



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

Consideration of Supplementary Estimates

THURSDAY, 23 NOVEMBER 2000

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Thursday, 23 November 2000

Members: Senator Sandy Macdonald (*Chair*), Senator Hogg (*Deputy Chair*), Senators Bourne, Ferguson, Payne and Schacht

Senators in attendance: Senator Sandy Macdonald (*Chair*), Senators Calvert, Cook, Faulkner, McGauran, Murphy, West, Hogg, Payne, Ray and Schacht

Committee met at 9.04 a.m.

DEFENCE PORTFOLIO

In Attendance

Senator Jocelyn Newman, Minister for Family and Community Services

Department of Veterans' Affairs

Dr Neil Johnston, Secretary

Mr Ian Campbell, Deputy President

Mr David Mackrell, Division Head, Corporate Development Division

Outcome 1: Eligible veterans, their war widows and widowers and dependants have access to appropriate compensation and income support in recognition of the effects of war service

Topics: Entitlements, implementation of the Mohr report; Gulf War veterans health study

Mr Bill Maxwell, Acting Division Head, Compensation and Support

Ms Jeanette Ricketts, Branch Head, Income Support

Mr Bruce Topperwien, Executive Officer (VRB)

Mr Barry Telford, Branch Head, Housing and Aged Care

Outcome 2: Eligible veterans, their war widows and widowers and dependants have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life

Topics: Vietnam veterans morbidity study; veterans home and aged care; health care budget

Dr Graeme Killer, Principal Medical Adviser

Ms Narelle Hohnke, Branch Head, Health Services

Ms Kay Grimsley, Branch Head, Younger Veterans and Health Support

Mr Barry Telford, Branch Head, Housing and Aged Care

Mr Sean Farrelly, Branch Head, Resources

Mr Paul Pirani, Branch Head, Legal Services Group

Air Vice Marshal Beck, Director, Office of Australian War Graves

Mr Mark Dawes, Assistant Director, Australian War Memorial

Department of Veterans' Affairs

CHAIR—I declare open the Senate Foreign Affairs, Defence and Trade legislation committee meeting. We begin by consideration of particulars of proposed expenditure for the Defence portfolio, and I welcome Senator Newman, the minister representing the Minister for Defence, and officers of the Department of Veterans' Affairs. The committee has before it a list of topics nominated by senators for consideration of the Department of Veterans' Affairs at these supplementary hearings. The committee will consider the topics nominated in outcome and output order.

In order to assist Hansard in the early publication of the transcript of these hearings, written questions on notice will be not be incorporated in the proof of the *Hansard* transcript. The chair will state for the record that written questions have been received from a particular senator, and that these questions will be forwarded to the department for answer. The committee has resolved that answers to questions on notice are to be lodged with the committee by Friday, 15 December 2000. The committee has also resolved that questions on notice will be received by the committee until close of business on Monday, 27 November 2000. Minister, would you like to make an opening statement?

Senator Newman—No, thank you.

CHAIR—We now move to questions from Senator Schacht.

Senator SCHACHT—First of all, I thank the department for supplying an answer to my question on notice. It came as a response to a long discussion we had at the budget estimates, trying to work out whether there had been an actual increase or decrease in the way the PBS was outlined. I see in the answer you gave, Dr Johnston—in the *Hansard* at page 2009 and 2010 from 30 May—that there will be an adjustment to the PBS in the future, so that there will be able to be a comparison between the department's total appropriation for the previous year and this year, and also one based on programs. Have you discussed that new arrangement with the finance department?

Mr Farrelly—Yes, we have. That has been approved and indeed, in the PAES, which is yet to be tabled, a similar approach has been taken.

Senator SCHACHT—PAES?

Mr Farrelly—Additional estimates statements.

Senator SCHACHT—As a result then, for the record, Dr Johnston, you are able to tell me that there has been an increase in the portfolio budget statements. The answer said that there were no conceptual differences between the total appropriation figure of \$7.5 billion, rounded out, in the portfolio budget statements for last year compared with \$8.4 billion, to the nearest \$100,000, for this year. Again for the record, could you explain how in the budget, although there are no conceptual differences, there is an increase of \$1 billion?

Dr Johnston—That is correct. The table we have given you is a very useful one, because it does break down all the significant formation factors.

Senator SCHACHT—As you would be aware, the veterans community do enjoy reading estimates transcripts, and I often get follow-up comment.

Dr Johnston—I cannot imagine why.

Senator Newman—I recall that. I am sure you are right.

Senator SCHACHT—I do encourage them by mailing out a copy of the transcript to all veterans.

Senator Newman—Yes, so did I.

Senator SCHACHT—Which you did, too, Minister. For the record, could you now go through and explain from the answer given where the \$1 billion increase has occurred across the various programs, and for what reason? They are in the tables, I know. But the table is not incorporated in the *Hansard* transcript.

Dr Johnston—If you would like me to speak to the table, I would be pleased to do so.

Senator SCHACHT—Yes. It actually helps the department as well as me; it helps the department in explaining to the community where the increased money is—and I think this is to your advantage as much as anybody's.

Dr Johnston—Yes. Rather than going through each individual item, it is probably most significant to say that the administrative appropriations are for programs, actual payments to veterans for activities and health provisions. The estimates show a total increase of \$924 million and, of that, \$419 million reflects the impact in that year of previous budget measures. Only some \$21 million reflects the net impact of budget measures announced in the last budget. The balance of the increase is largely due to adjustments for price increases, changes in the number of entitled veterans or their dependants, and changes in fee structures for medical services and the like.

Senator SCHACHT—So about half of it is increased cost for health services and benefits, et cetera; is that correct?

Dr Johnston—Of that order. Some \$200 million reflects growth in the numbers of veterans or high usage by veterans.

Senator SCHACHT—So half of the \$200 million is an increase in the number of veterans or veterans getting increased benefits?

Dr Johnston—Increased usage: for example, with the ageing of the veteran population, there is heavier demand on health services.

Senator SCHACHT—Do you expect that figure to continue to climb over the next few years, with the ageing of Second World War veterans, at approximately \$200 million a year, or will that increase even further per annum in the quantum?

Dr Johnston—I might ask my colleagues if they can speak to that, from the point of view of the forward estimates.

Senator SCHACHT—I am not asking people to have complete foresight.

Dr Johnston—We could take that on notice.

Senator SCHACHT—You could. I am trying to get an idea of your estimation of how the budget will grow as the Second World War veterans get older and need more age and health care, just by definition of their age and also of whether—and I have raised this unfortunate phrase before—as the mortality rate, the death rate, of people in their 80s starts to climb, that more than matches the increased cost per individual of providing the service.

Dr Johnston—We would expect some further increases over the next few years, on balance of those factors; but I am not if we can be more precise than that.

Mr Farrelly—We are expecting increases to continue, although at a lower rate in future years. It is predominantly due to growth in the usage of hospitals and so on.

Senator SCHACHT—Of the \$400 million, \$200 million is because of increased demand for benefits, et cetera. Was the other half the increased cost of buying services from hospitals and nursing homes, et cetera—approximately?

Mr Farrelly—That would be covered under fees and rates variations—the increased costs of services or pension rates. That is, in health, \$22 million—looking under the heading of ‘Fees and rates’.

Senator SCHACHT—Which is in what table in the answer you gave me on the notice paper?

Mr Farrelly—The top table, in column 4. Price increases due to moves in market rates would be covered under that.

Senator SCHACHT—Outcome 2?

Mr Farrelly—Yes.

Senator SCHACHT—\$22 million.

Mr Farrelly—Yes.

Dr Johnston—But you can see that most of the increases are in fact occurring in outcome 1—

Senator SCHACHT—Yes.

Mr Farrelly—and that will primarily reflect the impact of the GST related adjustments in rates of payment.

Senator SCHACHT—Just explain that: the GST rates of payment is for compensation to pensioners, et cetera?

Dr Johnston—That is correct.

Senator SCHACHT—What was it, four per cent or something?

Dr Johnston—Four per cent was the standard adjustment, pretty well right across all of our rates of payments.

Senator SCHACHT—Right across the board?

Dr Johnston—Right.

Senator SCHACHT—Two or three months ago, I went with members of this committee, and other senators, to a briefing session with the finance department, as a result of the last estimates, to discuss the proverbial issue of the layout of the PBS. I raised the issue of what we discussed back in May, and they were aware of it. I am pleased that you have reached agreement so far. We will see how we go in May of next year. I want to quickly go through some of the answers that you gave me to questions I put on notice in May of this year. To save time, they might lead to more questions on notice, Dr Johnston. I do not want to overweigh the department with unnecessary questions on notice because you are busy. On question No. 10, page 241 of *Hansard*, you outlined that in the 1999-2000 budget there was a measure provided of \$3.6 million for implementation costs, \$3.8 million in 2000-01, and \$42,000 for ongoing and departmental expenses. It states:

These funds have been spent across all programs on a range of activities ...

Then you have a list of about 15 dot points. Is that a complete list of the activities or only the major areas?

Dr Johnston—Could you tell me which program activity that relates to?

Senator SCHACHT—It is outcome 1 and the topic is GST expenditure. I asked the question which is recorded in *Hansard*, page 241. The answer you gave had 15 dot points on how, over two years, that is broken down. It adds up to a total of \$6.6 million. Regarding GST expenditure, it says:

These funds have been spent across all programs on a range of activities ...

Are those 15 dot points the fully inclusive list or have you summarised the major areas?

Dr Johnston—I am told that they are the major items. If you want a full enumeration, we could give you that.

Senator SCHACHT—To make it simpler for you and to save you chasing too many things, and unduly taking up staff time—regarding the list of 15 points, would that cover, say, over \$6 million of the \$6.6 million?

Dr Johnston—I have been told that it would.

Senator SCHACHT—In that case, is it not too difficult to provide what each of the allocations were against the 15 dot points?

Dr Johnston—We can do that.

Senator SCHACHT—On the next page, I asked about GST—the aged persons savings bonus letter. With a former portfolio interest, looking after Australia Post, I am pleased to see that DVA has contributed to Australia Post's turnover by spending \$250,000-plus on postage and reply paid with the letter for the GST and the aged persons savings bonus. All up, the total cost included market testing, \$15,000, and the printing and postage came to \$337,000—so you are looking at \$350,000—and Mr Mackrell's letter was a further \$55,000.

In a further question, you comment about the big response to the letter, of which you provided me with copies. Was any tabulation kept of how many people complained that they did not get the full \$1,000 of the GST bonus that they were led to believe they would receive in the political announcements made by the government? Was that recorded in the calls coming back in?

Dr Johnston—I am being told no, Senator.

Senator SCHACHT—It may be fortunate for the government and unfortunate for the opposition that that is not available, because I suspect there would be quite a few. On my question 14(a) you gave me an answer and then supplemented it on 24 August. Initially, I asked how many responses there were to the 200,000-odd letters, and you told me that the committee responded positively that there were 296,000 aged persons savings bonus letters. About 53,000 telephone calls by veterans were recorded via the special hotline. In addition, several thousand veterans contacted DVA officers directly. So the 53,000 telephone calls did not record, through this period, what information people were seeking or whether they were making a complaint that they did not get the full \$1,000? There was no separation in the recording of these responses? I find that a bit hard to believe, in one sense. Can someone give me some information?

Dr Johnston—Ms Ricketts can—

Senator SCHACHT—She answered the phone, and 50,000 came from Ms Ricketts. Well done!

Ms Ricketts—No, Senator, I did not answer the phone. The call centre was set up basically to answer questions from veterans when they received the letter and the form that they were to send back to correct our income details, or our assets details, if that was going to give them a more appropriate bonus, and to request copies of forms which might have been spoiled, mislaid or had gone astray in the post. Older veterans sometimes have difficulty with forms, no matter how simple we make them, and there were quite a number who sought assistance with completing the forms, despite the fact that it was a very simple form that had been market tested.

Senator SCHACHT—I understand and appreciate that.

Dr Johnston—We do have a complaints process. If the telephone call was interpreted by the staff member as amounting to a complaint, it is possible that that would have been recorded in the system. So we could take that on notice.

Senator SCHACHT—Take it on notice. I just want to know whether you had any complaints that they were led to believe they might have got the full \$1,000, because there was certainly a perception in the pensioner community that they were going to get a \$1,000 bonus. In fact, many did not get anywhere near that amount. I just wonder, when those 50,000 finally got their cheque or filled the form in, whether there were further complaints from people ringing up saying, ‘Hang on, I thought I was going to get \$1,000. The average, you say, is \$732. I’ve only got \$20; I’ve only got \$500.’

Ms Ricketts—There have been some phone calls, but there also is a ministerial recording system which, if they write, would record it.

Senator SCHACHT—I would like you to take on notice to provide me with the number of complaints received: the number of people who did not get what they thought as a result of the government’s publicity at the time of the election.

Senator Newman—I found that in my electorate there were people writing to me and saying, ‘This is terrific. I did not realise I was going to be entitled because there was a scare campaign being run which meant that I did not apply until somebody pushed me into doing it.’ I was telling the estimates last night that some people wrote to me because of this scare campaign, and we have spoken about the ministerial representation. Centrelink then advised me that these people looked as though they would be eligible but had not applied. Once I wrote back and said, ‘You should go and try,’ I got letters saying, ‘Terrific.’ It is a pity to run scare campaigns because you actually frighten people off even applying for their entitlements. I am not suggesting you did, Senator, but I just know that some people did.

Senator SCHACHT—I thought it was a range of public comment by a whole lot of pensioners in the community once they started receiving their—

Senator Newman—No, there were some mail-outs that happened in my electorate which frightened people off even trying.

Senator SCHACHT—They certainly did not come from me.

Ms Ricketts—There also is a formal review process where a person may request a review of the amount of money they have received. We could probably give you some information about how many people have actually asked for a top-up payment.

Senator SCHACHT—The only other question I wanted to ask in this area at the moment is that you say that the average bonus payment to veterans is \$732. That is the average but what is the median figure? If you have two people getting \$999 and you have a lot of people getting \$150, the average goes up way above the median most people are receiving. Maybe

you could take it on notice and tell me what the median figure is, if my knowledge of statistics is good enough that I got the correct phrase?

Dr Johnston—I am not sure whether that is able to be extracted readily, but I suspect it is. We can have a look at it.

Senator SCHACHT—The comparison is with average weekly earnings of nearly \$40,000. The median wage is still only \$31,000 or \$32,000 which is what most people earn and it is a much more accurate figure of what people are receiving.

There were a couple of questions asked by my colleague Senator Harradine on issues that I had raised as well about the Mohr report. He questioned why people had to wait until 1 January. You gave an answer—and you gave me the answer again in May—that you needed that time for preparation, et cetera. It still does not overcome the query that you could start paying from 1 January but you could always backdate the payments to the night of the budget. Petrol price goes up on budget night and cigarette and excise go up from the day of the budget so why can't these benefits go up from the day of the budget? Was it advice from the department that this was a difficult administrative thing and you needed six months to implement, or was it a decision of the government to just make the starting date 1 January?

Dr Johnston—Timing can be a matter of decision, but another significant consideration, a major initiative of the government in recent times, was the extension of the gold card and that had been implemented from 1 January. That certainly is a more structured way of managing the implementation of a major set of new initiatives.

Senator SCHACHT—I note your answer, of course. I do note in the answer you gave to Senator Harradine that the savings to the department by not starting it from budget day was \$6.8 million. It does seem to me that maybe Finance begrudgingly allowed you to win the benefit extension but decided to at least save themselves \$6 million by starting it from 1 January. We all know that is the typical attitude of the finance department on most new programs. Dr Johnston, you have been the victim of it; when I was a minister I was a victim of it too.

Senator Newman—Senator, the government is also a victim, to some extent, of what happens in the Senate, as you would know. The advice I have just received is that it has been held up in the Senate because of the opposition and its amendments.

Senator SCHACHT—Goodness me!

Senator Newman—I am sure you have something to say about that. I just want to put it on the record. I do not intend to debate it with you.

Senator SCHACHT—You are without shame, Minister. For 13 years, when you were in opposition, you used every opportunity to thwart the government of the day to delay things, put them off to review. Now when the shoe is on the other foot, you are whingeing about it. Goodness me! The simple matter is that the legislation will be carried next week if the government agrees to a very simple amendment by the opposition and supported by the Democrats that nurses who served in Vietnam should get veterans entitlements. It is simple. The bill will be through in three minutes, but the government is digging its toes in over that issue. It is a disgraceful decision to discriminate against nurses when it was recommended by Major General Mohr that they should get veterans entitlements. That is the reason the bill is delayed: it is the stupidity of the government.

Senator Newman—I do not intend to debate with Senator Schacht.

Senator SCHACHT—You started it, so you are going to get it back in both barrels.

Senator Newman—I want to put a fact on the record. I do not intend to hold up the committee.

CHAIR—Let us move on.

Senator SCHACHT—There is a question that Senator Harradine asked about the roll of honour for those who served during the 1955-75 period. The War Memorial is reviewing whether there has to be any additional names added to the roll of honour at the War Memorial. I will briefly ask the War Memorial about that when we get to them.

We have already started the discussion about the morbidity study. I thank you very much for the information you outlined about what is required by legislation and what can be done administratively. I note the three points in your answer from a question on page 231 that these are required. I certainly note that they are in the legislation before the parliament at the moment. Is that correct Dr Johnston?

Dr Johnston—That is my understanding.

Senator SCHACHT—I am sure that in the next week, in view of the minister attitude here at the table, we will have blackmail put on the opposition that we are trying to stop Vietnam veterans getting those benefits because we insist on the nurses also getting the benefits. We will have a debate about that in the Senate.

I thank Dr Johnston and the department for the detailed report on issues arising out of the ANAO report on rural services about the issue that there could be discrimination in the quality level and volume of service given to people in the city compared with that given in the region. We have had a lengthy discussion. I note that in the answer you gave initiatives to overcome some of these things raised by the report. Were all of these initiatives, as listed in answer to my question No. 5 on *Hansard* page 233, started as a result of the ANAO report, or were they already partly under way?

Dr Johnston—They were already partly under way.

Senator SCHACHT—Do you think they will do something to deal with the issues the ANAO report raised?

Dr Johnston—Yes. We have a rural service strategy, as you would understand, given that our minister is Minister Scott. He has an interest in rural access, and this has been a very active area over the last couple of years.

Senator SCHACHT—I am surprised that Roma does not get a mention in her list here.

Dr Johnston—No, it does not.

Senator SCHACHT—It will next time, I am sure. I am not in any way decrying the needs of Roma. At the next estimates, without labouring it, I would appreciate being further informed of the debate on the outcome of the ANAO report on rural services and on other things you are intending to do in that area. I now turn to the matter of the Alchera home and the death of a veteran there. Dr Killer is in the audience, and I ask him to come to the table.

Dr Killer, I have already gone on record on a number of occasions, congratulating you for being proactive on behalf of the department and the veterans community in the area of quality of care provided to veterans in nursing homes in Australia. I draw a counterdistinction between your proactiveness and that of the other departments' at times seemingly indifferent

attitude in some of these areas initially. I note, and I am surprised that I have got a copy of it, Dr Killer, that in the *Courier-Mail* of 18 November you are quoted directly as saying:

there appeared solid grounds for an independent inquiry into the deaths of Allan Edwards, 77, in 1997 and of Tom Williams, 81, in 1999 at the Alchera Park Nursing Home outside Gladstone.

What were the 'solid grounds' that have come to light, in your view, that now lead you to ask for an independent inquiry?

Dr Killer—I will clarify what I actually said to the press, which is reasonably close to what was reported, but I would just like to put this on the record.

Senator SCHACHT—Certainly.

Dr Killer—What I actually said was that there appear to be solid grounds for an independent inquiry into the deaths of Edwards and Williams at the Alchera Park Nursing Home outside Gladstone. I stated that I was not aware of the circumstances surrounding the death of Burkett. His was another name mentioned, but I was not familiar with Burkett. I was asked whether a coronial inquiry would be appropriate and I stated that, if the coronial inquiry were independent, it would be fine. I said, 'We do not want a whitewash. An inquiry could also focus on some of the wider residential care issues; for example, the complaints process.'

As you are aware, the first case that was brought to our attention was the one of Williams, who was deceased in 1999. He was the one who was brought in from Alchera to see his general practitioner in about September. My understanding is that he walked into the surgery. Five weeks later he came in an ambulance on his way to the hospital with, I think, his daughter. The doctor at the time was shocked by his appearance because he was grossly dehydrated with a major degree of pressure sores. He was, to say the least, shocked by the deterioration in him during that time.

As a result, I spoke to the doctor concerned and received a report from him which verified his comments in writing. I took his comments with a note to our Secretary, and they were passed across to Health and Aged Care. My understanding is that Health and Aged Care wrote to the Queensland police, giving this information and suggesting they perhaps should look at the matter. That was in relation to Williams. My understanding is that, until recent times, there has been no response from the Queensland authorities in relation to Williams; but I am of the understanding that, as of last week, the coroner has been brought into this again. I think Williams's daughter has requested a coronial investigation but I am not sure at this stage how the coroner has responded. The second one that was brought to our attention was the one where you drew our attention to the rather graphic pictures of one veteran Edwards.

Senator SCHACHT—He was the former Changi prisoner of war, if I remember correctly.

Dr Killer—I have not been able to confirm that aspect but I can certainly confirm that Edwards was the one you drew to our attention.

Senator SCHACHT—I am sorry. I would just like to clarify this. You said 'Williams's daughter' and I think Williams may be the former Changi prisoner. His daughter wrote to Minister Bishop in very strong terms about his treatment. For the record, for those who read this, Williams was the former Changi prisoner of war whose daughter took action. Do you think the photos we had were of Edwards?

Dr Killer—Edwards is the one—I have the photos here with me now that were passed on—and the photos showed him at Christmas 1996 sitting with his wife and, in July 1997, standing with his wife. The chap did have Alzheimer's, but his general condition looked pretty reasonable. The photos taken here were in July 1997. Then he went into Alchera and,

on 12 November, photos were taken in the Mater Hospital in Rockhampton, showing the rather notable decline in his condition, with ulceration that went down to the capsule of the hip joint—very severe ulceration.

Senator SCHACHT—Went down to what?

Dr Killer—The capsule of the hip joint. The ulcers were on the hip. He would obviously be lying on his side. The pressure there had caused the tissues in between to ulcerate and break down.

As a result of this I contacted Mrs Edwards. I also eventually contacted the practitioner who was looking after him in Rockhampton, not in Gladstone. He said that he was also surprised at the deterioration during that period even taking account of the nature of his condition. I received a note from him that he allowed me to release. It went with a note from Dr Johnston to Health and Aged Care, in a similar fashion to Queensland to the police, suggesting they might like to look at the circumstances surrounding the death of Mr Edwards.

In addition, the Edwards family have put in a complaint to the Queensland Health Rights Commission. I think their complaint dates back now almost two years. It would appear that eventually that commission is reaching some sort of point of a decision on the complaint. It certainly seems to have been a fairly slow process. Because the report states issues related to Alchera and the treating practitioners, it has gone from the Queensland Health Rights Commission to Alchera and to the doctors. When their replies have been received I think the report will be released. It is interesting that this week Mrs Edwards received a letter from the management Alchera—and it is really a letter of apology in a sense—in relation to the care that was given. It would seem to indicate that the commission's provisional report found some problems in the nursing home.

Senator SCHACHT—Which the nursing home management would now be aware of though it has not yet been released.

Dr Killer—There is no actual formal report released as yet.

Dr Johnston—I would like to add to Dr Killer's comment that, on all the indications we have, the management of Alchera is now doing a first-rate job.

Senator SCHACHT—But the management has changed since the deaths of these veterans.

Dr Johnston—I cannot speak to the detail of that. I certainly would not want these comments inferring reservations in respect of the current management of operations at Alchera.

Dr Killer—We at Veterans' Affairs have kept a watching brief on Alchera, notably because of the circumstances in these two cases and an additional case. Periodically we check with any veteran residents of a nursing home and also with their relatives. That is independent of any checks that Health and Aged Care might be doing. I might add the comments received very recently in the last couple of days suggest that there are currently five veterans and war widows in Alchera. All the relatives are quite comfortable and very happy with the treatment they are receiving. So current arrangements appear to be working.

Senator SCHACHT—In the article from last Saturday that I quoted the journalist mentions:

Alchera Park, recently accredited for three more years, came under new management in April. The previous owner, Jim DeMain, could not be contacted for comment.

I presume that that may be one good reason why there has been an improvement. All I can say is that we would have thought there should have been an improvement in view of what was exposed some time ago. Dr Killer, are you or the Veterans' Affairs department satisfied with the handling of the complaints related to these deaths by the Department of Health and Aged Care given, as you have mentioned, that to date no investigation of the deaths has occurred?

Dr Killer—In a sense, Health and Aged Care are the meat in the sandwich here. We put the information across to them and they then convey the information to the Queensland authorities. I think the lack of responsiveness primarily rests with the system in Queensland. When a request goes to the Queensland police and the coroner, it would appear they only look at the death certificate, and if they think there is nothing untoward on the death certificate it seems they are inclined not to take any further action. I do know for a fact that Health and Aged Care have written on a number of occasions to Queensland. In a sense, it is an issue where Queensland has not been responsive and one where we need to clarify and improve how we manage complaints of this nature.

Senator SCHACHT—At the previous estimates, both here and with Health and Aged Care, I and my colleague Senator Chris Evans asked about the police report, which we could describe as perfunctory, and about the fact that there had been no further action. We asked the Department of Health and Aged Care to go back and chase up matters which I think you have identified ought to be investigated. Do you know whether Health and Aged Care have got any response from the Queensland police to their further letters?

Dr Killer—You would have to ask Health and Aged Care in that regard. But I do believe that they have again gone back to Queensland, maybe just recently, and said that, in view of the issues of public confidence and other matters, they would press for some form of investigation, certainly into Williams, which I understand is still hanging.

Senator SCHACHT—If there is a proper coronial inquiry or an independent inquiry by some other body, I presume you would be willing to give evidence to that body on behalf of the veterans and on what you know and on your concerns as a medical person about the treatment or care?

Dr Killer—I would be happy to give information that would resolve these particular issues. From speaking to the doctors in Gladstone involved in Williams, I think their attitude now is that it is not just an issue for government, it is really an issue for the whole community and, in a sense, they feel they should be doing something. We cannot put people in nursing homes and then cut them off. The local community should be more involved.

Senator SCHACHT—In the broader sense, then, would it be useful not just to investigate these particular nursing home deaths or other deaths, irrespective of whether they are of veterans, but to have a wider inquiry about the role of nursing homes as they fit into the delivery of health and aged care in Australia? You clearly have some views about that that would be useful on the record, I would have thought.

Dr Killer—To be quite fair, I think the government is moving in a positive direction to resolve some of the issues in nursing homes.

Senator SCHACHT—You would hope so.

Dr Killer—It is also worth saying that we really need to restore public confidence in residential care. For instance, my concern now is that, because of the negative publicity in relation to some of these nursing homes, there would be a lot of older Australians who are

frightened to go into residential accommodation. Certainly all nursing homes cannot be tarred with the same brush—

Senator SCHACHT—Absolutely.

Dr Killer—and I would be very concerned if people were in this situation. I can take my own father's situation: he went into residential care in Queensland, he was looked after very well and it added years to his life and the quality of his life. So, for some older people, residential accommodation is quite appropriate. In fact, keeping him at home would have been counterproductive. We really need to restore some sort of public confidence in residential care, and I think largely it is.

In relation to complaints, we should not look at complaints as a negative; we should look at complaints as feedback. It is a very good way for learning things we are doing wrong and getting some very useful suggestions that come out of complaints. Management of the complaints process is, in fact, very important for all of us. Complaints are best managed locally, in a local sense around the nursing home, in the local community, with the local doctor and pharmacist, and the community itself.

Senator SCHACHT—It now appears there might be some movement in Queensland about an independent investigation, which you have called for. But if, for whatever bureaucratic or any other reason, it does not transpire to your satisfaction that there is an independent inquiry, will you recommend to the department and the Commonwealth government that they conduct some sort of inquiry?

Dr Killer—I would have to consider that very carefully. I am aware that the Edwards case is close to fruition, in terms of a result, and if in the Williams circumstance there is an adequate coronial inquiry, I think most of the issues relating to them will actually come out.

Senator SCHACHT—I think we meet again at estimates in February, and we will see what happens by that time. Again, Dr Killer, I might put some more questions on notice to you, because we are running out of time. I want again to congratulate you on behalf of the Australian community for the proactive role you have taken in this very sad case.

Dr Johnston, we had a long discussion at the last estimates about the \$80 million saving that the department hopes to achieve to fund some other new initiatives, including those in the Vietnam morbidity study, et cetera. You will remember that I was somewhat querulous about the competence and what you might call the substance of whether you can deliver those without reducing services to the veterans community. Now that it is almost six months on and half the financial year is nearly over, are you reaching your target of that \$80 million saving for a full financial year?

Dr Johnston—That program actually does not come into effect until the new year. The \$80 million was a four-year estimate in due course, so these are early days.

Senator SCHACHT—Four years—so that will be \$20 million. In the remainder of the financial year from 1 January to 30 June, do you have to find a saving of \$20 million in that six-month period?

Dr Johnston—We could advise you what the estimate is.

Senator SCHACHT—What is the figure?

Dr Johnston—Could I clarify again the point which we do keep exchanging on? This is an estimated saving and we will be held—

Senator SCHACHT—But it is signed off. I do not want to waste your time, because we have had this discussion, and I think you will agree to disagree somewhat. This saving has been signed off by Finance in the budget that it will be delivered. You cannot say that it is somewhat of an estimate. It will have to be delivered to Finance, because they signed off on it in the budget, did they not?

Dr Johnston—No, it is an estimated saving. Many savings in the budget are estimates, and if we do not achieve healthier outcomes for veterans and savings, we will be held accountable.

Senator SCHACHT—Yes, but reaching the figure of whether there is a budget surplus or a budget deficit in the total government outlays is based on the ability of departments to reach the targets that the finance department has signed off with the individual line departments that these savings, even though they are estimates, will be achieved. Otherwise, what is the value of the Treasurer's estimate of what the surplus or deficit is?

Dr Johnston—If I can say so, that is why we have competent and professional public servants who are good at their jobs. We are confident we will deliver the savings.

Senator SCHACHT—Tell me, then: what is the saving for the last half of this financial year—the estimate?

Mr Telford—It is estimated at around \$18 million.

Senator SCHACHT—So in six months you have to find \$18 million, and in the following three years you have to find \$20 million, on average, over a full year. Is that going to be a strain that you have to find \$18 million in half a year rather than a full year?

Dr Johnston—There is no great anxiety at the moment amongst my staff about whether we will or will not achieve these savings.

Senator SCHACHT—The time we have is limited and I will not belabour the point, because we will revisit it. I absolutely hope you are right—

Dr Johnston—So do I, Senator.

Senator SCHACHT—when we return to that at a later stage. In the answer you gave to one of my questions about redundancies and reduction in numbers, I think it showed that for the full financial year there will be 193 redundancies in the department for this financial year. You break them down by state. Are you on track to achieve those redundancies? It is question No. 7, *Hansard* page 235—output group 6.

Dr Johnston—They were figures in respect of the last financial year. So, yes, they were realised. That is my understanding.

Senator SCHACHT—Thank you for clarifying my own question. What are the redundancies for this financial year anticipated to be? You have a target, I presume, for savings.

Dr Johnston—No. There would be a full year effect in terms of salary cost this year, but the great majority of the reductions that were implemented at the beginning of this calendar year were completed before the beginning of this current financial year. There is not at the moment a requirement for further reductions, although as part of our management of the department over the next several years, as veteran numbers decline, from time to time we will have to scale back in some areas of our business. At this point, there is no planned reduction this year. That does not mean to say there will not be redundancies as individual officers and areas restructure their business.

Senator SCHACHT—When we come back to consider the annual estimates I will deal with those questions. There is one thing that I would draw to your attention. In an answer that you gave me about contract staff, et cetera—output group 6, question No. 8, *Hansard* page 236 from last time, I note that, in total, although they are mainly medical, there are 155 contracted staff for the previous year. It seems to me that you are getting rid of permanent staff and almost bringing back the same number of staff by a form of contracting them out. Is my perception correct?

Dr Johnston—No, I do not believe it is correct in respect of this group of staff. You might recall that this was a snapshot of contractors at that point. Most of those contract positions reflect changes that were made when we divested our hospitals and restructured our staffing arrangements at that time. This figure does not reflect a trend year by year but we do make extensive use of contractors and consultants, as you are aware.

Senator SCHACHT—None of the medical staff who are on this list—I presume a number of them are doctors; the total figure is 126—were staff who had previously been employed full time by the department?

Dr Johnston—I do not believe so, but could I take that on notice just to give you a confident answer.

Senator SCHACHT—Take it on notice. I presume that you have a rule that if someone takes a redundancy, they do not automatically go out one door and come back in the other under another guise. You have the same rules—

Dr Johnston—There is a standard provision of 12 months lay-off, and we respect that.

Senator SCHACHT—I asked a series of questions last time about the employment of a Miss Tina Fahey as a consultant. I must say that the answers you gave are detailed. I want to put it to you again: you are absolutely confident that there was no conflict of interest in any way between Miss Fahey's employment as a counsellor and the employment of any other private sector provider?

Dr Johnston—I cannot add to the detailed answer we have given you, and that does state that to you.

Senator SCHACHT—I now want to turn to a case—and I do not think this gentleman minds me using his name. I think your department might be well aware of him—certainly other government departments are aware of him. He is having a dispute with another government department about a claim under Comcare or a related area. He is a veteran—I think he is a Vietnam veteran. His complaint is that he at no stage approved his medical details, held by the Department of Veterans' Affairs, being sent to another Commonwealth department. He never gave any approval and, in fact, the communication to me is that he strongly opposed any such referral of his material from his file. What is the practice for the department if requested by another government department, for whatever reason, having access to the medical files of any veteran held within the Department of Veterans' Affairs?

Mr Pirani—I am aware of the matter that the Senator has raised. As I understand, it related to a request from ComSuper—

Senator SCHACHT—ComSuper, yes.

Mr Pirani—for access to a medical file. Under section 130, subsection 2 of the Veterans' Entitlement Act, it says:

The secretary or another officer of the department may provide any information obtained in the performance of his or her duties under this act whether before or after the commencement of this subsection to the secretary of another department of state or the Commonwealth or the head of another authority of the Commonwealth for the purposes of that department or authority.

As I understood it, when the request was made by ComSuper to the department for the medical file they requested it in relation to their activities so it was for the purposes of that authority and under subsection 2 of section 130 that the file was provided. I understand that the gentleman concerned has written to a number of people, including the Privacy Commissioner—

Senator SCHACHT—Yes.

Mr Pirani—in relation to whether this amounts to a breach of the Privacy Act. At this stage we have responded to the Privacy Commissioner stating that, in our view, under information privacy principle 11, we are required or authorised by law to release it, and it was done pursuant to that.

Senator SCHACHT—Are you required by that—and I do not think you are by the way you read it out—to let the person concerned know that you had had a request and that in accordance with the act you were providing that information to ComSuper?

Mr Pirani—No, we did not.

Senator SCHACHT—It does seem to me a reasonable thing in privacy. I can understand why the provision is there. I am not saying that the provision ought to be removed, but I think it is a reasonable thing to say that if ComSuper or any other agency requests information—unless there is obviously a criminal investigation under way that may compromise a criminal investigation—in most circumstances the veteran, in this case, be notified that a request has been made and, in accordance with the act, the information is being provided. It does not seem to me that that is an unreasonable thing to do, is it?

Mr Pirani—In most circumstances I would agree with you, Senator.

Senator SCHACHT—As I said, if someone is being investigated for fraud or criminal activity you do not want to compromise the investigation so that a potential crook gets away with something. I understand that completely. But, in this case, I do not think an issue of fraud or criminality is at stake; it is an argument about what his entitlement is under ComSuper, as I understand it.

Mr Pirani—I believe you are correct, Senator, in relation to that. We do take our responsibilities under the Privacy Act extremely seriously.

Senator SCHACHT—I am not in any way decrying that. I am sure you are. I just ask you to take it on notice and you may choose the department and the government to respond to the suggestion that, unless it could compromise a criminal investigation or something of a similar nature, why can't a veteran be informed that you have provided the information in accordance with the act to the requesting authority? I would be interested to hear your response. There may be other issues I have not thought of.

Dr Johnston—If you like, we could in response indicate our policies and comment on your suggestion.

Senator SCHACHT—Thank you. I do not think I mentioned the person's name. I think it is best that we do that.

Dr Johnston—The gentleman concerned wrote to me only yesterday on the matter.

Senator SCHACHT—I suspect he is, like many veterans—and this is based on the letters he has sent me—very literate and writes a good letter.

Dr Johnston—When I say he wrote, Senator, he emailed me yesterday. It is a sign of the times.

Senator SCHACHT—He sends a good email too. Thank you for that. I have another question of a Gulf War veteran who has had a dispute with the minister publicly about the use of inoculations. This person claims that in preparation to being sent to the Gulf War for a particular activity he was given an anthrax inoculation but then he was not sent. So in that sense he might not be considered a Gulf War veteran because he did not actually get sent, but in preparation to being sent he was given, certainly he claims, an anthrax inoculation in case the Iraqis used chemical and biological warfare weapons. The first question is: how can he be treated under the Veterans' Entitlements Act? He got the injections that may now have some medical spin-off as far as Gulf War syndrome is concerned, yet he is not a veteran. Can he be treated or how can we handle his case irrespective of the merits of the argument for a start?

Mr Maxwell—Essentially the answer to your question is the veteran is a veteran. By dint of service in 1991 he does come within the compass of the Veterans' Entitlements Act.

Senator SCHACHT—Even though he did not go?

Mr Maxwell—Even though he did not go. Any Australian in peacetime service between 7 December 1972, depending on the actual terms of the enlistment, to essentially 30 April 1994 can be looked at with a view to being treated under the act.

Senator SCHACHT—That brings me to the next question. He claims he was given an injection for anthrax. The minister has publicly stated that no injections for anthrax were given—as I understand it from the press clippings that he has sent me—to any personnel going to the Gulf War. The minister may be right that those who actually went there did not get an anthrax injection, but this bloke did not go and he got an injection, he claims, for anthrax. What investigation can we have to clarify this matter one way or the other?

Mr Maxwell—The answer to your question essentially has to be that the question of which particular drugs and preparations were administered is one that can only be answered from defence records at the time. Hopefully the study we are undertaking will get us closer to that discovery.

Senator SCHACHT—I do not want to mention the man's name here in the parliament.

Mr Maxwell—I am familiar, I think, with the case.

Senator SCHACHT—You remember the case.

Mr Maxwell—He is not an isolated case either. There are a great number of Australian defence personnel who were prepared for deployment to the Gulf at the time of the war and did not go or, indeed, were prepared for deployment into that area as part of the United Nations effort after the war and did not go either. As you note, they have made a plea to be included in the current study.

Senator SCHACHT—I want to get to that in a moment. Can you take it on notice and refer it to the defence department to find out if there were any records kept that show people did get an anthrax injection?

Mr Maxwell—I will take that on notice.

Senator SCHACHT—If the defence department has got a spotter here at the moment, they could take it on notice as well. The next issue we go to is the last one which I think is the most relevant point about including those people who were prepared for deployment, but did not go, as being part of the Gulf War health study. We have on record that 1,700 people or thereabouts served in the Gulf. Should these people be included? I have to say if they did get these injections, there seems to me a good case that they ought to be included. One argument is that the cocktail mixture they took might have been doing them damage and creating the Gulf War syndrome. That is the claim. I am in no position to verify it but that is one of the claims around.

Dr Johnston—Possibly. The Repatriation Commission has been aware of the statements and is of the view that there could be merit in looking in more detail at veterans who were prepared for deployment to the Gulf but were not deployed. We are putting that proposal to the joint study steering committee to see if that makes sense in scientific terms and just how it would be achieved given the extensive planning and work under way already to conduct the Gulf War study. We would expect that if it does proceed it would proceed as a separate add-on study that could then be utilised along with that study.

Senator SCHACHT—I understand the scientific aspects—

Dr Johnston—These are scientific issues.

Senator SCHACHT—I would urge that if it possibly can be done, it may save a lot more grief down the track. This will be an ongoing issue for some time.

Mr Maxwell—I might just add that there are something like 200 or 220 of these people that we are now aware of who were prepared but not sent.

Senator SCHACHT—Prepared but not sent. Thank you for that. When do you expect the study of the Gulf War veterans to be completed? I know how long is a piece of string might be the answer in view of the difficulties, but can we get some idea? As you are aware, I am getting plenty of representations from the veterans wanting to know if there is some sort of date, deadline or goal.

Mr Maxwell—I might best answer that question by giving a quick progress report on where we are at the moment. Something like 2,000 invitations to take part in the study have been individually mailed out so far. That is slightly more than half the populations we are looking at. Unfortunately the response rate to date is proving much slower than we had hoped. Unfortunately, the completion time of the study will depend pretty much upon how well the take-up rate improves or, indeed, our follow-up action manages to find people and persuade them to take part. All being well I would hope that the medical examinations phase can be completed by May next year and then the report prepared and delivered by the end of next year. It is slower than we hoped but, as I said, unfortunately we are relying on volunteers and they can at times be slow to come forward.

Senator SCHACHT—In view of the time, I will bring this to an end as agreed. I want to go back to the issue before the parliament about the veterans bill and the amendment moved by the opposition on accepting the Mohr recommendation about medical staff who served in civilian hospitals in Vietnam. When this bill was before the legislation committee, we debated the issue and discussed it. We had evidence from the Nurses Federation on behalf of their nurses—Ms Angell was one of the people who gave evidence— and there were people from the department present. At that stage, the department agreed to look at the evidence about their ability to claim under the 19 Comcare arrangements for compensation. Is it true that

most of them would be able to claim compensation only under the original Commonwealth compensation act of 1930 that does not recognise post-traumatic stress disorder?

Mr Maxwell—No, it is not true. The 1930 act does indeed have the ability to compensate for post-traumatic stress disorder. The confusion arises inasmuch as it is not one of the diseases contained in a schedule for which prescribed lump sum payments are payable.

Senator SCHACHT—In one sense, it is true then: there is a deficiency in the act compared with other acts, including the Veterans Entitlement Act. That is true, isn't it?

Mr Maxwell—PTSD was not a clinical entity in those days, so it is not really surprising.

Senator SCHACHT—Yes, but that is the point: Vietnam veterans, quite rightly, are having that accepted under the Veterans Entitlement Act—that is, by their service, we recognise that that happened in Vietnam—but civilians are being precluded because of a deficiency in the Commonwealth act at the time, through no fault of their own.

Mr Maxwell—Senator, they are not precluded.

Senator SCHACHT—They have provided me with evidence that they have been knocked back. They have gone under the Commonwealth act of 1930, and the judgment was that they were not entitled to claim that under this act. That is what has been provided to me by the Nurses Federation. Are they wrong?

Mr Maxwell—I believe they are wrong. The advice I have from Comcare—and I do not have details of the cases, obviously—is that nine claims have been lodged and eight have succeeded.

Senator SCHACHT—That is why I wanted to get this on the record.

Dr Johnston—The issue is whether or not they have access to lump sum payments, not whether they can make a claim. The parliament might quite properly have a view that there should be a provision for lump sum payments in this case, but that is the issue where there is a lack of clarity. They can make claims.

Senator SCHACHT—Under the Veterans Entitlement Act, can you make a lump sum claim?

Dr Johnston—No.

Senator SCHACHT—Because you get a pension and other benefits. Is that right?

Dr Johnston—Yes.

Senator SCHACHT—And they are not available to the nurses generally, other than that they can get the normal benefits of an Australian citizen through the general arrangements provided by the Commonwealth?

Dr Johnston—They can get access to health treatment and to whatever else is provided under the legislation.

Senator SCHACHT—As a citizen of Australia?

Dr Johnston—Provided under the legislation.

Senator SCHACHT—Thank you for putting that on the record because, with the ball bouncing backwards and forwards in this area, they are telling me one thing and you are telling me another. I am not going to adjudicate here, but in the material they have sent me they say strongly that the 1930 act does not even give them access to benefits that would be available under the 1988 act—or whenever it was last amended—because that was

prospective after the Vietnam War. That is a debate we will have in the parliament next week, I presume.

On this issue of the nurses, the Mohr report recommended that they be given veterans' entitlements. The government has argued, and previous governments of all persuasions have argued, that the Veterans Entitlement Act should not be extended to those who did not serve under military command and under those various definitions. Is it true that that argument was used for many decades to preclude merchant seamen from getting access to the Veterans Entitlement Act?

Mr Maxwell—I can't actually say that that was the argument used. It is a historical fact that merchant seamen, for a great many years, were in fact debarred from benefits.

Senator SCHACHT—When I was private secretary to the Minister for Repatriation in the Whitlam government, I remember receiving many letters. The main argument provided as a policy point was that merchant seamen (1) were not under direct military command and (2) got paid a lot more than Australian service people, because they were working in a commercial area and got paid a lot more money to be merchant seamen at risk—they thought that was in their pay and therefore, out of that pay, they should have taken account of the fact that in later life they may have a number of problems. I have to say that being sunk twice on the Murmansk run or something was a pretty tough call at the time—even I thought it was a bit rugged—but that was the rule. I understand it was changed by Mr Sciacca. I think it was finally agreed back in the early nineties. Has the Veterans Entitlements Act fallen apart or has there been an end of motherhood and Christianity because this group of merchant seamen now has access to it? Has it blown the Veterans Entitlements Act apart?

Dr Johnston—Senator, I believe you are getting close to asking us to comment on policy, which is not the function of these estimates.

Senator SCHACHT—The act has not fallen apart—you have not been inundated and the act has not been made unworkable by the merchant seamen being given entitlements under the Veterans Entitlements Act.

Dr Johnston—That is a fair observation, Senator.

Senator SCHACHT—What is the cost to the Veterans Entitlements Act of giving merchant seamen access to it by the amendment which, I think, was made in the early nineties? You will have to take that on notice, I know. I would imagine it is a few million dollars per annum. Is it?

Dr Johnston—We do not have a figure.

Senator SCHACHT—Is it true that, if we gave these 400 nurses—mainly nurses and some doctors—access to veterans' entitlements, it would be a matter of maybe \$2 million or \$3 million? Would that be the estimate?

Dr Johnston—Again, we do not have the figure with us today.

Senator SCHACHT—There are 411 of them. Do you have some actuarial ability to say what, if there are 411 in the certain age group they are in et cetera, this estimate would cost us if they were granted benefits?

Dr Johnston—Certainly there is a basis for making an estimate, but we do not have a figure readily available today.

Senator SCHACHT—I appreciate that you cannot do it today, but maybe you can take it on notice. The parliamentary secretary, Mr Abetz, is taking the bill in the parliament on behalf

of the government next week. In the committee stage of the bill I will ask that you provide him with an answer on what actuarially you would estimate the cost to the budget would be of providing the benefits to these 411 people—I think it is 411 or thereabouts, from your estimates.

Dr Johnston—Yes, we can do that.

Senator SCHACHT—Thank you, Mr Chairman, that is all I have on veterans. There may be some further questions I will lodge on notice by close of business next Monday. I have a very small number of questions for the Office of Australian War Graves, which I think is in Veterans' Affairs, which I can deal with in a matter of just a few minutes.

[10.24 a.m.]

Australian War Graves

CHAIR—I would be happy with that, Senator Schacht. I thank the officers of the Department of Veterans' Affairs and I call the officers of the Australian War Graves.

Dr Johnston—Just to make a slightly formal point, the Office of Australian War Graves is actually part of the department, so I will stay.

Senator SCHACHT—Air Vice Marshal Beck, in a private conversation about the new memorial at Gallipoli to take account of the ever increasing number of people, which was used for the first time at the services this year, you indicated that on the very first occasion it was used you were swamped with comments about the new design. Since then, have you in any further discussions with the Turkish authorities looked at any further adjustments to the new memorial area to take account of what clearly are ever increasing numbers for Anzac Day services?

Air Vice Marshal Beck—I have recently come back from negotiations in Ankara where we have now got agreement to make some changes to the rear of the Anzac commemorative site. We are raising the area above the road by one metre and that will improve the line of sight for all people standing in that area. We will also make a few other changes with improved seating arrangements, all designed to improve the line of sight.

Senator SCHACHT—I in no way decry the cost of this, but what would it cost to make these adjustments?

Air Vice Marshal Beck—It would cost \$US100,000.

Senator SCHACHT—From my experience last year, the pressure up at Lone Pine for the midday service is clearly running into similar areas where people are forced to sit between the graves, et cetera, and on the wall. Is there any consideration about how—and I am not sure how you would do it because it is a very small area—any adjustment to that area could be made to deal with the ever-increasing numbers?

Air Vice Marshal Beck—That is a major concern that I have. In fact, next year, one change is that we will probably have all the New Zealanders there as well. The numbers continue to increase. One major tour group in Australia is quadrupling the number that they are taking.

Senator SCHACHT—From Australia?

Air Vice Marshal Beck—Yes. I think we will continue to see growth. Lone Pine does present a problem. We may need mobile stands up the rear of the place. The Turks think we

are actually going to ask for another new site, which we have not thought about. But it is a problem.

Senator SCHACHT—I do not know where you would put the new site. If I remember it correctly, that ridge is pretty limited. It is a famous ridge of battlefields. I am not sure where you could do anything. I am pleased that the cooperation with the Turkish authorities seems to be positive in trying to deal with this.

Air Vice Marshal Beck—If I could just mention on that note that the minister proposed to Minister Cagan, the minister for forests in the Turkish government, that we construct a one-way road system around Lone Pine, Chunuk Bair, down past the Kemalyeri memorial to the Kapatepe museum. The Turks have not only agreed to it, they are doing it. That has been very positive.

Senator SCHACHT—Have you had any requests from the Turkish authorities or the Australian veterans organisations about the preservation of the old trench works that are along that ridge that leads from Lone Pine up to Chunuk Bair, I think it is, to the New Zealand memorial? As you walk along the road, you have all those famous places—Courtney's Post, Johnston's Jolly, et cetera—all in a very cramped area with the road literally running between what the old two trench networks were. The trenches are still there but, obviously, over a period of time, they will start to deteriorate. Is it in your plans—with Dr Johnston's approval, of course—to maintain the old trench networks in some form?

Air Vice Marshal Beck—No, we have no current plans, but you are correct in that we do have a number of concerns expressed to us that that is something we should be doing. The Turkish authorities have made some 'improvements' to their trenches, but it is probably the most sensitive area of the whole of the Gallipoli Peninsula. There are probably still many dead in the trenches and there is an argument that we should not touch those trenches, except to preserve them the way they are now.

Senator SCHACHT—That is what I mean—preserve them the way they are now so that, when the woodwork rots away, it does not gradually start filling in by rain and erosion. From my observation, many of the young Australians were really quite impressed that they could observe the actual trenches, and everyone was so astonished that they were only a few yards apart from each other.

Air Vice Marshal Beck—In fact, the Australian trenches are reasonably well preserved by the overhanging trees. There is not much rainfall so there is not a great deal of erosion. The attempts by the Turkish authorities to reconstruct their trenches have been criticised by Turkish authorities so it is not really authentic.

Senator SCHACHT—I was on a parliamentary delegation to Hungary and Poland and I went privately to Berlin. Outside Budapest there are war graves with Australian soldiers. I was not able to visit those but I visited our war graves in Berlin where a number of bomber crew are buried. We visited Auschwitz. From the records no doubt Australian service personnel, accidentally or for whatever reason, were incarcerated for a while in Auschwitz. Do we have any record that Australian service personnel died in Auschwitz?

Air Vice Marshal Beck—I am not aware of any record. I could certainly take that on notice.

Senator SCHACHT—Take that on notice. There are only two places I have entered in my life where I have felt nauseous. One of them is Auschwitz and the other is the Pol Pot political prison in Cambodia where similar murders took place. If Australians unfortunately were

veterans we could talk to the Polish authorities and make some memorial in an appropriate place in that large awful site. I understand that a famous Australian flight lieutenant, Chisholm, spent a period in Auschwitz, got out, and spent nearly two years with the underground wandering around Poland and central Europe and France before he finally got back. What he did is a story beyond *Boys own*. You could check if there was a way in which Australians died in Auschwitz and that they be commemorated in that awful place.

Air Vice Marshal Beck—I will certainly inquire.

Senator SCHACHT—Okay. Thank you.

[10.32 a.m.]

Australian War Memorial

Senator SCHACHT—I have a couple of questions for the Australian War Memorial. Senator Harradine asked about whether the change to the recognition of veterans from various services in South-East Asia from 1955-75 would lead to any additional names going on the roll of honour at the War Memorial. The answer from the department was that the War Memorial was investigating this. I wonder whether you have any information whether, as a result of that acceptance by the Mohr inquiry, there have been any additional names placed on the roll of honour at the memorial?

Mr Dawes—The Council of the Australian War Memorial has this under active review. At the recent November meeting it considered the two veterans who died with the Far East Strategic Reserve and has resolved that their names will be added to the roll of honour.

Senator SCHACHT—Thank you for that. My other question is about the addition, the extension of the gallery, the Anzac Hall which has now been opened—

Mr Dawes—No. The Anzac Hall is still under construction.

Senator SCHACHT—I am just trying to remember. I was invited and, unfortunately, I could not attend. There was a ceremony for a new exhibition.

Mr Dawes—It was Bradbury Aircraft Hall which was redeveloped and reopened.

Senator SCHACHT—Since it has been reopened, has it increased patronage or interest amongst the general public?

Mr Dawes—Our visitor surveys show very positive reactions to that new gallery. Overall visit numbers are very difficult because there has been a downturn with the Olympics. The September holiday period in Canberra was quite low in comparison to previous years because people in Australia who took holidays went to the Olympics. Schoolkid numbers have also been down for the same reason. The new aircraft hall gallery is proving to be very popular with visitors. We are maintaining our visitor numbers at a greater rate than some other tourist areas in Canberra.

Senator SCHACHT—That is all, thanks. I will take up the invitation from the director to visit in December and see the Bradbury hall and also the development of the Anzac hall, which I have not so far been able to do. I look forward to doing it.

Mr Dawes—I am sure you will enjoy it.

Senator SCHACHT—I certainly will.

Proceedings suspended from 10.35 a.m. to 10.55 a.m.

DEFENCE PORTFOLIO**In Attendance**

Senator Newman, Minister for Family and Community Services

Department of Defence

Topics: Departmental responses to questions on notice; Defence budget; Defence executive; Defence reform program; management; financial accountability; outsourcing/contracting out

Mr Greg Harper, Chief Finance Officer

Rear Admiral Chris Ritchie, AM, RAN, representing Vice Chief of the Defence Force

Mr Ken Moore, Acting First Assistant Secretary, Business and Financial Services

Commodore Syd Lemon, Director-General, Organisational Effectiveness

Output 1: Defence operations

Topics: Deployment to East Timor; Olympics; military board of inquiry into the death of Corporal Jones

Air Vice Marshal Robert Treloar, AO, Commander, Australian Theatre

Mr Ken Andersson, Business Manager, Headquarters Australian Theatre

Output 2: Navy capabilities

Topics: HMA Ships *Manoora* and *Kanimbla* refit; Navy Reserve cadets; Navy clearance divers; northern naval bases; issues at HMAS *Cerberus*; decommissioning and gifting of DDGS

Vice Admiral David Shackleton, AO, RAN, Chief of Navy

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

Rear Admiral Brian Adams, AM, RAN, Deputy Chief of Navy

Mr Les Wallace, Director General, Navy Business Management

Rear Admiral Kevin Scarce, CSC, RAN, Head, Maritime Systems, Defence Materiel Organisation

Output 3: Army capabilities

Topic: Army 6x6 vehicles; Steyr rifles; future of 6RAR

Major General Peter Leahy, AM, Acting Chief of Army

Mr Lance Williamson, Director-General, Corporate Management and Planning—Army

Dr Ian Williams, Head, Land Systems, Defence Materiel Organisation

Output 4: Air Force capabilities

Air Marshal Errol McCormack, AO, Chief of Air Force

Mr George Veitch, Assistant Secretary, Resources Planning—Air Force

Output 5: Policy advice

Topics: Defence Signals Directorate; Defence Intelligence Organisation; Defence white paper, reserves; Solomon Islands; Papua New Guinea; Defence cooperation with France; Defence cooperation with Indonesia; Defence cooperation with Fiji; access to joint facilities; US national missile defence

Dr Richard Brabin-Smith, Deputy Secretary, Strategy

Mr Martin Brady, Chairman, Defence Intelligence Board

Rear Admiral Chris Ritchie, AM, RAN, representing Vice Chief of the Defence Force

Mr Greg Harper, Chief Finance Officer

Dr Ron Huisken, Acting Head, International Policy

Mr Steve Merchant, Acting First Assistant Secretary, White Paper

Owner support groups

Capability staff

Topic: Communications

Rear Admiral Chris Ritchie, AM, RAN, representing Vice Chief of the Defence Force

Defence Personnel Executive

Topics: Personnel; sexual harassment; recruitment; health services; workplace injuries; Defence Service Centre—Cooma; management initiated early retirement and voluntary redundancies; personnel allowances and entitlements

Major General Simon Willis, CSC, Head, Defence Personnel Executive

Brigadier Bob Brown, CSC, Director-General, Personnel Plans

Ms Dianne Clarke, Director-General, Resource Management—Personnel Executive

Mr Mal Pearce, Director-General, Personnel Policy and Employment Conditions

Captain Tim Maddern, RAN, Acting Director-General, Defence Health Service

Ms Bronwen Grey, Director, Defence Equity Organisation

Public Affairs and Corporate Communications Group

Topic: Public relations

Ms Jenny McKenry, Head, Public Affairs and Corporate Communications

Mr Brian Humphreys, Director-General, Communication Strategies

Inspector General Group

Topics: Security/leaks; lost/stolen equipment

Mr Claude Neumann, Inspector-General

Mr Jason Brown, Assistant Secretary, Security

Enabling Groups

Defence Materiel Organisation

Topics: Defence Materiel organisations; purchase/sale of equipment; Defence/integrated distribution system

Major General Peter Haddad, Commander, Joint Logistics, representing Under Secretary, Defence Materiel and Head, Change Management Materiel

Rear Admiral Kevin Scarce, CSC, RAN, Head, Maritime Systems

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

Dr Ian Williams, Head, Land Systems

Air Vice Marshal Ray Conroy, Head, Aerospace Systems

Mr Graham Kearns, Head, Industry Division

Ms Shireane McKinnie, Head, Electronic Systems

Air Vice Marshal Col Hingston, Head, Business Information Systems

Ms Ann Thorpe, Executive Director, Finance—Materiel

Air Commodore Jon Pike, Director General, Aerospace Materiel Management

Mr Mark Gairey, Director General, Industry Policy

Corporate Services Group

Topics: Defence Estate Organisation; military justice initiatives; Mangalore

Ammunition Facility

Mr Rod Corey, Acting Deputy Secretary, Corporate Services

Mr Patrick Hannan, Head, Defence Information Systems

Mr Ross Bain, Acting Head, Defence Estate

Mr Peter Sharp, Head, Defence Corporate Support

Defence witnesses on Defence Housing Authority

Topic: Defence housing

Major General Simon Willis, CSC, Head, Defence Personnel Executive

Mr Peter Sharp, Head, Defence Corporate Support

Mr Mal Pearce, Director-General, Personnel Policy and Employment Conditions

Defence Housing Authority

Topic: Defence housing

Mr Ed David, General Manager, Operations

Department of Defence

CHAIR—We now move to the particulars of proposed expenditure for the Department of Defence, and I welcome again Senator Newman and officers of the Department of Defence. The committee has before it a list of topics nominated by senators for consideration by the Department of Defence at these supplementary hearings. The committee will consider matters nominated under the portfolio overview and major corporate issues and then consider other outputs in a numerical sequence. In order to assist Hansard in the early publication of the transcript of these hearings written questions on notice will not be incorporated in the proof *Hansard* transcript. The chair will state for the record that written questions have been received from a particular senator and that these questions will be forwarded to the department for answer. The committee has resolved that answers to questions on notice are to be lodged with the committee by Friday, 15 December 2000. Minister, do you or the department wish to make an opening statement.

Senator Newman—The department will.

CHAIR—Thank you, Minister. I call Mr Harper.

Mr Harper—I would like to make an on the record explanation of a comment in the Defence annual report for 1999-2000, relating to the ANAO performance audit on Commonwealth foreign exchange risk management practices. Our annual report at page 5 includes a statement that the performance audit misrepresented Defence's foreign exchange risk management practices. What it should better have said was that the misrepresentations were in some media reports of the audit rather than in the audit itself. The sentence got through a breakdown in our internal checking procedures in putting the annual report together. The secretary, Dr Hawke, has written to the Auditor-General to apologise for that apparent criticism of the Audit Office that is implicit in the statement. Dr Hawke also undertook to ensure that the statement was corrected in evidence to this committee at the first opportunity—which I am now doing. We will also correct it in our annual report for 2000-01.

CHAIR—Thank you, Mr Harper. We will proceed to questions.

Senator FAULKNER—I have a couple of general questions, and my questioning will be brief. I am really forced to ask these questions here because the Department of the Prime Minister and Cabinet respectfully and kindly suggested it might be better to check these details with Defence. It goes to the general question, first of all, of the VIP fleet. I understand, of course, that decisions have been made about the purchase of the two new aircraft and that the final contract details are being worked through between Defence and the preferred contractor. Could someone please indicate to me, in relation to the fit-out of the aircraft, how that is being dealt with? Are alternative fit-outs being examined? Obviously, I assume, this is

a matter that will be discussed by Defence with the contractor. I wanted to get more of an understanding than I was able to yesterday at the Prime Minister and Cabinet estimates, if I could, of how that process is working.

Air Vice Marshal Conroy—Once the aircraft is produced in the Boeing factory it will then go to a specialised fit-out centre. There are a number of these centres around the world. It will be up to the prime contractor to select the one that meets his requirement in terms of quality and price and also in terms of availability. We have yet to be notified of the exact fit-out centre that is going to be used. With regard to the actual fit-out itself and what is going to be specified, we are in close consultation with the Prime Minister's office in that regard. As yet, though, we have not passed on our final specifications or requirements to the prime contractor.

Senator FAULKNER—When you say the prime contractor, it might be useful for the record, Air Vice Marshal, for you to say who that is.

Air Vice Marshal Conroy—The selected prime contractor is Qantas Defence Systems.

Senator FAULKNER—What drove my question was trying to get an understanding of how the fit-out would be determined. It is the internal government process about which I was asking questions of the Department of the Prime Minister and Cabinet. Trying to fairly summarise the evidence that was given at Prime Minister and Cabinet estimates, Prime Minister and Cabinet are really acting as a sounding post and just providing information to Defence; it is acting as an intermediary, if you like, between the Prime Minister's office and Defence. I think that is a fair summation of the information that we gleaned yesterday. Would you be able to explain a little more how that process is working? Obviously, everyone would accept that the Prime Minister is a key client for the VIP aircraft and it would be sensible—I would certainly acknowledge it would be sensible—for Defence to seek the view of the Prime Minister and the Department of the Prime Minister and Cabinet about what would be a useful fit-out, because of the experience that not only the current Prime Minister but previous Prime Ministers have of the aircraft. Can you explain to us how that process is working? That is what I am trying to come to grips with.

Air Vice Marshal Conroy—We already had broad guidance relayed to us from the Department of the Prime Minister and Cabinet before we put the tender on the streets some time ago. At the moment we are in a process of consultation on the final details to ensure that we do not make any decisions internally that might not be agreed with the ultimate customer. I can go through the broad details of what we tendered for.

Senator FAULKNER—When you say 'broad guidance', it was the Department of the Prime Minister and Cabinet that provided the broad guidance?

Air Vice Marshal Conroy—Yes.

Senator FAULKNER—How does that come forward to you—in the form of a minute? I want to understand how the process works.

Air Vice Marshal Conroy—I think the broad guidance was documented. I would have to check that.

Senator FAULKNER—If you could, I would appreciate it. Beyond the broad guidance, do I understand you to be saying that there is a level of formal guidance from the Department of the Prime Minister and Cabinet and, if you like, there is a more informal tick-tacking that might be going on between the Prime Minister's office and Defence about fine details. Is my understanding correct there?

Air Vice Marshal Conroy—I think that would be a fair representation, yes.

Senator FAULKNER—What do we mean by ‘fine details’ here?

Air Vice Marshal Conroy—We have not made any statements to the prime contractor with regard to materials for seats, colours of fit-out or those types of things.

Senator FAULKNER—Is it like the configuration or is that something that there is not much flexibility with?

Air Vice Marshal Conroy—In the broad, the configuration is reasonably well set. Most standard executive jet fit-outs were not really suitable for our purpose because most of them concentrate on allocating a large amount of space to the VIP, whereas the requirements here were that we needed a substantial amount of space for the accompanying party and journalists, et cetera. So we were specifying a much smaller VIP accommodation area than perhaps most business jet fit-outs have. Instead of wasting space on beds, for instance, which are only used for sleeping in, we were specifying two of those first-class sleepers that could be used as chairs and reading room during the day—those types of things.

Senator FAULKNER—Thanks for that. I think I understand broadly how it works. Is the Department of the Prime Minister and Cabinet itself kept in the loop on that or are these just direct discussions that take place between PMO and Defence?

Air Vice Marshal Conroy—I will have to get you a precise answer on who we are dealing with on that. I will read it into the record later.

Senator FAULKNER—Thank you. Could you let us know, if it is possible, what sort of suggestions the Prime Minister’s office has made in relation to the fit-out?

Air Vice Marshal Conroy—I will take that on notice. My recollection is that we have not really got down into matters of great detail yet.

Senator FAULKNER—Are they talking about more general issues?

Air Vice Marshal Conroy—They are talking about wanting to be consulted and involved in the fit-out decisions as they evolve.

Senator FAULKNER—I suppose what I am grappling with is understanding how that fits into the broad guidance. There is broad guidance from the Department of the Prime Minister and Cabinet and then there is the tick-tacking that is taking place between PMO and Defence. I am just trying to understand where the broad guidance ends and the involvement of the Prime Minister’s office begins, and what the nature of that involvement is and what Defence is being asked to do.

Air Vice Marshal Conroy—It is probably a little early to answer that question. Once the fit-out centre is selected, quite naturally, even within the broad guidance, they will be coming back to us and saying that there are options to choose from in the case of, say, the first-class sleeper chairs. The PM’s office and PM&C have said, ‘We wish to be involved in the answers that you provide.’ Is that not unreasonable?

Senator FAULKNER—As I said, I accept that the Prime Minister is an important client. The Prime Minister in fact is the key client, I imagine, with the VIP fleet. It would be fair to say that, wouldn’t it?

Air Vice Marshal Conroy—The Prime Minister and the Governor-General.

Senator FAULKNER—Are there any informal or formal discussions with the office of the Governor-General on suggestions, given their experience of use of the VIP fleet?

Air Vice Marshal Conroy—Not directly with Defence.

Senator FAULKNER—Is the Prime Minister's office the only client that is being consulted in this way?

Air Vice Marshal Conroy—The amount of consultation that is occurring in the offices on this side of the lake I am unaware of.

Senator FAULKNER—I am sorry, I missed that.

Air Vice Marshal Conroy—I am unaware of the consultation that might go on amongst the customer community. We have a single point of contact.

Senator FAULKNER—That single point of contact is who?

Air Vice Marshal Conroy—I will have to find—

Senator FAULKNER—But is it the Prime—

Air Vice Marshal Conroy—PM&C or the Prime Minister's office—one of the two.

Senator FAULKNER—I appreciate that. What I am trying to define down is who. I accept it is both, and I think I got this message yesterday at the estimates for the Department of the Prime Minister and Cabinet. All I am trying to understand is the nature of the input and guidance, if you like, or broad guidance from PM&C and the nature of the involvement or guidance or suggestions, which seem to be more specific in nature, from the PMO. That is one of the delineations I am trying to understand.

Air Vice Marshal Conroy—I do not think the dialogue has progressed to a stage where I can help you much there, Senator.

Senator FAULKNER—You have taken those questions on notice. If you could have a look at those I would appreciate it. Are you likely to be able to come back on that today, do you think, Air Vice Marshall?

Air Vice Marshal Conroy—I would expect so.

Senator FAULKNER—My colleagues might flag with me when that occurs. Thank you for that, Mr Chairman, and thank you, Air Vice Marshall. The second and last issue I wish to raise, or I hope it is the last issue I wish to raise, is again in this general area of VIP aircraft. It relates to the problems that occurred with the flight of the 707 to Brunei which was, of course, just a week or so ago, I think. I do not know whether this is one for you, Air Vice Marshall; I suspect it probably is.

Air Vice Marshal Conroy—It is probably an operational matter that should be referred to the Chief of Air Force.

Rear Adm. Ritchie—This would normally be in the province of the Chief of Air Force who has not yet arrived. We can try it if you like or defer it until he does arrive.

Senator FAULKNER—I am entirely relaxed, Admiral Ritchie. I will come back at a later stage if you do not mind that level of flexibility, Mr Chairman. Why waste the committee's time? It is generally quicker if we can talk directly to the Chief of the Air Force. Thank you.

[11.12 a.m.]

CHAIR—Thank you, Senator Faulkner. We move now to the outputs of the Department of Defence. Output 1: Defence operations. Before that Senator West has some general questions.

Senator WEST—I am interested to know why the answers to questions taken on notice for the last lot of hearings were several weeks late in being returned to the committee. There is an

indication from the back that they were not. Maybe they were not late in getting to the minister's office, but they were not received by the senators at the due time.

Mr Harper—I am advised, Senator, that they were delivered on time to the committee with the exception of one question where the response was that we needed a little more time to respond.

Senator WEST—I will check that out. There seems to be some disagreement there. We will check that one and we will move on.

Senator HOGG—With respect to question on notice 6 from me, were the agreed implemented recommendations put quarterly onto the ARMS database as requested by the chair of the Defence Audit Committee? I will just take you back to the original question.

Rear Adm. Ritchie—Mr Chairman, could I confirm something? You did say we were dealing with output 1 but we are actually—

CHAIR—No, I am sorry, we are still doing the overview.

Senator HOGG—I am sorry. I got caught up. In my question on notice No. 6 I asked what the department was doing to address concerns that the Defence Audit and Program Evaluation Committee was not monitoring or reviewing ANAO or JCPAA reports. The response was—it is fairly lengthy so I will not read all of it—as follows:

All Australian National Audit Office, Joint Committee of Public Accounts and Audit and internal audit recommendations made since 1 July 1998 are included on Defence's Audit Recommendations Management System (ARMS) database.

My question is: were the agreed implemented recommendations put quarterly on to the ARMS database as requested by the chair of the defence audit committee?

Mr Neumann—The database is being updated. As at 31 October, there were 637 active recommendations on the ARMS database, which is a decrease from 750 as at 30 June 1999. There were nine overdue performance audit recommendations in the high materiality or financial performance risk category as at 31 October 2000. They will go to the defence audit committee when it meets next, on 11 December. The follow-up is through that process and also through my division.

Senator HOGG—Remind me how often that committee meets.

Mr Neumann—Certainly, last year the committee met nine times. In previous years it used to meet about four times.

Senator HOGG—Is the committee receiving updates of the implementation of the recommendations?

Mr Neumann—It is on its agenda for the next meeting. Yes, it is receiving updates, in that sense.

Senator WEST—Can I move to question No. 12. I asked:

Has the East Timor operation had any impact upon the provision of health services by Defence under the Aboriginal communities program?

The answer was:

Yes, the East Timor operation has placed considerable strain on the resources available to undertake the ATSIC/Army Community Assistance Project (AACAP), with the organisation currently deployed to the Tiwi Islands having only returned from East Timor in February/March of this year. Nevertheless, all

objectives of the AACAP are being met. The Army remains committed to AACAP and the current projects for 2000.

What happened to the Tiwi Island project when the deployment was made to East Timor?

Major Gen. Leahy—The deployment to East Timor took away some of the medical support and the engineering support that we had available. We were able to continue some of the work but not at the pace and intensity. Now that those forces have deployed, we have been able to pick up at about the same level.

Senator WEST—What provision of health services was not maintained? What was the drop in service that we saw?

Major Gen. Leahy—I do not have the details of that. I will have to take it on notice.

Senator WEST—Please. If the service was maintained, I want to know how it was maintained. Did you have to bring in extra staff from somewhere else or did you have to cannibalise a group, for want of a better word, to have the full deployment maintained in the Tiwi Islands, at the expense of undertaking the AACAP project somewhere else or having to defer an AACAP project somewhere else? I want to know about any gaps that might have caused in the service and the effect of those gaps.

Major Gen. Leahy—I will take that on notice.

Senator WEST—Thank you.

Senator HOGG—I raised question 45 on notice in respect of the defence procurement conference cancellation. Who made the final decision to cancel the procurement conference?

Mr Kearns—I made the decision to cancel the conference.

Senator HOGG—Was anyone else involved?

Mr Kearns—Yes, there was. I consulted with a number of areas in Defence, with the minister's office and with some people in industry who are the major customer group for the procurement conference.

Senator HOGG—Could you list who the consultation was with?

Mr Kearns—There were the minister's office, some of the internal players in Defence and some of the interested parties in industry.

Senator HOGG—Ultimately, was it your decision based on those consultations or was it a directive out of the minister's office?

Mr Kearns—It was not a directive. It was my decision. I indicated to others what I was planning to do and why I was planning to do it. You could say that was a reality check on the decision I was planning to make. I then proceeded to make that decision.

Senator HOGG—As I understand from your response the cost to the department is approximately \$56,070 as a result of that cancellation.

Mr Kearns—We provided a supplementary advice that there was a further \$6,000 so the total would be \$62,070.

Senator HOGG—Was that taken into consideration when the decision was made or was that not a part of the consideration?

Mr Kearns—It certainly was taken into consideration. We did not have an exact figure because we needed to negotiate some of the termination costs. We knew we would be paying termination costs and, in a ballpark sense, we had a rough idea of what we would be paying.

Senator HOGG—This is an annual conference. Is it intended that this conference be proceeded with this financial year?

Mr Kearns—Yes, we will probably aim to hold the next conference between April and June of next year.

Senator HOGG—And none of the costs that had been allocated towards the original conference could have been transferred to the deferment of the conference for next year?

Mr Kearns—Not a deferral or a slip in time of that magnitude. We negotiated our final financial position and that involved reducing the cost to the Commonwealth. That was the extent of the reduction we negotiated.

Senator HOGG—Thanks very much for that. The next question I had on notice was 48. I wanted an update for the committee on the airborne early warning and control project and the air to air refuelling project. In respect of Air 5077, which is the airborne early warning and control project there was an indication that final contract negotiations commenced with Boeing on 19 June 2000. Is that correct?

Air Vice Marshal Conroy—That is correct.

Senator HOGG—Your response to me stating that final contract negotiations had commenced was, in fact, the correct situation. Where did the final negotiations get up to before the project was deferred?

Air Vice Marshal Conroy—We virtually reached an agreement with the prime contractor Boeing. We would have been in a position to finalise a contract.

Senator HOGG—So all the legals would have been done. All the checks on the status of the contract would have been done. Were you saying it was almost at the signing stage?

Air Vice Marshal Conroy—Almost.

Senator HOGG—It was a decision of the minister to defer that contract?

Air Vice Marshal Conroy—Because of the fact that the white paper process was occurring, we had a direction that government approval was needed before we entered into any new contacts, and that had been a longstanding requirement on us from earlier that year. I was not personally privy to the rationale for not proceeding with the contract, but I understand that the timing had come so close to the white paper that the government decided that it would be inappropriate to enter into this contract in advance of the publication of the white paper.

Senator HOGG—But you had proceeded with the contract for some period of time to bring it to near finality. How long had you been proceeding with the contract?

Air Vice Marshal Conroy—We commenced contract negotiations in January.

Senator HOGG—In January 2000?

Air Vice Marshal Conroy—Yes.

Senator HOGG—When were the negotiations broken off?

Air Vice Marshal Conroy—From memory, we completed negotiations in around the August timeframe.

Senator WEST—August 2000?

Air Vice Marshal Conroy—Yes.

Senator HOGG—At that stage, in August 2000, you did not proceed with the contract but you had brought it almost to that stage of finality. Is that a correct way to interpret what happened?

Air Vice Marshal Conroy—That is correct.

Senator HOGG—Did you have any indication in the period from January to August that the contract might not be brought to finality?

Air Vice Marshal Conroy—We had been aware since March that we would need government approval to enter into the contract. It was a step we had to take.

Senator HOGG—Was that not the case when you commenced the contract? Was it given a particular priority status when you commenced the negotiations back in January?

Air Vice Marshal Conroy—When we commenced negotiations in January we were operating under normal departmental guidance. This was an approved project and the delegate—in this case the undersecretary—would have been empowered, after appropriate noting by the government, to enter into the contract. But as a result of guidance issued to us in the pre-budget rounds of ERC, the rules were changed.

Senator HOGG—When were those rules changed, roughly? Is that the March date?

Air Vice Marshal Conroy—I believe so, yes. I believe that is when we received guidance that we should not enter into any new contracts without government agreement in this lead-up period to the white paper.

Senator WEST—If that was the case why did you continue the negotiations until August?

Air Vice Marshal Conroy—It was just another step that we had to go through, that we would complete contract negotiations—we were not instructed to suspend them—and that we would then approach government for approval to proceed. The reason we continued is that we had, at that stage, a tender that would have expired, from memory, either at the end of August or at the end of September, and there was no guarantee that the prime contractor would have extended his tender.

Senator WEST—What has happened now?

Air Vice Marshal Conroy—As it turned out, the prime contractor has extended his tender.

Senator WEST—In August when you pulled off, did you pull off because you had taken the next step to go and seek approval from the government, or did you pull off because you had an instruction to cease any further negotiations?

Air Vice Marshal Conroy—We pulled off because we went to the minister and to government and the decision handed down to us was that it would be inappropriate to enter into such a large contract this close to the white paper.

Senator HOGG—And that was the minister's decision?

Senator WEST—Or the government's decision?

Air Vice Marshal Conroy—It was a government decision relayed by the minister.

Senator HOGG—During the progressing of these negotiations, was there a report back process on the stage that had been reached in these negotiations and, if so, to whom was that reporting done such that a decision to intervene may have been made earlier rather than at the August date?

Air Vice Marshal Conroy—There was no formal reporting back. The two sides were locked down in extensive and very complex contract negotiations.

Senator HOGG—So Defence and Boeing were negotiating this contract, obviously Defence going hard for the Australian government side of the deal and Boeing going hard for their side, but there was no formal reporting process arising out of where those negotiations had reached, when they were likely to be culminated or anything to that extent at all? In effect, you had a negotiating process on a very big and important project, and the government, other than being aware that the process was taking place, was not necessarily being informed, on a day-to-day or even a monthly basis, as to the point that had been reached in those negotiations?

Air Vice Marshal Conroy—The chief negotiator of course had his negotiating directive. Every time events transpired that he needed a decision that was beyond his negotiating directive, he called for a board of reference, and I, the undersecretary and a number of other acquisition experts passed down decisions to him or refined his guidance.

Senator HOGG—How often did that occur during the process?

Air Vice Marshal Conroy—From memory, we had three or four boards of reference. This is quite typical. Contract negotiations can never be forecast exactly as to how they are going to occur; wrinkles arise, but we resolve most of them. The decisions we had to make were unexceptional and not the types that we would need to alert the minister about.

Senator HOGG—Would those boards of reference have been before or post the March date, in the main?

Air Vice Marshal Conroy—In the main they were post-March, I would say.

Senator HOGG—So post the time when you had some indication that final approval would have to be sought from the government?

Air Vice Marshal Conroy—Yes.

Senator WEST—There was no reporting or just updating of the minister that there had been a board of reference meeting about the project, or anything like that?

Air Vice Marshal Conroy—The minister is in constant contact with his senior executives inside Defence, and of what passes between them informally I have no record. The message that I was passing to both the Chief of Air Force and to the undersecretary was that negotiations were proceeding; that, whilst there were wrinkles, there was nothing that was going to cause the negotiations to fail; that we were maintaining ourselves within budget and within our spend spreads. This is just the normal process. It was an unexceptional contract negotiation.

Senator WEST—That being the case, you are not aware of what informal briefings may have taken place, if any, between the minister and your more senior officers?

Air Vice Marshal Conroy—I am not aware of it. All I can say is that the messages that I passed up the line were that the contract negotiations were proceeding and there was no indication that there was going to be a failure or any sort of crisis with them.

Senator HOGG—What was the importance of the deadline? I think you said that was when the tender ran out.

Air Vice Marshal Conroy—When companies tender, the tenders have a tender expiry date. We often ask for a certain period—

Senator HOGG—Yes, I understand that.

Air Vice Marshal Conroy—Once you have down selected to the winner, you are well advised to complete your negotiation inside the validity period of the tender because you have retired his opposition and your leverage on him could lessen.

Senator HOGG—It would place in jeopardy the delivery, wouldn't it?

Air Vice Marshal Conroy—It probably would place in jeopardy the price.

Senator HOGG—What was the tender expiry date—roughly? Was it the end of August?

Air Vice Marshal Conroy—I think it started off at the end of July and it was progressively extended as the negotiations became complex. At the time that we were talking—

Senator HOGG—When was it extended to after the end of July?

Air Vice Marshal Conroy—Either the start of September or the end of September, Senator.

Senator HOGG—So there was an extension to either the start or the end of September. The importance of keeping the expiry date was, as you said, in respect of both the price and, I would presume, the forward delivery of the items. If you failed to enter into the contract, then one would presume that Boeing would get other orders placed on their books, which would then push our order further down the delivery line. Is that a reasonable assumption in these types of contracts?

Air Vice Marshal Conroy—We are the launch customer for this particular product, and the actual building of the Boeing 737 airframes is nowhere near the critical path. So, yes, it does affect schedule: the company is going to be reluctant to invest heavily in its developmental work force in advance of getting a signed contract. The longer it takes you to get onto contract, the longer it is going to take the company to build up its work force.

Senator HOGG—As a result of your negotiations between January and August, when they were terminated, had the company done any preliminary engagement of staff in the design and assembly of this prospective order?

Air Vice Marshal Conroy—I understand—and this information might be apocryphal—that upwards of 600 people were working on this project in advance of the contract. On company investment, some 300 in Boeing in Seattle and another 300 in Northrop Grumman in Baltimore were working the radar. But I have no confirmation that those figures are exact: I have just heard company officials mention them.

Senator HOGG—We will take that as being anecdotal. So one can assume that the fact that we persisted with the contract—that we were trying to bring the contract to some degree of finality—would have set some internal processes within Boeing in motion. The reason that I am asking you this is that I want to know if, as a result of the negotiations being called off, there has been any claim by Boeing for costs associated with the negotiations that have been conducted thus far, based on the fact that they believe that they were near finality? Obviously the department believed that they were near finality in these negotiations, which were, of course, always rightfully in the hands of the government to call off—no-one is bringing that into dispute. I am just wondering if there are now any claims of compensation?

Air Vice Marshal Conroy—There have been no claims presented at this stage.

Senator HOGG—Right.

Senator WEST—If, or when, the project resumes, do you have to go back to the start of the whole process of negotiation?

Air Vice Marshal Conroy—We would be very much attempting to have a trail from the previous negotiations to the final negotiations—traceability of the eventual contract to the one that we negotiated before and to the tender itself.

Senator HOGG—Where is the tender expiry date now?

Air Vice Marshal Conroy—30 November.

Senator WEST—When do we expect the white paper?

Air Vice Marshal Conroy—6 December.

Senator WEST—You are a bit snookered there: you are going to have to go for another extension, aren't you?

Air Vice Marshal Conroy—It is always within the company's power to extend further, and I would expect them to do so.

Senator WEST—Have you put in a request that they do so?

Air Vice Marshal Conroy—We will be doing so next week.

Senator HOGG—What are the costs associated—

Senator WEST—'Next week' is the end of November. Isn't it leaving it a bit late to be seeking an extension the day that the extension expires?

Air Vice Marshal Conroy—It will be a couple of days beforehand. If the extension has not been delivered to us, then we will request it a couple of days beforehand.

Senator WEST—You seem to think that they are interested in an extension.

Air Vice Marshal Conroy—They voluntarily extended the last time, yes.

Senator WEST—For how long do you think they will keep on extending?

Air Vice Marshal Conroy—It depends on what is in the white paper.

Senator WEST—And is the white paper definitely coming down on the 6th, or is that a bit like this tender date?

Rear Adm. Ritchie—It is definite.

Senator WEST—Okay. So we have three days of sitting after it comes down. That is good.

Senator HOGG—Are there any costs associated with seeking another extension to the tender expiry date? I mean costs to the tender. There would be some internal Defence costs, I can understand, but is there any penalty attached to that in the tender process?

Air Vice Marshal Conroy—In the language the company has used to extend its tender expiry date, it has reserved its position with regard to the costs associated with the extension.

Senator HOGG—What would those costs be based on?

Air Vice Marshal Conroy—On their assessment of the costs they have borne. We will not be able to scrutinise those until we sit down and restart our contract negotiations. There will undoubtedly be an ambit component and we will thrash it out.

Senator HOGG—I like that term ‘thrash it out’. It really sounds as though you are going to do well for the Commonwealth in that set of circumstances. I thank you for your information. I think that has answered that.

Senator WEST—I go back to the first question I asked about the dates of the answers. I understand that the department had the answers to the minister’s office on time but the minister was overseas on official business and had not made alternative arrangements to have them cleared before he went away and so they had to wait until the minister’s return. The answers were therefore forwarded to the secretariat by the following Thursday, 20 July.

The reason for following this up—and it might seem pedantic—is that some other departments have developed a very bad habit of being late with answers. It is a matter of just keeping all the departments on their toes so that, when a date is given, we expect the bulk of the answers to be given by then. It is about good housekeeping and accountability. Defence is not copping anything that a few of the other departments have not. Those questions will continue to be asked. That is what I understand has taken place.

Senator HOGG—On the Defence budget, in view of where we were at some time ago when we asked questions, I will ask a very broad wide-ranging question: are there any surprises you want to let us know about this time around so that we do not have to hear from the secretary of the department, as on a previous occasion? You have a bit of time to think about it. You can answer me as the afternoon goes on, but I do not want people to think that we have not given you the opportunity. If some things are lurking in the background that you want to tell us about, that you might find the need to tell us about, that you do not have the opportunity to, feel free to tell us. Can you take that on broad notice and, if there are any answers you want to give to that as we proceed, I would welcome the answers. For the financial year 1999-2000, where were the greatest pressures felt in the Defence budget?

Mr Moore—In the 1999-2000 budget we had, as you may recall, the requirement to move money out of the capital budget to transfer into our outputs because of pressures right across our operating costs and also in personnel. That did squeeze the project plan in the New Investment program. Generally, right across all three categories of Defence—namely, the New Investment program, Personnel and Operating Costs, we had sustained pressures right across the board.

Senator HOGG—Are those pressures still there, or has sufficient remedial action been taken to alleviate those pressures?

Mr Moore—We have alleviated some of the pressures. For example, we had to fund the certified agreement that Defence negotiated with its civilian workforce. The military workforce also got a pay increase. That has been funded, and so some of the priority pressures have been funded. We have addressed some of our operating cost pressures by allocating more money into the maintenance program. We were given supplementation, you might recall, in the budget of \$128 million for remediation of the Collins Class submarine. We were also given some money, \$40 million, to address some of our IT shortcomings. We were given \$20 million this year for reserve initiatives and \$40 million for some particular items in the logistics program. Through a combination of internally reallocating priorities within Defence and Defence receiving additional supplementation, particularly this year, we have addressed our priority pressures. I should also add that the government continues to supplement us for the full cost of our Timor deployment. That is ongoing over the next couple of years.

Senator HOGG—Thanks very much for that. Are you able to identify what areas overspent and required more money than was originally allocated to them in that last financial year? Or is it that there is a big pot and it just gets moved around? That is a concern.

Mr Moore—We always have emerging priorities during the year. We do juggle money between outputs and capital projects to make cash flow variations. Overall, Defence spent its cash budget in the last financial year. There was no specific area I could point to and say they had a huge overspend.

Senator HOGG—Do you make the various areas accountable as to why they may have overspent? It may well be that you make them equally accountable for why they have underspent in some areas, because it may be a concern that they have got the allocation but they have not spent the money that has been allocated to them. Are you able to do that?

Mr Moore—Yes. We run a process right through the year of monitoring performance by all our group managers. That becomes more intense as we get closer to the end of the financial year, to make sure we meet all our financial performance targets. That process of monitoring also includes the requirement for those group managers to advise us as early as they can where they may need extra funding or they can return some. For major variations, we then seek the approval of the Chief Finance Officer and, if required, the Secretary and the Chief of the Defence Force for those particular shifts in funding. If we deem it appropriate and we do have to put some additional funding into a particular area, we will make that area repay in the next financial year. It is treated on a loan basis.

Senator HOGG—Do you have any readily available documentation—and I am not talking about voluminous amounts—that shows what their allocation would have been for the previous financial year, where they have overspent, why they have overspent and by how much they have overspent?

Mr Moore—Not with me. I will have to take that on notice.

Senator HOGG—If you can take that on notice, I do not want you to get into a lengthy exercise. I know you people have fairly good documentation in these areas. If it is something that is readily available, I would be interested in looking at it, such that I can get a better feeling for what you are doing to monitor where people are overspending and underspending. I do not want to focus on the one issue.

Mr Moore—Certainly, Senator.

Senator HOGG—The other issue in respect of the budget was that the 1999-2000 budget was reduced by a certain amount which was meant to reflect the cost benefits to the Defence Organisation of the implementation of the GST. Was that in 1999-2000 or in 2000-01?

Mr Moore—It was 2000-01.

Senator HOGG—What was that amount?

Mr Moore—The reduction I think you are referring to is savings in wholesale sales tax which Defence did not directly pay but which was embedded in a lot of items of equipment and so on that we actually purchased. From memory, I think the government, in consultation with Defence, estimated that we would save \$165 million this year through wholesale sales tax savings.

Senator HOGG—I presume you are monitoring the level of those savings?

Mr Moore—Yes, we are.

Senator HOGG—Are you able to identify what savings have been made thus far?

Mr Moore—We are negotiating with the Department of Finance and Administration through the additional estimates process—and I know we are not here today to address additional estimates.

Senator HOGG—No, I am not expecting you to address that.

Mr Moore—We think we will not save \$165 million. We believe, at best, we will save a figure of about \$25 million less than that.

Senator HOGG—That is a belief. Do you have any actual monitoring in progress at this stage that will enable you to say what your initial savings might be, or is it still too early?

Mr Moore—It is still too early. The way these figures were calculated was developed on a whole of government basis within the Department of Finance and Administration, taking account of the types of contracts that Defence has that are the same as other agencies and applying a generic model. What we are keen to do with the Department of Finance and Administration as we monitor the situation through the year is to try to convince them about whether or not the model actually worked in Defence. But it is still a bit early.

Senator HOGG—In fairness, you are saying that you have a belief that it will be in the order of \$25 million, whereas the budget said \$165 million. That is a substantially lesser figure, and only time will prove that. You do have processes in place that will track what the actual saving is. If I understood you correctly, this will be a matter for the additional estimates early next year?

Mr Moore—Yes, Senator, that is right.

Senator HOGG—And you should be in a position to be able to give us a better estimate by that stage as to what the figures might be?

Mr Moore—That is correct. I will just point out that, given the many thousands of contracts that Defence has, we are not in a position to monitor the actual impact in terms of what has happened to all of those contracts. It would be done more on a random sampling basis, but picking the major contracts and seeing what is going on.

Senator HOGG—I would imagine, Mr Moore, that you would focus on the principle contracts, as you have said, and then you would have a fairly good sampling process which would be indicative of the savings in some of the other contracts. If you bear that in mind when you finally address this issue and if you have it in some sort of easily readable form for us, it would be very helpful to us rather than our having to go through a whole lot of figures.

Mr Moore—Certainly, Senator.

Senator HOGG—Thank you very much. What exposure does Defence currently have in contracts signed in US dollars that payments have still not been made on?

Mr Moore—Are you after a financial figure of that exposure?

Senator HOGG—Yes, a financial figure.

Mr Moore—I do not have that available. I would have to take that on notice.

Senator HOGG—I expected you might not. If you could take that on notice, it would be interesting to have an idea of the exposure.

Senator WEST—I am wondering what the impact might be on Defence procurements of the Aussie dollar now being down at about two Aussies to the one US. You probably wrote some of those contracts when it was somewhere around 66 to 70. What is the impact?

Mr Harper—The impact from our perspective is that we are compensated for movements like that. I am speaking from Defence's individual perspective. Those impacts are taken at the whole of government level. From Defence's perspective, if the Aussie dollar appreciates or depreciates, we receive funding to cover that.

Senator WEST—So DOFA will be responsible for actually covering those changes.

Mr Harper—Yes.

Senator WEST—Isn't that going to mean that you are going to have to reassess your budget and some things will have to go on hold or go a bit further back in the time span?

Mr Harper—From our perspective and at the moment, no.

Mr Moore—If I could just clarify my answer on wholesale sales tax, the \$25 million I referred to is the saving we expect off the \$165 million, not what the figure should have been. Our estimate is now \$165 million less the \$25 million.

Senator HOGG—Less the \$25 million. So you are saying the saving will now be \$140 million as opposed to \$165 million?

Mr Moore—Yes.

Senator HOGG—I thank you for that clarification, because it seemed a substantial drop. I look forward to your presenting those figures when we get around to additional estimates.

Senator WEST—On the calculation table—the methodology that DOFA have given you to calculate the savings—have you found any inconsistencies? Have there been areas where there have been unintended consequences from their calculation method? I am being very serious about this because, as the minister would know, we had an agency last night that DEWRSB has gone to DOFA about because the method of calculating the effects has actually impacted negatively. The methodology to be used has not actually had the same impact that people said it was going to have as it has had on other departments with that agency. I am quite serious in asking this: have there been problems with the methodology that you have been required to use?

Mr Moore—That is correct. That is the \$25 million that we have raised with the Department of Finance and Administration. We think the methodology of the model was not totally accurate for Defence and we assume, at this stage at least, that we have convinced them that that \$25 million cannot be saved by Defence.

Senator WEST—No. 2 department. Thank you.

Senator HOGG—Just returning to the currency issue: what was the net loss that Defence incurred in the financial year 1999-2000 in foreign currency exchanges? Do you know?

Mr Moore—No, I do not.

Senator HOGG—I understand that there is a figure for whole of government, which would have been arrived at by the various contributors. If you could take that on notice and let us know, it would be helpful. What is the total amount that Defence spends in foreign currency each year? Do you know that? Do we only spend in one currency?

Mr Moore—No, we certainly do not spend in one currency. We spend in a variety of currencies but of course—

Senator HOGG—The majority is in US dollars.

Mr Moore—The majority is in US dollars, including for equipment purchased in other countries—some contractors prefer contracting in US dollars. For example, my understanding is that when the ANZAC ship project contract was signed some years ago, it specified about a dozen currencies for the various pieces of the ship that were being constructed by various subcontractors. So the first answer is: yes, we do spend in more than US dollars, but I do not have an answer for the total.

Senator HOGG—You can take that on notice as well. I am not going to dwell on some of these questions. Since 1 July last year, all Commonwealth departments have been in charge of their own bank accounts, as I understand it. Who is Defence banking with?

Mr Moore—Reserve Bank.

Senator HOGG—I presume that with the Reserve Bank there would be interest on the various funds held. What is the rate of return that you get out of the Reserve Bank?

Mr Moore—We invest with the Reserve Bank on term deposit. Depending on the period of the term, the rate varies slightly by a quarter or half a per cent. The longer that you put it on, the higher the rate.

Senator HOGG—I accept that.

Mr Moore—I would have to take it on notice if you want the actual rates.

Senator HOGG—You can take that on notice and let us know. Is that reported anywhere in the annual report now that you have this flexibility?

Mr Harper—In the financial statements, at page 106 of this year's annual report, under our operating revenues, the third line down is interest and dividends.

Senator HOGG—That says \$30 million.

Mr Harper—Correct.

Senator HOGG—That is substantially up from the previous year.

Mr Harper—Presumably reflecting the revised arrangements.

Senator WEST—What about the interest and dividends on the following page?

Mr Harper—The left-hand page, 106, reflects—

Senator WEST—Page 107.

Mr Harper—Page 107 is headed 'Statement of administered revenue and expenses'. The one on the left-hand side is the departmental side. It is an analogous figure, but on the administered side of the department's accounts.

Senator HOGG—That \$24.649 million in the administered is additional to the \$30.992 million?

Mr Harper—Yes.

Senator WEST—So it is \$54 million—

Senator HOGG—Does that \$24.649 million in the administered get taken off your bottom line?

Mr Harper—Not off the bottom line of the departmental statements.

Senator HOGG—It does not have to be returned to Finance or Treasury? They have not got their eyes on it?

Mr Harper—They probably do.

Senator HOGG—That is a bit of bad news.

Mr Harper—The administered side of the statements reflects—

Senator HOGG—My concern there is you get the departmental expenses, as you have said, and administered expenses. I can understand that they might let you keep the departmental side. But with the administered, as I understand, you are just administering certain payments and so on. If you are making money out of that, are you not worried that Finance and Treasury, in particular, will have their greedy, hungry eyes on that?

Mr Harper—Because of its nature it is administered, so we are not worried. Defence essentially is—

Senator HOGG—I am trying to help you, Mr Harper, I am not trying to hinder you.

Mr Harper—I appreciate it and I wish that I could take the help. Because of its nature the transactions are administered, they are readily available to the whole of government entity.

Senator HOGG—It refers us to note 5 there, but, whilst it tells us how the interest is made up, it does not necessarily tell us the interest rates that were achieved over that period of time. I am not looking for an analysis of each investment at this stage, but if you can give us an indicative interest rate that has been achieved in the investments—and I presume the investments are only made with the Reserve Bank—that would be very helpful indeed.

Mr Moore—They are only with the Reserve Bank and we certainly will take that on notice and provide it.

Senator WEST—Just going back to the GST wholesale sales tax, are you going to seek to get that \$25 million from DOFA or not?

Mr Moore—Yes, we are.

Senator WEST—Have you already put in a request?

Mr Moore—Yes, we have.

Senator WEST—How long has that request been with DOFA?

Mr Moore—It is part of our additional estimates submission with the Department of Finance and Administration. We are yet to get a formal response but the indications at this stage are quite positive that they will treat it favourably. We have not had a final answer yet.

Senator HOGG—I know that the references committee is conducting an inquiry into Defence Estate. I have asked questions previously on the sale and the lease-back of properties within Defence. Can you give us an update where that is at? What sort of business plan is that based on? Oh, it is my friend, Australia's leading real estate agent.

Senator WEST—The biggest real estate agent in the country.

Senator HOGG—Mr Corey, we have always protected your interests.

Senator WEST—We have always been nice to you.

Mr Corey—We answered this question in an inquiry just recently. The sale and lease-back program is run by the Department of Finance and Administration and the sale of those properties is being conducted by that department.

Senator HOGG—I do not want to go through the evidence that we had at that other inquiry. Is it possible for this estimates process to tell us the realisation on Defence properties for the previous financial year? What properties have been sold?

Mr Corey—I am sure it is probably in the documentation. I have not got that readily at my fingertips but I am sure we can provide that to you. That was not on a sale and lease-back arrangement though. That was purely sale and disposal.

Senator HOGG—On the lease-back do you know what arrangements have been made? Obviously at some stage Defence will have to pay the lease arrangements.

Mr Corey—For the proposed sale and lease-back of the Russell Offices, Defence will be supplemented for the annual rental. For other properties it will not. They are all being positioned for sale either by the Department of Finance and Administration or by our organisation. To date none of them has been offered for sale.

Senator HOGG—How many have been sold and leased back in the last 12 months?

Mr Corey—None, Senator.

Senator HOGG—How many are earmarked for sale and lease-back?

Mr Corey—I think it is six properties.

Senator HOGG—Those six properties are?

Mr Corey—There is the Russell Offices or most of Russell Offices. That excludes the secure compound. There are the Defence Plaza building in Sydney, Defence Plaza building in Melbourne, the hydrographic office in Wollongong, the Defence storage and distribution centre at Moorebank in Sydney and a property called Meeandah in Brisbane. There is also a smaller property at Winnellie in Darwin.

Senator HOGG—Are you able to give us a general idea of the lease-back arrangements? What has been the business case study?

Mr Corey—The decision on sale and lease-back was made by the expenditure review committee of cabinet. That was principally on the advice of the Department of Finance and Administration so I suggest that any questions you have in relation to the business case should be directed at that organisation rather than Defence.

Senator HOGG—In respect of Russell, are you being supplemented for the lease-back?

Mr Corey—Yes.

Senator HOGG—For what period of time?

Mr Corey—Presumably it is a one time supplementation that goes on indefinitely. Once our budget base is supplemented, it remains there indefinitely.

Senator HOGG—You were saying that we really need to go to Finance to find out what the business case is that has been put on these properties.

Mr Corey—It was not a Defence initiative; it was a budget initiative. The decision was made in that context.

Senator HOGG—Do you know when the sale and the lease-back of these various properties will be concluded by?

Mr Corey—They are all proposed to be concluded during this financial year.

Senator HOGG—Are there any projected dates at this stage as to when they will be concluded by?

Mr Corey—No. It is just that the budget revenue projections are that they will be concluded during this financial year.

Senator HOGG—Thank you, Mr Corey. I think we will see you later today at some stage.

Mr Corey—Probably.

Senator HOGG—Yes, it is always a welcome happening—a pleasure. Can I move on to Defence executive management and financial accountability. Can you please outline what movements and appointments have occurred in the senior executive positions in the Defence organisation since the committee last met.

Mr Harper—It may be helpful for the committee to look at a table in the annual report on page 58. There is a schematic there that shows the conceptual structure. On the page following that—59, unsurprisingly—

Senator HOGG—I can see why you are the chief finance officer!

Mr Harper—You can see a list of appointments. Those persist at the moment with the exception of the Chief Defence Scientist, where it is shown as Dr Roger Lough, acting. It is now Dr Ian Chessell.

Senator HOGG—Where is that?

Mr Harper—Under ‘enabling executives’. The chief finance officer there is shown as acting but he is not acting now.

Senator HOGG—Where is that?

Mr Harper—Under ‘owner support’ and to the upper right.

Senator HOGG—That is you. You are no longer acting.

Mr Harper—Correct.

Senator HOGG—That is a result.

Mr Harper—The remainder of the appointments are as shown there.

Senator HOGG—So Mr Corey is still—

Mr Harper—Acting Deputy—

Senator HOGG—Secretary, Corporate Services, for example.

Mr Harper—But there has been an announcement that from a date in the new year, which I think is 29 January, a Mr Jeff Whalan will be taking up that position.

Senator WEST—He is coming across from Family and Community Services.

Mr Harper—Yes.

Senator WEST—He is going to be taking up which position?

Mr Harper—Deputy Secretary, Corporate Services.

Senator HOGG—What are you doing with Mr Corey?

Rear Adm. Ritchie—He is going back to real estate.

Senator HOGG—Back to real estate? I knew we would always protect you, Mr Corey. That appointment is from when?

Mr Harper—It is from 29 January.

Senator HOGG—So, beyond when this report was established and apart from those changes to the organisation you have just given us now, there are no other changes?

Senator WEST—When does Mr Corey cease to be acting?

Mr Harper—On 29 January.

Senator WEST—That is the day that Jeff Whalan starts.

Mr Harper—Yes, on the arrival of Mr Whalan.

Senator WEST—Thank you.

Senator HOGG—In June an organisational restructure was announced. Has that structure been fully implemented? If so, how many jobs were lost as a result?

Mr Harper—The structure, as described at page 59, has been implemented. That is clearly at the top level. I do not believe any jobs were necessarily lost as a result of that. There are clearly organisational changes occurring throughout the organisation at other levels and there may well have been jobs lost in that process.

Senator HOGG—All right, thank you very much. Are you able to outline for us the new senior management related committees that have been established since the last estimates hearing, who is on those committees, the mission of those committees, and the major recommendations or reports that those committees have completed or are currently working on?

Mr Harper—If you turn to page 61 of the annual report you will see a diagram indicating the five key committees.

Senator HOGG—Are there others?

Mr Harper—There are none which are explicitly part of the governance structure of the organisation.

Senator HOGG—If there are others, are they subcommittees of these committees?

Mr Harper—Some would not be subcommittees of those committees. For example, we do have a project examining whether our chart of accounts ought to be improved, can be improved. It would be guided by a steering committee, and that committee might report through Mr Moore to me directly rather than into one of these committees. Part of the reason for the changes which were announced on 23 June was to try to clarify some of the lines of accountability and to reduce the layering of committees. In terms of the top view governance of the organisation, those are the key committees, but it would be wrong for me to imply that there were no other committees in our organisation.

Senator HOGG—No, I accept your response there. Have any of those committees a work agenda, or do they have projects that they reported on thus far, or issues that they have reported on? If so, to whom do they report? Whilst I see a fairly simplistic version of the hierarchical structure there, I presume they do not all necessarily report directly to the minister. Some, I presume, report to people other than the minister.

Mr Harper—Yes, and the diagram is set out consciously in that way. It indicates that the Defence Capability and Investment Committee, and the Defence Audit Committee, would report to the Defence Committee. The Chiefs of Staff Committee is a committee which carried over from previous arrangements and largely is concerned with matters affecting the

operations of the Australian Defence Force. The Minister's Defence Improvement Committee is chaired by the minister, and ultimately reports to the minister.

Senator HOGG—That is self-explanatory. I am just wondering where these committees report to, where their recommendations see the light of day, and are their recommendations available to people such as ourselves, that is all? Are they any use to assisting us in determining the performance and the role of the department?

Mr Harper—They are certainly of use to us. With the exception of the minister's Defence Improvement Committee, they report ultimately to the CDF and the secretary. The CDF and the secretary have various responsibilities prescribed under pieces of legislation, and that gets into what has been described as 'the diarchy', where CDF has some responsibilities in his own right, the secretary has some responsibilities in his own right and in other areas they have joint responsibility and accountability. So it depends on the nature of the matter being addressed as to who might take any recommendation from, particularly, the Defence Committee.

Senator HOGG—Does each of these committees, therefore, have a specific purpose or charter that is written down?

Mr Harper—As part of the establishment of these committees, they have examined their own roles and are developing governance charters for themselves. In particular, the Defence Committee and the Defence Capability and Investment Committee have been working their own internal governance arrangements in a documentary form. I suspect that at the next meetings of each of those committees they will finalise those.

Senator HOGG—When their charter and their mission—or whatever they might like to call it—is finalised, it would be interesting if we could have a copy to assist us to understand the role and function of these committees. Does anyone audit the work of these committees at all? Obviously they are in their infancy, but is it the intention to have them audited?

Mr Harper—There is a sense in which they are self-auditing, and that would be explicitly contemplated by the committees themselves. In terms of whether they are being audited by somebody with a little more distance from them, perhaps not yet. But as part of our ongoing scouring of the organisation for opportunities to improve ourselves, I would imagine that that might come up.

Senator HOGG—If you could get back to us with that information in due course, it would be helpful.

Mr Harper—You asked earlier—and I did not complete the answer—who the members of those committees were. Pages 61 and 62 list the membership of those committees.

Senator HOGG—Thank you very much. Are you able to give us an update on the financial accountability and improvement measures that have been introduced following on from the internal audits that were initiated by Dr Hawke at the beginning of this year?

Mr Harper—The improvements in financial accountability, Senator?

Senator HOGG—Yes, I understood that there were some internal audits initiated by Dr Hawke.

Mr Harper—The organisation is seeking to improve its financial accountability in a number of ways. Much of that was announced on 23 June. In particular, it is seeking to align more completely the responsibility for delivery of certain what I might call products with the resources necessary to deliver those products. We are looking to introduce what might be

referred to as an internal purchaser provider regime. We have not done that yet but are doing internal work with a view to introducing those arrangements with effect from 1 July next year. So the arrangements announced on 23 June were a vision for the future. We could not snap our fingers and make the world suddenly improve from 1 July this financial year, and we are working up a revised set of arrangements from 1 July next year.

Senator HOGG—Thank you. This specifically relates to your section. As the chief financial officer, who are you responsible to?

Mr Harper—To the secretary and the Chief of the Defence Force. The secretary has particular responsibilities under the Financial Management and Accountability Act 1997. I am particularly accountable and responsible to him for those responsibilities—for the proper management of the defence organisation, which is set out, I think, in section 44 of that act.

Senator HOGG—How many people do you have in your team that work for you?

Mr Harper—The chief finance officer group has of the order of 225 people in it as we speak.

Senator HOGG—Where were those people before—just scattered hither, thither and yon?

Mr Harper—With respect to the chief finance officer group, I would describe it in terms of pulling together most of three pre-existing divisions: the management and reporting division, but not including the ministerial and parliamentary liaison section which had been part of that division; the former resources and financial programs division; and the capability analysis and options division.

Senator HOGG—Do you have a specific charter or a mission statement?

Mr Harper—Yes. The secretary and CDF are finalising a charter letter with me, as they are with other senior executives. I have an agreement with the secretary which we call a plan on a page, which sets out what is expected of me.

Senator HOGG—When will that be finalised?

Mr Harper—I would imagine by mid-December.

Senator HOGG—Again, that is the sort of thing that we should be able to have a copy of early next year?

Mr Harper—I will have to take that on notice.

Senator HOGG—Thank you very much. The next issue is the DRP. It has been one of my enduring interests.

Senator WEST—The purple books, the big one, the little one.

Senator HOGG—The fat one and the skinny one.

Senator WEST—What the expected savings were going to be and whether we have actually made any savings.

Senator HOGG—I have almost wallpapered a room with all the charts that I have got out of the DRP.

Senator WEST—I am surprised you have not wallpapered the whole house.

Senator HOGG—Firstly, I have been given, upon request—and they have been useful for me over a period of time in tracking the progress of the DRP—a number of charts which tell me where the cost savings are, where the personnel savings are, whether they are being achieved and so on. They have been very substantial sheets indeed but they have been very

useful. I am wondering whether those are available again, this time around, and if they are, I am not going to waste the time of this committee pursuing in-depth questions on those issues.

Cdre Lemon—It is my understanding that we had already sent you the current version, but if that is not so, we will—

Senator HOGG—I must admit I have not been in my office very much lately. I will check that and if I have not got them I will get back to you.

Cdre Lemon—They are certainly available, Senator.

Mr Harper—In any event, in the portfolio additional estimates statements, which should come out fairly soon, there will be some additional figuring.

Senator HOGG—I have just been used to getting these updates, and I did not understand. Obviously I have not checked my mail closely enough, so thank you. At the last hearing, Commodore Lemon, you made a reference to the fact that some of the expected savings from the DRP were not being realised, or were being eaten away, when it came time to re-sign contractors, or at the second signing of a contract for a service. Is that still the case?

Cdre Lemon—That is generally the case as we try to reconcile by individual initiative. When we make the decision, the contracts are negotiated if the scope needs changing. What this means is that the decision might be made on the basis of the saving of 34 per cent, but by the time the negotiation comes, we were achieving nearer to 30 or 25 per cent. In terms of the money that has actually been realised, the savings have been made because the process is to harvest the money out of the organisation's budget. It means that there are pressures put on the local organisation to achieve the savings, and it is difficult to reconcile.

Senator HOGG—So does that mean that the forward savings that were projected some time ago for the different initiatives are not necessarily being realised? How will that affect the forward estimates?

Cdre Lemon—The way that the savings are programmed, the realisation of the savings is relatively certain in that it is actually harvested out of the budget in the sense that the process that was followed in harvesting DRP savings is when the savings were calculated, they were harvested out of the budget. If the organisation has not achieved the savings, they have to look for other ways of achieving it, because the money is actually taken out of their budget.

Senator HOGG—That is my concern. You have to get the savings another way. So how is that being achieved?

Cdre Lemon—In the cases of corporate support, where they are most vulnerable to this, they have made additional savings in other contracts. Every contract does not actually run down. The basis of the savings was an estimate that we would achieve somewhere in the order of 25 per cent efficiency. When we proceed and make a decision based on the tenders that are made and we are achieving 34 per cent, they believe they are ahead and they have got additional funds. Subsequently, the contracts might change by as much as three or four per cent by the time they come to negotiation. This was more of a problem early in the process, especially in south Queensland, which was subject to separate audits. An awareness of the problem became part of the solution in making sure that the scope of the contracts was better specified and taking control of people's expectations of what they received.

Senator HOGG—You mentioned internal audits. That is something that we have discussed previously and I understood the department was undertaking a number of internal audits to validate the results of the DRP. How are those internal audits progressing?

Cdre Lemon—I have to present a report on the quality assurance to the Defence committee in February next year and it will go from there to the ministers.

Senator HOGG—Is that early February or late February? The reason I ask is because if it is early February, it may then be possible to make that available at the initial estimates.

Cdre Lemon—I understand that it will go to cabinet before it is released, which will be in March.

Senator HOGG—So we are looking at it being a little longer before it is released. In respect of the DRP, have the estimated savings for this or future years been adjusted this year?

Cdre Lemon—There are some adjustments in the tables. In table 4.3, there are differences in the savings expected from acquisition and industry. Savings have increased as a result of collocation of acquisition staff, and there are also administration savings from the new Qantas contract. Science and technology has gone down by \$2.6 million because of the decision not to market test the test and evaluation functions in the Maritime Headquarters. Logistic savings decreased by \$1.2 million as the result of a reallocation of overheads and price updating. Personnel planning has declined by \$76 million. This relates principally to health, housing and removals. It also reflects a consolidation of expenses into the personnel planning areas. Education and training is up by \$1.5 million, relating to technical trade and administrative savings at RAAF Wagga. Administrative support is up by \$128 million, due to garrison support and market testing. While individual contracts have been noted to rise, the actual saving by collocation of those contracts has been significant.

Senator HOGG—How much market testing is still proceeding? I would have thought that would have been almost at an end by now. I know it will be an ongoing process, but there were substantial blocks of it being done.

Cdre Lemon—We still have 3,530 positions to market test in the current program.

Senator WEST—You said that education was going up by \$1.8 million, basically because of something at RAAF Wagga. What is the story there?

Cdre Lemon—There was a rationalisation of technical trade training and administrative services at RAAF Wagga.

Senator WEST—What does that mean?

Cdre Lemon—Presumably, Air Force have incorporated alternative means of providing trade training. I am not sure of the detail. Air Force would have to provide that.

Senator WEST—Air Force, you are on notice for that one please. Is Brigadier Ramsey coming for the health one? I will put him on notice for the health increase of \$77 million.

Cdre Lemon—No, that is part of personnel planning. There was an element of health, housing and removals which was previously spread out which is now reported centrally because it is based on the number of people we have and our ability to save money was reflected in the numbers. The original DRP anticipated the Defence Force dropping to just under 43,000, and the decision to keep 50,000 ADF and the fact that we have 51,000 in the ADF at the moment mean that the savings attributed to personnel, health, housing and removals could not be achieved.

Senator WEST—I seem to have a recollection of a debate about 42,000 versus 50,000 and now 51,000.

Cdre Lemon—The target is 50,000 by the end of next year.

Senator HOGG—Are you on the road to make that target?

Cdre Lemon—I believe that is properly a question for the personnel executive. The planning is that we will achieve 50,000.

Senator HOGG—I just thought that, as part of the DRP process, you may well have known. Can you clarify for me where the DRP process is at? On the last occasion, my view was that the DRP had run its course, that there will be no new initiatives under the DRP and that it is basically a mopping-up exercise. Is that a reasonable assessment of it?

Cdre Lemon—We are trying to actually obtain a firm position of where DRP is. The fact that we achieve the savings is not in doubt, because of the way that the friendly finance people extract the money from the budget.

Senator HOGG—Well said.

Cdre Lemon—We know how many people we have, because we have the plans to reduce the forces, and all of the services have a manpower plan. The initiative is to go to 50,000 and the fact that the savings have been extracted meant that there was not a great deal of attention paid, in their cases, to the specific initiatives. I have had the task of trying to ascertain what has been achieved by those initiatives and which ones are outstanding or still have elements to harvest. A lot of initiatives have been completed, but all the overheads have not been harvested. Having established that, a lot of initiatives will be marked down as completed, and the ones that still have outstanding issues or have not been started or have for some reason not been pursued will be forwarded into a continuous improvement program and they will be managed by initiative, and we will be baselining the savings expected from those initiatives.

Senator WEST—Can I return you to the 50,000 and the 51,000 and the 42,000?

Senator HOGG—It was 42,700.

Senator WEST—I must get it correct—42,700. I thought we were already at 50,000 and had gone up to 51,000 as a result of the East Timor requirements.

Cdre Lemon—My recollection and understanding is that we had an additional 550 people approved for Timor operations, which brings the target to 50,550. There may be some other issues that I am not aware of, but the achievement of 50,000 was not something that could be done overnight. The services have a manpower plan to establish their new target ceilings, and those ceilings are individually adjusted for Timor. But it was not to be achieved overnight, and that is actually reflected in the report in the personnel section, under numbers.

Senator WEST—I thought it had already got to 50,000, that was all, and that there had been an increase. I might be wrong.

Rear Adm. Ritchie—I think we might ask Brigadier Brown to come down and explore the differences between the 50,000 plus the supplementation for Timor, if that is where your interest lies.

Brig. Brown—As mentioned, we are broadly on track to achieve the draw-down to the 50,000 by 30 June next year, subject to some issues to do with civilianisation. But, paradoxically, we also have the supplementation, as you are aware, for the additional 3,555 personnel for the Timor supplementation. So, at the same time as we are drawing down, we are also recruiting a different group of people—particularly in Army, 3,000; and 555 in Air Force, principally ground defenders—as part of the Timor supplementation.

Senator WEST—Does this mean that, instead of the target being 50,000, it will be 53,555?

Brig. Brown—That is the broad aim, subject to government decisions about how long we need to maintain the Timor supplementation. We did not actually get down to the 50,000 figure; we were drawing down that way and, as mentioned—

Senator WEST—What did you get down to?

Brig. Brown—About 50,900. I can provide the exact details on notice.

Senator WEST—Okay. So we got down to just under 51,000. Are we now up at the 53,555 figure?

Brig. Brown—No, we are not, Senator. We are still at about that level—50,900.

Senator WEST—Do we look like we are going to make the 53,555 figure?

Brig. Brown—Of course, that is subject to recruiting achievement and retention rates. It will take some time. We went into a very rapid surge for recruiting at the end of last year, for Army in particular. We are moving in the right direction, but we are not going to get there overnight. It will take a couple of years.

Senator WEST—How long do you expect that we are going to be in East Timor? If it is going to take us a couple of years to get up to the East Timor supplementation of 53,555 the whole show will be over, won't it? How long are we expecting to be there?

Brig. Brown—We are still meeting our operational commitment, but that is at the cost of some other elements of the ADF in terms of manning.

Senator WEST—What other elements are being impacted on negatively, obviously, because we are not able to—

Brig. Brown—There are a number of areas in the nonservice groups, in the other than Army, Navy and Air Force groups, where we are not able to man all positions at this stage.

Senator WEST—Such as?

Brig. Brown—In the corporate support area.

Senator WEST—How are they being staffed?

Brig. Brown—The work is being done by the current people, or being outsourced or whatever else.

Senator WEST—If we have not been able to get it up to 53½ thousand for the East Timor supplement, I would like a list which shows where the shortfalls are occurring and how those shortfalls are being overcome.

Brig. Brown—I can get that information.

Senator WEST—If you are saying that it will take a couple of years to reach the figure of 53,000 but the ultimate aim is to be back at 50,000, what are you going to do with them when you get to 53,000 and the government says, 'Okay, we're not in East Timor anymore'? Do we lose 3½ thousand? Is that what is going to happen?

Brig. Brown—I think a lot of this is subject to the white paper, in terms of what our operational requirements will be.

Rear Adm. Ritchie—We expect that the white paper will make some sort of decision on whether or not the extra numbers that are trying to be recruited for East Timor will become part of the permanent land force. We do not know what the answer to that question is until the white paper comes down.

Senator WEST—Will the white paper also outline tasks and roles?

Rear Adm. Ritchie—I have not seen the white paper, Senator.

Senator WEST—So we really do not know at this stage but we are, at current strength, 2,655 under quota?

Brig. Brown—Correct.

Senator HOGG—This is not necessarily related to the DRP, but I go back to the organisational restructure that we were talking about before. Were there any job losses as a result of that and were they part of the DRP? If there were job losses, how many jobs were lost?

Mr Harper—The organisational restructure that took effect on 1 July would not have been contemplated, to the best of my knowledge, during the DRP process. So any savings would not have been directly related to the DRP, although that would have been part of the context of the organisational restructure. There were no job losses per se as a result of the reorganisation on 1 July at the top level. But parts of the organisation, including my own, are looking at what they are required to do, and there could be job losses, job gains, as we align resourcing with what is required to be done. In terms of what has occurred already as a result of that, I do not think any of us here would have information on that, and we would probably need to take it on notice.

Senator HOGG—It is just that somewhere in the back of my mind sticks a figure that I think Dr Hawke mentioned earlier in the year about the loss of a couple of thousand jobs as a result of this organisational restructure, but I might be wrong there. Would you take that on notice and let us know whether any jobs that were not part of the defence reform program and were not accounted for there were lost or will be lost as a result of the organisational restructure and how that impacts, if it does, on the figure that Senator West was talking about.

Mr Harper—Yes, an obvious area where there has been large change—probably the largest organisational change—has been within the Defence Materiel Organisation, which is reconfiguring itself. But I do not have knowledge here of where they are up to with that process or when they will be completing.

Senator HOGG—I have further questions on the DRP. I would now like to move on to outsourcing and contracting out. Have there been any changes to Defence outsourcing or contracting out policies this year?

Cdre Lemon—The commercial support program policies have remained the same this year.

Senator HOGG—What is the Defence policy in respect of what they call ‘shopfronting’?

Cdre Lemon—As far as the commercial support program goes, shopfronting is generally not an issue. The issue of replacing a service, which is what the CSP activity is doing, requires the service to be performed, and it is performed in Australia. The activities that have been commercialised through the commercial support program have been the provision of garrison support activities, clerical administrative activities and logistic activities. In terms of those programs, they require the companies to be in Australia and the people to be on the ground delivering the service.

Senator HOGG—Whist that might be the ideal, as I understand it that is not the practice. As I understand it, the practice is that the parent companies move the repairs offshore and, as a result of that, there is a loss of jobs and skills in Australian industry. Do you have any

indication where Defence contractors are despatching equipment offshore to their parent companies for repair rather than repairing and refurbishing the equipment in Australia?

Cdre Lemon—I do not have any specific examples, but there have always been elements of Defence equipment that have been maintained overseas. I am sure that in some of the larger contracts there would be some elements of that happening.

Senator HOGG—Putting the services side to one side, I am talking now specifically about equipment, where there is contracting out and outsourcing of the maintenance of equipment. Where there has been the transfer, or despatching overseas offshore, of equipment to the parent companies that have won the contracts here in Australia, is there any indication that, as a result, Australian industry misses out?

Cdre Lemon—I think Admiral Scarce is in a better position to address that issue.

Rear Adm. Scarce—We do contract with Australian companies. That is our preference. We have policies that require Australian industry content in our contracts. But there are instances where equipment is sent overseas because of the low volume or because we cannot get the intellectual property rights to repair it. We are constantly watching that, with a view to bringing as much activity back into Australia as we can.

Senator HOGG—What are those low volume areas—can you identify them for us?

Rear Adm. Scarce—Certainly. If I look at the Anzac ship, for instance, it would be sensors, some radars, low volume, high technical equipment that requires expensive repair equipment and where it is not cost effective to repair that volume of activity in Australia. In some instances, as I have mentioned, we do not own the intellectual property rights to do it.

Senator HOGG—Was there ever an occasion where that work was done in Australia, or has it always been outsourced and then taken overseas by the outsourcer?

Rear Adm. Scarce—We have over half a billion items in our inventory.

Senator HOGG—I accept that.

Rear Adm. Scarce—I think there are instances where we have tried to repair in Australia and, because of the low volume, it has become not cost effective and therefore we have transferred the repair overseas.

Senator HOGG—Could you give us an idea of the sorts of items we are talking about? Are they aeroplane parts, for example? Are we talking about engines?

Rear Adm. Scarce—I will restrict myself to Navy items.

Senator HOGG—What about engines on ships?

Rear Adm. Scarce—No, generally we will have contractors in Australia to repair those engines. If you were talking about specific engines, auxiliary propulsion units—

Senator WEST—Diesel engines?

Rear Adm. Scarce—Diesel engines would be in Australia. We have Australian representatives that manufacture and repair our diesels in Australia.

Senator HOGG—What categories are most likely to go overseas?

Rear Adm. Scarce—High-tech communications equipment, specific equipment purchased for those sorts of activities, where, again, there is low volume work.

CHAIR—Can I interrupt you, Senator Hogg, because we are breaking between 1 and 2 and I know the minister has a commitment between 1 and 2. It might be a suitable point to make our break for lunch now.

Senator HOGG—We can come back to this. That is fine.

CHAIR—Thank you, Senator Hogg.

Proceedings suspended from 12.58 p.m. to 2.04 p.m.

CHAIR—The Defence estimates committee is now back in session. We are coming to the end of the questions on the overview of the department.

Rear Adm. Ritchie—Before we start, could I ask that Air Vice Marshal Conroy reads into the record some of Senator Hogg's answers to questions on the VIP aircraft.

Senator HOGG—They are Senator Faulkner's answers.

Rear Adm. Ritchie—Can we read it back into the record now?

Senator HOGG—Could we defer that until we can get Senator Faulkner here because Senator Faulkner may well have some issues arising out of that.

CHAIR—Admiral Richie, Senator Faulkner will be returning with some questions for the Chief of Air Force.

Senator HOGG—Hopefully, his office is watching now and they are getting the message that Senator Faulkner should return to these proceedings as soon as reasonably possible.

CHAIR—Can I report to his office that the Chief of Air Force is now here. So, if you want to ask him questions, please come, Senator Faulkner.

Senator HOGG—Before I proceed, Mr Harper had a point of clarification in terms of a question that I asked earlier today about indicative interest rates that would have been received by Defence on their investments. I ask Mr Harper to put that on the record.

Mr Harper—I was just going to draw the committee's attention to note 29 to the financial statements at page 144 of the annual report which, among other things, refers to the at-call daily interest rates earned on departmental balances being between 3.75 per cent and five per cent per annum, and term deposit interest rates ranging from 4.68 per cent to 5.95 per cent per annum. These were points which we did not raise in response to Senator Hogg's earlier question.

Senator HOGG—Thanks very much. Just as we were breaking off for lunch, I was getting some wonderful explanations about the outsourcing.

Rear Adm. Scarce—Senator, you asked for some examples.

Senator HOGG—Yes, please.

Rear Adm. Scarce—I have got a few here. Firstly, I would start with a close-in weapons support system. This is currently maintained in the US on about a 12-month- to 14-month-cycle rotation, and the parent company will not release the IP for the overhaul to be completed in Australia. We have a variety of electronic warfare equipment, particularly for our service combatants, that has hitherto been manufactured overseas, and that repair authority is currently being established in Sydney. The Collins submarine communication masts that I think I mentioned are high cost, low volume and that activity is maintained overseas. With the Collins buoyant wire antenna, once again we require specialised repair facilities—low volume, not of strategic importance—and once again that is maintained overseas. In each of

these cases, we make a business decision based upon the strategic nature of the item that we are repairing and the volume and the cost of the repair. As I mentioned earlier, we have a policy of attempting to get as much Australian content into our repair, refit and shipbuilding purchases as we can.

Senator HOGG—Do you keep a track of those projects where work has to go overseas?

Rear Adm. Scarce—We do.

Senator HOGG—Can you give me a list of those—if it is not too voluminous?

Rear Adm. Scarce—A list of projects that have overseas—

Senator HOGG—Where there is outsourcing and contracting that goes overseas. This is something that I can follow up at a later estimates hearing. I am not going to pursue it at great depth here. It may well be that I can go through and identify one or two or maybe half a dozen of those particular ones—I call them projects, but they are obviously maintenance projects—which I want to further query the defence department on. I think that that might be the simplest way for everyone. Thank you very much for that information.

[2.10 p.m.]

Senator HOGG—As I have no more to raise on the overview and major issues section, I will now move on to output 1, Defence operations, but Senator Faulkner will be coming in and going back to some of those other issues. Firstly, in respect of the military board of inquiry into the death of Corporal Jones, when is the board expected to release a finding and a report?

Air Vice Marshal Treloar—I have the report from the board of inquiry on my desk at the moment. They have released their report to me—I am the appointing authority for that board. That report is just going through a check on the legal status and correctness of the board outcome. I will then report that to CDF by the end of this month and to the Chief of Army for further reconsideration.

Senator HOGG—When would it reach the public domain? When is that most likely—a best guess?

Air Vice Marshal Treloar—No, I could not do that. I think it depends how the findings come out, the recommendations and how they are treated by the Chief of Army and by CDF and then to the minister.

Senator HOGG—All right. On the deployment to East Timor, how many ADF personnel are on the ground at the moment in East Timor and has this changed significantly in the last six months?

Air Vice Marshal Treloar—Yes, it has. It has drawn down at the end of June from around 2,000 personnel to 1,600. As of last week it was 1,608, broken down to about nine major capabilities, which I can go through if you wish.

Senator HOGG—Is it something you can give us quickly?

Air Vice Marshal Treloar—I can read them out to you.

Senator HOGG—Just read it quickly into the record.

Air Vice Marshal Treloar—There is: the Australian Headquarters, 54; the officers and personnel at Headquarters UNTAET, seconded, 35; United Nations military liaison officers, 15; the Joint Movement Coordination Unit, 26; Australians in the United Nations military hospital in Dili, 55; the Light Observation Helicopter Troop, 27; Australians in Headquarters

Sector West, on the border, 21; the Australian battalion group, 1,062, and that includes a Black Hawk troop; the Force Logistics Squadron, 151, and they are providing support to the general United Nations operation; the Comoro Airfield Support Group, the CAS G, of Air Force, 108; a Caribou detachment, 28; and there are landing craft heavy, naval craft, two, 26 people. If I have got it right that is 1,608.

Senator HOGG—Thanks very much for that. How will that change in the next 12 or six months?

Air Vice Marshal Treloar—We are looking at a review of quite a few of those support capabilities, with an endeavour to have them withdrawn in due course once the United Nations can put a contract in place and take those responsibilities over. That is a process that is an ongoing negotiation.

Senator HOGG—Are you able to outline the timing and which battalions will be deploying and returning from East Timor over the next 12 months?

Air Vice Marshal Treloar—In the last two weeks there was a changeover between the 6th Battalion and the 1st Battalion—1RAR—and they will change with 4RAR in April.

Senator HOGG—Do we have an estimated cost for the financial year 2000-01?

Air Vice Marshal Treloar—I will have to defer to Mr Moore on that.

Mr Moore—The estimated cost for the full financial year is \$948 million.

Senator HOGG—That cost is not likely to change anymore at this stage?

Mr Moore—Not at this stage, no.

Senator HOGG—And that is the cost for this financial year only?

Mr Moore—Yes, that is correct.

Senator HOGG—Does that cost only cover those in East Timor? Does it cover any support that might be being received from back in Australia?

Mr Moore—Yes, it does. It is our total net additional cost of supporting the deployment in East Timor from Australia. It also includes the additional force generation costs for the two additional battalions that the Chief of the Army is responsible for raising for eventual deployment to Timor. There are in-country deployment costs, such as their daily East Timor allowance costs, plus all the costs back in Australia.

CHAIR—Senator Hogg, might I interrupt you there? Senator Faulkner is here now and his questions can be answered. I call the relevant officer to the table.

Air Vice Marshal Conroy—Senator Faulkner asked two questions: who do we deal with, directly in government, on the SPA or the VIP issues; and, secondly, the suggestions that have been made thus far from that point of contact. The point of contact we have is in PM&C: the First Assistant Secretary, International Division. With regard to suggestions or participation thus far, PM&C have agreed the fit-out configuration for the domestic VIP aircraft, the three Challenger 604s. The only decision there was that we had an option between a nine- or an eight-seat configuration and we have opted for the eight-seat. PM&C participated in that decision, but it was not their suggestion. It was a suggestion out of my project office, as it turned out.

With regard to the Boeing 737 BBJ International SPA, there have been no suggestions or participation thus far, because the prime contractor, Qantas, has yet to select and notify their fit-out contractor. When they have selected their fit-out contractor, we anticipate that there

will be a number of options available for us, a number of decisions that have to be made on colours, material, whether both aircraft are going to be configured exactly the same et cetera. We are tentatively planning a meeting with PM&C on these subjects about mid-December, if Qantas stay on schedule.

Senator FAULKNER—Thanks for that Air Vice Marshal. The only other issue I canvassed was the question of any formal or less formal contact you might have had with the Prime Minister's office and how that worked. Were you able to have a look at that for us?

Air Vice Marshal Conroy—My project office deal at arms-length though the contact in PM&C.

Senator FAULKNER—So your project officers have no direct or indirect contact with members of the Prime Minister's office?

Air Vice Marshal Conroy—My understanding is that members of the PM's office may attend this mid-December meeting but, at the moment, there has been no contact.

Senator FAULKNER—Thanks for that. Air Marshal McCormack, I had earlier raised in your absence—and we decided to not progress it until you were available—a couple of questions in relation to the Brunei incident, which you are well aware of, in relation to the 707s. Of the two RAAF VIP 707s, one has, effectively, has a business class fit-out, and the other has an economy type fit-out. That is my unprofessional and amateurish explanation; but it is something like that, isn't it?

Air Marshal McCormack—We can reconfigure the aircraft as required, but it takes quite a while to do that. On the day in question, we had one configured in the VIP configuration and one in the general passenger configuration. We had the one in the general passenger configuration on stand-by in Richmond as a backup. When the VIP aircraft went u.s. at Darwin, the backup aircraft went to Darwin and picked up the party and took them to Brunei. When the aircraft at Darwin was fixed, ALG, through my staff, came to me and said, 'Should we send it forward?' and I said, 'Yes, we might need a backup in Brunei, anyway.' So the VIP aircraft was sent up to bring the PM's party back to Australia.

Senator FAULKNER—So you made the decision to send the second 707 to Brunei after it was repaired?

Air Marshal McCormack—Yes.

Senator FAULKNER—Did you receive any requests in relation to that?

Air Marshal McCormack—The only request I had was from the commander ALG—the commander air lift group—whose staff, through my staff, said 'This is what I would plan to do; is that okay?' and I said yes.

Senator FAULKNER—Do you know if the air lift group had any requests from outside the RAAF for such—

Air Marshal McCormack—Not that I know of. I was just given the question and I said, 'Yes, it's prudent to have the extra aircraft up there.' The non-VIP one was already in Brunei. We had to position the non-VIP one in Darwin anyway. That was where it was doing another task, so to leave it there for just the extra day as a backup was an eminently suitable thing from my point of view.

Senator FAULKNER—I appreciate that you might not know at this point, but would you be able to check whether this was the initiative of air lift group itself or whether a request had been forthcoming from outside the Air Force.

Air Marshal McCormack—I will check it but, in the normal course of events, a staff officer VIP operations who is an Air Force officer would be running that program, and I am not sure what role he actually played in the extra aircraft.

Senator FAULKNER—I hear what you are saying, and I appreciate that and it is very clear, but I am just wondering whether there was a request forthcoming from outside the RAAF. My second question on notice is: if there was, where did it come from? That is all, but if you could check that, I would appreciate it.

Air Marshal McCormack—I will check that for you.

Senator FAULKNER—Thank you, I appreciate that. The other thing is: do you have the costs of the deployment of the second plane? Could you break it down for us?

Air Marshal McCormack—Since we were going to position the aircraft in Darwin anyway, I am just counting the Darwin-Brunei-Darwin part of it.

Senator FAULKNER—Sorry, could you just explain that to me?

Air Marshal McCormack—We were going to position the non-VIP aircraft in Darwin anyway. That is why it was in that configuration. We were going to use it out of Darwin, so if you take it that the additional flying was just Darwin-Brunei-Darwin—

Senator FAULKNER—I do not necessarily take that, but I appreciate that you might. That is why I was wondering if we could just disaggregate it in total.

Senator Newman—Why wouldn't you take it?

Air Marshal McCormack—We were going to run the aircraft up to Darwin.

Senator FAULKNER—That is a matter for—

Senator Newman—No, it is a matter of fact.

Senator FAULKNER—I understand what happened. You see, what happened, Senator Newman, was this: the VIP configured aircraft broke down—or whatever the expression is for aircraft—in Darwin, so it could not go Darwin-Brunei. So the general passenger aircraft goes, I think, from Richmond to Darwin, from Darwin to Brunei and from, I assume, Brunei to Darwin and back to Richmond—but Air Marshal McCormack will tell us that—and then the VIP configured aircraft also goes from Darwin to Brunei and back again. So I am just wondering what the disaggregation of the cost is.

Senator Newman—I do not think you listened to the answer properly.

CHAIR—I think the non-special purpose aircraft had been intended to be positioned in Darwin.

Senator Newman—It was there anyway. That is what you have been told. That is why I say it is—

Senator FAULKNER—I am just asking for the cost of it.

Senator Newman—For the extra cost.

Senator FAULKNER—No, you might be asking for the extra cost; I am asking for the costs, that is all. It does not matter whether or not we add in the word 'extra'. I suppose these things are in the eye of the beholder; that is the only point I am making.

Senator Newman—They are the facts that we are trying to get at.

Air Marshal McCormack—The troop carrying configuration aircraft flying from Darwin to Brunei and back again cost \$92,376 and the VIP aircraft flying all the way from Canberra to Darwin to Brunei and back to Canberra cost \$214,805.

Senator FAULKNER—With the return legs of these aircraft, where do they go? Do they go Brunei-Darwin—

Air Marshal McCormack—No. The aircraft flew direct from Brunei to Canberra.

Senator FAULKNER—Is that the case with both the aircraft?

Air Marshal McCormack—No. The other aircraft was coming back to Darwin to continue its job.

Senator FAULKNER—I see. So that I am clear on that, just run me through the actual legs that these things have flown.

Air Marshal McCormack—The VIP-fit aircraft flew Canberra-Darwin-Brunei to Canberra for a cost of \$214,805. The non-VIP aircraft flew Darwin-Brunei-Darwin for a cost of \$92,376. That is including accommodation, landing fees, fuel and all those sorts of things.

Senator FAULKNER—Thank you very much.

Senator WEST—In relation to the deployment in East Timor, there was a small media report saying that the troops were ‘repelled by repellent’ and it relates to the alleged failure of three-quarters of the soldiers surveyed in East Timor to use mosquito repellent each day despite warnings about malaria and dengue fever. That was alleged in an Army survey. Have you any comments about the use of mosquito repellents by these troops?

Air Vice Marshal Treloar—I am not aware of the particular report you are referring to but the troops are required to use the repellent, as well as being required to have the sleeves of their uniforms rolled down to give them maximum protection against vector borne mosquito diseases. At the same time, their uniforms are treated. I think they are dipped every fourth week to ensure that they have the best repellent against mosquitoes within the uniform.

Senator WEST—So you do not know whether the troops are in fact using the repellents and keeping their sleeves rolled down?

Air Vice Marshal Treloar—We do know that they are keeping their sleeves rolled down. I had not heard that they were not using the repellent. That is news to me.

Senator WEST—Okay. The article says, ‘Soldiers hate using the sticky repellent developed for them by the Army Malaria Research Institute in Brisbane.’ This was apparently stated at a conference recently. I do not have the date of the clip. I actually ripped it out and did not put the date on it. It was quoting a Captain Bruce Russell, saying that 15 per cent had admitted they never used repellents.

Air Vice Marshal Treloar—I cannot comment on that except to say that they are required to use repellents and we take all precautions to make sure that people are properly protected. We will check that.

Senator WEST—What has the incidence of malaria and dengue fever been?

Air Vice Marshal Treloar—I have those figures. As at 5 October, there were 71 confirmed ADF malaria cases and 255 at least of confirmed ADF cases of dengue infection. The greater incidence of dengue is because there is no antidengue medical treatment. However, current dengue risk is minimised by limiting exposure to mosquito bites by the examples I have said—sleeves rolled down and uniforms dipped in permethrin every fourth

Saturday—as well as mosquito nets and the fogging of the local area. They appear to be effective in keeping the mosquitoes partly at bay. But the disease rate remains consistent with sustained operations in a known malaria and dengue endemic zone.

Senator WEST—We certainly know it is that. Are these the all-up figures for the Australian troops who have been there for the last 12 months?

Air Vice Marshal Treloar—I believe that is the case, but I will check that.

Senator WEST—Do you have any breakdown as to whether there has been one particular time when there have been more cases?

Air Vice Marshal Treloar—There are more during the wet season, when you actually have pools of water lying around for mosquitoes to breed in. We have just finished the dry season in East Timor, and we are about to enter the wet season.

Senator WEST—And you will be keeping figures on those?

Air Vice Marshal Treloar—We do keep figures, yes.

Senator WEST—How many of the 71 have been left with after-effects that cause debilitation?

Air Vice Marshal Treloar—I do not know the answer to that question. I will have to take it on notice.

Senator WEST—Right, and the same with the after-effects of the 255 of those with dengue. Does this mean that that 71 can never be posted back to a malaria area again?

Air Vice Marshal Treloar—There is no policy on that to say that they cannot be posted back, but they would be scrutinised by the medical fraternity before they were to be posted back.

Senator WEST—The medical area does not have a policy about the postings of those who have contracted malaria and returning them to an active malaria area?

Air Vice Marshal Treloar—To the best of my knowledge, that is the case. Again, I will take that and check to make sure I have the facts right.

Senator WEST—I would think there would be some concern, wouldn't there, of what your liability might be if you post people back to malarial regions once they have suffered from malaria—or maybe even from dengue fever.

Air Vice Marshal Treloar—I was going to include dengue fever in that. Yes, I agree, Senator.

Senator WEST—What is the ADF doing about developing a policy?

Air Vice Marshal Treloar—It is not my immediate area, so may I take that and pass that on to the medical fraternity?

Senator WEST—Is it in Brigadier Ramsey's area?

Air Vice Marshal Treloar—Yes.

Senator WEST—I will follow it up there. In August, the foreign minister gave a commitment that Australia would keep ADF troops in East Timor if requested. Did the Minister for Foreign Affairs consult the Minister for Defence before giving that commitment?

Air Vice Marshal Treloar—I would have to pass that question to the Deputy Secretary, Strategy.

Senator WEST—Is Defence still being supplemented for the extra costs involved in the East Timor campaign?

Mr Moore—We are being supplemented through to the year 2003-04, but that does not necessarily mean that we would stay there that long, just that the government has made a funding commitment for that period. That would be reviewed, depending—

Senator WEST—A commitment until when?

Mr Moore—A commitment until 2003-04.

Senator WEST—You will be supplemented for that period of time?

Mr Moore—That is correct, Senator.

Senator WEST—I will have to ask Strategy about keeping them on. How many incidents of gunfire exchanges have there been in East Timor since the ADF troops arrived there? Currently, how regularly are troops on the border being engaged or fired upon?

Air Vice Marshal Treloar—Australian troops?

Senator WEST—Yes.

Air Vice Marshal Treloar—I will need to take that on notice to give you the exact numbers. I assume you are asking back to when they were first deployed in September last year?

Senator WEST—Yes.

Air Vice Marshal Treloar—I will have to check that for you. There have been no exchanges in gunfire with Australian troops over the last three or four weeks. What you have been seeing in the newspapers have been exchanges with New Zealand troops in the south.

Senator WEST—So there are still engagements with other troops?

Air Vice Marshal Treloar—Yes.

Senator WEST—Have we not been engaged in the last three or four weeks because we have moved our troops to a different sector?

Air Vice Marshal Treloar—No. Troops are in the same area of operations. Their area is an area that they can patrol effectively with the equipment that they have. They are well-trained troops and they are doing the job very effectively. On the other hand, the southern part of the sector is very rugged and difficult to patrol. Their militia are using some of that terrain to their advantage and are unexpectedly bumping into New Zealand forces in the south.

Senator WEST—I am particularly interested in knowing how regularly our troops are being fired upon or being engaged. There is a difference between being engaged and being fired upon, is there not?

Air Vice Marshal Treloar—I am not sure that the soldier being fired upon would draw that distinction.

Senator WEST—If you make contact without firing and you see them scarpering off into the distance, what do you classify that as?

Air Vice Marshal Treloar—That is a visual contact: they have not engaged, they have not exchanged fire. We use the terms together. It has been quite some time since Australian troops have engaged or exchanged fire with militia.

Senator WEST—Are we making visual contact with them?

Air Vice Marshal Treloar—They can see them across the border from where the observation posts are. You can look across the border and see all manner of folk.

Senator WEST—That is fine as long as they stay that side of the border, but how often are we making visual contact inside East Timor?

Air Vice Marshal Treloar—It is not reported in the context of it being an action. There are militia wishing to return to East Timor who are giving themselves up and coming back across the border in very small numbers. They are obviously taken into custody and passed on to the civil police. There are those sorts of sightings of militia, but I think you are talking about hostile engagement type activity.

Senator WEST—Yes, I am talking about other activity that is not quite engagement, because they are not firing at one another.

Air Vice Marshal Treloar—It has been some time. I would need to check the last date it happened, otherwise I could give you the wrong date.

Senator WEST—Okay. Just how dangerous is the current situation up there?

Air Vice Marshal Treloar—It is quite dangerous inasmuch as it is unpredictable. You can go for quite some time and have no activity. It depends on the wish or the will of the particular breakaway militia group. If they do decide to come across the border and engage the troops, it can happen very quickly and unexpectedly. You cannot predict that.

[2.37 p.m.]

Rear Adm. Ritchie—Senator, you had some questions on the policy aspects of East Timor, and Dr Brabin-Smith can answer those questions.

Senator WEST—Thank you. In August, the foreign minister gave a commitment that Australia would keep ADF troops in East Timor if requested. Did the Minister for Foreign Affairs consult with the Minister for Defence before giving that commitment?

Dr Brabin-Smith—I think it would be unusual for officials to say what ministers might or might not have said to each other. In this case, though, I think we can presume the generality that the Minister for Foreign Affairs would not make such a statement had he not got the agreement of the Minister for Defence.

Senator WEST—I was not asking what had taken place. I was asking: was there consultation; did they meet about the issue? I do not want to know what took place, because that is not appropriate.

Dr Brabin-Smith—Ministers meet all the time. To be frank on this point, I do not think I am in a position to answer your specific question.

Senator WEST—Did the Department of Foreign Affairs and Trade have discussions with the Department of Defence or the ADF about it?

Dr Brabin-Smith—There are many discussions between the Department of Defence and the Department of Foreign Affairs and Trade, but I think you can assume the generality that the Minister for Foreign Affairs would not have made the statement had there not been the appropriate level of consultation.

Senator WEST—Does Strategy still think we are committed until 2002-04?

Dr Brabin-Smith—It will depend on events which have yet to occur, primarily the evolution of the political processes and structures within East Timor leading to independence,

on the present timetable, in about a year's time. Secondly, it will depend on the nature of the relationships between people living in East Timor, the East Timorese, and the militia.

Senator WEST—Thank you. You have been reading the *Yes, Minister* scripts very well.

Dr Brabin-Smith—Is there something that I did not answer there?

Senator WEST—No, I think it was very well done.

Dr Brabin-Smith—Thank you, Senator!

[2.40 p.m.]

Senator HOGG—Can I now move to the next issue, the Olympics. What was the total cost to Defence of their contribution to the Olympics?

Mr Harper—The total cost is estimated to have been \$461 million.

Senator HOGG—You have not got a final wrap-up of the figures?

Mr Harper—That would be a very advanced estimate.

Senator HOGG—How many reservists were used at the Olympics?

Air Vice Marshal Treloar—There were 2,201 reservists.

Senator HOGG—Were there any problems with coordination between ADF personnel and the state authorities at the Olympics?

Air Vice Marshal Treloar—No, Senator. The major group with which we interfaced significantly was the New South Wales Police Service. That worked very well—in fact, with glowing results. For example, at vehicle checkpoints, there were reservists mainly manning those areas and inspecting vehicles, in the presence of a New South Wales police officer. Each of the groups that I visited and spoke with spoke highly of the other person's professionalism and capabilities. There were higher level interfaces that I am aware of. I have spoken to the people involved and in each case I received back a positive report.

Senator HOGG—If there were 2,201 reservists, how many other ADF personnel were involved?

Air Vice Marshal Treloar—The total number of personnel was 5,622.

Senator HOGG—So the figure is 3,421?

Air Vice Marshal Treloar—Yes, Senator.

Senator HOGG—And they were from all elements of the Defence Force?

Air Vice Marshal Treloar—Predominantly land force, from the Army, but they came from Air Force and Navy as well.

Senator HOGG—Were there any security problems that the ADF identified or assisted with during the Olympics?

Air Vice Marshal Treloar—There were two cases where there were suspected explosive devices left around Sydney. They were dealt with by the bomb search squadron and destroyed. There were the standard searches of Olympic venues, if you take that as a security issue.

Senator HOGG—Were there any other major incidents?

Air Vice Marshal Treloar—There were a couple of false alarms but they were not security issues.

Senator HOGG—Those questions were asked mainly to get the record straight and also to pass on our congratulations to the ADF for the fine effort that they put into playing their part in the Olympics.

Air Vice Marshal Treloar—Thank you, Senator.

Senator HOGG—Mr Harper, do you have some more numbers for me?

Mr Harper—No, more words

Senator HOGG—I thought you were a numbers man!

Mr Harper—Occasionally I lapse into words. I just want to clarify that the figure which I quoted earlier referred to the Olympics and Paralympics.

Senator HOGG—So it included both efforts.

Air Vice Marshal Treloar—We are in the same boat. We have treated the Olympic Games as the total for the Olympics and the Paralympic Games.

Senator HOGG—That was the basis on which my question was asked. I have no further questions on the Olympics.

Air Vice Marshal Treloar—Senator West, you asked a question about policy for dengue and malaria. There is a policy for dengue but there is not one for malaria.

Senator WEST—Okay. When Health appears before us, we will ask about that.

Air Vice Marshal Treloar—In the interests of clarity, can I direct you to the answer to question on notice No. 28 which we supplied to the May hearing, which dealt with this subject as well.

Senator WEST—Thank you.

[2.45 p.m.]

CHAIR—We now move to output 2—Navy capabilities.

Senator HOGG—Is it correct that the *Manoora* and *Kanimbla* are being fitted out with headquarters suites?

Vice Adm. Shackleton—Headquarters suites?

Senator HOGG—I thought I saw this somewhere. It might have been at joint public accounts or one of the other committees.

Vice Adm. Shackleton—The headquarters fit-out for those ships is confined to communications and accommodation space for use by those people who embark on the ships for command purposes.

Senator HOGG—But this is additional to the existing refits that have taken place. Is that correct?

Vice Adm. Shackleton—There is additional communications and accommodation space being fitted out to embark command facilities as part of the overall refit and modernisation program that those ships are going through.

Senator HOGG—I understood that they were undergoing sea trials and that this refit is taking place post those sea trials. Is that correct?

Vice Adm. Shackleton—Not to my knowledge.

Senator HOGG—All right. When was it decided that this refit, including some additional accommodation for communications, be undertaken? Was it to be part of the original refit or is it additional?

Vice Adm. Shackleton—As you are aware there has been a fairly chequered history for that refit. As requirements were developed, funding was provided for the installation of equipment as those ships were refitted and modernised. So *Manoora* came out of the yard late last year and has been in service since and is now conducting operations. Those communications facilities were fitted then. I might say that there is always a review of onboard facilities. Where we find that there are shortcomings we will install more equipment or change it as funding and circumstances permit to meet the requirements.

Senator HOGG—So what were the extra facilities, if I can describe them as that, that were fitted?

Vice Adm. Shackleton—I would have to go and look to see what the ship installation fit was. At this stage of the game I am not sure I could describe it as extra in that it was fitted as part of the program we went through which led to *Manoora* coming out of the yard in December last year. Perhaps I could provide you with a list of equipment that the ship is fitted with.

Senator HOGG—All right.

Senator WEST—You also talked about additional accommodation refits.

Vice Adm. Shackleton—No, they were not additional. This accommodation was accommodation that was extant already in the ship and was brought to what you might call Australian standards for accommodation.

Senator HOGG—And both ships are operational now?

Vice Adm. Shackleton—*Manoora* is operational now. She presently has some army Black Hawks and Sea Kings embarked. *Kanimbla* is still in the yard at Newcastle and, all things being equal, should be leaving that yard in December to return to Sydney after which time we will start to put her through acceptance trials and bring her up to operational status.

Senator HOGG—So when do you expect it to be at operational status?

Vice Adm. Shackleton—My estimation would be about mid next year.

CHAIR—I have one question. Admiral, has *Manoora* been to the Solomons?

Vice Adm. Shackleton—*Manoora* is in the vicinity of the Solomons now.

Senator CALVERT—Can you tell me when the charter on the *Jervis Bay* finishes?

Vice Adm. Shackleton—The lease on *Jervis Bay* expires in May next year.

Senator CALVERT—It is not proposed to finish that earlier?

Vice Adm. Shackleton—No.

Senator CALVERT—Have you been satisfied with the operations of *Jervis Bay*?

Vice Adm. Shackleton—Yes, very much so.

Senator CALVERT—Is it too early to say at this stage whether you propose a further charter of that vessel?

Vice Adm. Shackleton—In some respects it will depend on the economics of it all. The ship does very well what she was designed to do, which is to carry cargo over relatively short

distances—she only has a range of about 1,000 miles. We obviously now have our own heavy lift with *Kanimbla* coming into service next year and we will have *Manoora* and *Tobruk*, which can carry the heavy goods that we wish to carry. I think it will be the operational circumstances that dictate whether we extend the lease or not.

Senator CALVERT—Have Navy been involved in any promotion of that vessel with the United States Navy or the Coastguard?

Vice Adm. Shackleton—Not in promotion per se, but we have had quite extensive discussions with the US Navy about what you can and cannot do with that kind of vessel in different kinds of operational circumstances. Certainly the USN and the US Marine Corps and, to some extent, the US Army have interests in that kind of carrying capability. But not only do Incat, the manufacturers of *Jervis Bay*, have some interest in dealing with the US; so, too, do Austal, the Western Australian based ferry manufacturer.

Senator CALVERT—It would be fair to say, then, you would be satisfied with the charter of the Incat vessel for what it was intended to do?

Vice Adm. Shackleton—Certainly—what it was intended to do it has done very well.

Senator CALVERT—Thank you. That is all.

[2.52 p.m.]

CHAIR—We are continuing on output 2, Navy capabilities, and moving to Navy clearance divers.

Senator WEST—In a recent issue of the *SeaTALK* magazine there was an article about the integration of females into the CD category. It says that the Chief of Navy's senior advisory committee agreed to open the clearance diving category to female members and that the committee was briefed on the development and the implications of this plan on 7 April this year. Is that correct?

Vice Adm. Shackleton—The words are not correct. I have not agreed to the opening of the Clearance Diving Branch to females at this stage. We are still studying the implications of females in that environment. Our current defence policy is that females will not be engaged in direct combat activities, and clearance diving team people are in that group.

Senator WEST—It says, 'To this end, the Chief of Navy has directed that a business case be developed by August 2000.' Am I looking at the right story?

Vice Adm. Shackleton—That is correct. I said that, first of all, I wanted to satisfy myself that the male physical standards of performance were satisfactory and were appropriate for the work that they did. I then wanted to find out whether females could be expected to meet that level of physical endurance and the like. Based on that and our expectations of how many females might actually want to join that category, I would then have to consider that and make some recommendations, both to the Chief of the Defence Force and, ultimately, to government.

Senator WEST—Is it correct that your senior advisory committee did agree to the opening up of that last year? Is that part of the article correct?

Vice Adm. Shackleton—No. They did not agree to the opening up. They agreed to examine the opening up.

Senator WEST—So the article is not correct?

Vice Adm. Shackleton—I do not think so.

Senator WEST—Is this an official Navy publication?

Vice Adm. Shackleton—I cannot actually see what you are reading.

Senator WEST—It is *SeaTALK*, which I understood was an internal Navy publication.

Vice Adm. Shackleton—Yes, it is. What is the date on that one, please?

Senator WEST—Winter 2000.

Vice Adm. Shackleton—That is a Navy document; it does carry articles of information to members of the Navy community. I suspect that the wording there is not as precise as I would like to see it.

Senator WEST—I wonder how that came about. Who is responsible for the publication of this?

Vice Adm. Shackleton—I am, ultimately.

Senator WEST—Is it done in Navy or is it done in ADF communications?

Vice Adm. Shackleton—That is prepared by Navy. It is prepared within the boundaries and the scope of the messages that we want to send to people.

Senator WEST—Was the business case developed by August of this year?

Vice Adm. Shackleton—Yes, it was.

Senator WEST—Where does it go to from here?

Vice Adm. Shackleton—It is still under review.

Senator WEST—So I keep waiting and watching.

Vice Adm. Shackleton—Indeed.

Senator WEST—Does this mean that women do not want to be clearance divers or submariners either?

Vice Adm. Shackleton—The two categories are really quite different. We have quite a number of volunteers of a female gender who would like to be submariners. That has so far, with a number of issues, proven to be a successful program. It is obviously one that we are dealing with carefully and sensitively. A clearance diver is altogether a new avenue potentially for females. It is not done in this country at all yet. Other countries which have attempted to do this have had varying degrees of success. But, by and large, it has been typified by a very low level of volunteers, and even further typified by a very low number of people who can maintain the physical levels of fitness and strength.

Senator WEST—That would apply to males as well as females, wouldn't it?

Vice Adm. Shackleton—The issue is upper body strength, leg strength and endurance. I have no doubt that some females could do that. The question, ultimately, is whether it is cost effective to do it, and whether government policy is willing to consider it.

Senator WEST—Following this publication, have any women expressed an interest or inquired further?

Vice Adm. Shackleton—A number of women have offered the opinion that it should be open to them should they choose to do it, but so far we do not have any volunteers.

Senator WEST—I seem to recall people in Navy initially saying that women would not want to be submariners either.

Vice Adm. Shackleton—I think there are two different aspects here. One is serving in a submarine in a protected environment under the water. In this instance of the clearance divers you were talking about being open to physical danger in combat.

Senator WEST—Having been in the simulation thing for the submarines, I think you would be mad to be down in one, with all due respects to any submariners here.

Senator Newman—Don't hurt the recruiting effort, if you do not mind.

Senator WEST—There is nothing wrong with sailing on top of the water but underneath—

Senator Newman—Some women are made of sterner mettle.

Senator WEST—Yes, I am not made of sterner stuff when it comes to being underneath the water and staying there in a tube, with all due respect to the whole lot of you with dolphins on your chests. Thank you.

Senator HOGG—I move to northern naval bases. Are there any plans for new Navy bases in Queensland that are being developed?

Vice Adm. Shackleton—No.

Senator HOGG—There was an ABC Townsville bulletin stating that Admiral Shackleton had held discussions with 3 Brigade about placing Navy personnel and ships in Townsville. Then the member for Herbert apparently told the media that all this land based support would be needed if such a proposal went ahead.

Vice Adm. Shackleton—I did have discussions with 3 Brigade. I wanted to go and see how they do business because of the relationship the Navy has with Army for amphibious transport and amphibious operations. I had a look at the roll-on/roll-off facility at 10 terminal in the port of Townsville to see what is going to be done there. The port of Townsville is going to put in an additional dolphin so that *Manoora* and *Kanimbla* can back up to that wharf and we can take Army vehicles through the ramp that the ships have.

Senator HOGG—So this is not a new naval base?

Vice Adm. Shackleton—No, it is a modification to an existing wharf so that we can more effectively use those ships to embark Army people, trucks, vehicles, and the like, when we go to Townsville.

Senator HOGG—So the story was blown out of proportion?

Vice Adm. Shackleton—I certainly think it is a bit creative.

Senator HOGG—I understand that there are some serious facility problems at HMAS *Cerberus* with buildings having leaking roofs and some falling apart. I have also been told that there is meant to be a sound audit carried out each year in some of the facilities and that, if such an audit is not conducted, the OH&S policy requires that the facility not be used. I understand that such an audit has not been conducted there over several years. Is that correct?

Vice Adm. Shackleton—There certainly are some issues at HMAS *Cerberus*, but perhaps I can ask Mr Ross Bain to give some details.

Mr Bain—I am aware of a few specific issues.

Senator HOGG—What about leaking roofs?

Mr Bain—Yes, I am aware of that.

Senator HOGG—What about falling apart? If so, what is falling apart?

Mr Bain—I am not sure. I will have to get you details of those. There is a regular checking regime that takes place through all of our bases and these things should be picked up as part of that. We establish a program of maintenance for each year. I think there is one specific building down there—building 190—where a program is just about to get under way. I will confirm that for you.

Senator HOGG—What sorts of deficiencies are there in building 190? Is it the one with the leaking roof?

Mr Bain—I think that might be, and I will get you details of that.

Senator HOGG—What are the other problems there?

Mr Bain—At *Cerberus*?

Senator HOGG—Yes.

Mr Bain—There is an issue in relation to what is termed ‘blue water’ at the medical centre. We have been investigating that for a number of years. It is confined to the medical centre itself and it is perhaps related to the fact that there is copper piping. The Geelong hospital had a similar problem. There is a range of ways to deal with it and we are doing that at the moment.

Senator HOGG—You say that you have been aware of it for several years; how long is ‘several years’ and why is it taking so long to fix the problem?

Mr Bain—It was first identified towards the end of 1997. It is not an uncommon occurrence although, from what I am told, it is difficult to establish the cause and the cure. In the case of the Geelong hospital, they undertook a flushing regime and that worked. We have endeavoured to do that. We have done a manual flushing of the pipes and that had limited success. We have now started automatic flushing. That got under way at about the middle of this year. Once again, that had limited success. We are having discussions with South East Water. Chlorine dosing can also help the problem. The results of that should be known shortly. In the meantime, we are also looking at what the cost would be to replace the copper piping.

Senator HOGG—Does it pose any health problems?

Mr Bain—From what I understand, at the moment the water is still drinkable.

Senator HOGG—What about the other issue that I raised—the fact that there is meant to be a sound audit carried out each year and apparently there has not been a sound audit carried out for a number of years?

Mr Bain—I am not aware of that. I will see what I can find out for you.

Vice Adm. Shackleton—Senator, do you mean a sound audit in terms of acoustic problems?

Senator HOGG—Acoustics, yes.

Vice Adm. Shackleton—We have a building there with an alarm and broadcast system which we know has a number of faults. Would that be what you are referring to?

Senator HOGG—I have not got the specifics in front of me, but if you are helping me out in that way—

Vice Adm. Shackleton—We do have a building called the Navy School of Survivability and Ship Safety, which we know, as part of our ongoing maintenance checking, does have a

deficiency with its alarms and broadcasting systems. It would be part of a maintenance program to get it fixed.

Senator HOGG—Okay. If you take that on notice and check that out for me I would be most appreciative.

[3.05 p.m.]

Senator HOGG—I will move on to the decommissioning and gifting of the DDGs. What was the process involved in deciding who to gift the decommissioned DDGs to?

Vice Adm. Shackleton—I am sorry, I missed that.

Senator HOGG—What was the process involved in deciding who to gift the decommissioned DDGs to?

Vice Adm. Shackleton—As the ships become available—and that is always known some time in advance—often state governments will write to Defence saying that they have a desire for a ship to be placed in their state waters for a dive wreck because they attract fish. Then a process of examination is undergone and a recommendation as a consequence of all that work then goes from me to the minister. He ultimately agrees with my recommendation or suggests that we revisit it.

Senator HOGG—What governments have approached the Department of Defence in recent years?

Vice Adm. Shackleton—Western Australia, Queensland, Tasmania, South Australia and New South Wales. They are quite popular.

Senator HOGG—You have letters from Western Australia, Queensland, Tasmania and New South Wales. Anyone else?

Vice Adm. Shackleton—We have had a letter from an individual who I think wants to buy the *Brisbane* for \$1.

Senator WEST—Brisbane city or the *Brisbane*?

Senator HOGG—Never!

Vice Adm. Shackleton—I am afraid I am only responsible for HMAS *Brisbane*.

Senator WEST—I am sorry, I will not be mean to my Queensland colleague.

Vice Adm. Shackleton—I have some notes here that this individual wants to purchase it for \$1 and donate it to the Townsville museum.

Senator HOGG—So you have got one individual and you have got Western Australia, Queensland, Tasmania and New South Wales. Don't Victoria or South Australia want it?

Vice Adm. Shackleton—Yes, I forgot South Australia, I am sorry. South Australia is where the *Hobart* is presently being gifted to.

Senator HOGG—So they have got one.

Vice Adm. Shackleton—Yes.

Senator HOGG—What about Victoria?

Vice Adm. Shackleton—Well, I have only got three of these ships.

Senator HOGG—I know—this is what I am worried about: how you decide who gets what. I have so far found out you have given *Hobart* away to South Australia.

Senator WEST—Where are the Tasmanians? Senator Newman?

Senator HOGG—Senator Newman, I will have to stand up for your rights.

Vice Adm. Shackleton—There are some expenses incurred in this for the acquiring state. In the case of the *Perth* for Western Australia, where she will be sunk around the Albany area, they are required to pay the towing costs of the ship from Sydney to its new location. I guess when we go through the refinement process to have people understand what the implications and the costs are, not everybody then wants to proceed with it.

Senator HOGG—Do all these applications come in at the same time?

Vice Adm. Shackleton—No. For instance, for *Brisbane*, which is currently still in service and will not pay off until about October next year, we have had letters of interest from Queensland, Western Australia, New South Wales and, as I have said, this other proposition that we put it in Townsville.

Senator HOGG—So Tasmania do not want the *Brisbane*?

Vice Adm. Shackleton—I do not know. They have not written to me.

Senator HOGG—They have not put in an expression of interest. Let us just go back through the process, because I am just trying to understand who gets what and how they get it. For example, how did Western Australia get *Perth*—were there no other states at that stage vying for one?

Vice Adm. Shackleton—I would have to go back and have a look at what the files say, but the process was fairly amicable. There were no disagreements, ultimately, with the outcome.

Senator HOGG—So you would not get the Premier of Queensland upset because Western Australia got the *Perth*?

Vice Adm. Shackleton—I do not know. I do not remember seeing an application from Queensland for—

Senator HOGG—I just used that as an example.

Vice Adm. Shackleton—I do not know. I would not want to upset the Premier of Queensland.

Senator HOGG—I am pleased to hear that. What about Tasmania? Why did they miss out?

Vice Adm. Shackleton—When we had discussions with Hobart, their interest was in having the *Hobart* retained as a floating museum. We explained that we would not be in a position to be associated financially with that and the costs would all have to be borne by Hobart. They did their business case and it did not stack up.

Senator HOGG—It would seem sensible that the home state would want their ship.

Vice Adm. Shackleton—Certainly, Hobart expressed—

Senator HOGG—Is that one of the criteria that you might use as to who gets what?

Vice Adm. Shackleton—In a sentimental sense, you would have to give it a certain amount of consideration.

Senator Newman—So we will probably be waiting for the *Launceston*.

Senator HOGG—In the case of the *Perth*, you have given that to Western Australia.

Vice Adm. Shackleton—To Albany—in fact, to the Western Australian state government.

Senator HOGG—And they are picking up all the costs of towing it there. What are the costs?

Vice Adm. Shackleton—We do not know. The Western Australian state government pays for it.

Senator HOGG—Do they meet any of the decommissioning costs?

Vice Adm. Shackleton—No. Navy has an obligation, no matter what, to strip out from those ships the equipment that we want to use in other places, such as the communications equipment, which we would reuse. We are also obliged to clean up the vessel so that there are no greases, oils, pollutants and the like in the vessel, so that it is safe to be towed.

Senator HOGG—Is there an order in which these have been gifted? Firstly, there is the *Perth* to Western Australia?

Vice Adm. Shackleton—That is correct.

Senator HOGG—Then the *Hobart* to South Australia?

Vice Adm. Shackleton—Yes.

Senator HOGG—You mentioned that when the *Brisbane* comes up for gifting next year, Queensland, Western Australia and New South Wales will all have bids in to have the *Brisbane*, but would it be more than likely that Western Australia, having been gifted one, would not get a second bite at the cherry?

Vice Adm. Shackleton—I can only speculate. Frankly, my personal preference at this stage is to find some way to keep the *Brisbane* afloat and alive for heritage purposes. I have not yet finished exploring what the options for that might be. I am really not in a position to make any recommendations or determinations one way or the other at this stage.

Senator HOGG—With respect to the process, you said that you make the recommendation to the minister and the minister ticks off on the recommendations that you put forward.

Vice Adm. Shackleton—Yes.

Senator HOGG—Are there other organisations outside the states? You mentioned one individual who wanted one of the ships for \$1. Are there historical organisations that request them?

Vice Adm. Shackleton—Some believe that it is possible to set these ships up as museums in their locale. Each one of those has to be considered in their own right as to what revenue raising prospects they might have in order to pay for the upkeep of the ship. After that, the analysis of the various options and strengths and weaknesses is considered; then a best assessment is made from that.

Senator HOGG—Have any of your recommendations not been agreed to by the minister in respect of the disposal of the ships?

Vice Adm. Shackleton—No. We have only had to do it twice.

Senator HOGG—And you have got it right both times.

Senator WEST—Can I talk about the issue of naval reserve cadets. This relates to some correspondence between the shadow minister for defence science and personnel, Mr Laurie Ferguson, and the parliamentary secretary, Senator Abetz, on 12 July. This is in respect of TS *Jervis Bay*. I do not want to mention any names, but are you aware of this matter?

Vice Adm. Shackleton—Yes, I am.

Senator WEST—He wrote seeking responses about claims of fraud and sexual harassment which had been brought to his attention. I want to check that Senator Abetz, in his reply of 14 September, undertook to have a complete financial audit carried out on TS *Jervis Bay*. Is that the correct assumption that I should draw from that letter?

Vice Adm. Shackleton—I do not have the senator's letter. I am aware of those claims and I know that they were all investigated by people experienced in the matter and things have moved on from there. I am not convinced that it is closed out yet in terms of the personalities involved, so we will continue to pay attention to it, obviously.

Senator WEST—Okay. Was there a complete audit done, who was responsible for the conduct of the complete audit and, if it has been completed, what were its findings? You may wish to take that on notice.

Vice Adm. Shackleton—I will have to take that on notice. My notes do not cover the level of detail that you are seeking.

Senator WEST—On the issues relating to the alleged sexual harassment incidents, it would appear that Senator Abetz's reply indicated that certain minor incidents were thought to have occurred. Would that be a correct assessment?

Vice Adm. Shackleton—My notes show that the allegations of fraud were found to be unfounded, but there was some reason to believe that there had been some inappropriate behaviour on occasions and that equity training assessment was provided to the individuals and that is ongoing. That is obviously an issue between a couple of personalities that are unable to see eye to eye on some matters.

Senator WEST—Can I turn to the issue of naval reserve cadets across the board. Are they committed to a policy of zero tolerance on sexual harassment?

Vice Adm. Shackleton—That is the policy.

Senator WEST—Does the organisation—the naval reserve cadets—have a formal policy on sexual harassment and, if so, can you provide me with a copy?

Vice Adm. Shackleton—I do not have the documentation with me. I can say that in the last 12 months we have given quite a lot of attention and focus to the naval reserve cadets because of the kinds of things that you are alluding to. Navy wants it to be a place where young people can have some adventure and excitement and can do that in a proper and safe environment. To that end, we have been spending a fair bit of time with my staff and the reserve cadets commanding officer to make sure that we can achieve that. We have obviously been participating in the review that Senator Abetz initiated about the cadet scheme as a whole. I can have a look and see what policy document exists and we can provide that to you.

Senator WEST—Yes, and on what changes might have taken place in the last 12 months or so. That is what I am after.

Vice Adm. Shackleton—Yes.

Senator HOGG—That finishes that section and we can move to Army.

[3.19 p.m.]

CHAIR—We move now to output 3, Army capabilities, and topic No. 1, Steyr rifles.

Major Gen. Leahy—Before we start on Steyr rifles, I could answer the question that I took on notice from Senator West in relation to question 12 and AACAP. I have a fairly lengthy reply. Perhaps I could table that, but give you the outline of the reply now.

Senator WEST—Thank you.

Major Gen. Leahy—You asked four questions. What drop in service was occasioned by East Timor operations? There was no drop in health services. The drop in support to AACAP was in engineering support in that we deployed engineers to East Timor. That shortfall was met by employing civil engineering contractors. Did the staff come from elsewhere? Medical staff were provided from general reserve units and they were not involved in any deployment to East Timor. What health services are being provided? A number of supports are being provided to the Tiwi islands. There is environmental health; medical officer support; treatment through ear, nose and throat specialists who have provided help in training local people, and nursing support as well as medical assistance support. All the Army works in the Tiwi islands are now complete, but some minor civil contractor works are being finalised.

Senator WEST—Who paid for the civil engineering contractors that you had to bring in in lieu of the military engineers? They would not have done it for nothing.

Major Gen. Leahy—Certainly not; those funds would have come out of the agreement between ATSIC and the Army and the provision of funds. There is a budget for that agreed between us and ATSIC.

Senator WEST—This would presumably have been in lieu of the fact that you were not allocating any money for your own engineers. Did you pay it or did ATSIC pay it?

Major Gen. Leahy—It is an agreement that we have with ATSIC. We are not sure of the arrangements.

Senator WEST—If you can get back to us on that that is fine.

Senator HOGG—Firstly, on the Steyr rifles, aside from the military board of inquiry into Corporal Jones's death, has Army done any assessment on possible problems with the Steyr?

Major Gen. Leahy—We continually assess the Steyr. It is part of the normal process of any weapons system for any piece of equipment in service. The most common type of assessment we see are reports of defective unit material and equipment. I am aware that in Steyr's case there have been 14 since it has been introduced into service. That has been predominantly to do with the gas plug of the weapon that required some re-engineering in the early 1990s. That was not an issue of safety at all. It was a problem with the manufacture of the gas plug. It was repaired and, to the best of my knowledge, we very seldom see reports on the functioning of the weapon. Dr Ian Williams, who is at the table, might be able to add some to this from DMO, but we are continually assessing the performance of the weapon through our engineering people.

Senator HOGG—Is it fair to interpret your comments to mean that you believe that there is no basic underlying problem with the Steyr?

Major Gen. Leahy—We believe that the weapon is a safe and reliable weapon and suitable for service.

Senator HOGG—Earlier this year we asked about accidental unauthorised discharges in East Timor. Could we, therefore, interpret from your earlier response that most of those were probably handling errors?

Major Gen. Leahy—That is correct, Senator.

Senator HOGG—If they were handling errors, what training has been undertaken to ensure that those handling errors do not recur?

Major Gen. Leahy—Training starts when the recruit comes into the recruit training area. Soldiers are familiarised with the weapon they are required to fire. They should be aware through the AIRN process that there is a requirement each year that we practise and assess soldiers and officers on their ability to handle the weapon. Obviously, for those soldiers who are in high readiness units there are increased requirements for firing of the weapon at various stages of weapons practice so that they become more familiar with it.

Senator HOGG—Are there more problems at the officer level area than at the other ranks?

Major Gen. Leahy—There is no clearly identifiable pattern.

Senator HOGG—When are they due for replacement?

Major Gen. Leahy—We will be looking at replacing the weapon at the end of this decade. There will be a series of projects and tests to see what weapon might replace it, but it is in service, to my best knowledge, for about another 10 years.

Senator HOGG—The next issue is the future of 6RAR. I have been informed that there are rumours abounding at Enoggera that Army intends disbanding or hollowing out 6RAR. Have any decisions been taken regarding 6RAR to this effect?

Major Gen. Leahy—Certainly not. We have no intention of disbanding 6RAR. In fact, we are looking at, depending on the white paper, giving 6RAR some more work to do. It is dependent on the white paper and some of the discussions this morning in terms of the manpower but our intention with 6RAR, if the white paper gives the permission for it, would be that we would rerole them as a motorised infantry battalion and that they should expect from their return from block leave over the Christmas period that they would be tasked to provide a motorised infantry battalion of two motorised companies, battalion headquarters support and administrative company. They will use the vehicles that they have been using up until now, that is the phase 1 Bushranger vehicles, and with the provision of the phase 3 Bushranger vehicles they will be mounted in them. We see a rosy future for 6RAR.

Senator WEST—To continue to live at Enoggera?

Major Gen. Leahy—Certainly.

Senator HOGG—Have you been able to trace where the rumours have come from?

Major Gen. Leahy—No, but I will.

Senator HOGG—I would be most interested because Enoggera was the home of the 7th Task Force at one stage in my neck of the woods so if you could find out and allay some of the fears that seem to be coming out of that area—

Major Gen. Leahy—We heard that there were some fears yesterday and we have already taken steps through the chain of command to reassure the battalion. They have done a great job in Timor. The reservists who went with that battalion did magnificently. We are very proud of 6RAR and we think it has a good future as a motorised battalion, I must though say, dependent on the outcomes of the white paper.

Senator WEST—Everything depends upon the outcomes of the white paper.

Senator HOGG—Next question is in respect of the Army 6x6 vehicles. Is there an axle problem with the Army's 6x6 vehicles that has resulted in Army not being able to use these vehicles?

Major Gen. Leahy—Yes, there is an axle problem but it has not resulted in Army not being able to use the vehicles. I will ask Dr Williams to give the detail of it but I will cover Army's use of the vehicles.

Senator HOGG—How many have you got?

Major Gen. Leahy—There are a total of 334 plus 910. The split of the numbers will become clear as Dr Williams explains. The point is that we have been using these vehicles. When the problem became apparent I was asked, as deputy chief of Army, to provide a waiver so that we could continue training for 1st Battalion preparing for their deployment to East Timor and similarly for troops on deployment for Operation Gold in Sydney. I gave that waiver which enabled, under some restrictions, the vehicles to be used and we are expecting the first phase, that is 334 vehicles, to be ready for general use again on, I think, 15 December. Perhaps I could ask Dr Williams to explain a bit further.

Dr Williams—Essentially I will just give you a quick run-down. The total fleet of Army Land Rovers is 3,800 or thereabouts. The majority of those are of the 4x4 variant. Of that there are about 2,600 which are not affected by this axle. They have a different arrangement and there is not a problem. So the large part of the Land Rover fleet is not affected. Those vehicles that are affected, as the general said, relate to mostly the 6x6 but there are also a small number of the 4x4s that were fitted with a similar axle. So the total numbers are about 1,230 or 1,240 that are actually affected by this particular axle defect. It came to light when a vehicle was turning a corner at fairly low speed and collapsed on one side. There was no injury—

Senator HOGG—It was fairly obvious.

Dr Williams—In fact, when they inspected it they found there was a basic defect. We did some engineering work and the result was that they decided to put on hold that particular group of Land Rover vehicles and take them out of service in Australia. The ones in Timor were still used but under appropriate constraints. There is a fixed program in place with two phases to it. The first phase is fixing 334 of the newer vehicles. There was a batch bought under Project Bushranger more recently. The judgment there was that they could be fixed fairly easily rather than replaced. That has been done at the expense of Land Rover Australia, not to Defence and the intention is that by about mid- to late December that should be complete.

The second phase is to the older vehicles, about 910 mostly purchased under Project Perentie, an older program. Those vehicles require some new axle housings that are being manufactured in the UK. Those will be fitted, and plans are to have them repaired by about the end of March 2001. The costs there are being shared between Defence and Land Rover. The reason for sharing is that the vehicles, being as old as they are, were well through their life. The argument was that we did not have a totally new system, that we had already got a certain life out of them.

Senator HOGG—Are those 910 off the road currently?

Dr Williams—Yes, apart from the vehicles running in Timor. The vehicles up there are still being used, but there are certain constraints on speed, et cetera, to ensure safety.

Senator HOGG—But in the main it is fair to say that the 910 are off the road?

Dr Williams—Yes, and they will be brought back progressively, leading through to the end of March.

Senator HOGG—What about the 334 that are currently in the process of being fixed?

Dr Williams—On current indications, they are fairly close to it. I have 15 December as the target date to have that completed.

Senator HOGG—I have no further questions there, Chair.

CHAIR—Thank you, Senator Hogg and General Leahy. We will take a short break.

Proceedings suspended from 3.31 p.m. to 3.51 p.m.

CHAIR—We will proceed to output 4—Air Force capabilities. We will start with aviation incidents and safety.

Senator HOGG—Does RAAF keep records on accidents and incident rates of Defence aircraft and, if so, what are the figures for 1999-2000?

Air Marshal McCormack—Yes, we do keep records. Approximately 1,800 incidents have been reported so far this year.

Senator HOGG—This is in the calendar year?

Air Marshal McCormack—Yes.

Senator HOGG—Not the financial year.

Air Marshal McCormack—So far this calendar year. Most of them are not serious or significant, but we record all incidents, so that we can keep a track of flying safety and trends in flying safety.

Senator HOGG—I understand your figures include both the figures for Army and Navy as well. Is that correct?

Air Marshal McCormack—That is true. The flying safety organisation is a triservice organisation.

Senator HOGG—Of the 1,800 incidents this year, you say that most are not significant. How many significant incidents have there been and are you able to give us an idea of what those incidents are?

Air Marshal McCormack—On the accident side there were two. We had a Kiowa helicopter strike wires in a low flying exercise. The aircraft was written off. Then we had a Black Hawk helicopter whose rotor blades hit a revetment at Williamtown. It was on the ground when it did it. They are the only two accidents that we class as accidents. The major incidents include an irregular release of a sonar buoy from a PC3 Orion; a near mid-air collision between a King Air and a PC9 at East Sale; inadvertent entry into cloud by a Chinook; and irregular release of a training missile off an F18 over Darwin.

Senator WEST—Someone is minus a vehicle after that, aren't they?

Air Marshal McCormack—An aircraft in training at Tamworth nosed over during gusty wind conditions. A CT4B had an engine failure near Tamworth and the aircraft was successfully landed in the paddock. In October the Black Hawk that was training up in Timor had a tree strike and an unplanned landing. They are the ones that I think are significant incidents out of the 1,800.

Senator HOGG—Can you identify the greatest safety issues that have faced Defence aviation last year or the last couple of years?

Air Marshal McCormack—There is no one trend. In fact, it has been quite a good year as far as the accident rate goes. Human factors would be the category under which I would put most of the incidents.

Senator HOGG—Have initiatives been put in place to overcome any of the difficulties that have been encountered?

Air Marshal McCormack—We are constantly trying to improve our flight safety, particularly on human factors. We have started a new process of crew resource management, which we are funding for the three services to make sure that we get the best out of our crews.

Senator WEST—Do you know how the RAAF incident and accident record rate compares to the records of other air forces?

Air Marshal McCormack—That is a difficult one because a lot of countries classify an accident and incident differently. The United States Airforce classifies theirs per 100,000 hours. We do not go formally that way because we do not fly that many hours compared with the United States Air Force. In one year we could have an accident rate of zero because we had no major accidents; the next year we could have an accident rate of 1.4 per 100,000 hours because there were two accidents. It is very difficult to actually give a figure because statistically it is too small, but we are somewhat comparable with most Western air forces.

Senator HOGG—Where is RAAF up to with the closure of RAAF Fairbairn?

Air Marshal McCormack—Defence sold Fairbairn. We have a closing date of about May 2003, and until then we have free access to our areas over there. We have a phased withdrawal and, at the moment, we would expect to have most of our presence out of there by the end of next year.

Senator HOGG—Where will the VIP fleet operate from after that?

Air Marshal McCormack—It has not been decided yet. We are looking at various options. Depending on what happens with the VIP fleet, as far as the type and that sort of thing and the decisions, there are various options. It may be simpler to stay where we are and pay rent, or to build something somewhere else. We are not sure.

Senator HOGG—Can you be a little bit more specific about what the options might be?

Air Marshal McCormack—Not really. We could have a case where the aircraft could be based at another place and just fly in to pick up people, that is at one end of the scale, or right through to new hangars here at Fairbairn, or Canberra Airport, as we would call it then, because we would take the RAAF sign off the door.

Senator WEST—That would almost defeat the purpose of having sold it, wouldn't it?

Air Marshal McCormack—No. We have moved a lot out of Fairbairn. In fact, the Staff College has just finished out there. The helicopter schools are moving. The only thing left would be the VIP Squadron. To keep a whole base running for just the one squadron would be very inefficient.

Senator WEST—Where are the helicopter schools going?

Air Marshal McCormack—At the moment they are planned to go to Oakey and Nowra.

Senator WEST—Where has the Staff College gone?

Air Marshal McCormack—Weston Creek. It starts out there in January.

Senator HOGG—What about the buildings at Fairbairn? I understand that some of them might be heritage listed. Is that correct?

Air Marshal McCormack—There has been a study out there about it. Some of them are heritage significant—for example, the stained glass doors and a few things like that—but I am not fully aware of any heritage listing.

Senator HOGG—Have they been heritage listed?

Mr Bain—No. Portions of Fairbairn related to the layout and also some of the structures out there have been nominated for listing on the Register of the National Estate. That is currently being assessed by the Australian Heritage Commission.

Senator HOGG—Does that pose any problem for Defence in its decision to move out?

Mr Bain—No, it is not really an issue for Defence. It will be an issue for the new owner. They can work through that with the Heritage Commission. It is really just having regard for any heritage values that the site may have in developing their future proposals.

Senator WEST—I would like to turn to Tamworth and the pilot training school there. Is there a shortage of flying instructors there at present—or has there been?

Air Marshal McCormack—There was. There has been a push by training command to get things back to speed and BAe Systems now has enough QFIs online.

Senator WEST—For how long did BAe have a shortage of QFIs?

Air Marshal McCormack—It built up so that the course that graduated on 17 November was 63 days late. The next one will be seven days late. We hope that by the time the next course comes out, they will be back on time.

Senator WEST—Did this shortage of QFIs require you to send up instructors?

Air Marshal McCormack—Since we took over the flying training there, we have always had instructors there. We have maintained that. The problem was that they had difficulty employing enough QFIs that were qualified in the sort of things that we needed them to do.

Senator WEST—To get them to the stage where you could then take over your specific training?

Air Marshal McCormack—Military instructors have a more stringent requirement on them than civilian instructors. Quite a few of the initial ones could not pass the test that we put them through at East Sale. Since then, they have employed a lot of ex-military instructors.

Senator WEST—Did you have to send some of your trainee pilots elsewhere as a result of there not being enough QFIs?

Air Marshal McCormack—That was not a problem with Tamworth. That is the changeover between the Macchi and the Hawk—the Hawk coming into service just now, in fact. To make sure that we are not holding up any fast jet training on Hornets or F111s, we intend to send eight pilots to the UK early next year.

Senator WEST—What has been the additional cost to RAAF for this delay in training—over two months for this round that have just graduated on 17 November?

Air Marshal McCormack—I am not sure if there was any additional cost, apart from allowances and things like that. I could not give you that because the contract is for production of pilots and is not on a time basis.

Senator WEST—How has it set back your training schedule?

Air Marshal McCormack—The courses in Pearce have been delayed a bit, but we will be able to make that up next year.

Senator WEST—What is the cost going to be for the ones who have to go to the UK?

Air Marshal McCormack—As a matter of fact, we did a barter deal with the UK. They had trouble with their basic training in their Tucarno aircraft, which is the same type of aircraft as our PC9. They have already sent some pilots to Australia, training on our PC9s at Pearce. We are doing a barter deal where the costs will be fairly small.

Senator WEST—You will still have to supplement them though because, with where the Australian dollar is at present, it would not be much fun living in the UK.

Air Marshal McCormack—No, but the cost of flying the aircraft far outweighs allowances. We are training about 15 of their pilots for eight of ours. So it is not an even swap.

Senator WEST—Earlier on, we were talking about the DRPs and some of the changes and fluctuations that have taken place there. I think I put you on notice about this, but you might not have been here at the time. We heard that there had been changes in education at RAAF Wagga. What is going on at RAAF Wagga, please?

Mr Veitch—We have achieved more savings rather than less, so it is a good news story.

Senator WEST—That depends on what the impact is on Wagga. With a name like Veitch, you should have connections down that way.

Mr Veitch—I sure have. Essentially, we have achieved \$1.2 million in savings earlier than scheduled. That relates to a couple of elements. One is a revision of the number of personnel. There is a small increase in the total number of people saved in that arrangement, but the most significant element of it is actually bringing the savings forward. We estimated those savings to occur in the next financial year, and they will actually fall in this financial year.

Senator WEST—You talk about people saved. I take it that means fewer people being trained?

Mr Veitch—No.

Senator WEST—That is people teaching people, then—trainers?

Mr Veitch—It is fewer military personnel in Wagga training people in the technical trades. This has been a two-stage process. Firstly, we rationalise the function and, secondly, we contract out certain elements of that.

Senator WEST—To the TAFE there?

Mr Veitch—Yes. So most of the industry and what have you remains in Wagga.

Senator WEST—What does not remain in Wagga?

Mr Veitch—I am not sure that I could say offhand.

Senator WEST—If you could take that on notice—what does not remain in Wagga—that would be most helpful.

Air Marshal McCormack—It is not that we are shifting anything out; we have just reduced the number of people required for training. It has not gone somewhere else.

Mr Veitch—The function remains, it is just that it is a different arrangement in the delivery of the function. In other words, a transfer from military personnel to industry, to the technical colleges.

Senator WEST—With respect to the F111 fuel tank maintenance, there have been some reports of serious OH&S problems regarding the maintenance of these. What is the story there?

Air Marshal McCormack—We have had problems with tank deseal/reseal for quite a few years. I had reports of some OH&S problems, so I instigated a board of inquiry. The board will start to sit in February next year. Until now, we have been gathering all the information. We have had a team up there getting all the paperwork to make sure that when the board sits, all the facts will be available to the board. Until then, I cannot comment on any effects.

Senator WEST—How long do you think the BOI will take?

Air Marshal McCormack—They are planning on about three or four months.

Senator WEST—So at the May estimates you should be able to enlighten us a bit more?

Air Marshal McCormack—I would hope I have a good story.

Senator WEST—What about P3C upgrade radiation problems?

Air Marshal McCormack—There is a claim in by workers who worked for Hawker de Havilland on the aircraft. They have put in a claim against the contractor. We have been asked to provide information for them and we are helping them there, but it really is a case for them and their employer.

Senator WEST—Were they working alongside RAAF personnel or were they working in totally separate areas?

Air Marshal McCormack—The aircraft were given to them in a hangar especially for that upgrade. There might have been Air Force people walking through, but they were not working on the aircraft at the same time.

Senator WEST—On the accident and incident rates for aviation safety matters, could we have a comparative list between last year and this year? Is that possible? If you could take it on notice, that would be fine.

Air Marshal McCormack—I am sure we can.

CHAIR—There being no further RAAF questions at this stage, thank you, Air Marshal.

Rear Adm. Ritchie—Could I ask General Leahy to read into the record an answer on the Aboriginal communities program.

Major Gen. Leahy—This was in answer to Senator West asking for some confirmation on the payment of civil contractors on the AACAP program:

Under the AACAP MOU, all costs for civil contractors are ultimately met by AACAP funds managed by ATSIC.

So the funds come from ATSIC.

CHAIR—Thank you, General Leahy.

[4.10 p.m.]

CHAIR—We will move on to output 5—Policy advice.

Senator HOGG—Firstly, in respect of Defence Security, can you advise how many staff are employed in the Defence Security branches as at 30 June 2000?

Mr Brown—Security staff at Defence are divided into those working in Corporate Support to my technical direction and those directly employed in the central office of the branch.

Approximately 86 officers are employed in the branch. The numbers in the corporate support area vary, but there are a further 90 or so.

Senator HOGG—Are they all directly responsible to you?

Mr Brown—In terms of policy and technical direction, the Corporate Support members are. The others are responsible to me through the three directorates in the branch.

Senator HOGG—That says at 30 June 2000. Can you give me the figures for 30 June 1999 and 30 June 1998?

Mr Brown—I do not have them with me. I can take that on notice to respond quickly.

Senator HOGG—I accept that, thank you. What is the current budget for the branch for this financial year?

Mr Brown—The current budget for the branch is approximately \$19 million, although \$9 million of that includes provision of guarding services which are payments out for guarding services for the whole of Defence.

Senator HOGG—In broad terms, if you take that \$9 million out there is roughly about \$10 million?

Mr Brown—About that.

Senator HOGG—How does that compare with the previous two financial years?

Mr Brown—There has been a minor diminution in that but we are looking at some supplementation for the coming year.

Senator WEST—How minor?

Mr Brown—I could not tell you the exact figures, but I will get those for you.

Senator HOGG—When was the Directorate of Security Intelligence established within the branch?

Mr Brown—There had been a directorate looking after security intelligence and policy earlier in the branch under a different title, but under that title it was implemented in February 1999. However, there was a security intelligence component in the branch well before that.

Senator HOGG—So within the branch you have this security intelligence directorate?

Mr Brown—There are three directorates, if I can help you with that.

Senator HOGG—Yes.

Mr Brown—There is a technical security directorate, a directorate responsible for personnel security and a security intelligence policy and planning directorate.

Senator HOGG—So the security policy and planning—

Mr Brown—Has intelligence.

Senator HOGG—has been in existence, as you have just said, prior to February 1999 but in that name from that time.

Mr Brown—In that period, yes.

Senator HOGG—What is the role of that directorate?

Mr Brown—It has a number of functions. The primary function is to implement the Commonwealth security manual and associated Defence policies and standards, issue those policies and provide guidance on policy interpretation; provide security threat assessments on

threats to the Defence organisation; provide defence industry security policy, support and consultancy; and provide for security investigations. It also provides support to security committees in Defence.

Senator HOGG—How many officers, either ADF or civilian, were employed within that directorate as at 30 June?

Mr Brown—I will just do a quick mental count.

Senator HOGG—I presume it is less than 86.

Mr Brown—Indeed it is. We are probably talking about 30 officers. I could get the figures.

Senator HOGG—All right. Please get me the exact figures. Are all of those ADF?

Mr Brown—There are some ADF members. They are mainly civilian.

Senator HOGG—What is their major role? What is the function of those 30?

Mr Brown—Half of them would be in policy related matters, three would be involved in security investigations and the others are involved in security threat assessments and security related intelligence processing.

Senator HOGG—So it is roughly 12 in that broad assessment area: 15 in policy and three who are—

Mr Brown—Policy includes consultancy on security requirements, liaising on treaties and that sort of thing. It relates to security in our exchange of military information agreements and that sort of thing. It is policy in a broad sense.

Senator HOGG—At the previous estimates hearings on 2 December 1999 and 9 February 2000, I think you advised this committee that the secretary has a policy that all leaks of national security classified material that may be associated with Defence are to be investigated and, as appropriate, referred to the Australian Federal Police. Is that correct?

Mr Brown—Yes, it is.

Senator HOGG—Do you have any AFP officers seconded to your directorate?

Mr Brown—We have had some joint investigations with the AFP. Consideration of formal secondment is being undertaken at the moment. Branch officers have assisted the AFP, not formally but on a case by case basis.

Senator WEST—Where are they physically located? Are they located with you, or do they remain in their own AFP offices?

Mr Brown—We do provide them with Defence passes for access from time to time on a case by case basis. They have moved between the Defence establishment and the AFP offices.

Senator HOGG—But, at this stage, there is no direct secondment for AFP officers?

Mr Brown—There is no direct secondment at this stage.

Senator HOGG—Right, but they work side by side. I can understand that. Are you able to clarify some aspects of procedure involved in the investigation of alleged leaks of classified material?

Mr Brown—I am certainly prepared to try.

Senator HOGG—Is the secretary advised when Defence Security commences an investigation?

Mr Brown—We have two stages. There is a preliminary investigation to determine whether there is a security incident and its nature and extent. It depends on that determination whether it becomes ‘a case’ or not. Some issues brought to our attention turn out not to be security—they are mistakes or some other matter. If there is a preliminary investigation that shows that there is an indication, we then make a judgment about whether there is possibly a crime being committed. In that case, it would be referred to the Federal Police. If it looks like an administrative issue that requires investigation or management, we will then investigate to determine what those issues are for remediation, counselling and so on.

Senator HOGG—As part of your process, is the secretary advised when you commence an investigation?

Mr Brown—Not necessarily for preliminary investigations, no.

Senator HOGG—What do you call the second stage in your investigation process?

Mr Brown—If we refer it to the Federal Police, it becomes a Federal Police referral. If we handle it inside, it will move from a preliminary investigation to a full investigation.

Senator HOGG—If the secretary is not advised, is the CDF or anyone else advised of what stage you are at in the investigation?

Mr Brown—If the investigation involves a Defence officer or member, the security director of the appropriate Defence service is advised. If it pertains to a Defence Force matter, the investigation is generally handed to them and they will conduct it rather than us in the branch. There are three security directors, one in each of the services.

Senator HOGG—Who else would be briefed concerning the commencement of an investigation?

Mr Brown—Depending on the nature of the investigation, the Inspector-General may be briefed. So might the security director of the appropriate service. If it is a service matter, it may be briefed through to the chief or the deputy chief of service. VCDF may be briefed on occasion. It depends. It is on a case by case basis.

Senator HOGG—When you determine that a matter should be referred, who does the formal referral to the AFP?

Mr Brown—An officer of the investigation unit will write up that referral. I will generally speak to the secretary or the chief prior to the referral being made and give my advice that the referral should take place.

Senator HOGG—Who actually does the referral—the secretary?

Mr Brown—I suppose it is me. As the Assistant Secretary, I would activate that delegation—generally in consultation, though.

Senator HOGG—But who actually sends it off to the AFP? I presume it is a formal communication by letter.

Mr Brown—It is a formal communication. The AFP have a system of looking at all referrals. I have sent a referral to the AFP. On occasion, the Under Secretary, on the basis of my advice, has moved the referral to the AFP. So it will vary according to the circumstances.

Senator HOGG—Who or what determines who does the referral?

Mr Brown—I think there are a number of variables in terms of that, like the nature and extent of the allegation or matter to be investigated and whether it goes to a matter in the Crimes Act or whether it is an administrative matter. The extent to which we might require

assistance or the AFP might require assistance from us and the extent to which there would be resource issues would be brought into consideration.

Senator HOGG—Do you have a set of criteria by which you have to operate?

Mr Brown—We generally use the fraud investigation criteria, but we have been developing, in the light of the ‘leak’ review, specific criteria to meet some of the broader issues that security needs to meet in terms of a referral. But this is actually a broader Commonwealth issue. The Protective Security Policy Committee of the Commonwealth has been asked to address that issue, as there are no clear guidelines available at the moment.

Senator HOGG—Let me get this straight: you find what you believe is a security problem and it depends on the nature of the problem—whether it is related to a breach of the Crimes Act or something such as that—and on the level of the crime as to who actually refers it.

Mr Brown—Yes.

Senator HOGG—What is Defence Security’s role once a matter has been referred to the AFP? Is there any further role?

Mr Brown—Basically, we respond to proper requests from the AFP for information relating to the investigation, but the AFP then take the lead on that investigation.

Senator HOGG—Do you hand the matter over to them holus-bolus, or do you work alongside them? At whose instigation does that happen?

Mr Brown—Once it goes through the AFP referral process, they will take it on as their investigation. We would offer support only as requested by them under their direction.

Senator HOGG—Once you have handed it across, you do not seek to become involved?

Mr Brown—No. Indeed, they do not always involve us.

Senator HOGG—On what percentage of occasions would they seek to keep you involved as opposed to excluding you? Is there a broad rule of thumb?

Mr Brown—We do not have enough to be able to draw a conclusion from.

Senator HOGG—How many do you refer across? How many matters are there?

Mr Brown—In the last year, we have had two investigations.

Senator HOGG—Is this the calendar year or the financial year?

Mr Brown—We are looking at the calendar year.

Senator HOGG—Is this the calendar year 1999-2000?

Mr Brown—Sorry, we are looking at the financial year through to June this year.

Senator HOGG—That is 1999-2000.

Mr Brown—The trouble is that they do not actually fall into calendar years sometimes.

Senator HOGG—No, I accept that. Some will overlap.

Mr Brown—Yes. We have had 29 separate investigations, but only three of those have been referred to the Federal Police. There are currently two involving unauthorised release with the Federal Police at the moment.

Senator HOGG—Are there any in this financial year?

Mr Brown—I think one of those would have been in this financial year, so I would stand corrected on my last comment.

Senator HOGG—So, of those two, it really should have been one in the previous financial year and one in this financial year?

Mr Brown—I think that is right, but I will just have to double-check with the group.

Senator HOGG—I think you are right from what I can see in the background, Mr Brown, so thank you. Is cooperation between Defence Security and the AFP governed by any agreements, memoranda of understanding or guidelines between Defence and the AFP?

Mr Brown—We have been looking at a draft agreement. We are currently looking at a number of forms of agreement with the AFP, and we have had two meetings with them in the last six weeks to try to establish some formal framework.

Senator HOGG—But there is none in existence at this stage?

Mr Brown—Not for security investigations.

Senator HOGG—What has the basis of the understanding that has operated between Defence and the AFP been? Has it been a fairly loose, informal arrangement?

Mr Brown—It has been formal in terms of exchanges of letters. The AFP will consider, from their perspective, whether it meets the criteria necessary for investigation.

Senator HOGG—And the criteria that are being developed?

Mr Brown—They would look to issues of damage to national security, the nature of the offence and which component it falls under in terms of the Crimes Act.

Senator HOGG—Will those criteria be available?

Mr Brown—Yes, they will be available. They will be published within Defence in the Defence instructions.

Senator HOGG—When will that happen?

Mr Brown—It is a question of our continued negotiations with the AFP, but it is something we have given the highest priority to. I do have some draft instructions at the moment which are under consideration.

Senator HOGG—What arrangements are in place within the Defence Security Branch governing the disclosure or use of information or documents—that is, telephone call records, et cetera—obtained by law enforcement or security agencies from telecommunication carriers or carriage service providers under section 282 of the Telecommunications Act 1997?

Mr Brown—I do not have that section in front of me. Does that section refer to interception or to charge call records?

Senator HOGG—I understand it refers not to full interception but to the records.

Mr Brown—The Federal Police and other Commonwealth agencies have access to those records under the legislation. We as a security branch within Defence will seek support from the Federal Police where an investigation requires that type of material. The Federal Police will seek it on their own initiative also.

Senator HOGG—If you get that information, who gets to see it?

Mr Brown—Investigations are run on a need to know basis. Normally we would not have access to the information gathered by the Federal Police. Where our own investigators have received that in relation to Defence numbers only, the investigator would have access to it.

Senator HOGG—Is that information shown to anyone else?

Mr Brown—It should not be. It would be against directions to do so.

Senator HOGG—Is anyone else entitled to see it who might be superior to the investigator?

Mr Brown—If I were questioning the report from the investigation, I might wish to see the data, but it would be in that chain of command.

Senator HOGG—It would be for no other purpose?

Mr Brown—For no other purpose.

Senator HOGG—Is Defence a party to any interagency or departmental agreement, memoranda of understanding, guidelines or other arrangements within the government which govern the disclosure and/or use of information obtained by law enforcement or other agencies under section 282 of the Telecommunications Act?

Mr Brown—Not that I am aware of.

Senator HOGG—How many alleged leaks of classified Defence information have been referred to the AFP by Defence since January 1999?

Mr Brown—Three, Senator. It depends on whether you count leaks associated with Timor separately or collectively.

Senator WEST—What are you doing?

Mr Brown—They appear to be counted as a group of related matters and are being treated as one investigation so I would treat that as one.

Senator HOGG—I come to the question of leaks in respect of East Timor. By the way I am not asking you to talk about ministerial leaks or those types of leaks. I am purely and specifically confining my questions to this issue. You say three alleged leaks of classified Defence information have been referred to the AFP by Defence since January 1999.

Mr Brown—Yes, referred to the AFP.

Senator HOGG—Specifically?

Mr Brown—I would have to check the date of the referral for the Timor one.

Senator HOGG—You could take that on notice and give it to us in due course. At estimates on 9 February this year you advised that there were 27 cases of alleged leaking of classified material. A number grouped around the issue of East Timor were under investigation. This year's Defence annual report on page 258 states that the leaks of Defence intelligence material have been stopped. Can you confirm that there have been no further leaks of East Timor related Defence material since February this year?

Mr Brown—I have seen no evidence of further East Timor related material at this time.

Senator HOGG—On 16 September this year the AFP executed a search warrant on the home of an adviser of the shadow minister for foreign affairs. The search warrant listed 79 classified Defence, DFAT, ONA and ASIS documents which were suspected to be located at Dr Dorling's home. No such documents were found. How do you reconcile the AFP's search for 79 documents, 62 originating from Defence, with your statement to the committee on 9 February that there were only 27 cases of material allegedly deliberately leaked which were under investigation? How do you reconcile the difference with those?

Mr Brown—A number of those documents were effectively duplicates or variants in the same form of those documents. My knowledge was in terms of discrete items. The number I

had at that time of providing it to the senators was accurate. Many of the documents are in a different format but are essentially the same information or document.

Senator HOGG—What is the actual situation then? Is it 62 or 27?

Mr Brown—I have not seen the AFP's search warrant. I have not had briefing on the subsequent documents that have been identified since the case was handed to the Federal Police so I would have to make inquiries.

Senator HOGG—If you could take that on notice I would be interested because of the discrepancy. I am not doubting your veracity, Mr Brown. Let's get that quite clear. I just want the difference between the figures that you supplied in February and now to be checked. Are the staff of the Defence Security Branch required to carry appropriate identification when they are engaged in inquiries or assisting the AFP?

Mr Brown—Yes, they are.

Senator WEST—What does that look like?

Mr Brown—We have two forms of identification in the branch: an identity card and an identity card and badge.

Senator HOGG—I understand that, when the search warrant was executed on Dr Dorling at his home, the AFP were accompanied by two other persons. One of the persons presented a business card, according to Dr Dorling, identifying himself. Is it fine to identify the person's name?

Mr Brown—The officer is a former officer of—

Senator HOGG—I just want to know is it appropriate to identify the officer's name here?

Mr Brown—I think it would be better not to identify the officer's name.

Senator HOGG—All right.

Mr Brown—I understand the officers you are referring to.

Senator HOGG—I respect that, but he presented a business card as opposed to any other form of identity. As I understand it, the second person identified himself verbally and failed to present any formal identification and stated simply that he was from Defence Security.

Mr Brown—Those two members attended with the AFP in the capacity—as I understand because I have been told this—as special constables or whatever the equivalent is when someone is sworn in to assist on such a matter. They are contractors to the branch that were brought in specifically to support the Timor investigation when it was initiated in Defence. They are not formally members of the branch or Defence employees in that extent.

Senator WEST—Where do you bring in contractors like that from?

Mr Brown—That is my reason for being circumspect about naming former officers of another Commonwealth agency.

Senator HOGG—But they were officers of your directorate.

Mr Brown—They were employed under contract as individuals.

Senator HOGG—Under contract?

Mr Brown—Yes, Senator.

Senator WEST—Do we have people out here who are former officers selling their expertise in security matters on a contract for hire? That is what it sounds like to me. There are people out there who sell themselves for hire for security matters.

Mr Brown—It is not something I could comment on in a general sense. I am aware that there are former members from a range of government organisations who subcontract for vetting services and for investigation services. As I look to any of the security industries, there are many former police officers, Defence members and security service officers who have sought further careers and are then re-employed on government contracts.

Senator HOGG—You are saying that neither of these people, Mr S and Mr M, were at that stage employed by your directorate?

Mr Brown—They were employed in a contractual sense as someone who I had employed to assist the branch as we did not have the resources to do that type of investigation.

Senator WEST—Why haven't you got the resources to pursue that sort of investigation?

Mr Brown—We have since employed persons to pursue those types of investigations but, when that investigation commenced, we did not have such persons.

Senator WEST—At that time Defence had insufficient officers. They had to go outside and contract bodies for hire?

Mr Brown—Within the branch at that time we did not have sufficient expertise or resources.

Senator HOGG—Were these former employees of the directorate?

Mr Brown—No.

Senator HOGG—They had no experience within the directorate?

Mr Brown—They had considerable security investigation experience.

Senator WEST—They had experience within other directorates?

Mr Brown—Within another government agency.

Senator HOGG—But they were not employees of Defence, other than being contractors?

Mr Brown—No, they were not.

Senator HOGG—How do they split their role as being on a Defence contract when they go out with the AFP?

Mr Brown—When the matter was referred to the AFP, I asked those officers to assist the AFP in providing access to the appropriate Defence material to assist the AFP investigation.

Senator WEST—Why did you choose them and not permanent officers?

Mr Brown—At the time, I did not have permanent officers with the skill set required.

Senator HOGG—What were the skills that were required?

Mr Brown—A good knowledge of the security investigation processes applicable in that area and the types of interview skills required to interview people over a lengthy period of time. I did not have them in the branch at the time.

Senator HOGG—These people did not have an ancillary role to the AFP; they had an investigative role with the AFP.

Mr Brown—They had been commissioned by me to start the preliminary investigation which, on the basis of their preliminary investigation, was then passed to the Australian Federal Police.

Senator WEST—And they stayed with it?

Mr Brown—They did stay on and then were briefed by the Australian Federal Police to assist.

Senator WEST—Did they remain under contract to you?

Mr Brown—They remained under contract to me.

Senator HOGG—Prior to 16 September they were contracted to Defence to your directorate?

Mr Brown—And paid through Defence.

Senator HOGG—And post- 16 September—

Mr Brown—They were assisting the AFP prior to that, I think.

Senator HOGG—I am just trying to get their relationship with your organisation. Prior to the 16th they were on contract to your organisation?

Mr Brown—Indeed.

Senator HOGG—And, as I read it, after the 16th they were still on the same contract?

Mr Brown—They were still on the same contract.

Senator HOGG—But what was their status when they accompanied the AFP? Were they representatives of Defence?

Mr Brown—I understand they were sworn in as special constables for the purpose of that warrant. I understand that to be the case.

Senator HOGG—But were they there representing the interests of Defence or were they there in a capacity with the AFP?

Mr Brown—I was advised that they were there to provide advice to AFP about any matters that might be found and whether they were Defence documents or related to matters that they had observed in their investigation.

Senator HOGG—That then raises the issue of the expertise of these people in that area, given that you have said that they had an expertise in the area of investigation rather than—and if I am incorrect, I am sure you will correct me—

Senator WEST—And interviewing over a long period of time.

Senator HOGG—knowledge of the department.

Mr Brown—By the time those matters of 16 September took place, they had an intimate knowledge of the documentation. They had been working with it for a considerable amount of time—identifying that documentation and understanding where it came from, what it looked like, its contents and its relationship to other documentation.

Senator HOGG—Who authorised the participation of these officers in the execution of the search warrant?

Mr Brown—I believe it would have been done by the Federal Police, but you would have to ask the Minister for Justice and Customs in respect of that.

Senator HOGG—Did you have to give the tick-off to say that it was all right?

Mr Brown—No, I was not aware of the warrants being executed.

Senator HOGG—So you were not aware that these officers who were contracted to your department were being sworn in as special constables?

Mr Brown—At the time they were sworn in, no, I did not.

Senator WEST—Is it normal for a special constable to use his business card from you? How long had he been there if he had had a business card printed up coming out of the investigation unit?

Mr Brown—He had probably been there for eight months by that stage.

Senator WEST—Would you expect special constables that are actually under contract to you to go in with that sort of identification?

Mr Brown—If I had been aware and a member of the branch was participating, I would have insisted they took my Defence documentation. I had not had this experience previously with that sort of situation.

Senator HOGG—But they identified themselves as being from the investigation unit of the Directorate of Security Intelligence, Defence Security Branch.

Mr Brown—That is the area they are contracted to, Senator.

Senator HOGG—I just find it a bit odd that they had identified themselves in that way. I can understand how they are sworn in as special constables. If they are sworn in as special constables, I find it difficult to understand how they can identify themselves as representing your Defence interests. Whilst they might be contracted to you, and I can understand that, you are trying to put some distance between what they did that day as special constables and what happened as contractors to Defence.

Mr Brown—I guess, by analogy, where a warrant has been executed in previous employment, members of the public have been sworn in but, when asked to identify themselves, they may not have identified themselves as what their employment might have been—say, a linguist brought in for a position to help translate: different circumstances and different warrants. It was a Federal Police warrant, and I would ask you to direct the questions about the process of the warrant to that area because I cannot comment further.

Senator HOGG—I accept that, Mr Brown, so that is not the problem. I am just trying to get the processes that were involved clear in my mind. Are those two people still employed on a contract basis?

Mr Brown—They are still under contract, and they are still assisting the Federal Police.

Senator HOGG—What about the three people you identified who are in the investigative role now? Were they any part of those three?

Mr Brown—No, they were not—although, for senators' information, I understand that the business card of one of those persons was accidentally left at one of the scenes of the warrant. But they were not in a company there; one of the AFP officers apparently dropped it.

Senator HOGG—No; I am trying to get to the three investigative people that you now have.

Mr Brown—That is why I am answering the question in the way I am. The name of one of those three investigators was left at the scene of one of the executions of the warrant, but that officer did not participate in that warrant, nor was engaged in it. So the three officers in the—

Senator HOGG—Why was the third person there?

Mr Brown—Sorry, I will start again. The three officers in the Security Investigation Unit who are Defence employees were not involved in the execution of those warrants nor, to my knowledge, were they aware that those warrants would be executed.

Senator WEST—But one of their cards—

Mr Brown—One of their business cards was with a member of the AFP or something and was left at the scene.

Senator WEST—Or given to?

Mr Brown—I am not sure whether it was given to them. My understanding is it was left at the scene accidentally.

Senator WEST—Are you sure that the business card that was presented to Dr Dorling from the person in your unit was actually the body that—

Mr Brown—I am not privy to all the areas but I understand that the person contracted to the branch produced a business card that represented them as themselves.

Senator WEST—So they did not represent themselves as somebody else?

Mr Brown—No.

Senator HOGG—In respect of the three officers that you now have for investigative purposes, can they split themselves off from the department as these contractors?

Mr Brown—No; they are departmental employees.

Senator WEST—These contractors are these paid at the same rate as your staff?

Mr Brown—Approximately the same rate, with allowances for no superannuation et cetera.

Senator WEST—So there is no incentive for your three to skive off and come back as contractors and get more money?

Mr Brown—No, Senator.

Senator HOGG—So there was a third officer at the residence?

Mr Brown—Not to my knowledge. I am just saying the card of one of these officers was accidentally left at the premises.

Senator WEST—At which?

Mr Brown—I am not sure which one it was.

Senator HOGG—So the only two people who were there were, as I referred to them, Mr S and Mr M—who turned up there as constables, special constables.

Mr Brown—That is my understanding.

Senator HOGG—They were not acting in their capacity as contractors to the Department of Defence?

Mr Brown—Only so far as there was a degree of jointness in the support: the AFP needed people in Defence to provide them with advice or assistance.

Senator HOGG—So you had agreed that those people would go there?

Mr Brown—No, I hadn't.

Senator HOGG—Who did agree?

Senator WEST—You had agreed that they had—

Mr Brown—I cannot answer the question, because I just do not know. The question would have to be referred to the Federal Police. It must be understood that generally they had been tasked to support the Federal Police in their investigation.

Senator HOGG—Were they paid for the time that they were executing that warrant?

Mr Brown—They are paid a contract rate, not on an hourly rate.

Senator WEST—No overtime or anything?

Mr Brown—Not to my knowledge.

Senator HOGG—You would not know if AFP will have to take that up elsewhere. You say that the AFP had no discussions with you concerning the timing of the execution of the warrant or even the existence of the warrant.

Mr Brown—That is correct.

Senator HOGG—None at all?

Mr Brown—No.

Senator HOGG—Do you know if the Secretary was advised at the commencement of the investigation into the alleged leaking of Defence intelligence material concerning East Timor? Was he advised of this investigation?

Mr Brown—The investigation actually started under the previous Secretary.

Senator HOGG—Well, under the previous Secretary?

Mr Brown—The Secretary was advised. In fact, the Secretary himself requested that the investigation be commenced.

Senator HOGG—Who would have advised the then Secretary?

Mr Brown—The Secretary called me and said, 'What shall we do to pursue this investigation?'

Senator HOGG—Was the Secretary briefed on the planned nature of the investigation and the related resource issues?

Mr Brown—Yes, there were a number of briefings over a period of time, with both the former secretary and the current secretary, as to the resource implications. As a result of those briefings, the current secretary supported the creation of a properly constituted defence unit within the branch to do this sort of work.

Senator WEST—How soon after his commencement was the current secretary briefed?

Mr Brown—Fairly soon after his commencement. I could not give you the exact date, but within a month or so of his commencement.

Senator WEST—Within a month or so?

Mr Brown—I could check the exact date.

Senator WEST—Not in the first week?

Mr Brown—It might have been in the first week; I would have to check my diary and see.

Senator WEST—Who undertook the briefing?

Mr Brown—That would have been me.

Senator WEST—Please check the diaries.

Senator HOGG—I have some *Hansard* of yesterday, and I cannot put my finger on it there, but I understood that evidence was given before another committee yesterday that there had been some discussion between Defence and the AFP about the timing of the execution of this—primarily because of the fact that it surrounded the period around the Olympics.

Mr Brown—There could well have been some discussion. I was not privy to that discussion.

Senator HOGG—Would you be able find out for us who may have discussed that from Defence?

Mr Brown—I can make those inquiries.

Senator HOGG—If you would take that on notice, that would certainly be helpful indeed. I will move on. Have senior officers within Defence been updated on the progress of the investigation? I am not asking what the progress is.

Mr Brown—There have been some briefings to the secretary, I understand.

Senator HOGG—Anyone else within Defence?

Mr Brown—There have been two updates for the director of DIO over the last 12 months. I participated in two briefings where the chief was also in attendance in the last 12 months.

Senator HOGG—Would you be able to tell us when those briefings took place?

Mr Brown—I would have to revert to the diary, but that could be done.

Senator HOGG—If you would take that on notice, I would appreciate it.

Senator WEST—What about briefings for the CDF?

Mr Brown—As I said, there were two briefings I participated in which AFP provided and which I sat in on with the chief and the secretary.

Senator WEST—When did the chief first get briefed about it?

Mr Brown—When we commenced the investigation as a branch investigation the chief was briefed on it. Once again, I would have to check those dates.

Senator WEST—This is after the preliminary?

Mr Brown—He was briefed at the preliminary also.

Senator WEST—He was aware when the secretary was?

Mr Brown—Yes. The secretary and the chief were briefed at approximately the same time when the investigation commenced. In the last 18 months I participated in—I said two in this year, but there was one in the previous year also—three briefings that I can attest to. I understand that members of the investigation team may have also been briefed separately.

Senator WEST—So the chief was not there when the secretary referred the issue to you for investigation?

Mr Brown—No, not on the first occasion, but in a subsequent discussion the chief would have been there.

Senator WEST—‘Would have been’ or ‘was’?

Mr Brown—Was. I will have to check the date, though.

Senator HOGG—Were senior officers within Defence briefed prior to the execution of the search warrant on Dr Dorling’s home on the 16th?

Mr Brown—I do not know the answer to that question.

Senator HOGG—Can you take that on notice. If so, it would be helpful to know who was briefed.

Mr Brown—The answer to those questions may only be available for the AFP. Again, it may be appropriate to ask the AFP, because they would have provided those briefings.

Senator HOGG—I am asking if senior officers within Defence knew.

Mr Brown—I will certainly ask the question.

Senator WEST—Would it have been regular for the AFP to have briefed your secretary and the chief without at least putting it past you or Mr Brady as the chair of the board?

Mr Brown—In operational matters, often the need to know is very strictly applied. I would not say, from my experience, that it is unreasonable. You only get briefed if you absolutely need to know. You will be told about it after the event. If there is no need to know, you are not briefed.

Senator HOGG—Where do you fit into the loop?

Senator WEST—Where are you in the food chain?

Senator HOGG—Are you the ‘need to know’? I just want to know who I am talking to—the ‘need to know’ or the ‘not need to know’.

Mr Brown—It depends on the case. Each one has different variables. If I can contribute something I would get briefed in; if there was nothing I could contribute to that particular exercise, I may not get briefed in. In this case it was a decision of the Federal Police.

Senator HOGG—How often would you not be briefed?

Mr Brown—This does not happen very often, so I cannot really give you any points of reference.

Senator HOGG—I would like to think that I am talking to the person who needs to know.

Rear Adm. Ritchie—But he may not know when he has not been briefed.

Senator WEST—We want to talk to the person at the top of the food chain.

Senator HOGG—If you are not at the top of the food chain, where do we go?

Rear Adm. Ritchie—The people who did the briefing would have been the AFP and they could answer that question. Otherwise, we would need to go to the secretary and the CDF and ask: were you briefed? I think Mr Brown has undertaken to do that.

Senator HOGG—I accept that. I am just trying to find out, seeing as we have Mr Brown here today, where things do fit in in the organisation. Has Defence provided any briefing on the conduct of this investigation to the department of foreign affairs?

Mr Brown—I have not provided any briefing on the conduct of this investigation to the department.

Senator HOGG—Foreign Affairs and Trade?

Mr Brown—Yes.

Senator HOGG—Has there been any liaison between the Department of Defence and the Department of Foreign Affairs and Trade on this matter at all?

Mr Brown—There has certainly in the preliminary and early stage of the investigation been considerable dialogue.

Senator HOGG—At what level was that?

Mr Brown—I talked in general terms with my equivalent there, Mr Larkin, who is no longer there in the secretary of security type position. Officers at the assistant director and director levels had spoken to their peers on matters. But once it was handed to the Federal Police it was basically them in the lead. Again, you would need to direct any issues of liaison with Foreign Affairs on this matter through to the Federal Police.

Senator HOGG—Do you know if the minister or his office were advised of the commencement of the investigation into the alleged leaking of defence intelligence material concerning East Timor?

Mr Brown—We advised the minister's office that we would be investigating the matter.

Senator HOGG—Who would have provided that brief?

Mr Brown—I did a briefing note for the minister's office.

Senator HOGG—When would that have been done?

Mr Brown—I would have to check the diary but it was very early in the piece.

Senator HOGG—All right. If you can do that, thanks. Was the Minister for Defence or his office subsequently briefed on the progress that was being made in the investigation?

Mr Brown—There were some subsequent briefing notes, but they did not provide details, except to say that things were continuing.

Senator HOGG—And that briefing have been your responsibility?

Mr Brown—Up until it was handed to the Federal Police, yes.

Senator HOGG—Was the Minister for Defence or his office briefed prior to the execution of the search warrant on Dr Dorling's home?

Mr Brown—Again, that is a matter you would have to find from the Federal Police.

Senator HOGG—Do we know if the minister was briefed by your organisation after the search had taken place?

Mr Brown—There were briefing notes prepared in response to media articles, but only in response to those, not in terms of briefing about the investigation. Again, it was a Federal Police investigation.

Senator HOGG—Did the two officers who participated whilst they were contracted as special constables but were still under a contract with you report to you about the execution of the search warrant?

Mr Brown—No, they did not.

Senator HOGG—Did they report to you about the contents of any of the material that they sighted, since, as I understood from what you said earlier, they were there to oversee the documents that they had become familiar with through their employment?

Mr Brown—After the event, they reported their involvement to me. They have not provided me with details of the matters that were dealt with in those warrants, nor of the activities of the Federal Police. Again, I would direct you to the Federal Police on the nature of events.

Senator HOGG—How long after the event did they report to you that they had taken part in the event?

Mr Brown—It may have been the Tuesday after the warrants were executed.

Senator HOGG—I understand it was Saturday morning, 16 September—if my recollection serves me correctly.

Mr Brown—Yes, it was either the Monday afternoon or the Tuesday morning—again, I would have to check.

Senator HOGG—Could you check that and get back to us, please.

Senator WEST—When did you discover that one had used his business card from you people and that they had both claimed to have been from the Defence Security Branch?

Mr Brown—It may have been alluded to in the meeting on either the Monday afternoon or the Tuesday subsequent to that—in their description of the fact that they had attended.

Senator WEST—What was your reaction?

Mr Brown—I really cannot recollect what my immediate reaction was. I was more concerned about the broader issues than that specific issue.

Senator WEST—If it is going to happen again, and two of your officers under contract or permanent to you are sworn in as special constables, what would your advice be to them should they be asked by the AFP to attend another search with a warrant? Have you set down some guidelines?

Mr Brown—Certainly, in any memorandum of understanding we develop with the Federal Police, issues like that would be in that memorandum in terms of operational guidelines. I believe the security investigation procedures that should be developed from the new Commonwealth protective security manual will need to address those. I understand that that is one of the first activities the Protective Security Policy Committee is going to address for the Commonwealth. It is bigger than a defence issue, Senator.

Senator WEST—So there were no guidelines?

Mr Brown—Not for that activity, no, Senator.

Senator HOGG—I look forward to seeing the guidelines. Has Defence provided any briefing on the alleged leaking of defence intelligence documents and subsequent investigations by the Defence Security Branch and the AFP to the Prime Minister, the Prime Minister's office or the Department of Prime Minister and Cabinet?

Mr Brown—I cannot answer that question, Senator.

Senator WEST—We are not asking you what was in it.

Senator HOGG—No, no, I am not asking you what was in it. Let me be quite clear there. I am just asking: have you provided a briefing on the alleged leaking of defence intelligence documents and the subsequent investigation by the Defence Security Branch and the AFP—because they have become involved; you have referred to them—to the Prime Minister, the Prime Minister's office or the Department of Prime Minister and Cabinet?

Mr Brown—I would wish to reconfirm from the briefing notes that were provided to our minister in case there was any cross-reference, but I certainly have not briefed the Prime Minister's office or Prime Minister and Cabinet on the matter.

Senator HOGG—Or the Prime Minister?

Mr Brown—Or the Prime Minister.

Senator WEST—We said Defence: we are asking whether anyone from Defence provided any briefing.

Senator HOGG—What about in Defence? Are there other people within Defence, like the secretary, who are involved?

Mr Brown—We believe that it is unlikely, but we will certainly make inquiries to ascertain whether that is the case.

Senator HOGG—I am interested in the broader scope. Did anyone within Defence advise, or speak with, the Prime Minister, the Prime Minister's office or the Department of the Prime Minister and Cabinet? Not the content—

Mr Brown—Just that the event occurred?

Senator HOGG—Did the event occur and, if so, when? If it did occur, was that in response to a request from either the Prime Minister, the Prime Minister's office or the Department of Prime Minister and Cabinet?

Senator WEST—Or was it initiated by Defence and who provided any such briefing?

Senator HOGG—Has the Defence Security Branch received any advice from the Attorney-General's Department or elsewhere concerning issues of parliamentary privilege and access by investigators to records of members of parliament? If so, who has provided that advice?

Mr Brown—I have not received any such advice.

Senator WEST—And you have not sought any?

Mr Brown—Again, I have not sought that type of access to then require the advice. But, again, it is a matter that could be referred to the Federal Police.

Senator WEST—So you have not looked at the issue of parliamentary privilege?

Mr Brown—I have not sought access to matters pertaining to parliament or to parliamentary members as part of any inquiries conducted by the branch.

Senator WEST—Have you thought or done anything about the issue of parliamentary privilege and what it might mean?

Mr Brown—In terms of my activities, I have not had cause to think about it. In the broader sense, consideration of parliamentary privilege would clearly be important to any investigations, and I recognise that. In terms of matters pertaining to this investigation, those matters could best be referred to the Federal Police. But in any preliminary investigation or in investigations conducted by contractors and/or members of the branch, we were not involved in seeking access for those investigations to any matters of members of parliament.

Senator WEST—Or anything that related to parliamentary privilege?

Mr Brown—To my knowledge of the investigation, I certainly have not, but I would again refer you to the latter part of the investigation.

Senator HOGG—This is a very important issue, because it raises the issue of just how aware investigators are of what does or does not attract parliamentary privilege and whether, in the pursuit of their duty, officers may well be breaching the privilege of a member of parliament.

Senator WEST—And their not being in contempt.

Senator HOGG—Let me assure you that it might not just be a member of the House of Representatives. It could easily be a member of the Senate whose privilege has been breached as well. All I can suggest to you, Mr Brown, and to your organisation is that you look at that very closely indeed. I think we can say that the officers were not apprised of any issues of parliamentary privilege and nor has it been a practice within your department.

Mr Brown—There has never been a requirement within the branch or, to my knowledge, in the department to seek access to matters of parliament.

Senator HOGG—Thank you. What is the cost incurred by Defence relating to the investigation of alleged leaks of Defence material relating to Indonesia and East Timor? Can this cost be broken down into travel costs, administrative expenses and so on?

Mr Brown—It can be, and I have asked someone to investigate that cost and provide it to the committee.

Senator HOGG—Do we know the total cost incurred by Defence in the investigation of alleged leaks of classified Defence material in a broader sense since, say, January 1999?

Mr Brown—I can get that figure for you.

Senator HOGG—I would appreciate that.

Mr Brown—Are you referring to leaks in the definition of a matter put into the public domain from within Defence?

Senator HOGG—Yes, in the broader sense. I am looking for the costs that might be associated with that. Mr Brown, thank you very much. That finishes my questions. I thank you for your cooperation in answering those questions.

Senator WEST—Before we finish, can Mr Brady update the committee to the fullest detail possible on the situation of the unfortunate death of Mr Jenkins and where this case is up to from Defence's perspective?

Mr Brady—I can do that. Let me start by saying that the undertaking that the Minister for Defence gave to Mrs Jenkins' legal adviser was in the following terms. He said that, while he expected that the Inspector General's report would be classified, it was his intention to provide Mrs Jenkins with access to the findings of the inquiry to the maximum extent possible.

When the report was made available to Defence in early October, one of our first steps was to write to Mrs Jenkins. The secretary of the department wrote to Mrs Jenkins and we shortly thereafter met with Mrs Jenkins and her legal adviser and provided her with access to a copy of the full classified report from the Inspector General. Subsequent to that, I received a letter—I think about two weeks ago—from the solicitor representing Mrs Jenkins, who raised two issues. He shared that letter with the media at the same time. The two issues were the appropriateness of the confidential classification and the possibility of preparing an unclassified version of the report that did not contain the national security information that was of concern to me. I provided an interim response last week and shortly propose to be providing a further response, which will say two things. One is that I am satisfied that the

classification of confidential applied to the original Inspector General's full report is appropriate to the document but, secondly, that we will be preparing an unclassified version of the report that will be available to Mrs Jenkins.

Senator WEST—Is this Mrs Jenkins as in his wife or Mrs Jenkins as in his mother?

Mr Brady—This is Mrs Jenkins as in his wife. All of our dealings have been with Mrs Jenkins, the wife of our former officer.

Senator WEST—What about his mother? Have you offered a briefing for her as well?

Mr Brady—We have had no contact at all with the mother of the late Mr Jenkins. She has not approached us. That has been on the basis that the wife of Mr Jenkins is the representative of his interests and concerns.

Senator WEST—Okay.

Senator HOGG—We have had a bit on the Defence white paper but there is only one issue that I want to raise there. We know now that 6 December is the release date. Do we have any idea of how many Defence staff have been involved in the white paper development?

Dr Brabin-Smith—I have been consulting my colleagues on what we think the answer might be. It is better to take it on notice, but can you refine your question?

Senator HOGG—I just want to know how many Defence personnel have actually been involved in the white paper development. I am not talking about someone who has been there running it off at the printing machine or someone such as that. I am talking about policy people.

Dr Brabin-Smith—We can probably give you the size of the team that was set up.

Senator HOGG—If you can give us the size of the team and their designated roles. I am not asking you to in any way lay forth the white paper. I am just trying to get some idea of the structural arrangement behind its development. Who were the players?

Dr Brabin-Smith—Yes, we can do that.

Mr Merchant—I can talk to that. The white paper has been developed primarily by a team led by the deputy secretary, white paper, Dr Hugh White. Since the middle of August, I have acted as his deputy. We have had a small team that has been principally involved in the drafting of that document. That team has consisted of me and four other officers. In addition to that, we have had assistance from a small team of about three people who have been principally involved in the development of the costings and the capability development options that have been considered by government.

Senator HOGG—So, roughly, about eight to 10 people?

Mr Merchant—Eight to 10 people.

Senator HOGG—Eight to 10 people, all right. That is all I needed to know, thanks very much.

Senator WEST—Can I just go back to the Jenkins case? If Mr Brady has more information I would appreciate him putting what he can onto the record, please. I think Senator Hogg cut me off a bit in my prime.

Senator HOGG—I would never do that.

Senator WEST—I will get another go at you if you do. Are you able to say whether the unclassified briefing that is going to be given to his wife is going to be made available to us or to everybody else as well or is that going to be a family thing only?

Mr Brady—I have two points: there will be no restrictions on what Mrs Jenkins, her legal advisers or the family do with that report and, secondly, we would propose under normal arrangements to make that available. The one qualification I would add there is that this is an inspector-general's report and inspector-general's reports are not subject to the Freedom of Information Act but in preparing the unclassified version of the report we are generally following freedom of information principles. One of the normal practices in FOI matters is to check with the person directly affected—in this case the relevant family representative—before we release that report to anyone else. We would propose to do that on this occasion.

Senator WEST—So it is not going to be the sort of document or report that can be given to this committee?

Mr Brady—It certainly could be given to this committee. I would just like to go through that courtesy process.

Senator WEST—Okay.

Senator HOGG—I think the agenda indicates there is a question on Papua New Guinea. Could someone outline what assistance Defence will be providing to PNG as part of the aid package to help reform the PNG military announced in October, and also what the cost will be to the ADF budget?

Dr Brabin-Smith—The short-term assistance includes help with rationing, payment of utilities bills and assistance with financial management. Australia will also assist with the repatriation—that is to say, back to their home towns and villages—of redundant members of the PNG defence force.

Senator HOGG—Do we know how many ADF personnel will be involved in that exercise?

Dr Brabin-Smith—I do not have that information with me.

Senator HOGG—Can you take that on notice, please?

Dr Brabin-Smith—I will take it on notice.

Senator HOGG—And please let me know how many people will be assisting in each. Are you able to give us the cost of that to the budget?

Dr Brabin-Smith—We can certainly make a stab at what it will cost. We probably have the figures quite accurately but I do not have them with me.

Senator HOGG—If you take that on notice I will accept that you need to get those figures. Next I have some questions on Defence cooperation with France. I understand that DFAT's web site, *Country Brief*, contains the following comments on Defence cooperation with France:

The period following INTERFET operations has been notable for the very significant increase in French-sponsored proposals to enhance Australia-France bilateral defence relations. In an obviously coordinated program, all services and elements of the Defence Ministry have sought enhanced dialogue, joint technical development programs, personnel exchanges, and more ambitious bilateral exercise programs. The probable reasons for increased French interest include: recognition of Australian defence capability and our strategic place in the Asia-Pacific region; France's desire to enhance its standing as a Pacific nation; the desire to convince other EU partners to engage in Asia-Pacific strategic affairs; the

probability of future Australia-France participation in crisis management operations; the desire to balance US influence in the region; and commercial motivations.

It is a lengthy statement but, nonetheless, it is there. On 29 October there was a press report in the *Herald Sun* by Brian Toohey that the Howard government has given in-principle agreement to a possible visit by a French nuclear powered warship. The new aircraft carrier, *Charles de Gaulle*, I think was identified as a possible. This story has been, I understand, categorically denied by Defence. Can you give the committee an outline of the current state of our bilateral Defence cooperation with France? Whilst there has been a categorical denial, has there been any approach to change or alter in any way the Defence cooperation relations with France?

Dr Brabin-Smith—That is a very broad set of questions there, Senator Hogg.

Senator HOGG—I am always decent to you.

Dr Brabin-Smith—I appreciate your consideration.

Senator WEST—Why is your web site in French?

Senator HOGG—No, it is a DFAT web site.

Senator WEST—Yes, but why is DFAT's web site in French?

Dr Brabin-Smith—Perhaps it is part of a whole of government commitment to multiculturalism.

Senator HOGG—Is this so Australians cannot read it?

Senator WEST—Or cannot see it.

Senator HOGG—We have found a new plot, Dr Brabin-Smith.

Senator WEST—I am getting paranoid.

Dr Brabin-Smith—The Defence relationship with France has had its ups and downs over the years, and most recently there was the big down when they finished their series of nuclear tests in the South Pacific. I think it is fair to say that since then both sides have attempted to recover the relationship. I believe it is also the case that the French armed forces got a very positive impression of Australia and the Australian Defence Force through their participation in INTERFET and since. Specifically on the business of French warships, I will confirm that there is no expectation that the aircraft carrier, *Charles de Gaulle*, will visit. It is true that France has requested approval for a visit by a nuclear powered submarine—an SSN—in March 2001, and we are currently going through the process of making sure that the arrangements will meet Australia's criteria for such visits.

Senator HOGG—I think you have answered most of the questions I need in those few brief statements. When will a decision be taken on whether that visit by the nuclear submarine will be proceeding?

Dr Brabin-Smith—The short answer is that I do not know that. But we would be in technical dialogue with the French on matters relating to safety and liability. I would like to think that there would be no particular difficulties in Australian authorities being satisfied that the arrangements would meet our criteria, which are the same criteria, I believe, as those relating to nuclear powered vessels of any nation.

Senator HOGG—Have there been any approaches from the French for joint exercises with us?

Dr Brabin-Smith—I believe that we are expecting a joint exercise. The Acting Vice Chief of the Defence Force informs me that we have already had joint exercises.

Senator HOGG—This year?

Rear Adm. Ritchie—The Commander, Australian Theatre, has gone, but I can say that the Commander, Australian Theatre, and his counterpart in New Caledonia have been in constant contact for a good couple of years now. On our side, there have been low-level, I think, land force observations of their exercises there and I know there have been joint maritime exercises with France and, I think, with New Zealand. They are reported in the *Defence report*. There was an exercise called Stage Reco 99, which was the French Pacific naval forces concentration period, which we participated in.

Senator HOGG—Thank you very much for that information. I will now move on to Indonesia. Can the department provide the committee with an overview of the present state of Australia's bilateral defence cooperation with Indonesia and what cooperative activities we are still engaged in with the TNI?

Dr Brabin-Smith—The main defence cooperation with TNI is currently support for the Indonesian navy's Nomad aircraft based in Surabaya. This project started in 1990 and has remained in place throughout the incidents over East Timor. Other defence cooperation activities with Indonesia this year have included the following: English language training, maritime surveillance courses and aircraft maintenance, logistics training, health specialist training, maritime studies conference, navy junior officer non-combat related training development conducted in Indonesia, some activities conducted by the Defence Science and Technology Organisation, peacekeeping seminars, aircraft engineer training and staff college exchanges.

Senator HOGG—Where has the majority of that training taken place—in Australia or in Indonesia?

Dr Brabin-Smith—The majority in Australia.

Senator HOGG—Do we know how many Indonesian military personnel have been present at those courses?

Dr Brabin-Smith—My briefing notes read as follows:

Personnel exchange status is as follows: currently there are 22 TNI personnel in Australia on defence cooperation activities, with two returning to Indonesia in December—

Senator HOGG—Do we know the ranks?

Dr Brabin-Smith—I am sure we could find those out for you.

Senator HOGG—Thank you.

Dr Brabin-Smith—The briefing notes go on:

An estimated 45 TNI personnel will undergo defence cooperation activities in Australia this financial year and currently 11 ADF personnel, in addition to embassy defence staff in Jakarta, are living and working with the TNI in Indonesia.

Senator HOGG—Do we have any figures to compare with the previous years?

Dr Brabin-Smith—We can get them for you.

Senator HOGG—Is the RAAF engaged in any service to service cooperation with their Indonesian counterparts in that list?

Dr Brabin-Smith—Aircraft engineering training and logistics training perhaps. It is not clear who is providing the logistics training. If there is any change to that advice we will take it on notice.

Senator HOGG—Are there presently any proposals to increase the Defence cooperation with Indonesia above the present levels of activity next year?

Dr Brabin-Smith—We are having dialogue with Indonesia with TNI about where we might wish to take the relationship next, subject to the boundaries set by respective governments. These discussions have yet to come to any particular conclusions.

Senator HOGG—When do you believe they will be concluded?

Dr Brabin-Smith—It is difficult to say.

Senator WEST—I go back to France and the possible visit of a nuclear ship. My understanding is that the present guidelines and policy on nuclear ship visits very clearly only relate to US and UK vessels. Is that correct?

Dr Brabin-Smith—I believe that is not correct.

Senator WEST—The Defence manual does not say that?

Senator Newman—I can just add to this. I do not know whether it is useful or not, but when we did a Senate inquiry some years ago into visits of nuclear powered warships, it was not specific as to who was providing the nuclear powered warships. It was just in general so that port safety plans could be identified and ports that were not suitable for having visits were also identified. My recollection is that there was no emphasis on one navy or another.

Senator WEST—I understand that the operations manual says concerning nuclear powered warship visits that current arrangements are such that acceptance of visits by nuclear powered warships other than those belonging to the US Navy and the Royal Navy is not presently permitted.

Dr Brabin-Smith—That is quite possibly the case. That would be because we have yet to go through the same kinds of processes with France that we have already gone through and therefore put in place with the United Kingdom and the United States.

Senator Newman—That would have all been subsequent to that Senate inquiry as I would recall.

Senator WEST—You will be undertaking those exercises. Maybe we can have the Defence manual checked and you can then respond to it from there.

Dr Brabin-Smith—Yes. The essence of the issue, as you have raised it, is that we would expect to apply the same criteria for the visit of nuclear powered warships of any country.

Senator WEST—I understand that the manual further states that, ‘to cover the unlikely event of a reactor accident in an Australian port, the US and United Kingdom governments have given certain guarantees under the US public law 93-513. It is policy to accept liability on an absolute basis for nuclear damage which results from an accident involving the reactor of a US warship. The UK government has provided unilateral assurance to Australia for nuclear reactor liability comparable to that given by the US.’

Dr Brabin-Smith—Given that the discussions with France have yet to come to a conclusion, let me say I would be very surprised if we did not get a similar reassurance from French authorities.

Senator WEST—Thank you.

Senator HOGG—The next topic I have listed is Fiji and I have a few brief questions on that. Before I move on to Fiji, there is one thing I missed out in my questions on Indonesia. Can you give us the budget for this year for defence cooperation with Indonesia?

Dr Brabin-Smith—I will take that on notice, if I may.

Senator HOGG—In respect of Fiji, can the department provide the committee with an overview of the present state of Australia's bilateral defence cooperation with Fiji? I understand that at the last estimates there was a description—and it might not be an accurate description on my part—that we put it into a state of suspension, so to speak.

Dr Brabin-Smith—Let me explain it this way. The following activities have been suspended: all naval ship visits to Fiji, all military exercises with the Fijian military forces, all visits to Fiji by senior Australian Defence officials of one star and above, all visits to Australia by senior Fiji defence officials of colonel and above, the future participation of members of the Fijian military forces on Defence sponsored training courses and all contact with Fijian special forces. Additionally, four Australian Defence Force advisers to the Fijian military forces have been withdrawn from Fiji and defence cooperation support to the Fijian military forces infrastructure projects has been suspended. A point to note here is that members of the Fijian military forces who were on courses in Australia at the time of the attempted coup were allowed to finish their courses. Australia's support to the Pacific Patrol Boat Program in Fiji is continuing. This involves maintenance, logistic, advisory and training support. Australia is also supporting the Fijian military forces in their current regional peacekeeping operations in East Timor and Bougainville.

Senator HOGG—Could you clarify this for me: how many ADF personnel we have in Fiji? We had four and we withdrew them. Do we have any more?

Dr Brabin-Smith—Let me take that on notice.

Senator HOGG—How many Fijian military personnel are there in Australia? Do we know?

Dr Brabin-Smith—I will take that on notice as well.

Senator HOGG—Thank you very much. The next issue is the national missile defence. The Defence department's file list published on the Defence web site includes, under the category of international relations, a file entitled '2000 Space Based Infra-red System Conference'. We are not talking about anything that is not public, as it is on the Defence web site. Can you tell the committee something about this conference? What was the subject matter and the scope of it, when and where was it held and who were the participants?

Dr Brabin-Smith—I am not sure that we can say very much. Again, can we take that on notice, please?

Senator HOGG—Is it that you do not have the information at hand?

Dr Brabin-Smith—I do not personally have the information, nor do my colleagues.

Senator HOGG—If you are taking that one on notice, I will give you a number of other questions on notice as well about that particular issue. The next issue is access to the joint facilities. I must say that I am surprised you did not have some more information on that issue, seeing as it was one we had to flag in the advice to the secretariat, but anyway—

Rear Adm. Ritchie—When you talk about space based infra-red systems, we are not necessarily talking about national missile defence.

Senator HOGG—I accept that.

Rear Adm. Ritchie—They are not connected.

Senator HOGG—The issue of access to the joint facility at Pine Gap has recently been raised in another parliamentary committee. Can you tell us who actually does have access to the joint facility?

Mr Brady—In terms of parliamentarians, the briefed people are the members of the National Security Committee of Cabinet, plus normally—and I think currently—the Leader of the Opposition and the opposition spokesman on defence.

Senator HOGG—As I understood it, this was the treaties committee and it involved a treaty to do with the facility. So even under those circumstances, those people do not have the right to access it. Is that correct? It is not meant to be a trick question or anything. I am just trying to find that out.

Mr Brady—No.

Senator HOGG—The last question on the joint facility is: what is the cost to Defence of the joint facility each year?

Mr Brady—That is not a figure I wish to put on the public record. That kind of information is classified.

Senator HOGG—I respect that, Mr Brady.

Mr Brady—The relevant expenditure is contained in the intelligence group.

Senator WEST—On communications and capabilities staff, Defence gave back to the Australian Communications Authority some of the 3.9 gigahertz band of the radio spectrum that was reserved for military use. Did Defence receive any compensation for that use of the spectrum that has now been auctioned off by the ACA?

Rear Adm. Ritchie—I think, as a general policy, if you relocate and move from spectrum to spectrum, you pay for that yourself.

Mr Hannan—The spectrum that we vacated—

Senator WEST—You handed back spectrum to ACA?

Mr Hannan—In the 1.8 and 2.2 gigahertz bands.

Senator WEST—You did not do anything with the 3.4 gigahertz band?

Mr Hannan—Yes—it is not a band that is actually used by Defence, although it is used by some sensors with the USN, the US Navy.

Senator WEST—What about the other two that you talked about—the 1.8 and 2.2 gigahertz bands?

Mr Hannan—The 1.8 and 2.2 gigahertz bands are the auctions that were taking place as part of the recent rather lucrative large auction of last year. There were two tranches to that. We returned six links and a further two links had to be modified as a consequence of being required to get out of that spectrum.

Senator WEST—Were you required to get out of it or were they actually reserved for military purposes?

Mr Hannan—No, it is not reserved for military purposes.

Senator WEST—Are there any parts of the spectrum that are reserved for military uses?

Mr Hannan—Yes, there are parts of the spectrum that are currently reserved. They are not ones that are being subject to auction. Defence has an allocation in that spectrum. That does not mean that it is a specific military spectrum.

Senator WEST—Did you get any compensation for the spectrum that you handed back?

Mr Hannan—We did not.

Senator WEST—So ACA got all the money?

Mr Hannan—Correct.

Senator WEST—Why was Defence no longer needing those bands in the spectrum?

Mr Hannan—I think it is incorrect to say that we did not need them, and there are alternatives. In fact, we retuned amplifiers that were in the spectrum that was being auctioned for general mobile and so forth in order to move into a different area of the spectrum that was not being auctioned. So it is not that we do not have a requirement, but that in most circumstances we have some agility to move.

Senator WEST—How much of the spectrum is currently reserved for defence use?

Mr Hannan—It is a three-dimensional thing: it is actually a frequency range and also a locational issue, so—

Senator WEST—And it is changing all the time, isn't it?

Mr Hannan—It changes all the time. We have, literally, tens of thousands of allocations.

Senator WEST—So you have no shortage of spectrum for your current purposes?

Mr Hannan—As with everyone in the telecommunications game, more would be nice. But it is not currently impeding any operational aspect.

Senator WEST—Okay. You mentioned that the 3.4 gigahertz band was actually used by the US Navy. What is going to be the impact of the sale of that when they make visits here?

Mr Hannan—I am unaware of the impact.

Senator WEST—You do not know if there will be any impact?

Mr Hannan—I do not know if there is an impact or, if there is, how severe it might be.

Senator WEST—Well, if we have just flogged off the 3.4 gigahertz band to somebody, and there a US Navy visit, what other options have they got if they cannot use the 3.4 gigahertz band?

Mr Hannan—They will be using another frequency band available to them, including ones that the Australian Navy would have access to.

Rear Adm. Ritchie—It is not unusual for ships of any nation visiting anywhere in the world; when they request permission to visit, one of the things that they get told is what parts of the spectrum they can use when they are within a certain radius of that country.

[5.47 p.m.]

Senator WEST—Okay. Can I turn to defence personnel executive. Recruitment targets and achievements for 1999-2000 for regulars and reserves. How is it going?

Brig. Brown—The achievement for the last financial year and for the two previous financial years was disappointing: we did not meet our targets.

Senator WEST—What were your targets and what did you get?

Brig. Brown—The targets and enlistments for 1999-2000 were: Navy, target of 1,496 and enlistments of 846; Army, target of 2,622 and enlistments of 2,189; and Air Force, target of 1,209 and enlistments of 1,008.

Senator WEST—They are permanents, are they?

Brig. Brown—Yes, permanents. For reserves: Navy Reserve, target of 104 and enlistments of 29; Army Reserve, target of 4,785 and enlistments of 1,566; and Air Force Reserve, target of 119 and enlistments of 104.

Senator WEST—How are you going this year?

Brig. Brown—The signs are better, but we are just approaching the peak recruiting period, which is traditionally in the November to March period. So it is a little early to say, but the signs are better—particularly with the reserves. I think Army and Air Force full-time are looking quite positive. Navy, at this stage, is showing a slight upturn, but it is still a little early to be positive.

Senator WEST—What were your separation rates in 1999-2000?

Major Gen. Willis—Separation at 30 June 1999 or 30 June 2000?

Senator WEST—In 2000.

Major Gen. Willis—Navy was 13.27 per cent.

Senator WEST—How many is that in bodies? You are giving me apples and oranges here. You wanted to put in 1,496, and you put in 846, so what percentage is 13.27? Is that more bodies that you took out than you put in?

Major Gen. Willis—I do not have the exact figures here but we are about 2,500 under through the year.

Senator WEST—Yes, I worked that out from previous figures earlier on in the day.

Brig. Brown—Effectively, Navy has reduced by about 500 per annum in net terms.

Senator WEST—Is that designed under the DRP or is that because you cannot get bodies?

Brig. Brown—That is because of underachievement in recruiting.

Senator WEST—Because you can't get bodies. Did you say you are about 500 down?

Brig. Brown—Navy is reducing in size by about 500 per annum as a result of underachievement in recruiting and the separation rate. That is the net result.

Senator WEST—What was the separation rate for Army by percentage? Do you have a page there?

Major Gen. Willis—The bottom figure at page 290. For Army it was about 3,000 all up.

Senator WEST—Separated?

Major Gen. Willis—Yes.

Senator WEST—That leaves you with a shortfall of nearly 800?

Major Gen. Willis—Yes.

Senator WEST—And for RAAF it leaves you with a shortfall of—

Major Gen. Willis—I have about 1,600 separations there.

Senator WEST—What ranks were these coming out of?

Mr Brown—We do not have that at hand. We will have to take it on notice.

Senator WEST—Okay. What were the separations for reserves? If it is in there, I will leave it. What are you doing to overcome this shortfall?

Major Gen. Willis—We are doing a number of things. Firstly, at this stage of the game, we are spending more money on recruiting. We are putting more people into the recruiting organisations and we are changing our processes. Quite a number of issues are in hand.

Senator WEST—It is going to be a critical problem, isn't it?

Major Gen. Willis—There is no doubt that it is a problem. The fact is that there is a reducing demographic and there is a booming economy as well. All these issues do not assist us at all at this time. There is a whole series of factors that should be played out here, not just from the Defence end. It is a national issue.

Senator WEST—Are there any particular areas that you look like having trouble with?

Major Gen. Willis—Yes. We have particular areas where we have particular shortfalls. I would have them here but it might be in the interests of time to take them on notice.

Senator WEST—Yes, that will be fine. In the interests of time also, I am interested if you can outline any policy changes and initiatives that might have followed since the HREOC decision on the Catherine Williams case.

Major Gen. Willis—We will take that on notice.

Senator WEST—It is a while since I have been asking for it, but I am interested in the data that you are collecting on the incidence of sexual harassment cases and the number of complaints and other data available from that whole range. I do not just want top of the range sexual assaults, I want from your lowest category right through.

Major Gen. Willis—We have a complete listing across the categories.

Senator WEST—How often is that reporting being done to you?

Major Gen. Willis—As often as I like, but I get it about monthly.

Senator WEST—Do you have any comparative work as to how you are bearing against other workplaces?

Major Gen. Willis—It is very difficult. We think that we are doing very well. I think we are one of the few workplaces that actually collect the type of detailed statistics that we do.

Senator WEST—I thought that is what you would tell me. Have you done any work on the percentage that you think are getting reported? It is quite common in sexual harassment and sexual assault cases that only a small percentage get reported out in the general public. What do you think is taking place within ADF? What do you think is the situation there?

Ms Grey—Of course, we can only give information on what we are told about, but there are extensive programs in place which encourage people to put in formal complaints.

Senator WEST—So you have not done any work on what you think the actual reporting rate might be?

Ms Grey—Not in terms of reporting, no. We do not know what is not reported.

Senator WEST—I realise that, but Major Catherine Quinn—

Ms Grey—We have recently undertaken a survey of unacceptable behaviour in the Australian Defence Force. The data is still being collected and collated.

Senator WEST—Okay, thank you.

Major Gen. Willis—But last year in our attitude survey one of the questions was, ‘I know what support services are available to me if I were being harassed at work.’ In Navy you got 88 per cent agree; Army, 85 per cent; Air Force, 83 per cent; and civilian, 72 per cent. That is a very high understanding of what is available to them and that would reflect on the previous question.

Senator WEST—Thank you. Maybe you can provide, on notice, an update on the outsourcing of health services and the new health service contracts in Victoria and the consequences of that.

Major Gen. Willis—I have Captain Maddern here if you would like to—

Senator WEST—I am conscious of the time because we have a couple of things we have to get through by 6.30 p.m. to finish this off.

Major Gen. Willis—We will take it on notice then.

Senator WEST—Okay, thank you. I will also be putting something on notice about the article that appeared in Saturday’s *Sydney Morning Herald*, ‘The military may sell health records database.’ I am certainly wanting information in relation to what comments the Privacy Commissioner may in fact make about that particular proposal, if it is accurately reported in the media, and what consultation has taken place with the Privacy Commissioner about this particular issue.

Capt. Maddern—With respect to that particular issue, I can assure you Defence has absolutely no intention of selling the health information. The article was misrepresented.

Senator WEST—How did it misreport?

Capt. Maddern—At no stage did I state that we were going to sell the health records.

Senator WEST—No, but it quotes you as saying that selling the data to research companies had been ‘in the back of the mind’.

Capt. Maddern—That is incorrect. The consideration has been that we will provide for internal research purposes—and I emphasise internal research purposes—the information which electronic health records can provide us.

Senator WEST—Maybe you had better do a briefing for the committee, if you do not mind, please, so we can actually have it accurately on the public record, not done in a raging hurry.

Capt. Maddern—Certainly.

Senator WEST—I am going to have to leave defence personnel there. Just one quick question: when does the service centre for Cooma start operations?

Major Gen. Willis—On the 27th of this month, and it is officially opened, I understand, on 1 December.

Senator WEST—What number of people will it be employing?

Major Gen. Willis—It is in the vicinity of 70-odd initially.

Senator WEST—What is the total cost of the new centre?

Major Gen. Willis—My figures indicate about \$26 million.

Senator WEST—Twenty-six million?

Major Gen. Willis—I have been corrected, \$28 million.

Senator WEST—Twenty-eight million?

Rear Adm. Ritchie—No, that is incorrect.

Senator WEST—That is incorrect? Do you want to take that on notice?

Rear Adm. Ritchie—I was anticipating the next question when I said \$28 million.

Major Gen. Willis—It was a very quick add-up, so I will take it on notice.

Senator WEST—Do not do it quickly. I want an accurate figure, because I want to know what the original estimate was and I want to know what the actuals are going to be. I think that people were initially telling us it was going to be a dollar a head, and I hear it has blown out somewhat.

Major Gen. Willis—I will get that information for you.

Senator MURPHY—I will ask a few questions with regard to the provision of Defence housing. Have you ever done a cost-benefit analysis with regard to the provision of housing on base versus off base, particularly for single personnel?

Major Gen. Willis—I do not have that information directly to hand, although I do know that we do construct houses both on and off, depending on the circumstances—it is not one or the other.

Senator MURPHY—I know that. My question really relates to the cost-benefit analysis of it—which is the most cost-effective way?

Senator WEST—Here comes the real estate agent!

Senator MURPHY—I understand you had a position before of not accepting single-bedroom accommodation off base. Is that correct?

Major Gen. Willis—I am not aware of that situation, but I will certainly check it out, unless one of my colleagues can answer that.

Mr Corey—I cannot answer that particular question, but you asked about a cost-benefit analysis of on base versus off base accommodation. In developing a strategic plan for the Defence Estate a couple of years ago, we did a detailed analysis of that by locality. We arrived at a decision at that time, based on the costs in various cities, that the only two places where it made economic sense for Defence to provide on base accommodation were Darwin and Sydney. For obvious reasons, in other areas where there is an operational requirement, we also made a judgment that we should provide on base accommodation. But on economic grounds, it was only Darwin and Sydney at that time where we could justify building on base accommodation.

Senator MURPHY—I understood that might be the case. What was the cost to Defence of the rental subsidy last year?

Major Gen. Willis—I will have to take that on notice.

Senator MURPHY—Can you also take this on notice: how much of that was attributed to dead rent?

Major Gen. Willis—I have those figures, but I will have to take it on notice.

Senator MURPHY—Given your new service agreement with the Defence Housing Authority, and the flexibilities that you are now required to meet—and I say ‘flexibilities’ in the sense that they are tighter rather than looser—when do you plan to finalise your

movement cycle information for the year 2000-01 and the years out to five years later? When will that be finalised, taking account of the new services agreement?

Mr Sharp—We are in the process of finalising what we term the Defence housing requirements. We have a draft in place which seeks to take account of known movements as far ahead as we can see. We expect to finalise that within the next month, which would cover next year with some precision and forecasts beyond that.

Senator MURPHY—Can you take it on notice to provide the committee with a copy of that when it has been finalised.

Mr Sharp—Certainly, yes.

Senator MURPHY—With regard to the Weston Creek college, I have seen numerous figures for the number of students that will attend the college, and other committees have been told numerous figures. They seem to range substantially—from 180 through to 380. Are you able to provide me with the information as to exactly what the number will be, and if the number will be consistent year in, year out across the three services? As I understand it from information provided to me in another committee, there is a consistent approach with regard to the number of officers who would attend the college from the three services. I would like to know whether or not that will be consistent year in, year out, given information I have seen in one document that people living in Sydney and/or in close proximity to Canberra may well choose not to move their family and therefore would not be in a position to require housing. Have you made any assessment of that and what is that assessment?

Major Gen. Willis—The number of students at the Australian Defence College, which will be expanded next year, will include 180 on the Australian command and staff course—that is, at the collocated staff colleges that start next year—and then we will have a further 60 attending what is the Australian Defence College at the moment but what will be the Centre for Defence and Strategic Studies. The student body will be, in total, about 240. That will be flexible in the minimum. We will generally have a quota for services and overseas students and for civilians as well, because there are 15 civilian Department of Defence members attending the Australian command and staff course as well.

Senator MURPHY—Where would they come from? Would they be local Canberrans?

Major Gen. Willis—They do not necessarily have to be. I do not know the final cut. Most of them would be from the department in Canberra, but they could come from the department external to Canberra. I just have not seen the final cut.

Senator MURPHY—Is it possible to provide me with a breakdown of the number of personnel that might require housing?

Major Gen. Willis—Certainly. We have that information. I just do not have it with me at the moment.

Senator MURPHY—Thank you.

Mr Sharp—It might be able to assist. At the moment we are forecasting a requirement for next year—and it is still in draft—of 1,700. We have tried to take account of the new staff college forming at Weston Creek.

Senator MURPHY—Thank you. Just going back to the question I asked you about the cost benefit analysis, on other occasions it has been put that the provision of housing contained a choice. In looking at the cost of housing, particularly in the northern part of Australia and the cost to Defence—as I understand it, for the year 1999-2000 the subsidy was

somewhere in the order of \$170 million—I wonder whether or not it is cost effective to be providing single personnel with accommodation in a high-rise apartment that overlooks Francis Bay at a rental somewhere in the order of between \$300 and \$400 a week? I am asking the question particularly with regard to single personnel.

I want to make it clear: I do not want to deny single Defence people the right to have that sort of accommodation, but there is such a thing as taxpayers' value for money. If people choose to take that sort of accommodation, as they do—and I know of some Defence personnel who, between two or three of them, take up apartments in Cullen Bay, for instance—they do that of their own choice. But I think, for the Department of Defence, it really has to come down to the question of the best use of the Department of Defence's funds in subsidising rental in any form of accommodation around this country.

Major Gen. Willis—I cannot comment directly about the example you gave. As a general rule, we have live-in accommodation and, if there is suitable live-in accommodation available on base, we are generally required to use that. If, for some reason, there is an overflow, we will move single people off base with optional rental assistance, and they will get so much money and they can apply that amount they get to whatever they want to live in generally.

Senator Newman—Over the years, it has been shown that there is correlation between the standard of housing that is provided to single or to couples with the retention rate. Mr Beazley has done one good thing in his life, as far as I am concerned, and that is to introduce the Defence Housing Authority, which has given them much better quality accommodation. You surely would not knock that.

Senator MURPHY—I did not think I was, actually.

Senator Newman—You sound as though you do not think the taxpayer should actually be subsidising their housing.

Senator MURPHY—No. In terms of DHA, I agree the housing for defence personnel in the past was pretty ordinary and it did need to be changed.

Senator Newman—Very ordinary.

Senator MURPHY—I will not go into the semantics of 'very', 'pretty', 'ugly', 'awful' or anything else.

Senator Newman—Terribly ordinary.

Senator MURPHY—The reality is that when you are looking at constructing apartments—and I think Major General Willis knows which one I am referring to—the question remains as to whether or not providing accommodation, for single personnel in particular, is an effective use of defence money.

Major Gen. Willis—I am not entirely sure that the accommodation I think you are talking about, which is subject to PWC approval, is for single people. It is a mixture of apartments and it will be allocated by the housing management centre, as appropriate. All Defence does is provide the numbers through corporate support to the housing authority, and then they apply the figures to the asset available.

Senator MURPHY—The proposal that the Public Works Committee was given had 20 single bedroom unit apartments in it out of 95—60 for Defence.

Major Gen. Willis—There are a number of married couples without children who choose to live in a single bedroom apartment. There are not a lot, presumably, but the research has been done, and we are endeavouring to give our personnel choice. In fact, in Sydney, they can

choose a house in the western suburbs with a garden, three bedrooms and the lot or they can take a two bedroom unit in the city. They are forgoing some of the normal standards, because we are giving them choice. This flexibility is proving very popular.

Senator MURPHY—I accept in part what you say, but I have to say that, with regard to the provision of choice, if you have got accommodation at, say, Robertson—which is where a lot of the single personnel accommodation, particularly for the Army, is based—I do not mind if people want to have a choice. If you were in the private sector you would have a choice of company housing or you could take another choice and go into the private marketplace, for which you must pay. It really comes down to what is the most cost-effective way of dealing with defence housing cost money in the provision of defence housing.

Major Gen. Willis—Is there a particular question in line with that which you would like me to address?

Senator MURPHY—You seem to be of the view that maybe the Carey Street thing did not contain single accommodation.

Major Gen. Willis—No, I was aware that there was a plan for it; I am not sure that that plan is yet approved. It is a commercial concern of the Defence Housing Authority. As I understand it, they will make commercial judgments. In the Carey Street development I think we want about 60 units of the 90-odd they are developing there. It is a mixture of between one and three bedrooms, as I understand it. As I understand it, a commercial decision has been made on what the breakdown will be.

Senator MURPHY—When you do your cost-benefit analysis for me can you let me know what the subsidy rate is for on-base housing single accommodation at Robertson and for the other three on-base housing accommodations provided within the Darwin region?

Major Gen. Willis—Certainly.

Senator MURPHY—Thank you.

[6.14 p.m.]

Senator WEST—We will move on to the Defence/integrated distribution system. When was the winning bidder for DIBS originally meant to be announced?

Major Gen. Haddad—Originally it was going to be announced about the middle of this year, but some internal processes within that project have caused it to be delayed and it is about now that we would be making that announcement.

Senator WEST—Can you elaborate on the internal processes?

Major Gen. Haddad—That was the evaluation of the tenders. There were some problems initially with framing the statement of requirement, which caused some delay, and the second one was in evaluating the tenders in a very complex project.

Senator WEST—Why did you have problems drawing up the material to evaluate the tenders?

Major Gen. Haddad—We used an evaluation tool that was very comprehensive, that not only helped us link between the statement of requirement and our final outcome but would allow us to build further as we went on through the period of the contract, once the contract was let. It involved numerous sites throughout Australia and the evaluation just took a lot longer than we thought it would.

Senator WEST—Is it possible to have a copy of that evaluation tool?

Major Gen. Haddad—It is a thing called TF2. It is an application which I probably could not give you. It is a new tool we are using which has been successful for this purpose, but the downside has been that it has taken us a bit longer than we originally planned.

Senator WEST—Are the recommendations currently with the minister?

Major Gen. Haddad—A recommendation on the way ahead is with the minister.

Senator WEST—A recommendation ‘on the way ahead’—what does that mean? What is the difference between that and—

Senator HOGG—The way ahead as opposed to—?

Senator WEST—the actual tenders being announced?

Major Gen. Haddad—It is commercial-in-confidence at the moment because we have not as yet selected a tenderer to go forward to the minister. At the moment our process involves some further action, and that is what is with the minister.

Senator HOGG—So there is another step in the process yet to go after the minister gives it—this is a preliminary tick, in other words?

Major Gen. Haddad—It is a preliminary tick because we had to take some further evaluation following the first round. That is what has gone forward to the minister for a decision.

Senator WEST—The evaluation or the result of the evaluation with the name?

Major Gen. Haddad—We are not in a position at this stage to select our preferred tenderer.

Senator WEST—Thank you, that is a good key word. Is it correct that the tenders that have been submitted are only valid until the end of this month?

Major Gen. Haddad—Some of them expire on 1 December, others go through until March. We are in the process of writing to all tenderers to request them to extend their validity period.

Senator HOGG—Until when?

Major Gen. Haddad—Until March next year.

Senator HOGG—Until 31 March?

Major Gen. Haddad—I do not know which date.

Senator HOGG—End of March or beginning of March?

Major Gen. Haddad—Probably the end of March. All tenderers have indicated to us that they do not have any difficulty with extending their bids. Some, as I said, were already through until a date in March.

Senator WEST—Does this mean, though, that some of them might want to amend their bids?

Major Gen. Haddad—No, this is extending the validity of their current bid.

Senator HOGG—Have they expressed angst about the need to extend?

Major Gen. Haddad—They have expressed angst about the delay in the process, but not about the need to extend their bid.

Senator WEST—When did they have to have the tenders to you by?

Major Gen. Haddad—RFTs closed on 1 March this year.

Senator WEST—Wow! So 13 months after they have done that they might actually be told who the successful tenderer is?

Major Gen. Haddad—No. Tenders were submitted on 1 March. A decision was originally planned to be announced in November this year. To give us some further time to continue the process, we will request an extension of the validity period through until March of next year.

Senator WEST—What was the mid-2000 date you gave me?

Major Gen. Haddad—That was when we were supposed to finish our evaluation process.

Senator WEST—And make the announcement?

Major Gen. Haddad—No, finish the evaluation process and then start the next stage, which was getting endorsement of that selected tenderer.

Senator WEST—I think we have a bit of confusion here. I thought I had asked: when was the winning bidder for DIDS originally meant to be announced? To which you replied mid-2000.

Major Gen. Haddad—I am sorry. When we started the process it was to be mid-2000. Delays incurred by our internal processes caused that date to slip out to November 2000.

Senator WEST—And now what has caused it to slip out until next year?

Major Gen. Haddad—Our evaluation process so far has not put us in a position to recommend a preferred tenderer, so some further work is required.

Senator HOGG—Does that mean you had a faulty evaluation process or were there major deficiencies in the evaluation process that caused the delay?

Major Gen. Haddad—No, it is to do with the bids—in discriminating between a number of the bidders.

Senator HOGG—How many bids are there?

Major Gen. Haddad—There were six bidders.

Senator WEST—Do we know what the current bid sites are?

Major Gen. Haddad—We have a list of the current sites that were included in that process, yes.

Senator WEST—Are you able to provide us with those?

Major Gen. Haddad—Yes, I can. I can provide that now or later, in the interests of time.

Senator WEST—Before we rise, please give it to the secretary. Which ones were mandatory and which ones must be kept under the contract? Are you able to advise us of that?

Major Gen. Haddad—Yes, I will advise you separately on that.

Senator WEST—What about the number of people currently employed in those locations?

Major Gen. Haddad—Yes, I can advise you about that.

Senator WEST—How many jobs would be lost as a result of these contracts?

Major Gen. Haddad—It depends on the winning bid and how many of those people gain employment with the new operator. At the moment, all those positions are within scope. If the in-house bid is not successful, they will cease to be Commonwealth employees, but they may be commercial employees in the same location.

Senator WEST—Is it the case that the reason that this tender process has been delayed is that it will result in substantial job losses in regional areas?

Major Gen. Haddad—One of the issues in relation to progressing this is the impact on rural and regional Australia. Some of the locations that are in scope for this activity are in those areas where government has stated that Defence related employment should not be reduced.

Senator WEST—So that is one of the reasons causing you problems?

Major Gen. Haddad—It is one of the factors that we are addressing.

Senator WEST—Thank you. Can you give us some indication of the rough value of this contract—the ballpark we are in?

Major Gen. Haddad—Over a 10-year period, the baseline value is \$1.059 billion.

Senator WEST—So it is not little—\$1.059. Have current Defence employees at these sites expressed concerns over the situation at present?

Major Gen. Haddad—They have expressed concerns about the delay in announcing the outcome, yes.

Senator WEST—Is part of the requirements of the tender that the successful bidder keep the current employees on?

Major Gen. Haddad—That is not a requirement. Bidders are encouraged to reemploy Commonwealth employees at those locations, but it is not a requirement.

Senator MURPHY—You say it is not a requirement; what is the process? Are they requested to offer employment?

Major Gen. Haddad—They are all encouraged to offer employment. In the case of DIDS, a number of the bidders have already advertised for expressions of interest from existing employees to be employed with them in due course. There is a separation of employment between Commonwealth employment and reemployment by a successful commercial operator so that the individuals get their rights paid out.

Senator MURPHY—It has been the case in some other instances, I think, that where you are contracting out services, there has been a limited agreement that existing personnel would be offered employment first.

Major Gen. Haddad—In all of our commercial support activities, the bidders are encouraged to offer our people employment, but we deliberately separate Commonwealth employment and invite them to be reengaged as commercial employees.

Senator WEST—That is all on DIDS, thank you very much.

Senator HOGG—Can we go to public affairs and corporate communications, please. These questions will conclude the questions that we have for Defence. We will put the other questions on notice, given that we have to fit in other portfolios this evening. Firstly, has the restructuring of Public Affairs been completed and have all positions been filled?

Ms McKenry—The restructuring has, in fact, been completed. The organisation started as an entity on 1 July this year. Not all positions have been permanently filled within the organisation.

Senator HOGG—What positions are not permanently filled?

Ms McKenry—We have not, as yet, filled the position of the Director-General of Communications and Public Affairs and there are a number of other positions. One position is that of the Director of Digital Media.

Senator HOGG—Have they been advertised?

Ms McKenry—Sorry—there are some military positions that are still vacant.

Senator HOGG—How many of those are there?

Ms McKenry—I think there are about six.

Senator HOGG—Can you take that question on notice and supply me with the answer. Have those positions—the Director-General of Communications and Public Affairs and the Director of Digital Media—been advertised?

Ms McKenry—The director-general position has been advertised twice, yes. We currently have someone acting in that position. There have been people acting throughout the year, but the last one started in November.

Senator HOGG—So what is the difficulty in filling those positions? Are people not qualified to fill them?

Ms McKenry—We have had difficulty getting people with the right range of skills, yes, and that also applies to the Director of Digital Media.

Senator HOGG—How much longer will you continue to advertise those positions before you make a permanent appointment?

Ms McKenry—With the first one, the director-general position, it is now up to the secretary as to whether or not he will continue to advertise that position and how he pursues that. That is in fact an SES band 1 position. For the latter one, the digital media position—which is not an SES position—we have someone acting in that. It will depend on their performance as to whether that person will be moved in or whether we readvertise that position.

Senator HOGG—When will that decision be taken?

Ms McKenry—It will be taken in the new year.

Senator HOGG—What statistics and data does Public Affairs keep regarding their activities to use as performance indicators?

Ms McKenry—We have a set of indicators that relate to our objectives and performance. We do not have a great base of that. We are now building a foundation for that and, as I said, we have been going since 1 July. Our indicators are around our performance and our performance includes such things as being able to deliver effective communication. The main thing there is that we do that through research in terms of finding out whether the community has an understanding of the role of Defence, its operations and its equipment, and also research internally, which we do in partnership with the Defence personnel area about the understanding of people within Defence of the organisation, its role and the state of their communication needs.

Senator HOGG—When should we be able to see the first group of statistics that you gathered from that exercise?

Ms McKenry—We already have some material in terms of research that we have done on the understanding of the community. That research is ongoing research which commenced in 1998-99. We also have a base at the moment through some research that was done through the

community consultation process for the white paper that ran this year. I can certainly share the key findings of that with you.

Senator HOGG—If you table that, that will suffice—given the time. I have a couple more questions that I want to get through. Can you tell the committee why 30,000 copies of the Army newspaper were shredded and what the total cost of that was.

Ms McKenry—The Army newspaper that was released, the edition of 12 October, was withdrawn because it contained information that was in fact unauthorised, you might say. It contained some information relating to the internal view of one of the services on the consultative process for the white paper. It was only one view; it was not a consolidated view and—

Senator HOGG—Who took the decision to withdraw that?

Ms McKenry—The CDF and the secretary took the decision to withdraw that copy.

Senator HOGG—Who normally authorises the publications?

Ms McKenry—The publications are, in fact, released through Public Affairs and Corporate Communication. That edition had been authorised by Army. The system has now changed in that the final drafts are now approved by an SES officer and they are signed off in Public Affairs and Corporate Communications before they are released.

Senator HOGG—And what was the cost?

Ms McKenry—The cost of the original edition plus reissuing the edition was a total of \$20,000. A copy of *Army News* usually costs just over \$12,000.

Senator HOGG—What is the total cost—about \$24,000?

Ms McKenry—No. Sorry. One edition costs us \$12,000. We had to withdraw and reprint that edition, so there were additional costs in distribution and some reprinting. So the total for that edition—the original, the reprint and the distribution of that—was \$20,000.

Senator HOGG—Can you explain to the committee why TV advertisements promoting national Reserve Forces Day were being played on Channel 9 in Brisbane the day after the actual Reserve Forces Day took place. Did we actually pay for those ads?

Ms McKenry—I am sorry, but I cannot answer that question. One of the things that my area is not responsible for at the moment is any of that advertising. Unless my colleagues are here from the personnel area, I cannot help you.

Senator HOGG—My last question goes to a topic when you were before this committee before. There was taking place within your group, I believe, the dismissal of a Mr Chris Stewart. Firstly, has that matter been finally wrapped up to the satisfaction of both the Department of Defence and Mr Stewart? Secondly, in the intervening period, has Mr Stewart been engaged by the department on any occasion and, if so, for what reasons?

Ms McKenry—All I can say on that is that Mr Stewart is taking legal action currently against the secretary in relation to the secretary's decision not to proceed with an offer of two years employment for Mr Stewart, and the matter is sub judice. I am happy to take questions on notice for the secretary.

Senator HOGG—My other question was: has Mr Stewart been employed at any time during that period by Defence in any capacity?

Ms McKenry—In the period after the decision?

Senator HOGG—Yes—after the decision to dismiss him.

Ms McKenry—No.

Senator HOGG—He has not?

Ms McKenry—No.

Senator WEST—He was not on contract?

Ms McKenry—He was with us for a period on a short-term basis from the 22nd of the fifth to the 31st of the fifth this year.

Senator HOGG—And that was after his employment had been terminated—

Ms McKenry—That was prior.

Senator HOGG—or was that the period of his employment?

Ms McKenry—That was prior.

Senator HOGG—When is this matter resolved before the courts?

Ms McKenry—I cannot answer that. I do not know what the process is.

Senator HOGG—Will you take that on notice and get back to us, please.

Ms McKenry—Certainly.

CHAIR—Thank you, Senator Hogg. I thank you, Rear Admiral Ritchie, and your staff. Before we finish, I will just put on the record that there are a number of questions that will be put on notice; namely, from Senators Hogg, West and Crossin. Also, Senator Hogg advised me that he will submit some written questions on notice for Veterans' Affairs. Thank you all for your time. We look forward to seeing you at the next estimates hearings.

Proceedings suspended from 6.33 p.m. to 7.33 p.m.

FOREIGN AFFAIRS AND TRADE PORTFOLIO

In Attendance

Senator Jocelyn Newman, Minister for Family and Community Services

Australian Trade Commission (Austrade)

Outcome 1: Public understanding of Australia's trade and investment direction, government export programs and promotion of Australia's image internationally

Outcome 2: Contribution to Australia's export trade performance by facilitating and encouraging trade and investment between Australia and foreign countries

Topics: Business Club; Australian operations

Mr Peter Langhorne, Deputy Managing Director

Mr Colin Hook, General Manager, Export Development

Mr Craig Symon, General Manager, Export Finance Assistance Programs

Mr Ian Chesterfield, General Manager, Corporate Finance and Assets

Mr David Faulks, Global Manager, Olympics and Sport

Mr Michael Plummer, Acting Manager, Government and Policy

Mr Michael Vickers, Group Manager, Client Development and Ally Liaison

Mr Michael Crawford, General Manager, Industry Specialist Group

Mr Les Boag, Corporate Manager, Information Technology

Mr Les Sobieraj, Group Manager, Corporate Budgets and Assets

Outcome 4: Contribution to Australia's export trade performance by providing financial and other assistance to eligible Australian organisations through export market development schemes

Topic: Export Market Development Grants Scheme (EMDG)

Mr Peter Langhorne, Deputy Managing Director

Mr Craig Symon, General Manager, Export Finance Assistance Programs

Department of Foreign Affairs and Trade

Alan Thomas, Deputy Secretary

Output 1.1: Protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity

Output 1.2: Provision of policy advice and analysis to portfolio ministers

Outputs 1.1.1 and 1.2.1: North Asia (including Australia-Japan Foundation)

Topics: Relations with Japan; North Korea; bilateral trade relations (focusing on trade with Asia)

Mr Colin Heseltine, First Assistant Secretary, North Asia Branch

Mr David O'Leary, Assistant Secretary, East Asia Branch

Ms Glenda Gauci, Assistant Secretary, North East Asia Branch

Ms Gayle Milnes, Director, Japan Section

Mr John Tilemann, Director, Korea Section

Ms Gillian Walker, Director, Australia-Japan Foundation

Mr Kevin Magee, Director, China Economic and Trade Section

Mr Mark Napier, Executive Officer, China Political and External Section

Outputs 1.1.2 and 1.2.2: South and South-East Asia

Topics: Issues relating to Indonesia; East Timor; Singapore and Burma; ASEAN; bilateral trade relations (focusing on trade with Asia)

Ms Gillian Bird, First Assistant Secretary, South and South-East Asia Division

Mr Jurek Juszczyk, Acting Assistant Secretary, Mainland South-East Asia and South Asia Branch

Mr Paul Grigson, Assistant Secretary, Maritime South-East Asia Branch

Mr Bassim Blazey, Director, Indonesia Section

Mr Graeme Lade, Director, India and South Asia Section

Ms Michelle Chan, Acting Director, East Timor Section

Outputs 1.1.3 and 1.2.3: Americas and Europe

Topic: Relations with France; bilateral trade relations (focusing on trade with the United States)

Mr Gary Quinlan, First Assistant Secretary, Americas and Europe Division

Mr Peter Shannon, Assistant Secretary, Americas Branch

Ms Zena Armstrong, Director, North and West Europe Section

Mr Philip Lowday, Executive Officer, United States Section

Ms Sue Jorgenson, Executive Officer, United States Section

Ms Lorraine Fietz, Executive Officer, EU and Institutions Section

Outputs 1.1.4 and 1.2.4: South Pacific, Africa and the Middle East**Topics: Fiji and Solomon Islands**

Mr Greg Urwin, First Assistant Secretary, South Pacific, Africa and Middle East Division
Mr Joe Thwaites, Assistant Secretary, Pacific Islands Branch

Outputs 1.1.5 and 1.2.5: Multilateral trade negotiations**Topics: WTO negotiations; dispute investigation and enforcement mechanism; trade implications of quarantine arrangements**

Mr Stephen Deady, Acting First Assistant Secretary, Trade Negotiations Division
Mr Allan McKinnon, Assistant Secretary, Agriculture Branch
Mr John Larkin, Assistant Secretary, Services and Intellectual Property Branch
Ms Jane Madden, Acting Assistant Secretary, Trade Policy Issues and Industrials Branch
Mr Edward Sulikowski, Director, Trade Policy Section

Outputs 1.1.6 and 1.2.6: Trade development/coordination and APEC**Topic: APEC**

Mr Murray Cobban, First Assistant Secretary, Market Development Division
Ms Ruth Adler, Acting Assistant Secretary, APEC and Regional Trade Policy Branch
Mr Mike Roberts, Acting Assistant Secretary, Trade and Economic Analysis Branch

Outputs 1.1.7 and 1.2.7: International organisations, legal and environment**Topics: Timor Gap negotiations; treaty-making process**

Mr Richard Rowe, Acting First Assistant Secretary, International Organisations and Legal Division
Ms Janet Tomi, Assistant Secretary, International Organisations Branch
Mr David Mason, Director, Sea Law, Environmental law and Antarctic Section

Outputs 1.1.8 and 1.2.8: Security, nuclear, disarmament and non-proliferation**Topics: Nuclear, chemical, biological and missile disarmament; DFAT contribution to Defence white paper**

Mr Bill Paterson, First Assistant Secretary, International Security Division
Mr Jeremy Newman, Assistant Secretary, Strategic Policy and Intelligence Branch
Ms Martine Letts, Assistant Secretary, Arms Control and Disarmament Branch
Mr John Sullivan, Assistant Secretary, Nuclear Policy Branch
Mr John Carlson, Director-General, Australian Safeguards and Non-Proliferation Office
Mr Andrew Leask, Assistant Secretary, Australian Safeguards and Non-Proliferation Office
Mr John Page, Executive Officer, Non-Proliferation Policy Section
Ms Catherine Simmons, Executive Officer, Nuclear Trade and Security Section
Mr Paul Stephens, Executive Officer, Conventional and Nuclear Disarmament Section
Mr Scott Dewar, Executive Officer, Conventional and Nuclear Disarmament Section
Mr Sean Singh, Executive Officer, Chemical and Biological Disarmament Section
Ms Kate Logan, Executive Officer, Chemical and Biological Disarmament Section

Output 1.3: Secure government communications and security of overseas missions**Topic: Issues relating to alleged leaking of classified material**

Mr John Crighton, Acting First Assistant Secretary, Diplomatic Security, Property and Information Management Division

Output 3.1: Public information services and public diplomacy

Topics: Post reporting of media comments; international media strategy

Mr Ian Wilcock, First Assistant Secretary, Public Diplomacy, Consular and Passports Division

Mr Chris DeCure, Assistant Secretary, Images of Australia Branch

Enabling services

Item 1: General corporate support

Topics: Corporate plan; Secretary's working smarter initiative; performance feedback from ministers and key stakeholders; foreign and trade ministry best practice review

Ms Frances Adamson, Assistant Secretary, Executive, Planning and Evaluation Branch

Ms Cathy Johnstone, Director, Corporate Planning

Mr Paul Comfort, Assistant Secretary, Output Pricing Review

Item 2: Human resource management and overseas conditions of service

Topics: Management of human resources including certified agreement; working smarter initiative; staff development and postings; locally engaged staff; performance pay

Mr Peter Baxter, First Assistant Secretary, Corporate Management Division

Mr James Wise, Assistant Secretary, Staffing Branch

Ms Anne Hazell, Chief Finance Officer

Ms Tanya Smith, Director, Management, Strategy, Recruitment and Coordination Section

Mr Guy Summers, Management, Strategy, Recruitment and Coordination Section

Mr Richard Andrews, Budget and Asset Management Section

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

Output 1: Policy

Output 2: Program management

Administered items—Australia's aid program

Topics: Aid to Indonesia, aid to East Timor; aid to Burma; work of AusAID's Quality Assurance Group—evaluations of aid effectiveness; Australian Youth Ambassadors for Development program

Ms Jennifer Rawson, Deputy Director-General, Asia and Corporate Division

Dr Peter McCawley, Deputy Director-General, Program Quality Group

Mr Charles Tapp, Deputy Director-General, Pacific Humanitarian and International Division

Mr Ian Anderson, Assistant Director-General, Contract Services Branch

Ms Elizabeth Brouwer, Acting Assistant Director-General, Office of Program Review and Evaluation

Mr Scott Dawson, Assistant Director-General, East Asia Branch

Mr Michael Dillon, Assistant Director-General, Papua New Guinea Branch

Mr Laurie Engel, Assistant Director-General, Mekong and South Asia Branch

Mr Mark Fleeton, Assistant Director-General, Resources Branch

Ms Ali Gillies, Assistant Director-General, Humanitarian and Community Branch

Dr Robert Glasser, Assistant Director-General, Executive Branch

Ms Annmarie O'Keefe, Assistant Director-General, South Pacific and Africa Branch

CHAIR—We now move to consideration of particulars of proposed expenditure for the Department of Foreign Affairs and Trade. I welcome again Senator Newman, Minister representing the Minister for Foreign Affairs and Trade, and officers of the Foreign Affairs and Trade portfolio, Austrade and AusAID. The committee has before it a list of topics nominated by senators for consideration at the supplementary hearings. The committee will first consider nominated topics relating to Austrade to accommodate officers who have travelled from interstate to attend the meetings. We will then consider the topics nominated for the Department of Foreign Affairs and Trade and, finally, AusAID. In order to assist Hansard in the early publication of the transcript of these hearings, written questions on notice will not be incorporated in the proof *Hansard*. Written questions have been received from a particular senator, and these questions will be forwarded to the department for answer. The committee has resolved that answers to questions on notice are to be lodged with the committee by Friday, 15 December 2000. Minister, do you or Mr Langhorne wish to make an opening statement?

Senator Newman—No, thank you.

[7.35 p.m.]

Australian Trade Commission (Austrade)

Senator COOK—Having visited the site during the Olympics and been impressed by the effort, how much did Business Club cost to establish and operate during the games?

Mr Faulks—The total cost of the project Business Club Australia, from its inception in September 1998 through to this point, is \$10.3 million. Of that, Commonwealth funding was \$2.7 million. Approximately \$4.8 million came from private sector and other government funding and about \$550,000 from member revenues. The balance has been absorbed into Austrade's costs through staffing costs and so forth.

Senator COOK—That is about \$2 million?

Mr Faulks—That is correct.

Senator COOK—You have had to absorb that?

Mr Faulks—That is correct.

Senator COOK—What do you estimate was the value of the Business Club?

Mr Faulks—In terms of immediate results, we know that about \$20 million worth of new export business has come out of Business Club Australia. But we had 16,182 people through the club at the time of the Olympics, about 27 per cent of those were internationals—very high level internationals in most cases—and we anticipate that significant business will take place as a result of those connections over a period of time. It will require a level of follow-up, and it is our intention to do so.

Senator COOK—You have just said the direct business generated from the event is \$20 million, there were 16,182 people, 27 per cent of whom were foreign visitors. How does the minister arrive at the figure of \$1 billion?

Mr Faulks—The figure of \$1 billion is still a correct figure in terms of our calculations. It relates to the total value of investment and export new business that is achieved through the total Olympic program that Austrade is responsible for. Business Club Australia is one component of that. Beyond that, it also includes a figure of approximately \$500 million of new investment already in the bank, if you like, out of the Investment 2000 project; \$245 million worth of new business, mostly export, that has come already out of the Trade Visitors

Australia 2000 program, which was a high-level visitor program run directly through Austrade; about \$13 million, again already in the bank, out of the Australia Sport International initiative. Then the balance, as it currently stands in the minister's figuring, is coming out of Business Club Australia. I think the bulk of the additional business that we would be looking for will come from the follow-up of the Trade Visitors Australia 2000 program and further work associated with follow-up of Business Club Australia.

Senator COOK—Can I be careful about this. You said about \$20 million—that leaves us \$980 million short of the \$1 billion that the minister has announced in his press release of 21 September—and that there might be another \$500 million from Investment 2000. Is that what you said?

Mr Faulks—That is correct.

Senator COOK—That leaves us \$480 million short.

Mr Faulks—That is correct.

Senator COOK—And do the other bits and pieces make up the remaining \$480 million?

Mr Faulks—That is correct. I think the press release in fact related to projections of outcomes. Even taking that into account, if you consider that there is \$500 million from Investment 2000, \$245 million already committed from signed deals from Trade Visitors Australia 2000 and roughly another \$30 million there, the remaining figure in terms of commitments and the pipeline that has been established with those programs would be a realistic figure.

Senator COOK—Doesn't the \$500 million from Investment 2000 come from that program and not from Business Club Australia?

Mr Faulks—Yes, it does. The \$1 billion, as described, is described in terms of Austrade's total Olympic program.

Mr Langhorne—The figures that have been attributed to the program relate to the overall program, which is Australia Open for Business, of which the Business Club component, as Mr Faulks said, is only one part. The other parts which have been running now in the lead-up to the Olympics for at least a couple of years all contributed to that overall total, and Investment 2000 was one part of that.

Senator COOK—Unfortunately, the minister did not say that. His press release of 21 September states:

It is anticipated that Business Club Australia will eventually attract \$A1 billion in new combined export and investment revenue.

That was explicitly Business Club and not all of those other programs you referred to.

Mr Langhorne—At the present time the figures that we are quoting are for the total program. The actual final figures for Business Club are yet to be known, but we would expect the total program to be at least \$700 million to \$1 billion.

Senator COOK—How do you expect that to be realised?

Mr Langhorne—From what has already been written. As Mr Faulks said, there has already been a substantial amount of business done. There was more business done through the business matching programs at the Olympics. At the end of the day it is a matter of how we can put together follow-up programs—I think Mr Faulks has indicated that we are doing

that—to the games to get the maximum return we can out of the overall investment. We would hope to get more than those figures that have been quoted.

Senator COOK—I would hope you would get more too, because the more you get the better it is for the nation. But the point I am coming to is that it expressly said here that Business Club Australia will eventually attract \$A1 billion. You are saying that is part of an overall program of which Business Club is a part. But Business Club does not represent the entire program. There are other key elements, some of which, in the case of \$500 million, belong to Investment 2000. It is either one thing or the other: it is part of the entirety or it is just Business Club. It cannot be both.

Mr Langhorne—We will have to clarify that.

Senator COOK—As I said in the beginning, I attended a lunch at Business Club, of a Sunday, and had a chance to inspect the operation. It was—and I stick by this—an impressive operation, but I just think that we ought to get the figures correct about what it actually did. How many other politicians, apart from me, were invited to functions by Business Club, state and federal?

Mr Faulks—I cannot actually give you the names of all of those who were invited, but I am able to tell you, at the federal and state level, who actually attended activities at Business Club Australia.

Senator COOK—I would not mind knowing who were invited, but I would be delighted to hear who accepted.

Mr Faulks—The Hon. Mark Vaile, Senator Alston, the Hon. Alexander Downer, Senator Chris Ellison, the Hon. John Fahey, Senator Robert Hill, the Hon. Joe Hockey, the Hon. John Howard, the Hon. Jackie Kelly, the Hon. David Kemp, the Hon. Bruce Scott, Senator Judith Troeth, the Hon. Warren Truss, the Hon. Wilson Tuckey, Ms Julie Bishop, Senator Brian Gibson, Mr David Hawker, Mr Peter Nugent, Mrs Danna Vale, yourself, Senator Lyn Allison, and the Hon. Philip Ruddock. The state representation was the Hon. Ian Armstrong, Mr Jim Bacon, the Hon. Peter Beattie, Mr Michael Egan, and the Hon. Sandra Nori. They were those that we are aware of as having involvement in specific activity at the club.

Senator COOK—Were these people selected by Austrade, or were these invitations made by the minister's office?

Mr Faulks—In almost every case they were reflective of the hosts of individual events at the club. There were 97 different events that took place at Business Club Australia during the period of the Olympics. Each of those had a host, and in some cases a sponsor, and those entities in every one of those cases was responsible for their own invitation list.

Senator COOK—Did Austrade have an input into those lists?

Mr Faulks—Austrade had an input into the lists that were related to the trade minister's lunches. There were three of those during the time of the games, one of which you attended. Austrade assisted individual hosts to identify potential audiences for their events, but at the end of the day their invitation lists were their responsibility.

Senator COOK—I see, thanks very much. You did take on notice the question, did you not, about who were invited as opposed to who attended?

Mr Faulks—Yes.

Senator COOK—And you will provide me with an answer?

Mr Faulks—Yes, Senator.

Senator ROBERT RAY—Just to follow up Senator Cook's question, is there an overall list of who attended? I know Senator Cook has pursued the various ministers that participated, and backbenchers, but is there an overall list of who participated?

Mr Faulks—There are a couple of different versions of that. There is the total list of 16,182 who visited the club during the period of the Olympics, and a further 845 who visited during the Paralympics. Certainly, of most interest to many that we have been dealing with is the list of VIPs or high level people, both internationally and Australian, who visited the club. We have a separate list of those.

Senator ROBERT RAY—Is it possible to have the VIP list tabled? Once you mentioned 16,000 names on the other one I lost all interest because I am not going to go through them.

Mr Faulks—I have no problem with that.

Senator ROBERT RAY—So that can be tabled at some stage?

Mr Faulks—Yes.

Senator COOK—It is my recollection from looking at the program that a number of Commonwealth ministers hosted events. Senator Alston is one that comes to mind; the Prime Minister is another.

Mr Faulks—That is correct.

Senator COOK—By the figures we looked at earlier, I came to the calculation of roughly a \$2 million shortfall. Austrade is being expected to absorb that in the running of the entire event. Has any thought been given to billing the other departments on a cost recovery basis to make up the \$2 million shortfall that you are having to absorb?

Mr Faulks—What we were asked to do by Prime Minister and Cabinet, in terms of a total budget scenario, was to put value on the total involvement of Austrade staff and resources throughout the length of the program so as to fully cost that involvement. That included, clearly, significant time and resources put in by a number of our posts and by staff in Australia as well. In the case of other Commonwealth departments, three of them were actually engaged into the program itself as partners: DISR, Environment Australia and AFFA. A couple of other departments—and DOCITA was an example, as per one that you mentioned—took up an option to host and sponsor an individual event and therefore help to generate the audience and the benefit for that particular part of the business community. They paid as part of the process of recovering costs for those individual events. So there was a cost associated, whether it be DOCITA or Shell as a sponsor of the club, for hosting an event at the club. That is included in total external revenues of almost \$5 million that I mentioned.

Senator COOK—Yes, but you are still left holding the baby—you have \$2 million that you have to absorb in your own costs. Are you saying that, overall, you did not manage to recover costs properly across the board?

Mr Faulks—My view is that we did manage to recover direct costs, but we absorbed additional costs associated with staffing into our normal form of business. We put a value against that for the purposes of the budgeting exercise.

Senator COOK—Wouldn't you look forward to the day—I certainly would—of having to bill the department of finance for the use of your premises on a cost recovery basis?

Senator ROBERT RAY—I would have thought if you were able to absorb that this time you would have to cough that up to Finance next time as a savings. I want to follow up on one aspect of that, and then I will head off into the hills. How many rooms at Brighton-le-Sands did the department of foreign affairs book?

Senator COOK—This is Austrade.

Senator ROBERT RAY—Austrade then.

Mr Langhorne—I do not have that information here directly at the present time.

Senator ROBERT RAY—You may not have booked any. I am not sure. Would you like to take this question on notice?

Mr Langhorne—Yes, it might be best if we did.

Senator ROBERT RAY—How many rooms did you book, what was the total cost and what was the occupancy rate for the 20 days in which, if you had booked such a room, you would have had to book it? I would be happy for you to take that on notice. I am sorry to have interrupted, Senator Cook.

Senator COOK—That is all right. Is there any reason why my invitation to attend lunch on the options I was given of three separate days—I could only attend on one of them; I am not complaining about that—was sent to me by the minister and not by Austrade?

Mr Faulks—In the case of every event that took place at the club there was a nominated host. In the case of those three particular events we had identified them as the trade minister's lunches that were sponsored by Austrade. Therefore, we thought it was appropriate that the invitations that went out then went out from the minister himself.

Senator COOK—What is the future of Business Club, post the Olympics?

Mr Faulks—The future of Business Club is twofold. There are really two aspects, I think, of relevance. One is the online side of things—the database and what we call 'the virtual club'. There are a little over 15,000 members of Business Club Australia. Almost 5,000 of those are Australian members and 10,000 are international members. We are continuing the club in its current virtual form until 30 June 2001. In the intervening period and beyond that we are looking at transitional arrangements to integrate it fully into Austrade's other online strategy, in particular, from the Australian members' side, within what is further developing as Australia on Display, which we believe is going to provide a stronger platform to promote those companies online than the club in its current form. Internationally, each of our posts responsible for different markets will be given a full list of members for those individual markets and a range of activities through which they can follow up with those members, maintain contact and establish outcomes from the program.

In an online sense, we are looking to integrate it more fully in the next six to nine months into Austrade's ongoing activity. The brand Business Club Australia served to be valuable in more ways than just as a promotional sense offshore. It served to be valuable in bringing together a range of stakeholders—for instance, all the state governments and some Commonwealth agencies, along with some corporate entities—towards a single goal, which was promoting Australia. In terms of the brand itself, our proposed follow-up action there—which we are pursuing—is to keep that brand and use it on a case-by-case basis rather than to have a rolling program of events over the next five years. Instead, we would be looking to use the brand and bring in the stakeholders underneath it for specific promotional activity, whether it be a major trade show such as CeBIT, as an international example, or the 2006 Commonwealth Games or whatever it might be in Australia.

Senator COOK—Or the grand prix in Melbourne?

Mr Faulks—Indeed.

Senator COOK—Or the Melbourne Cup?

Mr Faulks—Exactly.

Senator COOK—But you are not going to do that; you are considering whether you do that?

Mr Faulks—No, we are maintaining the brand and maintaining the ownership of the brand, but we are going to invigorate the brand again, I suppose, for specific opportunities once we have identified that there are going to be significant outcomes. The other side of it, of course, is the consideration of the international business visitation at any one of those events which we need to analyse in advance rather than committing to it beforehand.

Senator COOK—Austrade maintains a number of offices outside of capital cities in Australia. Can someone tell me what the criteria are to decide when and where an office will be opened?

Mr Langhorne—I assume you are referring to the TradeStart offices, because Austrade also maintains a few of its own.

Senator COOK—I am referring to both, actually. TradeStart are joint ventures, aren't they?

Mr Hook—There is a whole series of things that are considered in the location of TradeStart offices, but it is basically trying to find a region that currently is not being serviced in export development and that has a sufficient number of companies to warrant putting either a part-time or a full-time staff member into that region.

Senator COOK—There is a TradeStart office in the wheat belt area of Western Australia, isn't there?

Mr Hook—Geraldton and Albany.

Senator COOK—And there is a TradeStart office in one of the inland country towns. Is that correct?

Mr Hook—There is a proposal to open two new offices, one at Kununurra and one at Carnarvon.

Senator COOK—No, your Western Australian division indicated a TradeStart office has been opened—I do not have the name of the town with me—in one of the inland wheat belt towns, and it was to be opened jointly with the Western Australian Department of Commerce and Trade.

Mr Hook—The existing offices are in Albany and Geraldton, and the offices that will be opened on a part-time basis, and they are recruiting staff now, are Carnarvon and Kununurra.

Senator COOK—I must have been misled. I will come back with a name and follow that up later. By my count, since the government came to power, 18 Austrade offices have been opened outside of capital cities. Fifteen of those are in electorates held by the coalition, one in an electorate held by an independent, and two in electorates held by the ALP—Bass, where the margin is 0.1 per cent, and Bendigo, where the margin is 3.5 per cent. Do you think there is any coincidence in the selection of those locations?

Senator Newman—We hold the majority of the marginal seats. It would seem logical to me that we would have offices in some of these seats. The regional policy of the government is surely one of taking services outside metropolitan areas to regional Australia. I am doing it in my portfolio, and I would be surprised if they were not. I am glad to hear they are.

Senator COOK—But the criteria, Minister?

Senator Newman—They will have to answer for that. I cannot tell you about that.

Senator COOK—No, but the criterion is not marginal seats, the criterion is—

Senator Newman—No, you just referred to marginal seats. That is why I mentioned that.

Senator COOK—Because the two ALP ones are in marginal seats.

Senator Newman—Isn't that nice for the members!

Senator COOK—It is nice for the members. It is nice for the 15 coalition members too.

Senator Newman—Who I imagine are in reasonably marginal seats because that is how we got into government, by winning them.

Senator COOK—So it is a marginal seat pork-barrelling exercise, is it? Is it a boondoggle?

Senator Newman—No, I am not suggesting that at all. I am suggesting that we got the majority of seats, and a lot of them are marginal seats. Therefore, the chances are that regional Australia is getting the benefits of this kind of government being in power and taking services out to regional Australia, which happens to have marginal seats, which you lost and we won.

Senator COOK—There is no Austrade office in Bunbury, is there?

Mr Hook—No.

Senator COOK—Bunbury is the second largest city outside of Perth, isn't it? It is a lot bigger than Albany, Kununurra and Geraldton. Is there any reason why there isn't an Austrade office in Bunbury?

Mr Hook—No, but I think it has been considered in the past. One of the other criteria that I did not mention is if we find an ally organisation that is prepared to part fund the TradeStart office. That is another one of the important criteria, and I dare say that if Bunbury came forward with a proposal—and we are receiving proposals all the time—that would certainly be considered.

Senator COOK—Does the minister's office make suggestions to you about where you ought to locate your offices?

Mr Langhorne—The answer to that is no.

Senator COOK—Never done it?

Mr Langhorne—It is an Austrade decision. We take the decision in our own right with our partners. As Mr Hook said, the location of offices is based on a sufficient catchment group of companies, or potential in a particular area; the availability of partners, and that includes the states; and the willingness of organisations or partners to co-fund the operations. We do not take advice from the minister's office or the minister on the location of these particular offices. We obviously advise the minister and his office of what we are intending to do, but the minister is not involved in the overall selection.

Senator COOK—Do you knock back offers of co-location if you do not think they serve your criteria?

Mr Langhorne—It depends on the nature of the partnership. In other words, if a state government was very keen to open a TradeStart office and use the Austrade shingle, so to speak, in that location, then we would give that due consideration in the overall context of the total number of offices that we are opening. The whole lot fits together in the context of our regional trade commissioner network, the TradeStart offices, where we want to co-locate TradeStart offices with Export Access offices, where we can locate our own officers in our own right around the country and where other agencies—be they state, Commonwealth or local development agencies—have a presence. What we are trying to do is to maximise the coverage and, obviously, maximise the information to rural business.

Senator COOK—Thank you for that, but my question was: have you rejected overtures for co-location where they do not meet your criteria?

Mr Langhorne—I would have to take that on notice. I do not know off the top of my head whether we have actually had approaches from state governments or local development authorities to open a TradeStart office and that we have looked at them and decided that we would not proceed with them. I am not aware of that; I would have to check it. I know that there is a lot of interest shown in TradeStart offices around the country and we have had expressions of interest, but I am not aware of how many, if any, are firm offers—in other words, people coming forward with a cheque book in hand—that we have refused to partner.

Senator COOK—Was the TradeStart office at Kununurra your idea or the Western Australian government's idea?

Mr Hook—It was the idea of the local development authority.

Senator COOK—That is the Western Australian government. That is a yes, isn't it? Are you nodding in the affirmative?

Mr Hook—It was the same as in the south-west, in Albany and Geraldton—it was dealing with the local region. That is the level that we were dealing at.

Senator COOK—The Minister for Regional Development in Western Australia is also the Deputy Premier, the Leader of the National Party and the Minister for Commerce and Trade. He has appointed these bodies which then report to him. If this body made an overture to you, they are not funded to meet a co-location cost; it would have to have been met by the Department of Commerce and Trade. So they may well make an overture to you, but who writes the cheque to fund the co-location? Is it the Department of Commerce and Trade?

Mr Hook—As far as I know it is the local authority, but I would have to check that. These are also very low cost operations. They are probably funding an existing staff member that we train up and they use Austrade systems. And it is a part-time position.

Senator COOK—It is a very interesting question you have raised in my mind, given the budgets that the regional development authorities have, which are minuscule. If they are the ones that are paying their half of the co-location costs, where do they get the money from? I will ask some of my colleagues in the Western Australian parliament to pursue that question. But you are clear in your mind that it is the authorities, not the department, that write the cheques?

Mr Hook—I said I would have to check that. I know that we are dealing with the local authority.

Senator COOK—Do you know on what criteria Albany, for example, is preferred over Bunbury as a location?

Mr Hook—No, not specifically. The local development authority put up a very detailed case and listed the industries and the types of companies that were in the region. I cannot say that Bunbury was put up as a location at all; I can only really talk about Albany.

Senator COOK—Has Kalgoorlie been put up as a location? That is the third largest city in Western Australia.

Mr Hook—Not that I am aware of.

Senator COOK—Mr Langhorne, I think you indicated that the criteria and the selection process upon which Austrade decides where it will agree to locate will be provided to the committee.

Mr Langhorne—To the committee; yes.

Senator COOK—I look forward to seeing it. The Austrade annual report 1999-2000 is, as annual reports are, a comprehensive report on what the activities and priorities of the trade commission are and, given Austrade's reputation for being comprehensive and detailed, I think it is a good report. Can you tell me, though, why then the Austrade report in its priority sectors for the United States does not mention ferries on the list of a priority sector for the United States? I have in mind here the Incat or Austal style of ferry.

Mr Langhorne—Are you referring to passenger-carrying ferries?

Senator COOK—Yes.

Mr Langhorne—I think the issue still there is the Jones Act.

Senator COOK—But the Jones Act only covers domestic shipping and these ferries operate, or potentially can operate, between the US and the Bahamas, the US and Mexico, and the US and Canada.

Mr Langhorne—We do have a marine activity out of our Atlanta office, but I would have to check to see to what extent that is, at the present time.

Senator COOK—My concern is that Australia only leads the world in one sophisticated, highly elaborate, transformed manufactured good, which is the fast ferry. We have the bragging rights of being the world's best in that product. It is targeted at affluent markets, and the US is indeed such a market. I would have thought that this would have been a priority for Austrade, but it is not in your priority list for the United States. That is what I was interested in.

Mr Symon—Just briefly, for a short period of time I was senior trade commissioner in New York and I know a little of this area. Mr Langhorne is quite right: in Atlanta we do work on the marine side of things. At the moment, it has been concentrating on the providoring industry—that is, trying to get our food services and so forth into the cruise ship industry, which you are probably aware is very big in Florida and some of those states. I know that the consul-general there has contact both with Western Australia and Tasmania in trying, obviously, to get as much work as we can from Incat and those sorts of firms.

However, there are problems in the United States legislation that we need to work with. You are right in your point about the Jones Act that it is still a problem. I know that we would be delighted to work with those firms to try to get them into the United States market, but at the moment, in that particular industry, Atlanta has been working on the providoring industry particularly where we think there are some very significant gains. I know that is not quite on the point you are addressing but that has been the focus of the operations in Atlanta.

Senator COOK—Thank you very much. That is collateral information. All I was pointing out is that it is not a priority for the US when the US is the type of market. Sticking with Atlanta for the time being, what exactly are the sports and racing priorities that are pursued by the Atlanta office that are mentioned in your report?

Mr Symon—Once again, I am only speaking because I spent some time over in New York. Geoff Gray was the consul-general in Atlanta at that time. As I understand it, we have very good technology in relation to the racing industry and in the sports industry. I am sure you would be aware that we are world leaders in some aspects of sport as a business. I know that Geoff was working very hard on that area in Atlanta to try to get Australian content into the huge American industry.

Senator COOK—What is the funding situation for the Export Market Development Grants Scheme beyond the current financial year?

Mr Langhorne—The scheme is funded until the end of 2001-02.

Senator COOK—At current levels?

Mr Langhorne—It is \$150 million.

Senator COOK—The same \$150 million that was provided in the 1996-97 budget?

Mr Langhorne—Yes.

Senator COOK—And you absorb your costs out of that \$150 million?

Mr Langhorne—Yes. There is a maximum of five per cent permitted for administrative costs under the legislation.

Senator COOK—The Export Market Development Grants Scheme has been subject to an in-house review by Austrade. Has the board made it clear what parts of that review it is recommending or adopting for the scheme for future years?

Mr Langhorne—The board produced the Export Market Development Grants review, which was tabled in the parliament by the minister as per the legislation. The board's view on the parameters for the scheme and the future of the scheme are set out in the recommendations and findings of that report. Under the legislation, as you are probably aware, there was a requirement to make one recommendation only, and that was whether the scheme should continue or not, and if it should continue whether it should continue for an extended period of time. However, as part of the terms of reference of the review the minister asked the board to consider a number of other issues, and the board made findings on those issues and set them out in the report. That is the board's position.

The report is now with the government, under consideration. The government, when the report was tabled, indicated that the scheme would continue through to the period that the board recommended; and that the government, in the context of the 2001-02 budget, would determine the parameters for the continuation of the scheme in terms of funding and any other changes that may be required to the scheme. Of the changes recommended in the report, the majority require legislation. The report effectively sets out the board's view. In the context of that report also, of course, while the report sets out the board's view, it also sets out the position, in a number of cases, that was taken by the steering committee that was established by the board to examine or review the scheme. That steering committee comprised both private sector and public sector representatives.

Senator COOK—So we have to wait until the budget to know what the future of the scheme is.

Mr Langhorne—I think that is a decision for the government.

Senator COOK—I am just saying that there will be no decision prior to the budget on the future of the scheme.

Mr Langhorne—The minister has already made the government's position clear on the continuation of the scheme in the press release that he put out on 17 August, where he said that the government recognised the importance to business of being able to plan export promotion with confidence. He said that the government's intention was that legislation covering the continuation of the scheme and any other changes would be in place before businesses enter the 2001-02 financial year. I believe that it is probably, in regard to the many reviews of this scheme that have gone on, the earliest that we have seen a situation where we have some certainty about the future of the scheme being made.

Senator COOK—If I understand what you have just said, in a press release of 17 August, the minister committed the government to continuing the scheme—

Mr Langhorne—Yes.

Senator COOK—but did not in that press release say for how long the scheme would be continued.

Mr Langhorne—Yes. He said that the federal government remains committed to the export market development grants scheme and has agreed to continue the scheme for another five years, with a review after four years. That was the recommendation that the Austrade board made—that the scheme continue for a further five years, which would be through until the end of the financial year 2005-06, and that there be a review of the scheme made public by 30 June 2005.

Senator COOK—So what is clear is that the government is committed to extending the scheme from the 2001-02 financial year for a period of five years, according to the announcement by the minister on 17 August. I see Mr Symon nodding affirmatively. I take that as a yes.

Mr Langhorne—Yes. The government is clearly committed to continuing the scheme through the period that you mentioned, but the parameters of the scheme are to be determined in the context of the 2001-02 financial year.

Senator COOK—The report on the review of the scheme is a report by the Austrade board about what they are recommending.

Mr Langhorne—Yes; it was a requirement of legislation that Austrade produce a report.

Senator COOK—There was, though, was there not, a recommendation to the board by a group commissioned by the board, involving private and public sector input on what should happen? Did the board accept all of their recommendations, or did it accept some of their recommendations?

Mr Langhorne—The board took into account the recommendations of the steering committee. I believe that in the report itself the board has indicated its view on a number of the steering committee recommendations, directly in the report. I would have to go through and look at each recommendation that was made but, overall, I believe the board did support the recommendations made by the steering committee. I would have to check and see whether there were any, because there was an extensive number of recommendations and findings and advice given to the board by the steering committee and through other sources.

Senator COOK—I would be grateful if you would check, Mr Langhorne. If there were recommendations made that were not adopted by the board, could you table what they were.

Mr Langhorne—I can do that, but I do not believe there were many, if any.

Senator COOK—Thank you. I have before me a letter from the Export Consultants Association Limited. Are you aware of this body?

Mr Langhorne—Yes.

Senator COOK—The advice I have received is that the association has 90-odd members, mostly in the professional services area, and that it believes its members lodge about half of all EMDG claims. Given your knowledge of this organisation, in your view is that a relatively accurate statement?

Mr Langhorne—Yes.

Senator COOK—In this letter they write saying, in part:

However, exporters have recently been expressing a view that EMDG is not as effective as it was in the past and there is some reluctance to commence or to continue claiming EMDG. Our members report that there is likely to be a considerable reduction in the number of applicants for the 1999/2000 year and in future years it is unlikely that the number of applicants will increase. Our Association notes with concern that the number of applicants in 1998/99 declined over the number in 1997/98 and a decline in 1999/2000 would represent a serious decline in the number of applicants between 1997/98 and 1999/2000.

Our Association has discussed the EMDG scheme with you previously and we would like to forward to you an assessment for this decline in the number of applicants.

Are they right in what they contend, that there has been a decline in the years referred to?

Mr Langhorne—There was certainly a decline in the 1997-98 claim year. It was about 10 per cent. Our research, basically, has shown that the major reason for that was the Asia crisis. In regard to this year, at this point in time, applications are down by about seven per cent, but we still have the last week to go—and history shows that claimants put in quite a few claims in the last week of November. Until the actual period for claims closes off, we will not know what the final result is for this year.

Mr Symon—I have the figures here: the 1997-98 year was actually a flat year—that is, no change—but the first year where there was a decline was 1998-99, which was a four per cent decline. I cannot give you the figures because the grant year is not finished yet, as you know, so it is too early for us to know. But Mr Langhorne is right: at the moment, we are looking at about seven per cent, but it is difficult to know because of the lumpiness in claims as they arrive towards 30 November.

Senator COOK—So, because of the Asia crisis—or that is the believed cause of it—in the year 1997-98 there was a decline: did you say 10 per cent?

Mr Langhorne—I think it was four per cent.

Mr Symon—Four per cent was 1998-99, and the information I have just been given is that 1997-98 was actually flat; that is, there was no perceptible change.

Senator COOK—And we are roughly a week shy of completing this month and we will not know until after the month ends whether there has been a further decline on the 1998-99 year.

Mr Symon—That is correct.

Senator COOK—But we are now seven per cent behind the 1998-99 year?

Mr Symon—Two weeks ago we were 13 per cent behind. It has come up to seven per cent, so it is moving a bit as it gets closer.

Senator COOK—This sounds like the Florida count: the longer you wait, the more the figures change. You do not have any chads in your scheme, do you?

Mr Symon—No pregnant ones.

Senator COOK—Pregnant or swinging door. There are seven sorts, are there not, Mr Symon?

Mr Symon—Yes.

Senator COOK—If you just matched the 1998-99 year, would you regard that as a good result? The Asian crisis is over. The only country still in serious difficulties is Indonesia, but that is not a big market for Australia. Malaysia has recovered. Thailand is strongly on the road to recovery. I was in Seoul about a month ago, and they are boasting about how well they are doing in Korea. Would you regard that as a good figure if it just matched the peak effect of the currency crisis?

Mr Langhorne—In general terms—and I believe the board's report says this—the research that we have done would indicate the scheme will continue to grow over the next five years. In other words, the usage of the scheme will continue to grow. I think we need to see what happens this year before we start forming any views about what the uptake of the scheme will be.

Senator COOK—That is fair enough, but we just went through this. The Export Consultants Association, which, according to what we agreed earlier, puts in half the applications, expresses a view in writing to me—I am the shadow minister; I am not the minister; I cannot bring about a change—that they believe there is a serious decline. If there are applications out there to be lodged, they would at least know about half of those.

Mr Langhorne—I will make a couple of points. One is that, naturally, the consultants make their living out of this process, and the more claims they can get the more money they make. That is the first point.

Senator COOK—On that first point, the more money they make because of more claims, the more exports we produce as well, don't we?

Mr Langhorne—Yes, depending on the nature of the claims, of course.

Senator COOK—So there is a value to the country? That is my point.

Mr Langhorne—Yes. If one were to sit down and have a heart to heart with the consultants, they would naturally say that they would like a scheme with unlimited funding and scope so that it drew in as many people as it possibly could.

Senator COOK—And if we had a heart to heart with the minister, he would rightly say—or he should say—that we would like as many exports as we possibly can.

Mr Langhorne—And effective use of the dollar, of course. That is important as well. I do not think there is a serious decline. In the research we did through the scheme that PriceWaterhouseCoopers did for us and that Professor Bewley did, our own experience would show that certainly do not see it as a serious decline at this point in time. As I said, we do need to see what happens this year. There have been a number of factors this year, including

the Olympics. We continue to encourage businesses to get returns in on time, although they obviously have competing priorities.

Senator COOK—I hope you are not going to make the comment that they are all filling out their business activity statements and do not have time to fill this out. That is an unfair comment from me, Mr Langhorne. You do not need to comment on it.

Mr Symon—Senator, I received a similar letter. I was one of the first things I received after being appointed to this position.

Senator COOK—A business activity statement?

Mr Symon—No, I am going back to the letter from the export consultants. In their letter to me, they said that they had a view about what the reason for the declines were. They did not expand on that. I said that I would like to meet with them as soon as possible and that I would like to know their views on the reasons for the decline. If it is within Austrade's power to address some of those issues, I would certainly be very keen to do that.

Senator COOK—I will meet with them too. We can exchange notes, Mr Symon. It might be that it is within the government's power. I have no further questions to Austrade.

CHAIR—Thank you, Mr Langhorne and members of Austrade. It was nice to have you here. We will take a short break.

Proceedings suspended from 8.35 p.m. to 8.46 p.m.

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

CHAIR—I welcome the officers from DFAT. Senator Hogg has questions on output 1.1, on the protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity.

Senator HOGG—I am sorry, Chair, but I have already indicated that my questions there are going on notice. In the interests of expediting some of the business this evening—given that we do intend to conclude this evening—I took the step earlier with the secretariat to notify the department, through the secretariat, of some areas that we would put questions on notice. I cannot recall all of them off the top of my head.

CHAIR—Shall we go through them? Is 1.1 one of those?

Senator HOGG—I think 1.1 is where I am putting questions on notice.

Senator SCHACHT—From your description of output 1.1—

CHAIR—'Protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity.'

Senator SCHACHT—On the diplomatic network, I want to ask the department has there been any—

Senator Newman—Excuse me, Senator. I think Senator Hogg was just trying to list the areas that people would not have to stay. Am I right?

Senator HOGG—The ones that I expect will go on notice from nominated topics are ones we did supply to the department earlier this evening: relations with Japan; Singapore; treaty-making process; post-reporting on media comments; international media strategy; working smarter; human resources; locally engaged staff; and, with AusAID, Indonesia, East Timor

and Burma; and quality assurance. Not required at all will be officers for East Timor, Burma, relations with France, and nuclear, chemical, biological and missile disarmament.

CHAIR—Does your list of exclusions remain the same, Senator Hogg?

Senator HOGG—I think Senator Schacht did have some questions on Burma but, in fairness, I do not think the officers will be here, is that correct?

Dr Thomas—They are here, actually.

Senator HOGG—I have no questions on 1.1 but Senator Cook has.

CHAIR—With the exclusion of outcome 1.1 and Burma, you will not be asking questions on the subjects which you identified, Senator. Therefore, Dr Thomas, those officials may go home.

Senator SCHACHT—Is there any policy in the department about what contact the diplomats—both, obviously, in Australia in the department and around the world—can have with the Dalai Lama?

Mr Heseltine—I do not, as far as I recall, see anything specific on contacts between our diplomats abroad and the Dalai Lama.

Senator SCHACHT—There has been no advice given that, if the Dalai Lama were holding some sort of public reception in another country—maybe as a guest of that particular country—our diplomats have been given advice not to attend?

Mr Heseltine—There was a recent case in Hungary, where the Dalai Lama might have been appearing at some public occasion, and I think the question of whether our representative should attend or not did come up.

Senator SCHACHT—What happened?

Mr Heseltine—I think, as I recall, the advice was that it did not seem to be an event that an Australian diplomatic representative would need to be attending.

Senator SCHACHT—What was the nature of the event?

Mr Napier—The Dalai Lama was presenting a seminar at a university, as I recall.

Senator SCHACHT—A public seminar?

Mr Napier—That is correct, yes.

Senator SCHACHT—Open to anybody to attend, within reason?

Mr Napier—I guess the seminar was, and I think there was some sort of reception associated with that.

Senator SCHACHT—And in that particular case, was there a specific order or instruction given, or is there a generic instruction given that Australian diplomats are not to attend such receptions?

Mr Heseltine—I do not believe there is any generic instruction. I think in this particular case, as I recall it, the head of mission asked if there was something that he could attend if invited. The advice given to him was that an event like that was not necessarily something that would be in the course of his normal diplomatic duties in that country.

Senator SCHACHT—Is there any problem with somebody seeing the Dalai Lama?

Mr Heseltine—People see the Dalai Lama all the time, but I think, as I recall, in this particular case it was a public event—and I do not know specifically what the seminar was

about. Given that there are sensitivities about our diplomatic representatives meeting the Dalai Lama, he asked whether it would be appropriate for him to attend. I think the judgment that was sent to him was that this was not something that was in the normal course of his diplomatic duties.

Senator SCHACHT—What are the sensitivities about seeing the Dalai Lama? He is a Nobel Peace Prize winner. He is recognised all around the world as being a peaceful person, promoting peaceful change and seeking peaceful dialogue for an outcome for the people he represents—or claims to represent—in Tibet. What is the difficulty? What is the ‘sensitivity’, to use your word, Mr Heseltine?

Mr Heseltine—The Dalai Lama is obviously a person who is regarded as a religious leader and who is respected as a religious leader. But there also seem to be other dimensions in which he operates. It was just that the ambassador asked whether he should attend, and the judgment was sent back that we did not see that as something he would necessarily do in accordance with his diplomatic duties in Hungary.

Senator SCHACHT—But you have established the precedent. If another ambassador from another country were in a similar situation, you would have to say the same thing: that you are not to attend a similar reception for the Dalai Lama. Be consistent. We give that advice all the time.

Mr Heseltine—I think we would look at each case as it came up.

Senator SCHACHT—I would ask you to take it on notice to make it very clear whether this is a policy position—that all Australian representatives would be advised that they cannot attend an official reception or a public reception for the Dalai Lama. In addition, why are these sensitivities surrounding the Dalai Lama a problem for Australia with our record of supporting human rights?

Dr Thomas—I might add that we would make it clear to all of our representatives that any contact they had with the Dalai Lama would be in the context of him being a religious leader and had no other connotation to be drawn from that.

Senator SCHACHT—Of a religious leader?

Dr Thomas—Yes.

Senator SCHACHT—I see. And that will be in the policy—he can only be spoken to, seen as religious leader?

Dr Thomas—Yes, as indeed would be the case, and was the case when he visited Australia in the past. Calls by him on any officials or ministers were not official, in a sense: they were private calls by a religious leader.

Senator SCHACHT—Prior to the episode that took place in Hungary, do we know of any other occasions when—even in an untoward way—an ambassador or diplomat attended a reception in another country when the Dalai Lama happened to be attending?

Dr Thomas—I do not know, Senator.

Mr Heseltine—I am not aware of any.

Senator SCHACHT—Could the ambassador have attended this reception in Hungary if it had been described as a religious event?

Dr Thomas—We would make a judgment whether that was a genuine and reasonable description of the occasion.

Senator SCHACHT—What! You would have to find out how many Tibetan gongs were being rung, how much incense was being burned, how many prayers were being asked and how much yak buttermilk tea was being drunk, I suppose! Is that the sort of description that you would have to get into to decide whether it was religious or not? Who is the Tibetan Buddhist expert in the Department of Foreign Affairs and Trade who can provide that advice?

Dr Thomas—It is difficult to answer your question—

Senator SCHACHT—I bet it is.

Dr Thomas—but it is more a judgment not so much about how we judge it in its religious context, but whether it has any other implications or could be seen to draw any other inference by us attending.

Senator SCHACHT—Other inferences on what?

Dr Thomas—Clearly, any other sort of political sensitivity involved with the event.

Senator SCHACHT—Let me bell the cat then—upsetting the Chinese government?

Dr Thomas—Our policy on Tibet is very clear. We recognise Tibet—

Senator SCHACHT—But there are human rights issues in Tibet, aren't there?

Dr Thomas—Indeed, and we register our concern about those from time to time.

Senator SCHACHT—Do you think that the policy that you are now announcing—or which has now taken place in Hungary as maybe only a one-off—gives the impression to the Chinese government that we are now less concerned about human rights in Tibet?

Dr Thomas—I would not see any change from the way that we have approached it in the past.

Senator SCHACHT—Okay. I still put it on notice to you that I would like to get it in a written form what the actual policy is to do with the Dalai Lama.

Senator COOK—I have some questions under the heading of North Asia, specifically—at this point—Korea. According to the AAP wire, in a statement made in May, at the time of his visit to Korea, the Prime Minister said, 'We agreed that we should begin to explore what scope there might be for some sort of free trade association between our two countries.' We covered some of this ground at the last estimates. What has been done since May? What scope has been explored?

Mr Heseltine—Shortly after the Prime Minister's visit, a senior official at deputy secretary level from Canberra had some preliminary discussions with the South Koreans about whether there was possible scope for a free trade agreement. I think the general message that came from the South Koreans was that at this stage they did not see a free trade agreement with Australia as high on their list of priorities.

Senator COOK—When did that meeting occur?

Mr Heseltine—I do not recall. It was, perhaps, a couple of months after the Prime Minister's visit.

Senator COOK—June or July—some time like that?

Mr Heseltine—My colleagues think it was July, which sounds about right.

Senator COOK—The Korean trade minister, Han Duck-Soo, was in Australia in the last six or seven weeks. Was this matter raised with him then?

Mr Heseltine—It was mentioned in a general sense, but it was really in the context that the deputy secretary from DFAT had visited and there did not seem to be a great lot of interest on the South Koreans' part. But we and Mr Vaile did discuss with Han Duck-Soo whether we could look at some sort of joint scoping study to look at closer economic relations. It might be something less than a free trade agreement, but it would nonetheless try and look at some new areas of cooperation. Han Duck-Soo was receptive to that idea, and that idea is being pursued.

Senator COOK—Then what did Han Duck-Soo mean when he said, as reported by the *Australian Financial Review* on 3 October, that there was no prospect for early discussions on a free trade pact between Australia and Korea?

Mr Heseltine—I think he meant that, as far as the Republic of Korea is concerned, such an agreement is not at all on their list of priorities. They are talking to the Japanese and they are talking to some other countries. I think because of, in particular, agricultural issues between us and South Korea, they do not see a free trade agreement with Australia as anything likely to happen soon.

Senator COOK—Then what was the Prime Minister saying in May, when he said:

We agreed we should begin to explore what scope there might be for some sort of free trade association between the two countries.

It seems that in July or thereabouts a deputy secretary from the department was rebuffed on the point. It was discussed in a desultory way when Han Duck-Soo was in Australia. And in October he said to the *Australian Financial Review* that there was no prospect of early discussions. What exactly was the Prime Minister referring to?

Mr Heseltine—Obviously, he was talking about the possibility of some free trade arrangement. That was followed up. The South Koreans explained to us that at that stage they had other priorities in negotiating free trade agreements with other countries. But, as I said before, as something to pursue now, we have agreed that the two sides will begin a joint study, which will be a scoping study, on other areas of economic cooperation.

Senator COOK—When we had the May estimates, it was said that a scoping study may start. Now we have the November estimates and you say a scoping study may start. What will you tell me at the next estimates?

Mr Heseltine—I hope at the next estimates I will be able to say that the scoping study has, in fact, begun.

Senator COOK—So is there a date for one?

Mr Heseltine—I think we can say that there is a proposal in terms of the funding of such a study which the Australia-Korea Foundation will be looking at. We hope that this will lead to the commencement of the study.

Senator COOK—So, there is a proposal. Is that a proposal prepared by the department?

Mr Heseltine—No, it is a proposal that we have been preparing with the Australia-Korea Foundation.

Senator COOK—Is the Korean government party to this proposal?

Mr Heseltine—Yes, indeed. Han Duck-Soo, when he was here recently, agreed that they would do a study in parallel which will cover much the same territory from their side, and that the two studies would go forward, hopefully, reaching conclusions that are more or less compatible. In fact, next week a senior representative from the organisation in South Korea will probably be undertaking a study on their part, and that will give us an opportunity to

discuss further with them. They have made the decision about who will do the study on their part; it is just a matter for us to do the same on our side and proceed with it.

Senator COOK—When might we make such a decision?

Mr Heseltine—It is a matter for the Australia-Korea Foundation. Far be it from me to preempt precisely when and on what terms they will make that decision, but we are hopeful that this will get under way in the new year.

Senator COOK—Who will fund the study?

Mr Heseltine—If this proposal with the Australia-Korea Foundation goes ahead, they will fund it on our side and the Koreans will fund it on their side.

Senator COOK—Since it has been farmed out to them, are they required to approve the methodology and guidelines for the study with DFAT, or are they autonomous about governing themselves?

Mr Heseltine—They are an autonomous body, but I think it is something we can discuss in a collaborative way.

Senator COOK—Are there any plans for such a discussion?

Mr Heseltine—Indeed.

Senator COOK—When is your first meeting?

Mr Heseltine—We have had informal discussions with them and, assuming they make a formal decision, we will discuss it with them in a more concrete way. The Australia-Korea Foundation is a body that will have its own views, and that is something that will influence the shape the study takes.

Senator COOK—They will have their own views but, should such a thing eventuate, it would be a government-to-government arrangement, wouldn't it?

Mr Heseltine—Whatever results or recommendations come out of the study would then be a matter for the two governments to act upon, but the study itself is preparatory to that. When the study is completed and we have the recommendations, it will be up to the two governments to look at them.

Senator COOK—Would it not have been preferable to do a joint study with the Koreans rather than have two parallel studies?

Mr Heseltine—That is one way it could have proceeded. There are some institutional problems in trying to get the two sides together. The way we envisage it going forward is that the two organisations on each side that are doing the studies would come into contact quite regularly and coordinate at different points. I would imagine that a lot of the study would involve surveying businesses and economic organisations in both countries. When they have done that at different points, they would come together and, hopefully, towards the end, would be able to coordinate their conclusions.

Senator COOK—It sounds like a lot of duplication to me, and it runs the risk of conducting studies from different bases and coming to a conclusion which may not be jointly useful. Who decided to do it this way? Where was that decision taken?

Mr Heseltine—The Australia-Korea Foundation is an organisation—

Senator COOK—But it is not the government. The Prime Minister was not speaking for it when he said that we have agreed and we are going to conduct a scoping study. This is an agency to which you have farmed it out.

Mr Heseltine—Assuming that the decision is taken by the Australia-Korea Foundation, we are confident that a suitable approach will be worked out. To make it work, there has to be a lot of collaboration between the Korean and the Australian sides. At the end of the day we cannot predict what their recommendations will be but, whatever they are, it will be a matter for the two governments. Having had the benefit of a quite creative and innovative new look at economic relations between the two countries, they will come up with some good ideas and the government will make the decision as to whether they are worth pursuing at the governmental level.

Senator COOK—Is this a transparent deal—they will show you their conclusions, and we will show them ours?

Mr Heseltine—That is the way we envisage it.

Senator COOK—Is that not decided?

Mr Heseltine—We still have to get the proposal up through the Australia-Korea Foundation, but we envisage that it would be a quite transparent process.

Senator COOK—We are putting all this weight on the Australia-Korea Foundation. What if they reject it?

Mr Heseltine—We will have to look at another method of funding the study.

Senator COOK—How do we rank this in our priorities?

Mr Heseltine—We rate it very highly.

Senator COOK—Do you?

Senator SCHACHT—Good luck.

Senator COOK—What do you think Han Duck-Soo meant when he said there was no prospect of early discussions?

Mr Heseltine—I cannot say precisely what he meant, but I would imagine from the conversations we have had with the South Koreans that they are undertaking a lot of other bilateral negotiations at this point, in particular with Japan. They have also been talking to Chile. The discussions with Chile were originally envisaged as an opportunity for them to do a relatively easy free trade agreement, but we understand that has run into some difficulties. So I think they want to get all of this through and see how such a negotiation might work out before they start taking on new ones.

Senator COOK—Do we regard this as an FTA process, or do we regard it as something based on the APEC principle of open regionalism?

Mr Deady—I would say we do not, and I think this is what the Korean minister was getting at. At this stage, I do not think Korea is prepared to negotiate a comprehensive free trade agreement with Australia. As you will be well aware, agriculture, in particular, is so sensitive up there. Our view is that any free trade agreement that Australia got into would have to be fully consistent with our WTO obligations—article 24—covering the majority of trade, excluding agriculture. Such an arrangement would clearly not meet that criterion in our view. As my colleague has been saying, that is why what was decided on was analytical work to see what other areas of the economic and commercial relationship we could make some

progress on. Their services and other areas are the sort of thing that it is appropriate that some economic analysis and research be carried out on.

Senator COOK—Precisely for the reason that you give about an FTA, I wonder what the Prime Minister meant when he said there might be some sort of free trade association between our two countries. Clearly, there cannot be one as long as the Koreans dig in on agriculture—and have dug in.

Mr Deady—At this point in time, that is right. That is why the decision has been taken to move to look at something less than a comprehensive FTA.

Senator COOK—Mr Heseltine, you were kind enough to characterise this as having a high priority. How high? Do we rank it ahead of what was announced last week on Australia-Singapore?

Mr Cobban—I think the answer to that would be no.

Senator COOK—So it is not that high?

Mr Cobban—We have got a definite time frame for negotiating a free trade agreement with Singapore, and that is obviously going to require some resources.

Senator COOK—So, they put their deal with us in the queue behind Chile and Japan and maybe China and other areas they are looking at; we put this deal with them in the queue behind Singapore.

Mr Cobban—I do not think it is quite right to characterise it as a queue. Two different sorts of process are being described. We have already established that they are not talking about an FTA negotiation. It is not the same queue, if you like.

Senator COOK—You rested argument on the basis that resources was a constraint in being able to give attention to this. I took that to mean departmental resources.

Mr Cobban—I think I did not say that. I think you asked what priority we attached to the Singapore FTA negotiations as a relativity. I think the record will show that I said I thought the FTA negotiations would have a higher priority, given that it is an FTA negotiation from a departmental point of view.

Senator COOK—Yes, but I asked you a question about the priority for Korea and I think you made a reference—anyway, the record will show what you said. We don't have sufficient resources, then, to do both?

Mr Cobban—I come back to the point that we are not talking about the same thing. We are talking about apples and oranges, in a way. We are talking about an FTA negotiation with Singapore which will be conducted by the government, and we are talking about a set of scoping studies on issues in Korea which I understand will be carried out by academic institutions. That, if my recollection is correct, is not uncommon. I think we have gone down that track in other bilateral discussions in the past and certainly in areas of multilateral discussions in the past.

Senator COOK—But I thought, being precise, we had said 'may' be carried out by the Australia-Korea Foundation. There is no guarantee yet that they have decided to do it—and it is a foundation. That is true, isn't it?

Mr Heseltine—We have reached an understanding with the South Koreans—this occurred during Han Duck-Soo's visit—that we would conduct these parallel studies. It is up to us how that can be best effected on our side. The avenue which we are looking at at this stage is

through the Australia-Korea Foundation. If, for some reason, that one did not work, we would pursue it through another avenue.

Senator COOK—I will try and round off on this subject of Korea with this question. One of the industry groups that has made public concerns about industry protection growing in the world and undermining their competitiveness is the Australian ricegrowers industry. Rice would be a key issue in our relationship with Korea. Have the Koreans indicated to us that, ‘Rice is off the agenda; don’t bother’? Or do we regard it as being on the agenda and something that we would scope in such a study, should one go ahead, but with the foundation?

Mr Heseltine—We have not gone into that degree of specificity at this stage, although Han Duck-Soo, interestingly, in his comments during his visit when we were talking about this scoping study, did say that, as well as looking at new areas in the economic relationship, it should also focus on traditional areas—areas of existing trade. I think he probably had in mind some areas of particular concern to South Korea—

Senator COOK—Motor vehicles.

Mr Heseltine—Motor vehicles. But, equally, the same would apply to areas of concern for us.

Senator COOK—Have the Koreans put to Australia that our levels of tariff protection for the Australian automotive industry are too high and that they should be collapsed more quickly than the auto plan?

Mr Heseltine—It has been a longstanding issue that they have raised with us.

Senator COOK—Have they put that more insistently, though, in the most recent encounter?

Mr Heseltine—I would not characterise it as more insistent. It has been an issue that they have raised with us consistently over quite a long period of time.

Senator COOK—And we have told them that we will not change?

Mr Heseltine—Yes.

Senator COOK—My next questions are on trade with Japan. Why was the study into ways to strengthen the Australia-Japan relations put out to tender. I refer to Mark Vaile’s press release of 6 October and the DFAT public tender.

Mr Heseltine—The study is to be done by a consultant and, given the nature of the contract, to put it out to tender was regarded as the most appropriate way to proceed—as we would for most contracts of that type and size.

Senator COOK—Doesn’t the department possess the ability to conduct such a study itself?

Mr Heseltine—I think this particular study is going to be very resource intensive. A major part of it is going to be conducting a large number of surveys with Australian business and other organisations that have an interest in the bilateral economic relationship with Japan. That is probably the biggest part of the study, and that is not something that DFAT would have the resources to conduct, nor the expertise in survey techniques. We do not envisage that this is going to be just an academic study that will go over known ground. We do want to get the views of a wide range of Australian businesses on where they see the relationship going and where they see particular problems or particular opportunities. That is the purpose of the surveying.

Senator COOK—If it is resource intensive and that therefore means DFAT is unable to do it because it lacks the resources, that is one thing. But DFAT has quite a wide ranging and long history of association with Japan—this is not a new field—and DFAT has the analytical capacity within its department—in fact, probably unrivalled analytical capacity that would not be possessed in the private sector for such a study. Whereas the surveying may be beyond your competence, individual surveys could be conducted. Why wouldn't DFAT do that?

Mr Heseltine—The consultant that will do it is the Australia-Japan Research Centre. It will do it by drawing in another organisation, the Network Economic Consulting Group. There is an enormous amount of expertise on Japan and the Japan relationship in those organisations.

Senator COOK—I agree, but did the department express to the minister that it could have this study itself?

Mr Heseltine—We would not have been able to conduct that very important part of it—namely, the surveys. Part of the contract obviously will be the consultants maintaining very close contact with DFAT during the course of the project. I am sure there will be ample opportunities for DFAT to discuss and work with the consultants, particularly towards the end when the report and the recommendations are prepared.

Senator COOK—And you were saying that the contract has now been let?

Ms Gauci—We are in the process of finalising the contract, but the successful tenderer is now known. Yes, the decision has been taken on the successful tenderer.

Senator COOK—Has that been announced? I think Mr Heseltine gave us a name a moment ago.

Ms Gauci—We are in the final stages of preparing the contract at this stage.

Senator COOK—Should we strike that reference from the record then? Do you know how many applicants there were for the contract?

Ms Gauci—There were a large number of expressions of interest. There were seven formal applications, four consulting groups were interviewed from a short list and one was selected from that.

Senator COOK—And when will they be announced?

Ms Gauci—As soon as the contracts are signed.

Senator COOK—Which is shortly—in the next couple of weeks?

Ms Gauci—Yes, that is correct.

Senator COOK—We will know before Christmas?

Ms Gauci—That is right, Senator.

Senator COOK—On trade with China—and this may be under the WTO heading; please advise me if it is—how soon do we expect China to accede to the WTO?

Mr Deady—There are continuing discussions going on with China. There have been several working party meetings over the last several months and another one is to be held in early December, when colleagues will be going back for a further round of negotiations there. There was a genuine and significant shift in momentum in the negotiations held most recently in November where China has moved on a number of the outstanding issues that need to be resolved. Our expectation, I think and hope, is that there will be further movement on another clutch of issues at the December working party meeting. But, at the same time, there is also an

expectation that not all of the issues will be crunched by that meeting. It is likely that there will be at least a further working party meeting early in the new year.

I also understand that there are still legislative changes that would be required of China, certainly in the IP area and also, I think, in areas of services. That might take some time next year as well. So it is very hard to speculate on a precise date when the accession might actually occur. Clearly, our efforts are very much to have that happen as soon as possible, as they have been for some time, and we are pleased with the progress that is being made.

Senator COOK—Will they be in before the end of the financial year?

Mr Deady—Again, I am not comfortable in making that sort of prediction at this point.

Senator COOK—All right. I am advised that Australia has not published the terms that it has agreed with China that have cleared the way for us to support its accession. Is that right?

Mr Deady—We have certainly made very clear the details of the bilateral market access aspect of our negotiations with China. There are a number of rules and systemic issues that are working through the working party, also some areas of services, but certainly the broad details of our market access package have been made known to industry and concerned stakeholders.

Senator COOK—When might we publish the full terms?

Mr Deady—I would have to take that on notice. I suspect once the working party report is finalised it might be done—that would be the sort of timing—but I would have to take that on notice.

Senator COOK—When might that be?

Mr Deady—That is this process—

Senator COOK—So when China is cleared to accede we would then publish in full the terms that we agreed to—is that what you are saying?

Mr Deady—Yes, that is my understanding.

Senator COOK—What is the big secret?

Mr Deady—I do not think there is one. This is the negotiation that offers significant commercial benefits to Australian exporters, and that has been documented already in our bilateral access. Issues like the actual administration of tariff quotas, the sorts of issues that are still to be resolved and some of those rules issues will come out with the working party documents. That will be the basis on which China enters the WTO.

Senator COOK—But have all the things that we have agreed on up until now been put in the public domain or not? I thought you said earlier not all of them had and that those that are not there yet would be put in the public domain upon China's accession. When I asked what the big secret was I was asking: why can't everything be put in the public domain now?

Mr Deady—On issues in relation to the finalisation of important aspects like tariff quotas on the wool, for example—which is a key issue for us in the negotiations—the information has been shared with industry and broad stakeholders as to what the tariff rates will be, what the negotiated tariff quotas will be. Issues like the administration of those quotas are still to be worked out, so the final details of the actual access opportunities that are available will come over the course of the next several months. That information certainly will be publicly available, because that is the mechanism by which we will have to ensure that China lives up to the commitments that it has made.

Senator COOK—In the detail that has been made available, we do not have any additional access, do we, on professional services such as a banking licence or a finance or insurance licence? Nothing extra has been agreed?

Mr Deady—On the services side my colleague, Mr Larkin, has some additional information.

Mr Larkin—We have published the assurance that China has given us that they see no substantial difficulties in granting additional licences to firms in a range of professional services sectors including banking, insurance, legal and accountancy.

Senator COOK—They see no difficulty. The Europeans, in terms of their access package, got six additional licences in financial services. What we have got is a statement that they see no difficulty about us getting additional ones. In view of the decision with the Europeans, did we go back and ask, ‘Could we now have some, please?’

Mr Larkin—These are detailed features and aspects of the negotiations that are still being worked out. There is a multilateral working party established which is traversing these issues.

Senator COOK—In the bilateral agreement with Europe, six additional licences operative immediately were agreed between China and the European Union. What you read to us earlier was that the Chinese see no difficulty with us getting additional licences but as a matter of fact we do not have any additional licences just yet. Given that bilateral agreement with Europe and that predisposition expressed in what has been previously talked about with China on a bilateral level, did we say, ‘Well, the Europeans have broken through; we will now go and ask the Chinese if we can have some too?’ Did we do that?

Mr Heseltine—We are pursuing an insurance licence bilaterally.

Senator COOK—But not as a part of the accession?

Mr Heseltine—That is completed. We are pursuing further licences through bilateral discussions.

Senator COOK—We concluded this early last year, didn’t we? The Chinese say to us early last year that they see no difficulty about us getting additional licences. We are actively pursuing it with them. The Europeans in about June reached an agreement with China that they can have six more immediately. We have not gone back and said within the accession talks, ‘The Europeans have set the precedent. What about some Australian banks and insurance companies going into China?’

Mr Deady—If we could, we will take that on notice. I apologise that we do not have as much of the specific details of the negotiations as we should have. We can certainly provide that information. We certainly are continuing in negotiations with China. More broadly, of course, any improvements in bilateral access that are provided by China to the EU or to the United States in their bilateral negotiations will also flow through to Australia. In the goods side services, as you know we are slightly different where exemptions can be taken out. But all I can say is we are in very close consultation clearly with all aspects of the key industries pursuing interests in the Chinese market and the accessions. We are pushing and reflecting very hard those concerns of Australian industries in the negotiations with China and are continuing to do so both in the working party processes and in the margins of those continual bilateral discussions with our Chinese colleagues.

Senator COOK—We used to have a trade surplus with China. We have now got a trade deficit. When you look at the composition of our trade with China what is clear is that we do not score as well with that country in services trade as we do with other comparative

countries. In fact you could almost calculate that the reason we are in deficit is that we do not do as well in services trade. I do not see why it would not be a high priority to pick up the issue. I hear your answer.

Mr Deady—It has been a high priority through the negotiations of telecommunications and financial services. China's final services offer is one of these outstanding issues.

Senator COOK—The industry says to me 'Jerong Ji promised us two licences; we have only got one.' We had two and one of them defected to France. We have only got one. When are they going to make good on the second? I am told the Swiss refused to leave the negotiating table. It went all night and finally China agreed to an extra licence to Switzerland. If you look at the balance of trade between Australia and China and compare it to Australia and Switzerland, we are miles in front of the Swiss, but they get a prized licence and we do not. One of the things that we do in this country, at a considerable level of international excellence, is in the financial and banking sector. Just ask any consumer of a bank, they will tell you how good they are at ripping off the money. It is in China's self-interest, isn't it, to have countries like Australia having their corporations in there competing with the Americans and the Europeans to provide some diversity and competition in their domestic economy?

Mr Deady—China's schedule of commitments on services is one of the key outstanding issues that was discussed last November and which will be discussed again next week, in December. With respect, let us just wait and see what that final schedule commitments are. Our negotiators are still pressing these issues with China. I think we have to see what those schedules are and it is the schedules on agriculture and schedules on services that have to be finally resolved and ticked off before accession will take place as one of several of these outstanding issues.

Senator COOK—That is fair enough, Mr Deady. I accept all of that. I just make the observation in return, with the greatest of respect equally, that the Europeans got six extras on a bilateral deal, and we do not have anything extra yet at all. The leader of the opposition, Kim Beazley, in September last year announced that Australia should do a trade treaty with China—and dare I say I even supported it and made a speech about it just recently in Beijing. Is there any reason why the department would suggest that that is not a good idea?

Senator SCHACHT—You are the Labor shadow minister.

Mr O'Leary—In the past in discussions with MOFTEC officials in China talking about the possibilities for trade agreements or FTAs, or things of that order, we have found that the Chinese have not shown much interest in that regard. One of the main reasons why they have been very reticent about it is similar to the sorts of concerns that the Koreans expressed, namely concerns about what impact that would have for agriculture and so on. That is part of the background to the issue. But in terms of our overall priority interest in the Chinese market and trying to develop that further, we have certainly seen, at least at this stage, the main priority being on the WTO accession side to ensure that we get the best possible deal we can overall, not only on the bilateral side but on the multilateral side in Geneva, so that Australian firms can subsequently reap maximum benefits possible from that process. We think once China has joined, certainly significant opportunities will open up for Australia, and we need to put our maximum effort into that basket, at least at this stage. There is an obvious contrast here with more developed markets like Japan and Korea that have been involved in the WTO for a long time, and where we are looking at additional gains. In this case there are major gains to be got, we believe, through China's accession. As I say, that is the major focus.

Recently, at an intersessional meeting of the Joint Ministerial Economic Commission with China, where the whole range of economic and trade issues were discussed, we had discussions with the Chinese on modalities for taking the relationship forward, let us say over the next five years or so. Two things by way of mechanisms to facilitate that process emerged. First, we proposed, and the Chinese agreed, that we have a subcommittee of JMEC established which would look very much at recent trade trends, look deeply at opportunities for taking it forward and, more particularly, focus very much from both sides on opportunities that might emerge from China's entry to the WTO.

In tandem with that, we have agreed with the Chinese that, once they have joined the WTO, we would jointly host a series of seminars involving senior government and business people from both sides to really work at these areas of cooperation to make sure that the sorts of concessions that emerge from Chinese entry are actually translated into export opportunities and cooperative ventures. The expectation is that we will start with a joint seminar on agriculture, which the Chinese showed particular interest in. This would be part of a series: we would also look at IT and telecommunications, financial services and legal services. Those four areas were identified by both sides, at our initiative but with the Chinese agreement, as the areas we should give major focus to in the first instance. So, to answer your question, we are not so much looking at a trade agreement but other mechanisms which are certainly designed to energise the trade relationship between our two countries.

Senator COOK—Thank you, Mr O'Leary. I have no further questions on North Asisa.

[9.42 p.m.]

CHAIR—I know that Senator Schacht has a question on Burma. Would you like to ask that?

Senator SCHACHT—Yes, I would.

Senator COOK—Are we on South and South-East Asia now?

Senator HOGG—I have some questions on Indonesia, in 1.1.2 and 1.2.2.

Senator SCHACHT—They include Burma, don't they?

CHAIR—Burma is in the same division as Indonesia.

Senator HOGG—Okay, if Senator Schacht wants to go.

CHAIR—Senator Schacht has been hanging out for a question on Burma.

Senator HOGG—Indonesia, don't go!

Senator SCHACHT—I want to put a question to the department, but there is a second question I want to put on notice about the previous matter I raised: (1) did the foreign minister approve the note going out to Hungary, and (2) was that copied in the cables to all posts as a cable to take note of? I put that on notice.

My question on Burma is very brief. How much was spent in the end on what could be called the training seminar on human rights in Burma?

Ms Bird—Three workshops were conducted and the cost of those workshops was about \$A130,000.

Senator SCHACHT—During the same period that these seminars were being held, we saw that there were again a number of unfortunate events in Burma, in the treatment of Aung San Suu Kyi, et cetera. Did the department receive any representations from NGOs, the

community, other countries or the European parliament that we should cease these seminars while such events were occurring in Burma that are clearly contrary to human rights?

Ms Bird—There are differing views on the workshops that we conducted. The serious human rights situation in Burma is obviously a concern to the Australian government, as it is to other players. We feel the workshops are an effective means of chipping away at the human rights front.

Senator SCHACHT—Chipping away, but there are not many chips flying off the block to improve human rights in Burma apparently, are there?

Ms Bird—We are under no illusions about the seriousness of the human rights situation in Burma. We are also very aware that our human rights initiative will be very much an incremental long-term process, but we do think it is worth the effort to try.

Senator SCHACHT—Are you going to hold more seminars during next year?

Ms Bird—No decision has yet been taken on the next steps in the human rights initiative. A review is being undertaken of the three workshops that have been conducted so far so that a decision can be taken.

Senator SCHACHT—Will you seek the advice of the various human rights organisations in conducting that review?

Ms Bird—We are very aware of the views of different NGOs on the human rights initiative. The review we are undertaking is going to be focused on those three workshops to assess how useful we think they were. We will be talking very closely with the human rights consultants who conducted those workshops. It will be on the basis of that review that a decision will be taken on possible next steps.

Senator SCHACHT—Wouldn't it be reasonable to consult bodies such as Amnesty International, Asia Watch or other international agencies that have a reasonably credible record on human rights?

Ms Bird—We are very aware of the views of those groups on our human rights initiative. As I said, we think it is worth trying to chip away on the human rights front. The review will focus very much on the three workshops conducted this year with a view to deciding on what next steps might be taken.

Senator SCHACHT—Wouldn't it be reasonable, in any preparation of a draft report from those seminars, that you seek the views of those international human rights agencies that I mentioned?

Ms Bird—As I said, we are very aware of their views.

Senator SCHACHT—So because their view is that they did not like the seminar taking place, you do not need to have any more consultation with them?

Ms Bird—We have very close consultation with human rights groups and others about our policy on Burma, and we will continue to do so. The review that has been conducted is very much focused on those three workshops.

Senator SCHACHT—Have you received any representations directly or indirectly—I do not want to name them here publicly; it may not be in their best interests—from NGOs or organisations inside Burma about the effectiveness or otherwise of those seminars?

Ms Bird—I am not aware of any such particular representations. We are, of course, in close touch with Aung San Suu Kyi and the NLD, and we will continue to keep them informed also of the progress of our initiative.

Senator SCHACHT—Finally, could you provide on notice the list of people who attended each of the seminars? If you want to put on a constraint that it has to be kept in confidence, I am happy to accept that. I do not want to put anyone in strife by attending and have them ending up in jail somewhere as a result.

CHAIR—Senator Schacht, if it is coming to the committee in estimates, it cannot come in confidence.

Senator SCHACHT—What is your response, anyway, Ms Bird?

Ms Bird—I can tell you a bit about that if you wish. There were 51 officials involved in the three workshops. They were mid-ranking officials and they came primarily from the departments of home affairs, foreign affairs and the Attorney-General's Department, but there were also some from the social welfare and education ministries.

Senator SCHACHT—You may want to take this on notice or provide a different briefing. Did you get any indication amongst those people that they showed some sensitivity to issues of human rights?

Ms Bird—I understand from the consultants who conducted the workshops that the discussions were actually fairly free-flowing and frank. There was quite a good discussion on a full range of human rights issues.

Senator SCHACHT—Could the review that you are conducting—subject to the protection of people—be made available to the committee when it is completed?

Ms Bird—It is essentially an internal review being conducted for Mr Downer so that he can make a decision on possible next steps.

Senator SCHACHT—I appreciate that. I still ask you to take on notice that this committee can turn itself into a legislative committee at an appropriate stage and can have an in camera hearing, if that is an appropriate way to discuss some of these things, which I think would be the better way to go.

Ms Bird—Certainly.

Senator SCHACHT—Because we held these seminars, has any other OECD country, or Western democracy, shown any interest in doing something similar?

Ms Bird—There has been quite a lot of interest in what we are doing, and we have been talking about it with a number of different countries. Some countries provide certain training programs. I do not think anyone else has yet conducted a human rights workshop as we have but, as I said, there is quite a lot of interest and we have been discussing it with others.

Senator SCHACHT—In the discussion you have had with Aung San Suu Kyi, did she or the NLD indicate that, in principle, they oppose the holding of the seminars?

Ms Bird—Aung San Suu Kyi has made clear that she is opposed to the initiative, and we respect her point of view. But in the absence of any other effective measures to address human rights in Burma, we do think it is worth continuing.

Senator SCHACHT—Thank you.

Senator HOGG—Firstly, can you please comment on the details of the incident this week involving Ambassador McCarthy in Indonesia?

Ms Bird—Yes, certainly. Ambassador McCarthy was down in Makassar to help open an MLC office in that city. He was down there with representatives of MLC and also representatives of Austrade. A demonstration broke out down there while they were inside the office. Police broke up the demonstration and escorted Ambassador McCarthy and the Australians back to the airport.

Senator HOGG—Was there any personal damage to any of the people who were there?

Ms Bird—No, there was no injury to the Australians present.

Senator HOGG—Were the Indonesian police notified by our embassy of Ambassador McCarthy's planned visit to Makassar, and do we know if the Indonesian police were aware of any likely disturbances at that stage?

Ms Bird—Police were present at the opening of the Makassar office. They were not there at the end, which is when the demonstration occurred. Obviously, a request was then made for the police to return, which they did, and they escorted Ambassador McCarthy and the other Australians back to the airport.

Senator HOGG—What was the reaction of the Indonesian government to the situation?

Ms Bird—A number of senior Indonesians, including Vice-President Megawati, have expressed concern and sympathy about the incident, and the President's spokesman has also said that the President deplors the incident.

Senator HOGG—Thank you. I understand that Ambassador McCarthy in the *Sydney Morning Herald* and on the ABC has accused General Wiranto of having had broad knowledge of the violence in East Timor last year. Were these comments made by Ambassador McCarthy in a private capacity or in his official capacity?

Ms Bird—He was talking as the Australian Ambassador to Indonesia. He was giving an interview at the end of his posting. It was a very wide-ranging interview that covered quite a number of subjects.

Senator HOGG—Are those views shared by the department?

Ms Bird—Ambassador McCarthy has done a very good job as our ambassador in Indonesia.

Senator HOGG—I am sorry, it is not a criticism of what he has done.

Ms Bird—Sure, I am just saying that the Australian government has full confidence in Ambassador McCarthy's actions and statements.

Senator HOGG—Thank you. If we can just move on, the Australia-Indonesia Ministerial Forum has now been repeatedly postponed. When is it now proposed to hold that forum?

Ms Bird—No dates have been settled for the forum.

Senator HOGG—How many times has it been postponed?

Ms Bird—We have discussed a number of dates with the Indonesians to try to settle dates which are convenient to both sides. Unfortunately, that has not been possible so far.

Senator HOGG—What is the latest explanation for the postponement?

Ms Bird—Vice-President Megawati has issued a directive that ministers should not travel during the month of December. The dates we had been discussing with the Indonesians were in December.

Senator HOGG—What was the reason for the latest postponement?

Ms Bird—Because of that directive basically banning ministerial travel during the month of December.

Senator HOGG—Is there a prospective date when President Wahid will visit Australia?

Ms Bird—No date has yet been set for that.

Senator SCHACHT—What was the significance of travel in December being banned? Was it Christmas?

Ms Bird—No. There are a number of reasons: it is the month of Ramadan and there are also a number of important events coming up in some of the provinces. For those reasons, she felt it was better for ministers to remain in Indonesia.

Senator SCHACHT—As far as we are concerned, is it convenient for us to meet at any date as far as the forum is concerned, within reason?

Ms Bird—At any mutually convenient date, yes.

Senator SCHACHT—But we have not banned December, June, July, Easter, the grand final in September or any other religious dates?

Senator HOGG—But Melbourne Cup day is banned.

Senator SCHACHT—Melbourne Cup day is out, of course.

Ms Bird—It is quite difficult. There are quite a number of ministers on both sides, so to settle a date that is convenient—

Senator SCHACHT—Yes, I appreciate that.

Ms Bird—So we said that we would like the date to be during a parliamentary sitting week. Because the meeting this time is in Australia and we are planning to hold it in Canberra, we felt a parliamentary sitting week would be the most convenient for Australian ministers.

Senator SCHACHT—We can meet them in Parliament House.

Senator HOGG—To get back to the proposed visit by President Wahid, are there any new dates or proposals floating around?

Ms Bird—No. We have made clear that he would be welcome to visit at a mutually convenient time and he will be well received when he does.

Senator HOGG—Is there an option that it could be the other way around: that the Prime Minister might go to visit Indonesia and visit President Wahid?

Ms Bird—The Prime Minister has already visited Indonesia three times. The normal process with a new head of government is to make the trip down here, and we have made clear to President Wahid that he would be very welcome.

Senator SCHACHT—Which, with Australia, are the very few countries that President Wahid has not visited yet? I know that Antarctica would be one; Siberia. Which very few other countries hasn't he visited?

Ms Bird—You would have to check with Indonesia which countries he has visited.

Senator SCHACHT—But it is an extensive list now, isn't it?

Ms Bird—He has travelled widely since assuming office.

Senator SCHACHT—Every country in Asia?

Ms Bird—I am really not sure.

Senator SCHACHT—I presume the point is made to the Indonesians by Australia that we note the number of countries he has visited?

Ms Bird—We have made clear that he is very welcome to visit Australia and he will be well received when he does.

Senator HOGG—I will turn to East Timor and West Timor for a moment. What is the department's assessment of the present situation in West Timor, and do we know how many East Timorese refugees remain in the camps in West Timor?

Ms Bird—We are still very concerned about the situation in West Timor. UN estimates are that there are up to 120,000 refugees still in the West Timor camps.

Senator HOGG—Two months after the Atambua killings of UN relief workers, have the Indonesian authorities brought the militias under control? Have they effectively disarmed these groups, or do they pose a continuing threat to security inside West Timor and across the East Timorese border?

Ms Bird—The Indonesians have taken some steps to disarm the militia, and those are obviously welcome. But a recent UN Security Council mission to West Timor found that a lot more needed to be done. It is obviously vitally important that steps are taken to completely disarm and disband the militias so that the refugees can either return to East Timor or be resettled elsewhere in Indonesia.

Senator HOGG—Thank you. What is the current assessment of the situation in Irian Jaya by the department?

Ms Bird—There have been sporadic outbreaks of violence in recent months in Irian Jaya, including some quite serious incidents. The situation does tend to wax and wane. There have been tensions in the lead-up to the 1 December commemorations.

Senator HOGG—Is the department concerned that plans by West Papuan separatists to fly the Morning Star flag on 1 December—that is, the anniversary of the declaration of independence from Dutch rule—will trigger a new round of violence in Irian Jaya?

Ms Bird—The circumstances in which the Morning Star flag can be flown has been one of the sources of tension in Irian Jaya. Fortunately, dialogue is continuing between the Indonesian government and the Irianese about the circumstances in which the flag can be flown, and we hope they reach an agreement on that.

Senator HOGG—What representations have we made to the Indonesian authorities and to the West Papuan separatists to achieve a peaceful settlement in Irian Jaya, given that Minister Downer has repeatedly warned of possible dire bloodbath circumstances if things are not settled?

Ms Bird—We have encouraged the Indonesian government and the Irianese to try and find a peaceful way to settle their differences. We think it is very important that dialogue continue between the Indonesian government and the Irianese to find such an outcome.

Senator HOGG—Are we offering any direct assistance to facilitate the process, or is it just a matter of encouragement?

Ms Bird—It is primarily a matter of encouragement. We think that is the most appropriate and useful role that we can play.

Senator HOGG—Has the government made any specific representations to the Indonesian government concerning reports of a large build-up of Indonesian troops in Irian Jaya?

Ms Bird—No. The representations we have made have been to encourage a peaceful resolution to their differences in Irian Jaya.

Senator HOGG—Do we know how many Indonesian troops and police are deployed in Irian Jaya?

Ms Bird—The Indonesians have said that they have put two extra battalions into Irian Jaya. That would bring troop numbers to between 6,000 and 8,000.

Senator HOGG—That has happened recently?

Ms Bird—Yes, fairly recently.

Senator HOGG—On how many occasions have officers from our embassy in Jakarta visited West Papua this year?

Ms Bird—There was a visit by the embassy in April of this year.

Senator HOGG—None since?

Ms Bird—There was also a visit by the naval attache, but the main visit by the embassy was in April.

Senator HOGG—I think that is the answer I got at the last estimates.

Ms Bird—It could be.

Senator HOGG—There has been none since the last estimates?

Ms Bird—Not since the April visit.

Senator HOGG—In official documents, including exchanges with the Indonesian government, how does the department refer to Irian Jaya? I had these discussion two estimates ago with Minister Hill and Mr Dauth at that stage. Does the department use the term 'West Papua' to refer to Irian Jaya, or 'Irian Jaya'?

Ms Bird—We use 'Irian Jaya'. Irian Jaya is the official name of the province.

Senator HOGG—I was misled by my source that the name at that stage had been changed.

Ms Bird—There was some talk of changing it, but that did not take place.

Senator HOGG—So that is the official name of the province as allocated by the Indonesians?

Ms Bird—Yes.

Senator HOGG—The Indonesians have not sought to change the name?

Ms Bird—There was some talk about it, but it never happened.

Senator HOGG—Thanks very much. That covers the range of issues I needed to raise there.

CHAIR—Thank you, Senator Hogg. Have you got any more questions, or do you wish to put questions on notice?

Senator HOGG—I have got no more questions there.

Senator COOK—Has Mr Vaile, as Trade Minister, visited Indonesia, Malaysia or the Philippines in the last six or seven months?

Ms Bird—Yes, he has. He visited Indonesia earlier in the year. He is planning a visit to Malaysia fairly soon, and he has also visited the Philippines. Those visits have been during the course of the year.

Senator COOK—He is planning one to Malaysia but he has not been there yet?

Ms Bird—He is going there shortly.

Senator COOK—That means that in the last six or so months he has visited Indonesia and the Philippines?

Ms Bird—I apologise. I have just been corrected. I thought he had been to the Philippines but I understand that is not the case. He has had a lot of dealings with Philippine ministers. He has certainly been to Indonesia and is planning to go to Malaysia.

Senator COOK—Have any senior departmental officers visited those three countries to discuss the AFTA CER in the last six or eight months?

Ms Bird—Yes, indeed they have, including the secretary of the department. My colleagues may wish to add something.

Mr Cobban—Could you repeat the question?

Senator COOK—My first question was about the minister and whether he had visited Indonesia, Malaysia or the Philippines. Having got that answer, my next question was: what about senior departmental officers? Have they visited any of those three countries in the last six or eight months to specifically discuss the AFTA CER?

Mr Cobban—Yes, they have.

Senator COOK—Can you tell me when and what the nature of the discussion was?

Mr Cobban—In terms of the senior officials, there were three separate trips: one by me, which took in Singapore, Thailand, Vietnam and the Philippines; one by the deputy secretary, Pam Fayle, to Indonesia and Malaysia; and one by the secretary to all of those countries—I think, but I cannot be absolutely sure on that—spaced over a period of roughly two months prior to the Chiang Mai meeting.

Senator COOK—I think the joint study on the economic advantages to the region of AFTA and CER fitting more closely together showed—to the ASEAN side, for the period of the study, which I think was 20 years—a \$25 billion advantage. That is, there was an advantage to their economy of about that order. That is right, isn't it?

Mr Cobban—I do not remember the exact figure, but the audit manager is roughly right, yes.

Senator COOK—So there was a sort of economic self-interest in this deal going through at that level. A lot of the commentators have said that, while the economics favoured such a thing, it was the politics that sank it. In the nature of these departmental visits, were you able to meet with ministers to discuss the politics of such an arrangement?

Mr Cobban—I would have to check on the secretary's meetings, but to the best of my knowledge I certainly did not—although I did meet Minister Supachai, but that was in passing.

Senator COOK—That was in Thailand?

Mr Cobban—Yes, in passing. Of the others, neither Ms Fayle nor I met ministers.

Senator COOK—It would not be fair, therefore, to say that Australia conducted a concerted lobbying campaign to deal with what was widely anticipated as the political difficulties about this issue ahead of the Chiang Mai meeting?

Mr Cobban—I think a lot of the focus in the discussion we had reflected the fact that the report to which you referred had been prepared by a group of experts—a high-level task force of non-government persons. We felt that there had not, in fact, been any involvement directly of senior government officials in the process. A lot of the discussions focused on the technical aspects and interchange with various ministries that had not been directly involved in the previous exercise.

Senator COOK—So we know that—or at least it has been reported—the cabinet considered a fall back position in anticipation that the AFTA CER deal would not get up. Did the minister conduct any political lobbying with any of the sensitive countries in ASEAN in the lead-up to the Chiang Mai meeting to encourage AFTA CER to get up?

Mr Cobban—I believe that the minister did raise it, but I would have to check on that.

Senator COOK—If Australia had rolled up its sleeves and made a big effort, you would know about it, though, wouldn't you?

Mr Cobban—All the indications in the process leading up to Chiang Mai suggested that there was broad agreement on going forward with some variation of the recommendations of the task force.

Senator COOK—But it is reported that the cabinet considered a fall back position in anticipation that the deal would bomb out in Chiang Mai. You are saying that all of the intelligence was that it would not—that it would, in fact, get up?

Mr Cobban—No, I think there was always a broad recognition that there were political difficulties which could lead to a suboptimal outcome.

Senator COOK—I do not want to take you out of context, but didn't you say that you thought there was a reasonable chance that this deal might go ahead?

Mr Cobban—Yes.

Senator COOK—And that was what all the indications were?

Mr Cobban—That was the indication right through the official level, yes.

Senator COOK—How did we get it so wrong?

Mr Cobban—I do not think we did, in that context.

Senator COOK—The deal got wiped out.

Mr Cobban—No, the deal did not get wiped out.

Senator COOK—I read the diplomatic blandness about how we got shelved; but we got shelved just the same, didn't we?

Mr Cobban—We do not believe we did.

Senator COOK—If we do not believe we did, then we do not need a fallback position, do we?

Mr Cobban—To the best of my recollection, there was a whole range of possible options. The ministers considered the recommendations of the task force report. They also had the records of various official level consultations that had gone on prior to that. I do not see that that necessarily constitutes the fact that we 'got shelved', as you put it.

Senator COOK—I have read the remarks of Minister Rafidah, for example. It would be pretty hard to read those remarks as meaning anything other than: Australia has just been pushed out, and the deal is effectively not on.

Mr Cobban—The only remarks that I have seen that directly relate to that were those on the question of launching negotiations on a free trade area at this time.

Senator COOK—So when might AFTA-CER happen?

Mr Cobban—I have no idea.

Senator COOK—But we think it might happen?

Mr Cobban—It remains a possibility. We will be starting the process of following up the recommendations that came out of the ministerial meeting. I believe the ASEAN secretariat intends to have a first meeting in January and a second meeting some time in March.

Ms Adler—We have now been advised informally that they would like to have some discussions with us at officials level some time in the first part of next year.

Senator COOK—Yes, but the whole thing about this is that at officials levels you all got on famously. At an economic level you can prove up a substantial benefit to all the partners in this. There is no economic reason why this ought not happen. But all the commentary has been that this got bombed politically. What political arrangements are we making now to engage Indonesia, Malaysia and the Philippines in a constructive discussion to resolve those issues? Any?

Mr Cobban—Yes, we are. The outcome of Chiang Mai has been raised with a number of ministers in ASEAN and I assume would continue to be so. We will have to see how that process of taking forward those recommendations goes ahead. The first one of those recommendations is that all the ministers task officials to proceed with work on the relevant recommendations of the task force. We would interpret that as including the recommendation to move eventually to a free trade area.

Senator COOK—Have you read the remarks of Lee Kuan Yew in discussing this issue recently? He has just been in Australia.

Mr Cobban—I have heard them; I have not read the remarks yet.

Senator COOK—There is nothing in what he said that would encourage us to think that it is going to happen any time soon, is there?

Mr Cobban—I do not think it will happen any time soon, but I do think that his remarks—and certainly remarks that the Singaporeans have made to us—indicate that they believe that it is a process that should be pursued.

Senator COOK—It is a process that we all believe should be pursued, but it does hinge on getting political agreement rather than economic or—with the greatest of respect to the ability of the department, which is considerable—officer-to-officer agreement.

Mr Cobban—True.

Senator COOK—I hope we pursue it with a bit more enthusiasm than we did in the lead-up to Chang Mai. Did you say that Minister Vaile has plans to visit the Philippines?

Ms Bird—Not at this stage, no.

Senator COOK—He has plans to visit Malaysia.

Ms Bird—Yes.

Senator COOK—When might that be?

Ms Bird—It is in coming weeks.

Senator COOK—Before Christmas?

Ms Bird—Yes.

Senator COOK—Is he going back to Indonesia now?

Ms Bird—He had a visit to Indonesia earlier in the year. There is nothing else planned at this stage. He has had quite a lot of contact with his counterpart, the Indonesian trade minister, who has in fact visited Australia twice this year as well.

Senator COOK—But we have got nothing planned to lobby them about speeding up on AFTA CER?

Mr Cobban—I would be very surprised if the minister did not raise that.

Senator COOK—What is the government's position on membership of ASEAN plus 3? Are we still seeking to join, or do we now argue 'what does it matter anyway'?

Ms Bird—ASEAN plus 3 is a relatively new grouping, as you would be aware. It is still consolidating as a group and has not sought to expand at this stage. However, we have made clear that we would be happy to join at some later stage if invited to do so.

Senator COOK—Does that mean we are waiting for the invitation, or that we are encouraging an invitation to be offered?

Ms Bird—As I said, at this stage it is still consolidating; but we have made clear, including publicly, that we would be happy to join if invited to do so at some later stage.

Senator COOK—Are we undertaking any initiatives to encourage an invitation to be offered?

Ms Bird—Not as such, no.

Senator COOK—There has been a lot of debate in the media recently about free trade agreements. Who initiated the contact? Did the Singaporeans come to us first, or did we go to them, or did the New Zealanders come and say, 'This would be a good idea for all three of us'? How did it happen?

Mr Cobban—To the best of my knowledge, and it happened before I was around in this job, the initiative came from the Singapore side in discussions with us.

Senator COOK—When did it come? When did they make the overture?

Mr Cobban—The initial discussions would have been roughly a year ago, maybe a little less.

Senator COOK—What did we then say? That we put it on the backburner and only raise it now?

Mr Cobban—No. There has been an issue of active discussion since that time.

Senator COOK—Would you characterise those discussions as actively pursuing the option, or simply clarifying what the—

Mr Cobban—I would characterise them as exploring the option, yes.

Senator COOK—Exploring the option?

Mr Cobban—On both sides, yes.

Senator COOK—When did we make the policy decision that we should actively pursue it?

Mr Cobban—In the latter part of the first half of this year, I would say.

Senator COOK—Apart from the famous case that we dealt with earlier tonight of Korea, is there any other country that we are pursuing? That is not a free trade agreement: I wash my mouth out. Is there any other country that we are pursuing an FTA with?

Mr Cobban—Not that we are pursuing an FTA with, no.

Senator COOK—Any other country that is inviting us to join with them in an FTA?

Mr Cobban—No. There has been a number of countries that have raised the concept. We have had approaches from representatives of groups working on a free trade area from Argentina. We have had discussions at a very general level with the Chileans, who have a whole range of FTA sorts of discussions going on. The idea has been put on the table that, were other ASEAN members interested in pursuing an FTA with us, we would have a look at that—depending on it being consistent with the WTO and the APEC goals and principles.

Senator COOK—Has the department consulted the Australian textile industry in relation to the Singapore negotiations?

Mr Cobban—This is not quite my area, but my understanding is that we propose to start negotiations on the detailed mandate, including consultations with industry groups, in the very near future.

Senator COOK—Have we a fixed position in our minds about the rules of origin? Do we have a percentage that is firm—50 per cent rules of origin?

Mr Cobban—Yes, we still have the 50 per cent rules of origin in the only free trade area agreement we have, which is the CER. We had the discussion, which I think you are aware of, that was initiated by the New Zealanders on what would be involved in a potential move to 40 per cent. We have only just started that informal discussion. There is no commitment to that at all on our side.

Senator COOK—But my understanding is that the New Zealanders, in their deal with Singapore, have a 40 per cent rule, haven't they?

Mr Cobban—That is true.

Senator COOK—Do we think that 50 per cent is the minimum, or are we open to offers?

Mr Cobban—I think our intention is to look and consult stakeholders here and determine what should be the appropriate level. At this stage, we have given no indication of moving from 50 per cent.

Senator COOK—The distinctive difference between New Zealand and Singapore in this context, though, is that Singapore is an entrepot, isn't it?

Mr Cobban—Amongst other things, yes.

Senator COOK—It is a port that other nations put their goods through.

Mr Cobban—Yes.

Senator COOK—So rules of origin are particularly important here?

Mr Cobban—True.

Senator COOK—So we go into the negotiations with Singapore without any firm idea about what our bottom line is?

Mr Cobban—Our bottom line at this stage remains 50 per cent.

Senator COOK—And we are going to stick by it?

Mr Cobban—I cannot tell you that, Senator.

Senator COOK—Have you any instructions?

Mr Cobban—No, the only instruction we have is to have a study with the New Zealanders on what the implications of a change would be.

Senator COOK—But with Singapore?

Mr Cobban—No, we have no instructions as yet. We have no detailed negotiating mandate yet.

Senator COOK—When might you have one?

Mr Cobban—I would say that it will take some weeks, some time early in the New Year, for the negotiating team to hold consultations and then deliver something to ministers to decide on. I do not know if my colleague has anything more to add.

Mr Deady—No, nothing. I think that is right: the team will be consulting very rapidly with all sections of Australian industry. Arrangements are already in place to discuss this with state governments, and there have already been some discussions with our colleagues in the Department of Industry, Science and Resources about exactly some of the questions you raised. Certainly, they will be a key part of the developing negotiating mandate in relation to rules of origin and also in relation to industry contact with some of the key industry sectors. That process has begun and will intensify now. I think the expectation is that, certainly by early in January, there might be a first round of at least some discussions with the Singaporeans.

Senator COOK—I will just express the view—and I conclude here—that I hope we stick by our 50 per cent. I have no further questions.

Senator HOGG—I have a couple of questions on Fiji, if we can move to 1.1.4 and 1.2.4.

Senator COOK—Madam Chairman, can I indicate that I had some questions on the Americas and Europe, but rather than pursue them now—and I am sorry to disappoint the officers who have turned up for the Americas and Europe—I will put those questions on notice.

ACTING CHAIR (Senator Payne)—Thank you, Senator Cook, I am sure they are very grateful.

Senator HOGG—I have two quick questions on Fiji. Can the committee be advised on the current state of negotiations with Fiji's interim government on a successive scheme to replace the lapsed import credit scheme?

Mr Urwin—We indicated at the time that we imposed a range of measures on Fiji, on 18 July, that we would only proceed with a successor scheme to the import credit scheme on the condition that there was an earlier public commitment to a rapid return to a democratic path. A week last Tuesday, the Fiji interim administration made that public commitment. We are in the position now where we are considering how to proceed with what kind of scheme we might put in place.

Senator HOGG—When do you envisage that a successor scheme can be put in place? Is it likely to be concluded by the end of this year?

Mr Urwin—It is with the minister now and I am not able to be absolutely specific as to when a decision might be made. We undertook to put some kind of scheme in place. The details of that scheme would still have to be worked out. Assuming we go ahead with it, it will take some little time, but I really could not put a matter of days and weeks on it.

Senator HOGG—Those are the only questions I had about that.

Senator COOK—I have a small matter to raise. Why does the department's annual report state that passenger motor vehicle exports to the Middle East only started in 1996 when that is not true? Was the minister briefed to say in parliament— again, wrongly—that just one car had been sold to the Middle East in the year ending March 1996?

Mr Urwin—I do not know.

Senator HOGG—That was very illuminating. We are now up to 1.1.5 and 1.2.5, Multilateral trade negotiations; and 1.1.6 and 1.2.6, Trade development/coordination and APEC. I do not know if Senator Cook intends to handle those together or separately.

Senator COOK—I will not ask my standard question on the WTO, but I have a couple of questions about it. The reason why I will not ask my standard question is that I frankly do not think there is much chance of a round any time before the next ministerial, and the chances at the next ministerial look very bleak at the moment. I do not know that this is the hour of the day in which we should go into a discussion about that.

ACTING CHAIR—You might be doing it by yourself, if you try that.

Senator COOK—Yes, that is often how I feel it is. What about the services negotiations in Geneva? I understand that the minister believes that work done so far on accountancy services do not have enough teeth. Is that right?

Mr Larkin—The department considers that the overall outcome of the accountancy disciplines negotiated in 1998 were a little disappointing and did not quite meet our full expectations of what these disciplines could ultimately be and how they could work to be an effective operating set of procedures.

Senator COOK—So we do not regard it as being good enough at the present time and we are not going to sign off on it?

Mr Larkin—We think they could be improved, and there will be room to improve them during the course of the negotiations that are currently under way.

Senator COOK—So you are still holding out hope?

Mr Larkin—Yes.

Senator COOK—Are you holding out hope on agriculture with the Europeans and the Americans, or are we past hoping?

Mr Deady—We never give up hope in the pursuit of agricultural liberalisation and reform. I think the Cairns Group has been very active this year in pursuing that. The agriculture negotiations were part of the building agenda, the mandated negotiations from the Uruguay Round. We are very pleased that, through the course of this year, the Cairns Group has laid down very ambitious and comprehensive proposals for liberalisation in the three areas— export subsidies, domestic support, and market access. Of course, we would like to see more progress. The difficulties in Europe, Japan and Korea, and the continuing pursuit amongst

those countries, amongst others, for multifunctionality and those non-trade aspects of agriculture, are an ongoing concern. But agriculture remains a critical part of our approach to trade policy. It is a concern. It is the reason that I think, apropos your comments about the launch of a new round, we still believe that in order to really advance the prospects for successful further liberalisation you do need a critical mass, a market access focussed negotiation that covers agriculture services and industrials. That remains a key element of our objective in Geneva and elsewhere.

Senator COOK—Can I look at one of the commodity lines in agriculture. The Australian rice industry is an \$800 million industry. They value their exports at \$500 million annually. I am advised that the US is now selling rice at \$US260 a tonne, which is down from \$US450 a tonne in January. The price difference is greater subsidies provided by the United States government to their rice farmers to the extent now, it is put to me colloquially, that US rice farmers exist on government subsidies and can almost give their product away. That's colloquial. Have we had a look at this issue, and are we doing anything about it in Geneva?

Mr Deady—We certainly have had a look at it and are very active in pursuing the interests of the rice industry, not only in Geneva but certainly in Washington itself. Representations have been made to the US administration, to the Department of Agriculture and others, about the high level of subsidies for rice. I understand that Mr Vaile has written to Secretary of Agriculture Glickman expressing our concerns. We have also been very active in Tokyo itself, talking to the Japan Food Agency, the importer of basic commodities like rice, pointing out to them that they should be cautious in purchasing heavily subsidised rice from the United States, that the price advantage they might get in one year does not guarantee it flows through in others, and that Australia is a competitive and reliable supplier of rice. Reliability of supply is a key issue to Japan. They are the sorts of points that we have been making to them, as well as to the United States directly.

Senator COOK—They are all sound points but, obviously, if the price differential is so great, the price factor—given equal quality and timeliness to the market—becomes quite an important factor in all this.

Mr Deady—That's right. The other point that we are making and will continue to make to the United States is that it seems to us that what they are doing is not generating any extra exports out of this price cutting exercise, all they are doing is forcing down the price in Japan, and if anyone is benefiting it is probably China, a country that is taking a share of that commitment on rice. There is no increase in exports out of the United States. They are the sorts of points that we make and have to continue to make to the whole raft of agencies in Washington.

Senator COOK—Given that the US administration is now basically a lame duck, and a lamer duck than anyone ever thought it would be at this stage, have we taken the trouble to identify who the USTR might be from the Republican side, and have you had any discussions with what could be an incoming Republican administration on the subsidy issue?

Mr Deady—You have excused our colleagues from the Americas and Europe Division. They have probably been more directly involved in work in relation to the transition to the new administration. I do know that—

Senator COOK—I think one of your colleagues has just entered the room.

Mr Deady—Good. There has certainly been a very great deal of activity by the embassy in Washington, with a range of contacts on both sides, as there would obviously be a new administration and USTR on the Democrat side as well if Vice-President Gore gets in. So

there has been that work, and I know there have also been at least two senior Republican figures who have visited Australia under SVPs in recent times, again with a view to talking about what the attitudes of a new administration might be on trade and other aspects of policy.

Senator COOK—Why I did not go to the Democrats is that they are the cause of the problem now, although a new administration would obviously put a new stamp on it. But the other alternative—and, if you have followed the counting, who knows but I would guess the more likely alternative—is a Republican administration. Are we able to get any undertakings from these guys that they will actually do something about this problem? It is a gross distortion in the rice industry.

Mr Deady—Clearly that is the objective of our representations, and they will continue to be made. As you say, we are in a lame duck period now, but they are still the administration, they are the officials we are dealing with, so we will continue to make representations to them. Once it is clarified and we start to get a clearer picture of who might be some of the key players in the new administration, then we would make efforts there as well. Again though, as you know, the problem is that, as high and as bad as these support levels are, they are not WTO inconsistent; they are within the aggregate measure of support, the great deal of water that the United States has in the domestic support commitments that came out of the round. So it is a matter of just continuing strong representations, of developing the analytical arguments and getting around to some of the other agencies, as we have done in the past with the Export Enhancement Program, the Office of Management and Budget and others, to point out the impacts that these subsidies are having and the fact that they are not really providing great value for money for the United States taxpayer.

Senator COOK—Do we accept that the OECD shipbuilding agreement is now effectively dead—to coin a phrase, dead in the water, in this case?

Mr Deady—I might have to take that one on notice. I do understand there have been some ongoing discussions amongst the Europeans and some concerns expressed by a number of the member states there about aspects of it, but I am afraid I cannot give you a more definitive answer.

Senator COOK—You will take that on notice?

Mr Deady—Yes.

Senator COOK—Given the trade implications, was the department consulted about the transfer of the import risk analysis function from AQIS to a new group, Biosecurity Australia, within the Department of Agriculture, Fisheries and Forestry?

Mr Deady—That was a decision by the portfolio of Agriculture, Fisheries and Forestry, as you say. No, we were not consulted about that.

Senator COOK—Do you have a view?

Mr Deady—That is really an internal matter for that portfolio. The critical issue, of course, and the criticism that Australia gets from time to time, is the application of our quarantine policy. That is the critical issue—how it impacts on our relations and aspects of trade.

Senator COOK—Have you had any expressions of concern from foreign governments about the move?

Mr Deady—There have been no specific complaints that I am aware of about the actual establishment of Biosecurity Australia. I understand that Mr Vaile did have a discussion with Secretary Angara in the Banff meeting of the Cairns Group and that the concern there was

more in the broad. Secretary Angara was wishing to register his point that this would not cause any further delays in the report risk assessments. But, as I said, it was more directed at the policy rather than the fact of a shift in the structure within AFFA.

Senator COOK—Are you aware that Senator Winston Crane said yesterday in the Rural and Regional Affairs estimates that European agricultural industries had expressed to him ‘great concern about Biosecurity Australia’ and that they saw it as yet another bureaucracy to stymie imports?

Mr Deady—I have not seen it in the *Hansard* record but I understand that the senator made that statement. All I can say is that we have not had representations about Biosecurity Australia. One thing I would say is that, at the most recent meeting of the sanitary and phytosanitary committee, which happened after the establishment of Biosecurity Australia, no member raised any question about that change. To that extent, I am not sure just precisely who was making these representations to the senator or what they may have said. They have not fed through at officials level as yet.

Senator COOK—On APEC, China has now taken the chair, I believe, for the Shanghai APEC. Have we made representations to China, as a friend of the chair, about what it might do to revitalise APEC?

Mr Cobban—We have had some informal discussions with the Chinese on the forthcoming meeting. The Chinese actually have put forward quite an activist agenda. I do not know that the word ‘revitalised’ is necessarily correct, given the amount of activity that went on last year but, yes, we have had some discussions with them.

Senator COOK—I think the hour means that that is an interesting comment. I will pursue you about this later at the next estimates—I mean I will ask you some further questions.

Mr Cobban—I am sure you will. I understood you perfectly.

[10.42 p.m.]

Senator HOGG—I have a series of short questions on the Timor Gap negotiations under outputs 1.1.7 and 1.2.7 on international organisations, legal and environment. Given that the first round of negotiations on the future of the Timor Gap between Australia, UNTAET and the East Timorese has now taken place, can the department give an outline of Australia’s approach to these negotiations?

Mr Rowe—The government attaches considerable importance to the process of working with UNTAET and East Timorese representatives in reaching agreement on a replacement treaty for the Timor Gap—one that is fair and equitable to both sides. There has been one round of talks, as you have mentioned. At the present point of time both sides are trying to determine the actual issues and range of issues—and there are many of them—that should be addressed in the negotiation process. Our approach is one to try and ensure that the Timor Gap Treaty continues and that a fair and equitable replacement agreement is concluded.

Senator HOGG—In answer to a question taken on notice earlier this year, the government stated that Australia’s position is that, under international law, Australia’s and East Timor’s seabed rights extend from their coastlines throughout the natural prolongation of their respective continental shelves, which meet in the bathometric axis; that is, the deepest part of the Timor trough. Is the government still maintaining that claim to the entire continental shelf in the area of the Timor Gap?

Mr Rowe—Yes. That is our formal position.

Senator HOGG—What is the government's response to the East Timorese claims to either a much greater share of the revenue, such as a 90-10 split, or else for a permanent seabed boundary settlement based on lines of equidistance between Australia and East Timor?

Mr Rowe—The questions of revenue split and seabed limitation are two of the issues that are on the table as part of the negotiations. In terms of the actual quantum of revenue, the existing arrangement is a fifty-fifty share. I cannot at this very early stage of negotiations indicate what—

Senator HOGG—What the preferred outcome is?

Mr Rowe—No, exactly. On the other hand, we have indicated that we would be prepared to move away from the fifty-fifty arrangement. As regards the second question on the, you might say, different views as regards the seabed delimitation, we maintain our position. Obviously, the UNTAET and the East Timorese have a different position. Under international law and consistent with the UN Convention on the Law of the Sea, it is for both parties, where there are these conflicting legal positions, to try and work them out and arrive at an equitable solution. That is the objective we are taking into those negotiations.

[10.46 p.m.]

Senator HOGG—Thank you very much. That ends that issue. I now move on to the Defence white paper—outputs 1.1.8 and 1.2.8. I have a couple of brief questions. Can the department give an outline of their involvement in the preparation of the white paper.

Mr Newman—The main mechanism for DFAT participation in the white paper process has been a white paper consultative group established by the Department of Defence in December last year. We have been participating in that throughout the course of this year.

Senator HOGG—How many people have been involved from DFAT?

Mr Newman—We have had involvement from the first assistant secretary and acting first assistant secretary for four months of the year, a director-level officer and an executive officer. Of course, that was only part time, not full time.

Dr Thomas—Senator, could I just add to that. While that working group has been dealing with the white paper at that level, successive drafts of the white paper, of course, were produced which were fed back into the department all the way up through very senior staff, including the secretary.

Senator HOGG—So I presume, therefore, that there has been a fairly heavy involvement by the department to take into account a favourable regional reaction to our white paper.

Dr Thomas—Certainly, our department has been consulted all along the way in the production of that paper. I might just add that, as part of the presentation of that paper, this department is involved in a series of visits with officials from the Department of Defence and is visiting our key regional partners to give them a sort of advance briefing of the general thrust of the paper.

Senator HOGG—I understand that the Indonesian government will be given a briefing. Will the Chinese government and/or other governments be given a briefing as part of that process?

Dr Thomas—Yes. The Chinese government has already been briefed, as has Japan, Korea, the United States and New Zealand. In South-East Asia and closer to home, we will be briefing Indonesia, as you pointed out, and—

Mr Newman—Singapore, Malaysia, Thailand—

Dr Thomas—And Papua New Guinea.

[10.49 p.m.]

Senator HOGG—Thanks very much for those answers. I now want to move on to output 1.3 on the leaking of classified material. As I understand it, the Australian Federal Police have been engaged in investigations of alleged leaking of defence intelligence and other classified documents relating to East Timor. I pursued this issue with Defence today and I just want to find out the DFAT side of things. Are you able to confirm that this investigation was initiated by references from both Defence and DFAT?

Mr Crighton—That is correct.

Senator HOGG—As a matter of procedure, who formally referred the alleged leaking of the DFAT material concerning East Timor to the AFP?

Mr Crighton—That is done by the minister.

Senator HOGG—Done by the minister?

Mr Crighton—That is correct.

Senator HOGG—It is not done by the Secretary of the department on recommendation?

Mr Crighton—Under the memorandum of understanding that we have with the AFP, the arrangement is from minister to minister. The normal process was, after the decision was made, a ministerial submission went to the minister recommending he do that, and he did do that.

Senator HOGG—On whose recommendation within the department would that have come from?

Mr Crighton—For that sort of issue, in fact this particular ministerial submission was signed by my predecessor, the First Assistant Secretary.

Senator HOGG—So it is not referred directly by you. I think that is a different procedure from Defence's.

Mr Crighton—Yes. For example, I think I recall you asking Defence what kind of formal arrangement that they have with the AFP. In fact, we do have such an arrangement.

Senator HOGG—You have got a formal memorandum of understanding?

Mr Crighton—We did have a memorandum of understanding. That was converted into a rather more detailed and, I think, more helpful service level agreement, which was signed earlier this year.

Senator HOGG—Is a copy of that available, please?

Mr Crighton—I am sure it can be made available.

Senator HOGG—Can you supply that to the committee, please. Has the AFP or Defence security briefed the department on the progress of the investigation thus far?

Mr Crighton—Yes, they have.

Senator HOGG—Who in DFAT has been briefed on that investigation?

Mr Crighton—The first briefing was an interim report in April of this year, and that briefing was provided to the Secretary.

Senator HOGG—Or your predecessor? Were you in this position at that stage?

Mr Crighton—I believe it was to the Secretary, the Deputy Secretary and the Director of the Security Policy Section.

Senator HOGG—Since then, have there been any other briefings?

Mr Crighton—There have. After the search warrant was executed, the Secretary had another briefing from the National Manager, Mr Keelty.

Senator HOGG—Have you been part of those briefings?

Mr Crighton—No.

Senator HOGG—So any briefings that have taken place have been directly to the Secretary?

Mr Crighton—That is correct.

Senator HOGG—And that has been by the AFP?

Mr Crighton—That is correct.

Senator HOGG—Have you had any DFAT officers working in liaison with the AFP?

Mr Crighton—Yes, of course. It is normal for us to conduct an internal investigation. When we ask the AFP to take the issue on, generally we withdraw from that. In this particular case, of course, we had a particular interest because our information, our cables, were involved—and there would be some informal dialogue at the working level with the AFP as the investigation proceeded. Earlier this year, after that interim report, when it became clear that the AFP had a much firmer view of where the source was likely to lie, and certainly not in my department, we more completely withdrew from the process.

Senator HOGG—So you had no officers of your department seconded as special constables, such as Defence did?

Mr Crighton—No, not in the way that Defence had. We worked closely with them, of course, in such a case; but we did not second anybody to the AFP, nor did the AFP second anybody to my department.

Senator HOGG—Were you given briefings prior to the search warrant that was executed on 16 September?

Mr Crighton—There were two informal briefings before then, but not on that subject: just a general update of where things lay.

Senator HOGG—Who were those briefings to?

Mr Crighton—They were given to one of my staff. The most recent was at the very beginning of September. On the basis of that, I updated the Secretary, as I would normally do, and I updated the minister at that time as to where we thought the investigation lay.

Senator HOGG—So you briefed the minister, and not the AFP?

Mr Crighton—That is correct.

Senator HOGG—And that was prior to the search warrants being executed?

Mr Crighton—That is correct. But at that stage I had no knowledge of the search warrant. It was just in the nature of where things were up to with the AFP making progress. We have no news yet of when that might be concluded.

Senator HOGG—Post the execution of the search warrant?

Mr Crighton—As I said, there was a briefing given to the Secretary on the Monday, I believe. He subsequently advised the minister.

Senator HOGG—Who was that by?

Mr Crighton—The Secretary himself.

Senator WEST—Who briefed the Secretary?

Mr Crighton—Mr Keelty. I am not sure if that is the correct pronunciation.

Senator HOGG—It will do. I have seen the gentleman's name elsewhere in *Hansard* and I think you have done fairly well. That is all I wanted to raise there. Thanks very much.

CHAIR—Have you got some questions on AusAID, Senator Hogg?

Senator HOGG—Yes, but can I just notify that I will have to put on notice my questions on staff development and postings under item 2 of enabling services. My apologies, but there are a substantial number of questions.

There are some questions on AusAID which I want to pursue. They are short questions that should require short answers, so we should be able to dispose of them if not on the dot of 11 then just a minute after.

CHAIR—We will rely on the goodwill of the minister. Let us proceed with AusAID.

[10.55 p.m.]

Australian Agency for International Development

Senator HOGG—I thank the AusAID officers for their patience. It might seem a long time to wait but, unfortunately, someone has to be last. My question goes to the issue of youth ambassadors. I understand the Australian Youth Ambassadors for Development program was launched by the minister back in 1998 with a commitment of \$10 million over two years to fund placements for 500 people. AusAID's annual report indicates that 244 youth ambassadors were placed in volunteer programs in developing countries in 1999-2000. Is that correct?

Mr Tapp—Yes, that is correct.

Senator HOGG—How many youth ambassadors have been placed in overseas countries since the commencement of this program?

Mr Tapp—The total number sent so far is 285.

Senator HOGG—How many of these were placed in 1998-99?

Mr Tapp—I will look for the details of that for you.

Senator HOGG—And how many will be placed in the current financial year?

Mr Tapp—In this current financial year we are placing 240.

Senator HOGG—And in 1998-99?

Mr Tapp—The total sent to date is 285. There were 42 sent in intake 1 in 1998-99 and 74 were taken in intake 2 in 1998-99.

Senator HOGG—There were two intakes?

Mr Tapp—Yes.

Senator HOGG—Are you able to give me a breakdown of these placements by country?

Mr Tapp—I have that information. We can provide it to you.

Senator HOGG—I am not going to ask you to read it out. Can you compile a table on that to provide to me?

Mr Tapp—Certainly we can provide that for you for 1998-99 and 1999-2000.

Senator HOGG—Are you able to provide it for the current financial year? Have you got the figures there?

Mr Tapp—We are in that midst of the intake this year, but we can certainly provide you information on where we have got to this year and perhaps some of the projections we have for the rest of the year.

Senator HOGG—Do we know what the total cost of the youth ambassador program has been since its inception?

Mr Tapp—Yes, we do. The budget for the first two years comes to a total of \$7,204,106.

Senator HOGG—That is for the first two years?

Mr Tapp—Yes.

Senator HOGG—What is the program projected to cost by the end of the current financial year?

Mr Tapp—We have budgeted for the current financial year about \$5 million.

Senator HOGG—So that will be \$12 million, an overspend of \$2 million?

Mr Tapp—Looking at cost per youth ambassador, over the first two years it comes to just over \$25,000, which actually equates very favourably with some of the other volunteering agencies.

Senator HOGG—But from the figures that you have just given me, there will be an overrun of \$2.2 million. There has been \$7.2 million since inception and \$5 million for this financial year. I make that \$12,204,106. Is that correct?

Ms Rawson—In this year's budget for the aid program, for 2000-2001, it was announced that \$5 million would be provided for the continuation of the youth ambassadors. So the first figure was for those first—

Senator HOGG—So that takes up the additional amount.

Ms Rawson—There is certainly cover within the budget for—

Senator HOGG—It is not as though the money is being found somewhere else out of the budget?

Ms Rawson—No.

Senator HOGG—Do we know what the average cost of each placement is in the program?

Mr Tapp—Yes, it is \$25,277.

Senator HOGG—Does the cost vary from country to country?

Mr Tapp—Certainly in terms of the fact there are different airfares going to certain countries.

Senator HOGG—Excluding the airfare though, in terms of other costs?

Mr Tapp—I believe that the allowances are consistent in different places, but I can check on that and get back to you with the full details.

Senator HOGG—Can you check on that for me, and given the fluctuations in the dollar, does that have any impact?

Mr Tapp—I will be very happy to come back to you on that. I will take that one on notice.

Senator HOGG—Do we know what proportion of the cost of the youth ambassadors program is taken up with administrative expenditure?

Mr Tapp—I do not have the detail of that one. We can provide that for you. I would be interested though in what administrative expenditure you—

Senator HOGG—I mean internal administration expenses in just operating the program itself. Does any of the allocation that is for the program get taken up in administrative expenses, or is that just borne by AusAID itself?

Mr Tapp—We can come back to you with the details of that.

Senator HOGG—What assessment has been made of the youth ambassadors program as a vehicle for delivering benefit to communities in developing countries?

Mr Tapp—The goal of the program is to encourage mutual understanding between Australia and countries in the Asia-Pacific and to make a contribution to development. The reviews we have done would certainly show a considerable amount of success in this regard for this program. Some very significant development achievements have been made by the program.

Senator HOGG—My last question is: has AusAID's quality assurance group conducted a review of the youth ambassadors program, and if it has not, is a review planned?

Ms Brouwer—No, we have not yet conducted a review of that program. It is in the very early stages yet, it is only in its second or third year. We have no plans to do that. We are currently conducting a review of other NGO programs, but not this one.

Senator HOGG—Seeing this has now got a little bit of legs, I was just wondering whether you were going to conduct some sort of review of the program. Is it the intention to continue the program in the future?

Mr Tapp—We are certainly continuing through this year. The program has proved to be successful.

Senator HOGG—So it will be continued beyond. Thank you.

CHAIR—Thank you, Senator Hogg, Minister, and members of AusAID, and my thanks for waiting for so long.

Senator COOK—I have questions for AusAID, but I will put them on notice.

CHAIR—Thank you very much, Senator Cook.

Senator HOGG—There are other questions that I have not previously notified would be on notice that will now be on notice.

CHAIR—That's very good, Senator Hogg. Thank you, Hansard. Good evening.

Committee adjourned at 11.05 p.m.