotiations now are looking towards the December ministerial meeting in Hong Kong. The objective of Australia and, we would hope, of the larger membership is to very much see if over the course of this year we can break the back, and make as much progress as we can across the key areas, of the negotiations. There has been a good take-up in the early part of the year at a number of informal ministerial meetings in Davos, Geneva and the like, to clarify our objectives for the year, in particular focusing on agriculture, the industrial negotiations, the services offers that need to be enhanced, the trade facilitation and rules issues, and the need to see development issues reflected properly across the agenda. We anticipate a busy program of ministerial and other meetings in the course of the year to try to reach these objectives. So, from Australia's perspective, what we are looking for in Hong Kong is to do as much as we can to fulfil the Doha mandate and, hopefully, put us in a position where we can thereafter quickly conclude the round.

Senator CONROY—Is real progress being made?

Mr Gosper—It is difficult to say. It is certainly true that since the July framework last year, which was an important step in locking a certain number of achievements in, including—

Senator CONROY—It stopped it collapsing. I am not sure it was a step forward.

Mr Gosper—The commitment to elimination of export subsidies was an important step and the work that was done on agriculture through the five interested parties process was important. Since then, it is true, there has been a lot of treading of water and it is difficult to see that things have moved forward much. There is certainly a good job ahead of us in working through these issues. It will take a lot of work, if we are to do it by the end of the year but we are encouraged, as I said, by the early take-up this year. The European commissioners, Bob Zoellick, who of course has now moved onto a different job, but also a number of other key players in the negotiations are all showing a willingness to work as hard as possible to get these objectives by Hong Kong.

Senator CONROY—How are we going on the technical work? Is Geneva working on numbers to put in the boxes? Is there progress on time lines of tariff cuts and abolition of quotas? Is it that far down the track or not even that far yet?

Mr Gosper—There is a lot of work going on, particularly, on agriculture and looking at these technical issues but even there there is a lot of work that is still in front of us. It will take meetings week by week and that is exactly the process that we are engaged in now. On other parts of the negotiations, in particular the industrial negotiations, we are lagging further behind and we are trying to move things forward to get people focused on the key issue of a formula for tariff reduction. We are disappointed with the response of the broad membership thus far on services offers. There was a commitment made last July for initial offers or improved offers in the services negotiations by May this year, so we are working hard to look at how we can improve our own offer and encouraging others to do likewise.

There has been a good start on the trade facilitation negotiation that was agreed in July. That is one area where there is a lot of very promising early work that is moving that forward. And the rules issues—they are beginning to move forward in individual areas. There is some sense that the US and others are prepared to now look at a more intensive discussion on some of the trade remedies, the subsidies issues. They are important in that part of the negotiations. I do not want to underestimate as there is an immense amount of technical work ahead of us if we are to move these areas, but there are some promising signs from the early part of this year.

Senator CONROY—Overall, Senator Hill, Mr Gosper is sounding pretty pessimistic.

Senator Hill—On multilateral trade reform? The difficulty in putting all your eggs in that basket is one reason we would put more emphasis on the bilateral. If the Labor Party had stayed in government the round would be just where it is now, and we would not have the bilateral opportunities.

Senator CONROY—What is happening on the special products that were referred to in the July text? How will these special products be determined?

Mr Gosper—Are you talking about special products or sensitive products?

Senator CONROY—The capacity to exclude agriculture.

Mr Gosper—I am going to ask Mr Langman to join us. He has just been in Geneva at the agriculture discussions on these issues.

Mr Langman—Sensitive products or special products?

Senator CONROY—Start with the sensitive.

Mr Langman—Sensitive products were included in the July framework as those products on which members did not want to take the full tariff reduction when we negotiate that. We have not yet had a substantial discussion about how we will implement this particular category of exemption from the full tariff cut, but let me add that clearly the framework gives us some parameters. It says that, for those products on which members do not want to take the full tariff cut, there will still be a tariff cut but we will negotiate how much and, secondly, there will be an increase in the tariff quota that applies to each of those products. We need to explore this further.

Senator CONROY—Can countries even put their ambit claim of lists forward? Has Japan put rice forward yet? When you say there has not even been a meeting, it is eight months later—

Mr Langman—I said we had not yet had a substantial discussion of this issue, partly because we have a sense of sequencing here as well. We need to work our way through a number of complicated technical issues on market access. Firstly, we need to convert the large number of non ad valorem tariffs in the schedules of Japan, the United States, the EC and a number of other countries to percentages so that we can arrange tariffs in tiers in line with the framework agreement of July; then we can negotiate the cuts that will apply to each tier; and then we can negotiate where and how there will be allowance for sensitive products and what treatment will be accorded to those products. So we see that there is a logical sequence to this.

Senator CONROY—Let's be clear: this was the area of real concern for Australian farmers. This is their 'get out of jail free' card that they all want to try and play, if I can use that phrase. Is this going to be a highly difficult issue?

Mr Langman—I think there is no doubt that market access is going to be a very difficult element of the agriculture negotiation. As the government have said many times it is the critical area for Australia and one where we focus a great deal of our attention.

Senator CONROY—I was just recently in Europe at a conference. The statistic that 44 per cent of the European Union's budget goes on seven per cent of their population—that is, CAP—is just a staggering figure when you say it like that, really, isn't it?

Mr Langman—We have always made clear that we believe agricultural subsidisation should be reduced.

Senator CONROY—What role is the US playing in the Doha Round, given that Ambassador Zoellick has now moved on to be deputy secretary of state?

Mr Gosper—During the course of last year the US and in particular USTR Zoellick played a very important role in the negotiations. He was certainly one of the critical players in beginning the process leading up to the July framework. You might recall his letter at the beginning of the year was an important signal of US commitment to make most advantage of what was thought to be a dead year because of the presidential election. And in the July framework clearly the US was instrumental in the five interested parties process, in managing the cotton issue and in talking about the overall agenda.

It is true, I think, in the early part of this year also that USTR Zoellick has sought to confirm that the US is committed, that they do not want to be in any way deflected by the fact that there are important discussions in Washington in the first six months of this year on extension of trade promotion authority and a vote on WTO membership. He has indicated that, although he is moving to the position of Deputy Assistant Secretary of State, he will keep a strong interest and engagement in the WTO round. We have seen similar signals from the administration that give us confidence that the US will want to play a very active role in working with other members during the course of the rest of this year.

Senator CONROY—Has the US appointed a new trade rep yet? Is there any goss?

Mr Gosper—There are rumours, of course, but USTR Zoellick's confirmation I think was going to be last evening, our time. I presume that went through okay. If that has gone through then we would expect the administration to soon move to announce its nominee for the post of USTR.

Senator CONROY—Who is the acting trade representative?

Mr Gosper—There are two deputy USTRs: Peter Allgeier and Josette Shiner. And of course Ambassador Johnson, the ambassador for agriculture, is also deputy USTR level. So without being specific, they are all no doubt helping to manage the process.

Senator CONROY—What is your best guess on who is going to get the gig?

Senator Hill—I do not think a best guess is a good idea.

Senator CONROY—You will not be held to it if you are wrong; it is okay.

Senator Hill—But it will be in the *Hansard*.

Senator CONROY—You do not want to speculate?

Mr Gosper—No.

Senator CONROY—More importantly, you are being instructed by the minister not to. I can hear him mumbling.

Senator Hill—We need to keep every friend we can.

Senator CONROY—After the Megawati debacle, you are probably wise to.

Senator Hill—I cannot follow that one.

Senator CONROY—What role is the EU playing in the round at the moment?

Senator Hill—We got it wrong in India.

Senator CONROY—You got it wrong in Indonesia big time, the first time. Wahid won and Megawati did not—after the PM's brave, bold prediction. But back to the EU, what role are they playing?

Mr Gosper—At the moment, in the negotiations?

Senator CONROY—Yes.

Mr Gosper—Of course, they have new commissioners—

Senator CONROY—The usual positive role?

Mr Gosper—Commissioner Mandelson and Commissioner Fischer Boel are the two key commissioners in these negotiations. They have been quite active in the discussions in the early part of this year, and certainly Commissioner Mandelson has made it very clear in a number of speeches—

Senator CONROY—So Peter got trade?

Mr Gosper—He is the trade commissioner—that is right. Ambassador Fischer Boel is the agriculture commissioner. Both of them have been active in various discussions and have made clear that moving the Dohar Round forward is an important priority for the EU.

Senator CONROY—Did the recent announcement to commit further funds to agricultural subsidies undermine the objectives of Dohar at all?

Mr Gosper—I do not think we could say it undermines the objectives of Doha.

Senator CONROY—It did not help, though.

Mr Gosper—It is something that Australia has taken up and that has been the subject of a Cairns Group statement. In that statement we made it clear that it was an unfortunate signal, given the commitment that the EU had made in July on the elimination of export subsidies.

Senator CONROY—It did seem to be going in the opposite direction to that previous commitment.

Mr Gosper—We indicated that we would be concerned if it were to indicate some weakening of resolve to continue with CAP reform or move forward as part of the Dohar Round to eliminate export subsidies. The EU have said that it does not suggest either of those things. They have said that it is a short-term measure—they have an immediate problem that they propose to deal with—and that the initiative they have taken is well within the Uruguay Round ceilings on export subsidies, which is perfectly true. But of course we think it important to make clear that we regret this move and see it as a potential reversal. We and other Cairns Group members will continue to watch it very closely.

Senator CONROY—Will the EU commit to opening their agricultural markets—are they still on track for that or not?

Mr Gosper—As Mr Langman indicated, market access is a particularly difficult part of the agricultural negotiations at this point. Domestic support and export subsidies have their own problems, but market access is very difficult, particularly for the EU and Japan. They have made it very clear that they have very limited things to offer in this area, so it will be a tough negotiation.

Senator CONROY—So if I can strip away the trade speak there, that is a no?

Mr Gosper—Can you remind me what the question was.

Senator CONROY—Will the EU commit to opening their agricultural markets?

Mr Gosper—We think they have to open their agricultural markets more to deliver on the Dohar mandate. The Dohar mandate is for substantial increases in market access. The question is how far we can secure that objective.

Senator CONROY—Where are things at with the Cairns Group? You mentioned that we responded to the EU's new subsidy. How is that going?

Mr Gosper—The Cairns Group continues to be very active in Geneva, engaging in the technical work and week-to-week meetings at the level of the Geneva representatives to work through all the technical issues. A number of papers are also being worked on within the group. We are planning for a Cairns Group ministerial meeting at the end of March, to be hosted by Columbia. We expect all members to be present at that meeting, so we think it is quite an important meeting for the year. It will be the first chance this year for all the Cairns Group ministers to get together and talk about the key issues.

Senator CONROY—What will be the key issues in Columbia that you will be focused on?

Mr Gosper—The key issue for Columbia will be to do a stocktake of where we are at on the particular negotiations and to set objectives—in particular, where we need to be by the time of the northern summer break, by the end of July, and what we hope to do to get the best possible outcome from Hong Kong. We will be working across all three issues. But, of course, the Cairns Group has something particular to bring to these negotiations because, although it has strong views on all three pillars of the negotiations, it is one of the key coalitions for talking about what can be achieved on market access and for pressing for market access improvements amongst all members. We expect a number of special guests will be talking to the Americans and Europeans, and to others, about their involvement in the meeting. We will be looking to send the strongest possible political signal in addition to setting specific objectives for the group.

Senator CONROY—Where are we at with G20? Are we working closely and constructively with them?

Mr Gosper—Yes. We meet from time to time in Geneva—the Cairns Group and the G20. Bearing in mind, of course, 10 of the Cairns Group are also G20 members. We have had a number of engagements with them. For instance, with the support of ABARE, the Bureau of Agriculture and Resource Economics, we held a technical seminar here towards the end of last year that involved negotiators and senior modellers from a large group of countries, including many Cairns Group and G20 members, to talk about our approach to the negotiations and to work through specific issues. That was seen as a particularly good, very useful, piece of collaboration between, as I said, this group of countries that are in Cairns Group and/or G20 and have a mutual interest in moving the agriculture process forward.

Senator CONROY—Is the WTO Director-General attending the Cairns Group meeting in Colombia?

Mr Gosper—No, I do not believe he is.

Senator CONROY—The government recently announced that they would support the Uruguayan candidate, Mr Castillo, to be the next Director-General of the WTO. What was the reasoning behind that?

Mr Gosper—As the government announced, Carlos Perez del Castillo of Uruguay is its preferred candidate for Director-General of the WTO because he has the experience and

standing and expertise in international trade matters and the multilateral trading system to be a very fine director-general.

Senator CONROY—He is committed to the principles behind free trade?

Mr Gosper—Yes. We are familiar with the contribution he has made through his role as chair of the General Council of the WTO, as Uruguay's ambassador to the WTO, as one of those who was involved at the inception of the Cairns Group and over many years of dealing with him on various trade issues.

Senator CONROY—I did hear some early indications that the government may have been supporting the EU's candidate, Mr Lamy. What were his attributes?

Mr Gosper—As the government has made clear in indicating that Castillo is its preferred candidate, all the candidates—there are four declared candidates for this selection—have qualities and strengths to offer the organisation. Considering what the position is—Director-General of the WTO, helping to fulfil members' objectives for the organisation and managing the organisation—as a commissioner for trade he obviously would bring to the position a great deal of background in the operations of the multilateral trading system and management and related capacity that is quite relevant to the management of a large international organisation.

Senator CONROY—I thought it was April Fools' Day when I heard that the government were possibly supporting probably the one bloke who has spent most of his working life trying to frustrate the objectives of the Cairns Group and free trade.

Mr Gosper—I am not sure where that came from, but I have set out what the government's position is.

Senator CONROY—Let us move on to more regional trade issues. What is happening more generally with regional trade? What framework are we now operating in? Are they committed to the WTO or are they all doing FTAs? What is happening? This may not be your section, Mr Gosper.

Mr Gosper—I am not sure.

Senator CONROY—Regional trade, APEC, ASEAN plus—those sorts of issues.

Mr Gosper—Most if not all the countries you are talking about are either members of the WTO or seeking accession to the WTO. So they are all participants, and quite important participants, in the multilateral trading system and we work with a variety of them in that context. Malaysia, for instance, is a member of the Cairns Group with whom we worked particularly closely on market access issues in the WTO, and is a country with whom we will be holding a specific joint session in Kuala Lumpur on the WTO trade facilitation agenda in a few weeks. And so the list goes on. All of them are important members of the WTO and we work with them on the WTO agenda.

Senator CONROY—I seem to be reading, every time I pick up a paper, that a couple of regional countries are negotiating separate, individual FTAs among themselves or are proposing them, or small blocs are proposing them with each other. Are all those individual and regional FTAs contributing to or undermining multilateral liberalisation objectives, do you think?

Mr Gosper—I cannot be too specific without examining individual FTAs, but of course there are a variety of free trade agreements that have been negotiated in this region and other regions over recent years and indeed over recent decades. I think—as is clear and as we have discussed before—some of them are not very good agreements and are weak agreements. Others are much more comprehensive agreements, have WTO-plus outcomes in key areas and contribute to the political economy of trade liberalisation.

Senator CONROY—With the number that I have seen speculated on over the recent, say, six months, it seems to me that the infamous spaghetti bowl that people have debated at length seems to be becoming more and more a reality—if all the ones that have been mooted are to come into effect over the next 12 or 18 months. Is that a fair concern?

Mr Gosper—It is a fair concern to think about the implications of a large number of FTAs, some of which might not meet the sorts of standards we think appropriate for such FTAs. That is the reason, of course, why Australia has been, within APEC, for instance, promoting guidelines for best practices in FTAs and why, in the Doha Round, as part of the RTA, regional trading arrangement, negotiations we have been promoting strengthened rules for determining what is a comprehensive regional trade arrangement.

Senator CONROY—What do you think of the comments in the recently released report on the future of the WTO about preferential trade agreements? Are you familiar with that document?

Mr Gosper—The consultative board's report—yes. I am not at all surprised at those comments. Those sorts of comments have been produced in reports of this sort for a couple of decades now. Reports by the OECD, the WTO and elsewhere have noted the continuing increase over the last couple of decades in regional trading arrangements, the varied quality of those agreements and the implications for the multilateral trading system. Always we come back to this point that some of these agreements do not meet WTO standards and are probably not a contribution to the multilateral trading system. Others are.

Senator CONROY—In regard to FTAs, the report says:

It is unconvinced by the economic case for them and especially concerned that preferential treatment is becoming merely a reward for governments pursuing non-trade related objectives ...

Do you agree with those comments?

Mr Gosper—That is a relevant observation of the sort that we have seen many times, and with respect to some FTAs it may well be true.

Senator CONROY—If you do not agree with them—

Mr Gosper—I would not agree with them in the case of some RTAs.

Senator CONROY—Wouldn't a former director-general of the GAT and the WTA—that is Peter Sutherland—know what he is talking about in this regard? He is probably better qualified than anyone to comment on such matters.

Mr Gosper—As I have said, there have been any number of reports over recent years which have examined this question, including very authoritative studies by the WTO itself—this is a consultative board report—and by the OECD and other institutions which have basically sought to try and unravel this question of the effects of RTAs on the multilateral

trading system. The truth is that there is disagreement; there are cases that can be made either way.

Senator CONROY—What are the non-trade related objectives he is referring to that governments may be pursuing?

Mr Gosper—I am not sure. I have not read it in depth. I would need to read the specific comment and look at it in context.

Senator CONROY—Mr Langman, Mr Chester or Mr McKinnon, do you have any idea? Have you read the report?

Mr Gosper—I presume what he is talking about is the fact that occasionally there can be, obviously, an inclination to recognise the political reality of trade liberalisation and to look at enhanced trading relations with neighbouring countries or countries with which you have positive political relations.

Senator CONROY—Mr Chester, do you want to add anything?

Mr Chester—No.

Senator CONROY—The report goes on:

Meanwhile, non-discriminatory, most-favoured nation (MFN) treatment—a fundamental principle of the WTO—is close to becoming exceptional treatment.

Do you agree with that?

Mr Gosper—As a matter of fact, nearly 50 per cent of world trade is now conducted under preferential trade arrangements of one sort or another.

Senator CONROY—That is very strong language. Is the concept of MFN in danger of being accepted as the guiding principle of international trade?

Mr Gosper—Yes. We think that is a desirable objective. Again, that is why the government is looking at the way it can enhance the multilateral trading system and best practice FTAs.

Senator CONROY—The report adds:

Governments need to show restraint, or risk more damage to the multilateral trading system.

Do you think this government is showing restraint in risking damage to the multilateral system?

Mr Gosper—The government is showing a great commitment to advancing the multilateral trading system and to trade liberalisation that reinforces the multilateral trading system.

Senator CONROY—What do you think the impact of the FTAs will be ultimately? Is the multilateral system confronting collapse?

Mr Gosper—The impact of FTAs is mixed, as I have said. There will be important issues for governments to deal with, given the continuing growth in FTA activity and the different quality of those FTAs.

Senator CONROY—Do you think the FTAs the government has negotiated with Singapore, Thailand and the US and those in the pipeline with ASEAN, New Zealand and

possibly China, Malaysia and the UAE could be undermining or damaging the multilateral trading system?

Mr Gosper—We are confident that all those agreements meet the highest standards and will be positive for the international trading system.

Senator CONROY—So everybody should be able to exclude sugar?

Mr Gosper—All our agreements will have coverage which is at least as good as any other FTAs in the trading system, 95 per cent or greater.

Senator CONROY—So there is no damage or undermining of the multilateral system from all of these FTAs—is that what you are saying?

Mr Gosper—I think I have set out fairly clearly that there are mixed effects: some FTAs have very positive effects, but some do not.

Senator CONROY—I am talking about the ones this government is pursuing. You are prepared to put your hand on your heart and your reputation on the line today and say there is no damage to the multilateral system from all of the ones that I just mentioned before, Singapore, Thailand—

Mr Gosper—The government's view is that all those agreements meet the highest standards.

Senator CONROY—I asked you to put your hand on your heart as a trade expert.

Mr Gosper—I do not think that my opinion is relevant.

Senator CONROY—I think it is. Are you familiar with the concept of trade diversion?

Mr Gosper—I am telling you what the government policy is and explaining what the government policy is.

Senator PAYNE—Mr Gosper is not required to give opinions on matters of policy, as I understand it.

Senator CONROY—The report goes on to say:

The long-term remedy to the spaghetti bowl of discriminatory preferences is through the effective reduction of MFN tariffs and non-tariff measures in multilateral trade negotiations. The need for success in the Doha Round is manifest from this perspective.

This seems to suggest that the integrity of the Doha Round is being threatened by the 'spaghetti bowl'. Is that a reasonable assessment?

Mr Gosper—I think the bigger problem we face in the Doha Round is the weak appetite for trade liberalisation globally. That is what we are principally grappling with at this point.

Senator CONROY—Do you think it is in Australia's long-term interests to be part of the spaghetti bowl effect?

Mr Gosper—I am not proposing that it is. I think it is in Australia's long-term interests to promote trade liberalisation and to promote it in a way that reinforces the multilateral trading system.

Senator CONROY—The report concludes:

A commitment by developed members of the WTO to establish a date by which all their tariffs will move to zero should now be considered seriously.

Is there support within the WTO for that conclusion?

Mr Gosper—As I said before, the problem that we are facing at the moment is a weak appetite for global trade liberalisation. Pushing developed countries to offer the most by way of tariff liberalisation is an important objective that we now have. There is an additional problem, of course, in that developing countries themselves—because so much of developing country trade is with other developing countries—have an interest in also contributing to trade liberalisation, with appropriate regard for special circumstances and so forth. But all need to contribute if we are to get the maximum impact.

Senator CONROY—I have seen some speculation about a Japanese FTA. Is that not an oxymoron? Japan has made it clear that they are not prepared to move on rice, for instance. How can we do a free trade agreement with no movement on rice?

Mr Gosper—I have not been involved, but you understand what our approach to free trade agreement is, and we would expect any free trade agreement to meet the standards that we have talked about—comprehensiveness.

Senator CONROY—China has suggested from some press reports that agriculture would not be on the table at all. Could you start an FTA if a whole sector was ruled out?

Mr Gosper—I think it would be very difficult to say that ruling out an entire sector would meet the comprehensiveness test but, from what you are saying, we are talking about press reports and I cannot comment much on that.

Senator CONROY—Japan have made it fairly clear about rice though.

Mr Gosper—I have not seen those references. Rice has been, obviously, a very long-standing issue of concern for Japan, but nevertheless one where it has made market access commitments, including in the Uruguay Round.

Senator CONROY—In terms of Japan committing to reduce to zero over any finite date, could you actually enter into negotiations with a country that refuses to, at the beginning of negotiations, say that they are prepared to phase down and allow full access at all? If they just say at the beginning of the process, ‘No, you are going to have to cop rice,’ could that comply with—

Mr Gosper—It is a hypothetical example.

Senator CONROY—That is what they have said. I have never seen Japan say that they are prepared to meet either full market access or phase down. Could it be a comprehensive agreement with the country you are talking to unless it states up front they are prepared to do that?

Mr Gosper—It is the end point that matters but you need to start a negotiation with a reasonable appreciation of how you will get to an overall acceptable outcome. We are clear in our FTA policy about the objectives we have.

Senator CONROY—A good nonanswer. Thank you very much.

CHAIR—Thank you, Mr Gosper, Mr Chester and Mr McKinnon, and all your officials. I am pleased to be able to relieve you from further hearings on this occasion. I look forward to seeing you later in the year.

Committee adjourned at 7.06 p.m.