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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(FOREIGN AFFAIRS SUBCOMMITTEE)

Reference: Australia's relations with the Middle East

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Monday, 26 June 2000

Members: Senator Ferguson *(Chair)*, Senators Bourne, Calvert, Chapman, Cook, Gibbs, Harradine, Sandy Macdonald, O'Brien, Payne, Quirke and Schacht and Fran Bailey, Mr Baird, Mr Brereton, Mrs Crosio, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Jull, Mrs De-Anne Kelly, Mr Lieberman, Mr Martin, Mrs Moylan, Mr Nugent, Mr O'Keefe, Mr Price, Mr Prosser, Mr Pyne, Mr Snowdon, Dr Southcott and Mr Andrew Thomson

Subcommittee members: Mr Jull *(Chair)*, Senator Gibbs *(Deputy Chair)* Senators Bourne, Calvert, Chapman, Ferguson, Quirke and Schacht and Mr Brereton, Mrs Crosio, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Lieberman, Mr Martin, Mr Nugent, Mr Price, Mr Pyne, Mr Snowdon, Dr Southcott and Mr Andrew Thomson

Senators and members in attendance: Senator Gibbs, Mrs Crosio, Mr Laurie Ferguson, Mr Hollis, Mr Jull, Mr Nugent

Terms of reference for the inquiry:

To inquire into and report on Australia's relations with Middle East nations and the Gulf states, with particular reference to:

- Opportunities and impediments to expanding Australia's trade relationship with the Middle East and the Gulf states;
- Australia's contribution to the Middle East peace process, and the prospects for resolution of the Arab-Israeli conflict;
- The role of the United Nations, and Australia's involvement, in promoting regional stability for the Middle East and the Gulf states, including consideration of the United Nations weapons inspection program and the impact on Iraq of internationally-applied sanctions;
- Australia's defence relationship with the Middle East and the Gulf regions, and the scope for promoting Australia's strategic interests;
- The impact of destabilising influences in the region including the potential production of weapons of mass destruction;
- Progress on the adoption of human rights principles in the region; and
- Social and cultural linkages, given the levels of migration to Australia from the Middle East and some Gulf states and with particular reference to the Australian aid program towards the Middle East and the training programs for students from the region.

WITNESSES

Committee met at 9.18 a.m.

CARROLL, Mr Patrick William, Director-General, Major Powers Global Security, Department of Defence

GASCOIGNE, Mr Martin, Director, Strategic Education and Training, Department of Defence

JONES, Captain Peter David, Director, Naval Strategy and Futures, Department of Defence

McMAHON, Mr John Edmund, Director-General, Exports and International Programs, Department of Defence

POWER, Colonel Paul Joseph, Director, Preparedness—Army, Department of Defence.

ROBERTS, Group Captain Geoffrey, Director, Battlespace Management (Aerospace)—Air Force, Royal Australian Air Force

WHITE, Mr Hugh John, Deputy Secretary, Strategy, Department of Defence

CHAIR—Good morning gentlemen. On behalf of the Foreign Affairs Subcommittee of the Joint Committee on Foreign Affairs, Defence and Trade, I declare open this public hearing. The hearing today follows the initial evidence we gathered from the Department of Foreign Affairs and Trade, AusAID and Austrade on the broad parameters of Australia's relations with the Middle East, including the states bordering the Persian Gulf. This morning we will hear from representatives from several Commonwealth departments and from Qantas. The evidence provided will give the committee the opportunity to explore some of the more specific aspects of the relationship between Australia and the Middle East region, including our defence relationship and transport links, as well as the connections which have been established in the fields of education, training and tourism. On behalf of the subcommittee I welcome from the Department of Defence Mr Hugh White, Mr Patrick Carroll, Colonel Paul Power, Group Captain Geoffrey Roberts, Mr John McMahon, Mr Martin Gascoigne and Captain Peter Jones. The subcommittee prefers that all evidence be given in public but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request.

Although the committee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I now invite Mr White to make a short opening statement if you wish before we proceed to questions.

Mr White—Thank you, Mr Chairman, and members of the committee for the opportunity to appear. The Middle East is, of course, a part of the world with which the Australian Defence Force at different times over different periods has become very familiar. We are certainly

delighted to have a chance to answer your questions and discuss these issues with you this morning. We have put in a fairly lengthy written submission. I do not want to go over that ground in my introductory statement. I thought it might be useful just to sketch in broad terms our strategic interests, aims and objectives and some of the future issues we see as being important in the way in which Defence contributes to Australia's relationships with the Middle East.

To start talking on strategic interests: one of the characteristics of the Middle East is, of course, that it is one of the regions of the world which has, for a range of historical reasons, a most intense focus on military power and in which armed force plays a large role in international affairs. For that reason, a number of Australia's key global strategic interests tend to end up being focused on or being reflected in our approaches to issues in the Middle East itself. There are three of these in particular I would like to mention.

The first is that Australia has, ever since its establishment, been a very strong supporter of the United Nations. Amongst many other aspects of the United Nations is the commitment of the UN and all its members to work to establish an international order as far as possible free from the risk or threat of aggression between nation states. That is a principle that is being challenged in the Middle East more often than in most other parts of the world. It has therefore been in the Middle East that Australia's commitment to the United Nations in that respect has been, if you like, brought to challenge as it was indeed nearly 10 years ago. It was certainly 10 years ago this year since the Iraqi invasion of Kuwait.

So one of the key things, which has drawn us into the Middle East as a country and drawn us militarily into the Middle East, has been our commitment to support the UN globally. The UN and other international organisations have also been critical in supporting another of our key global strategic interests and that is to work as much as possible to suppress the spread of weapons of mass destruction and ballistic missiles and their means of delivery. Again, the Middle East has been—for a range of reasons, mainly historical—a focus of proliferation of weapons of mass destruction and therefore a focus of the UN's and other elements of the global community's efforts to prevent proliferation and to try and roll back proliferation as much as possible. We have been drawn into the Middle East actively, at length, and particularly over the last decade in trying to assist and support that process. So that has been another very important dimension.

Thirdly, we do have a very strong interest nationally in supporting the role of the United States—the unique role that the United States has acquired since the end of the Cold War as a guarantor of regional security in all regions of the world. We have particularly focused on the role the United States plays in our own region in the Asia-Pacific, but we have a very strong consciousness of the significance of that US presence for Australian and global interests elsewhere. So, for that reason, we have often found ourselves, in thinking about our relationships with the Middle East, working to support the US in the unique role that it plays. Obviously, the Middle East has been a key focus for US attention and a key area for US deployments over the last decade.

There are two other, if you like, less strategic elements of our interest in the Middle East that are also important in the way in which we, from the defence side, have been drawn in. The first is, of course, that the Gulf remains the principal source of oil in the world. Whilst the

experience of the second half of the eighties and most of the nineties took the focus off the global oil trade as a key factor in international economic prosperity and, for that matter, international security, the tightness of the oil market over the last couple of years—the growing demand for oil, particularly in the Asia-Pacific and the importance of oil supplies in underpinning economic growth in other countries upon which our economy and our prosperity depend—reminds us how important the Gulf is, what an important source of oil it is and that an important share of the world's oil reserves remain in the Gulf. That adds, if you like, a second very significant layer to the strategic interests which have drawn us back into the Gulf at different times over many years.

Finally, there are significant political and humanitarian interests. The Australian community, including through extensive communities who trace their origins to the Middle East, has a strong interest in some of the ongoing and, in many ways, tragic divisions and conflicts which have been a characteristic of the Middle East, you might say for the millennium, but certainly very intensively in recent decades. They have proved an important focus for Australian governments and it has been one of the things which has motivated Australian governments to seek from Defence, capabilities to contribute in different ways to processes like the problems between Israel and its neighbours.

All of those have meant that the ADF has repeatedly and, in small ways, continuously been deployed in the Middle East for some decades. In terms of peacekeeping operations, we have participated in no particular order of precedence in the MFO in the Sinai; in UNTSO; in the Multilateral Interception Force in the Gulf; in UNSCOM in support of UN measures against Iraq's weapons of mass destruction, and so on. In combat, we made a major deployment to the Gulf 10 years ago for Desert Shield and Desert Storm; deployed again in February through to June 1998 in Operation Pollard in support of Desert Thunder. So, some of our deployments have not just been peacekeeping but have had a hard combat edge.

We have also had many opportunities for defence interaction of a more peaceable kind in training, defence exports and defence imports, particularly from Israel, and so on, which, if you like, have, underneath those broader issues that I have spoken about, made an important contribution to the shape of our relationship. Within that context of national interests in which Defence has been called upon to serve, we have identified a series of aims and objectives, which are set out in our submission.

We want to support the United Nations in its capacity to maintain peace and stability in the Middle East and to deter, prevent and roll back the proliferation of weapons of mass destruction. We have sought to support the United States in its role there because of our interests in the US's global role. We have sought to support Australian governments' wider political objectives in the Middle East and an even-handed approach to key issues between Israel and its neighbours. We have given strong support for the peace process at different times, particularly the evolution of the Middle East peace process in the last few years. We have sought to build relationships with individual countries in the region which would facilitate us playing those roles and making that kind of participation.

So, what of the future? There is a range of peacekeeping operations which are ongoing and in which, in different ways, we would expect to continue to participate in some way or another. Peacekeeping operations, some of them for a long duration, can become quite demanding of the

ADF and even quite small ones, as I think some of the figures that have been provided to the committee show, can end up costing you quite a few million dollars over a few years. We never undertake peacekeeping operations that we wish to avoid. But successive governments have been keen to maintain the ADF contributions to a range of operations and I would expect that will continue.

We will continue to work as best we can to support international efforts to roll back and prevent proliferation of weapons of mass destruction. There is a new context for that arising, for example, as the situation in Iraq and that country's rocky relationship with the UN Security Council evolves, but that is an issue that, I am sure, governments will want to continue to support. We will continue to build modest relations with countries in the Middle East which provide a framework for doing those things.

When we closed our Defence representation post at our mission in Pakistan, we lost what had been for us a convenient and inexpensive way of maintaining a degree of Defence presence amongst the Gulf states. That is going to be a key issue for us in the future as to whether or not we can find other ways of maintaining that level of Defence presence. There is a cost factor there. Defence representation is expensive and we have very heavy demands on such representation closer to home, but that is obviously one of the issues we will need to pursue.

We would like to have more Defence presence and profile in the Middle East, but it is a budgetary and priorities issue. We have had good but modest opportunities to provide training support to countries in the Middle East. There may be opportunities to do more of that, and we have been reasonably energetic in searching for defence exports opportunities as well as the opportunities particularly from Israel to source equipment and capabilities which have been very valuable for our own forces.

I think that, as we look into the future, our aim is going to be to try and manage the relationships we have there to provide the most cost-effective support for the sorts of deployments and activities that we have found ourselves over many decades undertaking in the Middle East. And I guess as a sort of working hypothesis it would be sensible for us to expect to be doing some of the similar sorts of things into the future.

CHAIR—Thank you very much indeed. Perhaps I could just start off by trying to tease out a little bit more in terms of the imminent release of the Defence Policy Statement 2000. Can you give us any indication at this early stage as to whether the Middle East gets major consideration in this?

Mr White—I can give you an indication, Mr Chairman, that it does not get major consideration. The focus of the discussion paper is that Australian defence policy now for 25 or 35 years has been very strongly focused on the Asia-Pacific, and there are well established reasons for that. It is in the Asia-Pacific that the key developments will occur which will most strongly influence our own security from armed attack. But having said that, the discussion paper does acknowledge, as have many previous documents, that Australia has important global interests. Those interests do have a genuinely global spread but, for the reasons I sketched before, the point at which those interests tend to be tested is very often in the Middle East. That, added to long-standing traditional links we have with the Middle East and the significance it had in earlier decades with lines of communication back to Britain and that sort of thing, means

that we acknowledge in our discussion paper that it is a part of the world in which our interests will continue to be engaged. The potential for us to have interests there—events that occur there—which will put the government in a position of wanting to have capacity to deploy there, is going to continue to be part of the picture.

The challenge that the government and the defence organisation faces, which is reflected in the discussion paper, and which we hope will be brought out in the community consultation program that we hope the discussion paper will initiate, is to make judgments about the scale of capabilities we ought to have available, what kind of funding we should be providing to support those capabilities and how we balance the expense of maintaining capabilities which would be suitable for the sorts of conflicts that might occur, say, in the Gulf region, versus the sorts of priorities we should give for other types of operations closer to home or at other levels of intensity.

CHAIR—Just how flexible is our policy? I mean we have seen some fairly dramatic stuff of recent months—the Israeli withdrawal from Lebanon, for example. Does this allow us to adjust our policies in terms of the Middle East, or is it fairly inflexible?

Mr White—In terms of our broader policy on the Middle East peace process, for example, I think I would rather leave that to our colleagues in foreign affairs. But in terms of Defence's capacity to provide the government with options to respond, I think we have a good deal of flexibility. It has been a feature of Australian Defence policies for many years now that, whilst we develop our forces for a fairly narrow range of contingencies, particularly those that relate to a direct attack on Australia, those forces have given successive Australian governments over many years a wide range of options to respond to situations as they arise.

What really constrains our options is not so much the capabilities within our forces, but the other demands that are placed upon them. For example, the principal constraint we would have at the moment in responding to requests from the government to undertake further military deployments into the Gulf would not be, if you like, the broad shape of our forces; it would be the fact that we have large numbers of forces already committed to operations in East Timor, the Olympics and being in a position to respond to the sorts of incidents that occurred in the Solomons over the last couple of weeks. So the limit on our flexibility is not so much our force structure as the other demands that have been placed upon it by events closer to home.

CHAIR—Perhaps you could give us an example in terms of the situation with the agreement with Kuwait, which I think you mention in your submission. What is the status of that at the moment? Is that seen as an ongoing commitment or does that become a bit stop-start too?

Mr White—I might ask my colleague, Pat Carroll, to comment in more detail, but we have been seeking to negotiate with Kuwait an agreement which would facilitate the deployment of Australian forces to Kuwait should circumstances arise which required it. Not that we expect or predict that, but experience over the last decade has shown that that is the sort of thing that occurs and the government thought it would be a good idea to take that measure—a precaution—to make it easier to do so should circumstances require.

We would have available quite a wide range of different force options if the government chose to deploy forces. What exactly it would choose to offer would depend a great deal on the

circumstances—the strategic and political circumstances surrounding any conflict—and on the sorts of support that our allies, for example, the United States, were seeking and on the other commitments we had at the time. I would be reluctant to speculate on what precisely we might be able to send because that would depend very much on the circumstances.

But it is worth making the point that all of that is contingent preparation against the possibility of something arising rather than any specific preparation for some predetermined scenario, if I can put it that way.

Mr Carroll—Let me add just a couple of points on the actual drafting processes. We had drawn up an agreement but Kuwait asked that it be of treaty status so that had to go back for a redrafting. The advice we have from the Defence Legal Office is that they are in the final process of having redrawn the document, the SOFA, as a treaty document. We will be circulating that within the relevant areas of Defence very shortly. SOFAs, by their very nature, are a fairly long and drawn out process, but I think we are in very good shape. If it comes back to your point in terms of flexibility, the fact that we are down there, that we are very close to having a draft treaty text gives us the sort of flexibility, should the government wish to exercise the options. So we are much further forward even though the process is probably longer than one would like.

Senator GIBBS—In your submission you are talking about a balanced approach in the Middle East process, but you are basically talking about relationships with Israel and the Gulf states. What about relationships with the Palestinians?

Mr White—I think it would be fair to say that we do not have any defence relations with the Palestinians at the moment. My understanding of the evolution of the Palestinian political entity is that it would not be appropriate to do that. I do not know that we have given any consideration to what sort of form of defence contact we might have with the Palestinian national authority when it is in its final form. I think that will depend on aspects of the status that are, amongst other things, not yet entirely thrashed out between Israel and the Palestinians themselves.

Senator GIBBS—In the event that the Palestinian authority is going to take over more territory, what would be your option then? Surely, for a balanced approach, we as a country have to deal with everybody.

Mr White—There are two points. The first is the focus of the balanced policy which successive governments have pursued over many years has been a balance between Israel and its Arab neighbours. I think the issue of what kind of defence relationship or defence contact it would be appropriate to have with the Palestinian authority when it is finally established is going to depend on the nature and status of that entity and the kind of agreements that are reached between the Palestinians and the Israelis over a range of strategic issues, which will obviously be very sensitive ones.

I do not know because we have not given any consideration to what kind of relationship or contact might be possible. I would also make the point though that we would need to take account of what Australian interests would be served by a defence relationship of that sort with the Palestinians as opposed to the political point about the kind of broader relationship Australia

would wish to have. Obviously there has been a strong focus, including during the Prime Minister's recent visit, on establishing and thickening up those relationships. Whether there would be a lot of benefit to us, or for that matter to the Palestinians, from there being a significant defence element to that, is a bit less clear I suppose.

Senator GIBBS—I hear what you are saying but obviously they are going to take over more territory, any imbecile can see that, and they are going to come to a solution. Do we have something in plan to also have relationships with the Palestinian authority as well as the Israelis and the others? This is not our war and surely we, as a friendly nation, should have relationships with all sides.

Mr White—Yes. I do not think there is any doubt that there should be a political relationship with both sides, though that is a matter for my colleagues in Foreign Affairs. I guess the point I am making is that I do not think it is yet clear that there necessarily be a military element to that relationship. We have bilateral relationships with lots of countries all around the world where we do not have a military element to that relationship simply because there are not the mutual interests to be served by developing and maintaining that relationship. That is not a reflection on the scale or significance of the political relationships, but just a reflection of the fact that, because of the circumstances, we do not happen to have a military component to that. For example, our military relationship with Israel is very largely based on our interest in acquisition of Israeli military technology.

Because of tragic aspects of Israel's strategic circumstances in history, it has an extremely strong defence industry in areas that are of significance to Australia, so we have sought to develop our access to that technology on a commercial basis. It is not clear to me that there would be, with the Palestinian authority, an equivalent strategic rationale for us to develop a distinctively defence relationship. The most important aspect of that would be any role that Australia happened to be playing in contributing to peacekeeping or other sorts of activities along the lines of what we are doing in the MFO and UNTSO at the moment. But what would be required in that connection would depend on how those arrangements evolve and whether Australia had any place in them which, of course, is yet unknown.

Senator GIBBS—But if there was a peacekeeping requirement, because we support the UN and the USA, then obviously we would be in there peacekeeping as well.

Mr White—I would not assume we would Senator. I think if Australia was requested, we would certainly consider that and I know the government would consider it seriously because of the strength of its commitment to peace in the Middle East. But that consideration, that positive aspect, would have to be balanced against the other side of the ledger, which would include what other commitments we had ongoing at the time and the sorts of costs and risks involved. So I do not think we could assume that we would be involved. If we were involved, I think that might provide a framework in which some kind of defence contact with the Palestinian authority would be appropriate, but I must say that I do not think I can foreshadow to you exactly what shape that would have. It will depend very much on the circumstances and also on the final shape of the arrangements reached between the Palestinians and the Israelis for security in the Palestinian territory. As I have said, that is obviously going to be a very complicated issue.

Senator GIBBS—Thank you.

Mr NUGENT—Mr White, I think you mentioned a couple of times that our work in the area was 'working with the United States and supporting the United States'. I would not impute to you that we were the regional deputy or anything like that, of course, but very much you made the point that our role was working with the United States. It seems to me that what we are saying is that our role is predominantly in a peacekeeping type sphere and, whilst the force structure is such that we are fairly flexible in what we can undertake, given other pressures and priorities, there is a limit on capacity. You obviously do not regard that—and I think understandably so—as necessarily the highest priority on our horizon. We have an ongoing interest, but it is probably not as critical as it was in the past because the links to the old country and so on are not as important as they were, and we make some sales, but perhaps even more purchases, from that part of the world. Given that background and, therefore, the overwhelming influence of the United States in the area and our limited role and really limited interest in a sense, what do you see our future role? I ask that question against the background that the United States has shown some signs in recent times of being less inclined to be committed as the world's policeman, particularly with troops on the ground As the superpower, it is obviously still important and does get committed around the world and I accept that there is a very special interest with Israel. Nevertheless, there have been some distinct signs in recent times that they are not keen on putting troops on the ground. Therefore, in terms of where we might be projecting our role in the future, do you think that is going to change its nature because of that changed American emphasis?

Mr White—My starting point in an answer to that is that I would agree with you that there is a change in US approach to its global responsibilities, or to the global role that it has taken on since the end of the Cold War. In particular, there is a stronger, increasing emphasis on the use of technology and capital intensive, rather than labour intensive forms of capability, for a number of reasons, including, of course, a desire—to my mind, an entirely laudable desire—to avoid casualties as much as possible. I must say, as a personal observation, that I am perplexed by people who criticise the United States because they want to minimise their casualties. That seems to me an entirely sensible thing for the United States or any other government to want to do.

Mr NUGENT—I was not criticising, I was just saying that it is a fact that they are changing.

Mr White—Yes, but I do not think that reflects a lower US willingness, or commitment to pursue the sorts of objectives and uphold the sorts of principles that they have been pursuing now for many years. Certainly they have been pursuing them very steadily in a very constant fashion in the Gulf since Saddam Hussein's invasion of Kuwait in August 1990. It seems to me that the way the United States has conducted themselves in relation to the no-fly zones, sustaining those operations and maintaining a very strong position on the requirement for Iraq to disarm under the obligations it took up under Resolution 687 back in April 1991, indicates that its commitment to the region remains very strong, even if the way in which it can now go about reflecting that commitment militarily has changed.

I forget the precise statistics—correct me if I am wrong, Geoff—but I think in the Gulf War, something like 10 per cent of the munitions delivered by air were precision guided. In Kosovo, something like 90 per cent of the munitions were precision guided. The US has not been

inactive during the 1990s; it has changed the way it fights wars. So it can now do things differently.

Whether it requires or would seek different things of Australia, and whether it would be sensible for Australia to change the kind of contributions that we can make, is not all that clear to me. I think the kind of contribution that is sensible for Australia to make in different situations does depend a great deal on the particular circumstances. We have tried over the years to try and sketch in advance what sorts of things we might usefully be able to do in different scenarios, but we always find that when the actual situation arises, your prior planning has not done you much good; something specific is required because of particular circumstances and arrangements.

For example, in February 1998, in the preparations for Desert Thunder, it became apparent that the most useful contribution that we could make was special forces to contribute to combat search and rescue—a very demanding and potentially difficult and dangerous style of operation. We had a very good capability to contribute to that and that is just the way it worked out.

I would not in any way predict that that might be what we would do again in the future; it would depend entirely on the circumstances. But it does not seem to me that our range of choices or options has narrowed because of changes in the way the United States might go about fighting wars. I think each situation really has to be judged on its own merits and in the light of the situation at the time.

Mr NUGENT—Let us explore that a little bit more. You referred to the Gulf War and I might just add as a total aside, I have a very close friend who was in the British forces at the time and was involved in the operational side of things. He was extremely complimentary about the Australian contribution in the Gulf War. You also mentioned that since the Gulf War, the technology, the weapons platforms, the smart weapons and so on, have obviously got better and therefore more expensive. If we are only going to operate in the Middle East effectively as part of the United Nations or in support of the US or something of that sort, it raises the broader question of, if you like, compatibility or inter-operatability between us and the United States. Obviously there is a cost implication there and it has got to be looked at in the context of the whole Defence budget. I wondered whether you might like to comment on the criteria that you are going to use in terms of deciding a balance between more money and the type of weaponry that you are going to bring in?

Mr White—That is a very important question, very much on our minds at the moment. One of the key questions that I know the government will be looking at over the next few months as the white paper is developed and that it is hoping will be discussed during the community consultation program that will follow from the discussion paper when it is released tomorrow, will be the question of the sort of priority we want to give to building into our force structure the capability to undertake contributions to coalition operations, potentially far from Australia. These can place quite significant and unusual demands on our forces.

One of the key issues for us in thinking about what kind of forces we could send, for example, to support a US-led coalition in the Gulf, were that situation to arise again, is which of our forces have a sufficient level of quality and sophistication to participate effectively with the US forces and against whatever adversary we might be contemplating. That is, as you have said,

a dynamic thing. Forces that were good enough to make a useful contribution in 1990, might not be good enough to make a useful contribution in 2000, let alone in 2010. So one of the key questions that the government will face and, through the discussion paper, is asking the community to face, is the kind of investment we want to make in maintaining forces at a level of capability sufficient to work alongside the United States and to go into combat against increasingly sophisticated forces elsewhere.

Now I might make the point that it is not a dilemma, a challenge, or a set of questions that arises only in relationship to the Middle East. The same set of questions, and often the same potential adversary weapon systems, arise in our own wider region. So you do not have to answer the question in a Middle East-unique context. In a nutshell, we will need to continue investing in a range of different capabilities if we are going to maintain a range of options for contribution to coalitions in the Middle East. I think we can virtually rule out the idea that Australia would ever deploy forces to the Middle East, other than as part of a multinational coalition, but in order to be able to contribute effectively, or to maintain a fairly wide range of options to contribute effectively, we are going to have to invest.

In a sense, that set of questions breaks down to a series of individual questions about investments in different types of capability. If we wanted to have the capacity to deploy land forces to make substantial contributions to major land battles in the Middle East of the sort that we saw in the land phase of Desert Storm, for example, we would need to invest in our army in a way that would be quite different from the way we invest in our army if we wanted to expand its capability to undertake peacekeeping operations like those in Cambodia or in East Timor, or evacuations like that in the Solomons last week. You would be pulling the army, if you like, in a different direction.

If we want to maintain the capacity to work intimately as part of the US naval taskforce—a carrier battle group, for example, as we did in 1990 and 1991 during Desert Storm—we need to continue to invest in some quite expensive high-level capabilities. Also, there will be a strong requirement to invest further in air warfare capabilities and our surface ships which, at the moment, are one of the weak points of the surface fleet.

If we want to maintain the capability to contribute a frontline combat aircraft capability, say FA-18s, to air operations in the Gulf, then we would need to ensure that we invested in the electronic warfare sensors, radars and weapons systems that would keep those aircraft at a level where they could operate effectively and, under the circumstances, relatively safely against what would be pretty sophisticated adversaries. None of that will come for nothing. The different options in the Middle East offer, if you like, a nice test case for the sorts of choices that we are going to need to make about the kinds of priorities we put into the ADF over the next 10 years or so.

Mr NUGENT—Given that the Middle East is a relatively lower priority than our own part of the world, and the fact that much of what we might be doing in our own part of the world would be so much closer, you are talking about operating at long-range much more. I am reminded of what happened when Britain withdrew from east of Suez and then had to go to the Falklands. In Britain at the time it was said that the military were pressganging everything they could find, including civilian ships and so on, and bits of string and wire were often called into play. That is probably an exaggeration, but you are obviously not going to set up your future defence force

structure for fundamentally long-range operations, so what sort of contingencies would you think to look at to deal with such a situation? Would you look at cooption of civilian ships, for example? Have you got arrangements to take over civilian aircraft?

Mr White—I think the key to the answer to that is twofold. The first is that traditionally—and this again is an issue that the discussion paper process will be ventilating and which the government will need to make some decisions on—for a couple of decades now or more, we have made our principal judgments about the kinds of capabilities we develop in terms of being able to defend our own territory, and a lot of the choices that we make, a lot of the capabilities we have developed, have given us substantial capabilities to make contributions elsewhere, including of course quite a lot of range. Having a big continent to look after, range is one of the things that comes naturally to the Australian Defence Force. Even so, it does not give us the sorts of capabilities which allow us to project power, if you like, with global reach.

What was unusually stressing about the Falklands conflict for the British forces of the day was that they had to operate independently, without allied support and without local basing, a very, very long way from anywhere but Argentina. That was, as you have said, a very stressing and demanding scenario. We do not have in the ADF—and I cannot envisage us developing it—the capacity to undertake operations at that kind of range from home. So we could only operate effectively as part of a coalition in the Gulf if we had access to some form of basing. What kind of basing you require, of course, depends a lot on the sorts of capabilities you are talking about.

With our naval deployments to the Gulf in Desert Storm, we had access to ports in the Gulf region—Oman for example—which was very important. It was a major logistic exercise to set up a small element there, and it was a big deal. But we managed a combination of naval and also commercial shipping to keep the supplies up. That was not very hard to do, and I think that is the sort of capability we are comfortable we can maintain. The capacity to actually mount and support a global range projection of power against a capable adversary on our own is not something we have and, quite frankly, not something we need to acquire. The nature of our interests in the Middle East do not require us to be able to operate there autonomously.

I think that would be true, not just of us, but also of the United States. It is certainly true of countries like Britain—without access to basing in the Gulf, the sustained projection of power there is extremely difficult. That is why the US, the UK and others have put a lot of effort into building and consolidating their strategic and political connections with congenial Gulf states. That is also why we have, in our rather smaller way, been seeking to consolidate the relationship with Kuwait particularly, just to make it easier for us to do that. We will rely on basing in the region rather than on a capacity to project power from here. I personally think that is enough for us; that will give us a lot of options.

Mrs CROSIO—In your supplementary submission 71A you talk about the Multinational Force of Observers, following the arrangement of the 1979 treaty of peace. When did we actually send our first observers in with the MFO?

Mr White—We went with the MFO in two waves. Initially we went in 1982 and stayed there until 1986, or thereabouts. Then we withdrew. That initial deployment was of helicopters with a rotary wing capability, a very expensive capability of course. We then withdrew and redeployed in 1993 and on that occasion we went in providing headquarters staff. We have remained there

on that basis ever since and for a period we contributed the force commander as well, Major General David Ferguson.

Mrs CROSIO—You have listed 11 contributing nations, including Australia. What is the total force in the MFO?

Mr White—I do not have an answer to that. We could certainly get that for you.

Mrs CROSIO—Perhaps you could take it on notice and come back. I notice that you are able to say we have 26 Australian Defence Force personnel currently there, so perhaps we can come back to that one. In the United Nations Truce Supervision Organisation, again, you are saying that, as at 30 April 2000, there were 153 military observers supported by international and local civilian staff. Again, I note from the information you have supplied to us that there are 22 countries in total. At the moment Australia has 11 personnel out of a total of 153, as indicated by your figures here. If I take 22 countries into 153, the average may be around seven. How have we got such a large number in comparison to some of the other larger nations that are making contributions there? Or are we making up for the smaller nations?

Mr White—I think there is an element of history in that. We have made a contribution of about that size for many years.

Mrs CROSIO—I am not trying to bring in a trick question. What I am asking is: are we continuing, year in and year out, doing what we did the year before?

Mr White—That is what we are doing.

Mrs CROSIO—But why? Things change and history changes.

Mr White—There are two reasons—

Mrs CROSIO—We see what is happening in the Middle East. It is almost an erupting volcano at times.

Mr White—There are three parts to the answer to that. First of all, the situation changes, Australia's commitment to support peace in the region has been very constant. I do not think there has ever been a point at which the government has felt that, for political reasons, it was appropriate to scale back our contribution to UNTSO. The second point is that it has been a very valuable opportunity for young officers. It is a pretty unique experience and it is certainly something that I know—

Mrs CROSIO—So, it is more unique to be in UNTSO than in the Multinational Force and Observers, but don't they do less?

Mr White—I think they are different types of operations. I would not say one is better than the other. But we are keen to maintain opportunities to do this. One of the challenges, of course, is that you want to make sure that you do not entirely exhaust your officer corps by forever having them going overseas doing these things. But having a range of opportunities to do things like that is actually quite welcome. Over the years it has been a good opportunity for our people,

as well as being a good demonstration from the government's point of view of its commitment to the Middle East peace process.

Mrs CROSIO—I would like to develop that debate a little bit further. When we talk about 'a good opportunity for our people', are we talking about a learning experience or are we talking about our contribution from Australia being very much a part of a peacekeeping, information-gathering assistance?

Mr White—I think the good news for us is that these are not mutually exclusive opportunities. It is an important contribution to a part of the international community's efforts to keep peace in the Middle East and move towards a settlement, albeit very slowly. It also provides our people with very valuable experience and opportunities. So it is the sort of experience that gives young officers a chance to get out there and work in very difficult and intense environments and prepares them for doing all sorts of things later in their career. So I think the good news is that it does both things at once.

Mrs CROSIO—In your submission on the Multinational Force and Observers, Mr White, you say that the MFO's mission is:

Operation of checkpoints, reconnaissance patrols and observation posts along the international boundary and within designated parts of the Sinai.

How do we spread our 11 people there or do we do it with others?

Mr White—In the MFO do you mean?

Mrs CROSIO—Yes.

Mr White—In the MFO I think the figure is 26—

Mrs CROSIO—Oh yes, 11 countries, 26 people.

Mr White—Our role is in the headquarters. The functions of other people are spread around the place. By the way, I have a figure here of 1,844 total for the manpower of the MFO in November 1999. I have a table here I could pass over.

Mrs CROSIO—So when we say our 26 Australian Defence Force personnel are currently deployed with the MFO, we are not talking about our people operating check points or going out on patrols or to observation posts? We are mainly in headquarters—is that what you are saying?

Mr White—Yes, they are mainly in headquarters.

Mrs CROSIO—How do we get experience in the headquarters?

Mr White—Well, command is a very important part of the business of application of military power and it is one of the things Australia does very well and tries to do very well. It is one of the reasons the quality of our command—the capacity of headquarters to control people

effectively—is one of the things we pride ourselves on. And running an operational headquarters is a valuable experience—it is not an exercise, it is for real. I think that people find it a valuable opportunity.

Mrs CROSIO—Could you, in just a couple of seconds, tell me what they would do in running operational headquarters over there?

Mr White—Well Colonel Power might be better placed to do that than I am.

Mrs CROSIO—And then I would like to come back to a couple of other questions on the supplementary submission that you have provided to us.

Col. Power—The officers deployed would be running the various staff functions within the UN headquarters, whether they be personnel, operations, logistics or communications, for example, and the opportunity provides them—

Mrs CROSIO—Are they running it for the 1,844 or for our 26?

Col. Power—For the 1,844—the entire force. The staff process is on the headquarters and it gives them exposure both to UN processes—the way the UN does business on a force headquarters of that nature—and also to the other forces and other styles of doing business from the other countries represented on the headquarters.

Mrs CROSIO—Thank you. On the figures you have supplied to us in the supplementary items, we see that our total expenditure in the region has been in the vicinity of $154 million to 1999. You have been able to give us those figures for the last decade, which comes to $254.301 million. We have been involved in activities for quite a number of years. Do we know what our figures were in the previous decade or the expenditure we hope to have in the next decade?

Mr White—I would not want to guarantee that we could fish all the way back to the beginning of UNTSO. It is worth making the point though that things like UNTSO are much smaller and cheaper than big deployments. A very high proportion of that figure of course is from the MIF, Operation Pollard. The long-term deployment of very small numbers of people does not actually cost us all that much.

Mrs CROSIO—But those figures are only for this decade—1991 to 2000.

Mr White—Yes, but they include operations like Pollard, which was the operation that we undertook from February to April 1998, and in which we deployed special forces and tankers, 707 air-to-air refuelling aircraft. That was quite a substantial and very expensive operation. The figures for UNTSO would be quite small—$14 million I think if I have read this correctly, yes. It is a relatively modest amount. It is still a serious sum of money. But those smaller operations that last a long time are not the main drain on the budget. For the future it really is, I think, very hard to speculate because it just depends on what happens. It depends on the scale of deployments.

Mrs CROSIO—As a number of people in UNTSO have changed, up and down, do we actually change according to need or do we do it because we are asked by the United Nations?

Mr White—I think it is probably at different times a reflection of both—that is, our availability and their requirements. There is an ongoing process of negotiation and of accommodation.

Mrs CROSIO—Defence exports to the Middle East were worth $20 million over the last 12 months. What do we export, to whom do we export and how do we guarantee that it got into the right hands?

Mr McMahon—Taking the last part first if you do not mind, my branch is responsible for administering legislation controlling the export of defence material. Any defence equipment that any Australian company tries to export is subject to those controls. It is quite a stringent control regime. I cannot speculate on the percentage of success that we have in preventing dangerous material falling into the wrong hands, but we do have a very stringent control regime. As for what we export to the Middle East, you have the broad figures there, Mr Chairman. It is really not for me to talk about the particular transactions that companies enter into, but I can give a few illustrations if that would assist. We have exported a very clever Australian technology called Spantech which is an explosive warehousing system. We have exported quite a lot of training equipment to various countries in the Middle East and there are companies working very hard today to try and export small warships—patrol boats—to the Middle East.

Mrs CROSIO—So we are not involved in any of the arms we see running around there regularly?

Mr McMahon—Oh no.

Mrs CROSIO—Mr Chairman, can I ask Mr White another question. I should have come back to it before, I am sorry. The Chief of Staff of UNTSO, Major-General Ford, stepped down in April. Who replaced him?

Mr White—I am afraid I do not know. He is not an Australian, anyway.

Mrs CROSIO—He is not an Australian?

Mr White—No.

Mrs CROSIO—Do we know what country he comes from?

Mr White—I do not know which country I am afraid.

Mrs CROSIO—But haven't we got our people running a great operation over there and doing a tremendous job? They are providing us with all the information we need, and yet we do not know who replaced General Ford?

Mr White—I am sure that data is available. I just do not have it here at the moment. It is worth clarifying one point: it is not part of the purpose or the mandate of Australian personnel to collect information in the sense of collecting intelligence. I notice that you have said that a couple of times. It obviously helps to keep us informed, but it is not an intelligence function.

Mrs CROSIO—I am a little bit amazed, Mr White. Under UNTSO, 11 of our officers are operating there as UN military observers. In April of this year one of our Australians—Major-General Ford is an Australian, isn't he?

Mr White—Yes.

Mrs CROSIO—He was replaced as the Chief of Staff and the position has been filled since April and yet we do not know who has filled that position?

Mr White—I am sure that we as a country know, but I do not. I could get that information for you.

Mrs CROSIO—Thank you. I would like to have that answer, along with the answers to the other questions on notice.

Mr LAURIE FERGUSON—Earlier you mentioned the no-fly zone and we talked about the sophistication of weapons et cetera. Australia has been perhaps less critical of the UK-US line in regard to Iraq. I think it was the *Washington Post* section of the *Guardian Weekly* this week that had a feature where they cited the death of a 13-year-old shepherd as part of the collateral damage in the no-fly zone. They went on to say that this was just an instance of significant numbers of civilian deaths from basically misdirected shots. There is a large degree of the US not actually knowing what the targets were, even today. To what degree have we independent knowledge through defence intelligence or to what degree do we know what is actually happening in the no-fly zone in regard to civilian casualties?

Mr White—I am certainly not in a position to comment on the particular case you are—

Mr LAURIE FERGUSON—They said that was one of many instances.

Mr White—I am not in a position to comment on that particular case. We have a range of sources of information about what goes on in Iraq, but our data on what happens there is very incomplete and imperfect. Having said that, I would not be at all surprised to hear that there were some civilian injuries arising from operations in the no-fly zones, just as there is undoubtedly hardship on the civilian population in Iraq as a result of sanctions.

The position the Australian government has taken is that, regrettable as that is, those are unintended consequences of policies which are very important more broadly in trying to resolve the issues that resulted from Iraq's invasion of Kuwait and Iraq's decision to develop a really aggressive weapons of mass destruction capability. The essential solution to those problems lies in the hands of the Iraqi government in responding to the demands put on them by the international community through the United Nations Security Council.

Mr LAURIE FERGUSON—I appreciate that that is the Australian government's position; I well and truly understand that. You are saying that, because essentially the Iraqi government will not commit itself to certain requirements, although we know there is some civilian collateral damage, it is defensible. What I am getting at is that the *Washington Post* article—and the *Washington Post* is not renowned for being particularly critical of the US position—is saying that this is a common phenomenon. I am just trying to establish the degree to which we

know. I know what the policy is, but I wonder whether we have much access to information. Do we know?

Mr White—We have very little information—I think that is the right answer to your question.

Mr LAURIE FERGUSON—Thank you.

Mr HOLLIS—In your introductory remarks you made the comment that Australia had lost a fairly inexpensive way to access contact with the Middle Eastern armies with the withdrawal of the post in Pakistan. When did that actually happen? When was the officer withdrawn?

Mr White—We closed the post in Pakistan in response to Pakistani nuclear tests in May 1998. We do not have any plans to re-open that post.

Mr HOLLIS—Do we have defence attaches at the other posts in the Middle East—in Egypt, Jordan and Israel?

Mr White—We do not have defence attaches in any posts in the Middle East and the only other non-resident accreditation we have to the Middle Eastern countries is to Israel via our defence attache in Rome.

Mr HOLLIS—You have mentioned here in the paper about training opportunities in Australia and I think the Kuwaitis have an office here. What other countries send people here for training?

Mr White—I might ask Mr Gascoigne to answer that question.

Mr Gascoigne—We see the defence education and training system as being primarily for meeting the needs of the Australian Defence Force—that is its core business. Our core business is not to train other defence forces. At the same time, we recognise that when there is spare capacity in our system, it does provide some very useful options for developing our defence relationships with other countries. So, you will find now that many of the countries in South East Asia, for example, will have students in Australia.

Mr HOLLIS—Yes, but what about the Middle East?

Mr Gascoigne—Not so many. We have had students here from Kuwait, from the United Arab Republic, from the UAE, from Qatar and from Bahrain from time to time. They come in small numbers.

Mr HOLLIS—And when they come here what do they do? Do they do TAFE-type courses or do we stick through the academy here, like we do with the Indonesians?

Mr Gascoigne—Primarily the students we have had have gone to our Army, Navy and Air Force staff colleges for officer training.

There have been some examples of students doing training on other Navy programs, but when we do have students—and the numbers are pretty small—they have been at staff colleges. That is in one of the areas where we have built in some capability for training foreign students because of the benefits we get from having a mix of students—the different perspectives for our up-and-coming officers to be exposed to. Each year we will have not very many, but one, two or three students from the Middle East coming through on those courses with the other ones. For example, out at Weston Creek, where we have what we now call the Australian Defence College, we have something like 25 foreign students on that course. This year there will be a Kuwaiti student on that course. In allocating the number of places, we need to bear in mind and focus on the breadth of our interests, as we do with other aspects of our Defence Force. Therefore, we will find that students from countries that are our allies around the region primarily make up the student body. The Middle East does add another element and we try and make sure we have a place or two there. We also have two or three students at the staff course at the single-service staff colleges this year.

Mr LAURIE FERGUSON—Mr White, I want to ask a couple of questions relating to responses you gave to both Mr Hollis and Senator Gibbs. Senator Gibbs asked about our relationship with the future Palestinian state and the question of balance. Mr Hollis had a question about defence attaches, to which you responded that the only one is attached to Israel through Rome. I personally do not know whether they serve much purpose in regard to our relationships with the countries in the region, but is there room for consideration of whether that is a good situation—that there is only one attached to Israel? Are we looking at that?

Mr White—When thinking about the non-resident accreditation to Israel, we certainly looked carefully at the issue of political balance. The judgment was taken—I am sure correctly—that to have non-resident accreditation to Israel, because of the volume of business we do there commercially on defence technology, would not interfere with or detract from the political even-handedness of the approach we take on the broader issue between Israel and its Arab neighbours and the Palestinians.

CHAIR—Could I raise one other thing as we are getting close to time? In the introduction of the department's submission it is suggested that there are some specialist areas which will need to be updated. Can you identify these specialist or perhaps sensitive areas, and if possible provide an update for the committee, bearing in mind the recent events in the Middle East?

Mr Carroll—There would be two areas that we had in mind there. One was the status of UNMOVIC and what we might do there. At that stage there was a question mark over the Middle East peace process itself and particularly the possibility of the Syria-Israeli agreement. I am sure you were well briefed last week on the status there with the death of President Assad and there seems to be a pause in the Syria-Israel process, so I will not go into that.

But to comment on UNMOVIC, when we wrote the submission I think we would say that we were getting contradictory signals from Iraq in terms of whether they would cooperate with the resolution. Since then, I think it would be fair to say that the Iraqi position has hardened and there is that lack of cooperation. Nevertheless, the chairman, Dr Blix has moved ahead with his two-stage recruitment process and what we have done is to facilitate from the Department of Defence—and I think the Department of Foreign Affairs and Trade is also doing this—the names of people who may be able to offer specialist expertise on chemical and biological

weapons of mass destruction, and also in areas of general administration. We have passed across to Dr Blix the names of 42 Defence personnel. As you know, this will be very much a UN process, as distinct from an UNSCOM process which was very much national, so the names will be passed across to UNMOVIC. Then it will be a recruitment process from UNMOVIC itself and those people will become UN employees under Article 100. It will be a question of how many Australians will be selected. I would not like to hazard a guess on numbers that will be selected, but we have made 42 available which, I think, is a significant contribution from Australia.

Mrs CROSIO—I understood from information supplied to us as of March, anyway, Australia was yet to receive a formal request for support in UNMOVIC, so obviously an invitation has been extended?

Mr Carroll—Yes, Chairman Blix did ask us to facilitate the passing of names. But the situation is that it will be a UN recruitment process, as distinct from a formal request where we would make a national contribution. They will gather together the CVs of all the applicants from all over the world and then carry out the recruitment process. The first stage of that is now under way. Some training is under way, but the bottom line is that Iraq refuses to cooperate at the moment.

Mr NUGENT—I almost hesitate to ask this question on the training side because I am conscious that there is nothing so out of date as an old soldier. I am not an old soldier, but I am an old airman. I remember serving in Malaya, as it was, and Singapore in the 1950s, and in Cyprus in the 1960s, and the environment in those days for training was very different because of the climatic conditions, and so on. Is that still the case? Do you have different sets of training for different parts of the world? Given that the Middle East is not a high priority, what sort of training can you afford to give people there when it is a relatively small part of our commitment?

Mr Gascoigne—The training that we offer the foreign students is—

Mr NUGENT—No, I am talking about training for Australians.

Mr Gascoigne—Ah, that is different. Perhaps one of my military colleagues might be better placed to answer that.

Capt. Jones—I will have a go at that. I was captain of HMAS *Melbourne*, which went to the Gulf last year and, in preparation for the operations in the Gulf, we had a work-up of about three weeks. This was based a lot on our corporate knowledge of previous operations, and a lot of it was fairly specific to the particular tasks that we would undertake in the Gulf. When we joined up with the American units before going into the Gulf, we did a bit more high-level, geographic-specific training, and then we were validated in terms of our standards of boardings and all that sort of thing once we got into the Gulf with the US coastguard team. In fact, in comparison with any other Navy, we were far and away better in terms of our preparation and training. We heard that from a number of sources, including merchant ships that we were boarding. So I think that one of our strong suits was our preparation for operations in the Gulf.

Mr NUGENT—Colonel Power, your guys on the ground operate in different conditions. Do you just work up in advance, depending on the particular commitment? Of course, you do not get too much notice in advance, do you? So how do you deal with that training problem?

Col. Power—The nature of the threat is the key. We have not deployed formed bodies of troops to the Middle East; we have been deploying individuals to UN missions, and we prepare the individuals through a range of training here in Australia at the Defence Joint Warfare Centre and specialist training for specific UN missions.

Mr NUGENT—Thank you.

CHAIR—Thank you very much, indeed, for your attendance here today. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and fact. Thank you very much, indeed, for being with us today.

Mr White—Mr Chairman, just before we close, could I provide you with an answer to one of Mrs Crosio's questions: the successor to General Ford as the commander of UNTSO is Major General Franco Ganguzza from Italy.

Resolved (on motion by **Mr Nugent**, seconded by **Mrs Crosio**):

That the supplementary submission from Defence No. 71A be received as evidence for the Middle East inquiry and authorised for publication.

[10.33 a.m.]

HORNE, Mr Robert, First Assistant Secretary, International, Analysis and Evaluation Division, Department of Education, Training and Youth Affairs

CHAIR—On behalf of the subcommittee I welcome Mr Robert Horne from the Department of Education, Training and Youth Affairs. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give evidence in private, you may ask to do so and the subcommittee will give consideration to your request.

Although the committee does not require you to give evidence on oath, I should advise you that these are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement if you wish before we proceed to questions.

Mr Horne—I have only a couple of points to add to our written evidence. First, I ought to say that Rebecca Cross, the Head of Australia Education International, very much hoped to be with me this morning. Unfortunately, her young daughter has been taken ill just this very morning and she has had to cry off at the last moment.

Mr NUGENT—I was just about to congratulate you on being more brave than the Department of Defence, who came with a veritable army; yet you have fronted up all by yourself.

Mr Horne—In DETYA, we believe in mutual balanced force reductions! Apart from that point, I think our written evidence stands. The Gulf certainly perceives Australia as a safe and friendly destination for education, but numbers are currently very low and, I would say, have been low for a number of years.

As to the reasons for that, it is certainly true that the UK and the US are very well established in the international education market in the Gulf. Over the years we have had dealings with a number of governments there, including the government of Saudi Arabia and the government of the United Arab Emirates most recently. It is fair to say that there is some goodwill towards Australia and what Australian education has to offer them, but it has not progressed much further than that. At the moment, we have something like 360 students all told from the Gulf States in Australia, which is very small compared to our overall student numbers from overseas of 131,000 with a further 27,000, I think it is, in offshore campuses of Australian institutions overseas.

Australian educational institutions are very successful exporters; they export over $3 billion worth of education a year. I think they found the Gulf a hard market to get into. One or two of them have persevered. The University of Wollongong has recently begun to open up a campus there, but just as we have found that the government to government contacts have not been perhaps as close as we would have liked, I think many of the Australian institutions have found that this is a market that is offering them lower returns than they can get elsewhere. So they tend to put their effort elsewhere.

I have one small update on the written evidence. We referred to there being an education officer employed by the department in Dubai. That officer recently resigned. We are not at the moment seeking to refill that position. What we intend to do shortly is to consult the Australian education industry about their priorities for the kind of effort that we can put into what we call emerging markets—that is, markets outside our core export territory which is in Asia.

CHAIR—In South America there are a number of private operators ploughing the fields there with some success apparently. Are there opportunities for these self same people to operate perhaps in the Gulf States?

Mr Horne—I think there would be. South America is an emerging market that is of interest to us. We have got more students from there than from the Gulf, quite considerably more. But again, we do not have a DETYA counsellor there. Australian education exporters are welcome to get help from Austrade and some of them would. I think the same entrepreneurs that are operating in South America, could operate in the Middle East. Until recently it has proved hard going. I believe that Wollongong was negotiating from 1995 to start up in 1999. So it may be a hard slog.

CHAIR—The 360 that are in Australia, geographically are they fairly widely spread and what sort of courses are they undertaking?

Mr Horne—That is a figure for the Gulf States, so the source countries we are including in that are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia and the Emirates. Of those countries, the bulk of the students come either from Iran—138 here—or from the Emirates—191. So those are the main source countries; there are very few from the other countries listed.

They are spread across a number of sectors—172 in higher education onshore, 113 in higher education offshore, 31 in vocational education, seven in schools and 39 in our English language colleges. But even when I say 362, you must realise that 113 of those are offshore. They are on Australian campuses, or studying via distance education but not in Australia.

Senator GIBBS—I know that this is probably a hard area for us to break into because the US and particularly the UK have this education program well established. Is there any way we can break into it further? Who should do it and how should we go about it, considering the fact that they regard Australia as a safe destination?

Mr Horne—First, I certainly think the US and UK are well established there. I should make it clear that we are not afraid of competing with the US and the UK; we do that very successfully in markets like Malaysia and Singapore, where each country has roughly a third of the market.

I think at the moment it is a matter of individual enterprise that is needed to get going. There are some markets where government-to-government negotiations can give you a distinct advantage and China would be a classic example of that. We put a lot of effort into China for just that reason, not just the size of the market, but also that it is one where government-to-government influence is important. We do not get the perception that government-to-government influence is as important or could do as much for Australian education exporters in the Gulf States.

Senator GIBBS—When people from, say, Malaysia or China—and if we are breaking into China, that is fantastic—send their children here to be educated, is it simply at university level or do they send them to boarding schools beforehand for the full comprehensive education program?

Mr Horne—It does vary. Our biggest markets, for example, in the British Commonwealth countries in Asia where there is a strong tradition of English speaking—Hong Kong, Singapore, Malaysia—would be for higher education. If you are talking of other Asian markets like Korea or China, they need to learn English and very often they will come to an Australian English language college and then go on either to vocational education and training or to higher education. Quite a number also, particularly from China, start off in an Australian school.

Senator GIBBS—Thank you.

Mr NUGENT—What percentage would that few hundred that come here be of the total market of people from Middle Eastern countries who go overseas for education? Have we got one per cent of the market or two per cent of the market?

Mr Horne—I do not have that figure but I would say we must be well under one per cent. We need to remember that these are not countries with large populations. Saudi Arabia is—

Mr NUGENT—That is why I asked percentage rather than numbers.

Mr Horne—I will see if I can get that figure, but I would guess it would be pretty small.

Mr NUGENT—Money, presumably, is not an impediment. The cost of coming here is not an impediment. It seems to me that one of the reasons that we increased our market share in places like Malaysia, particularly when the ringgit went through the floor, was that America and the UK became very expensive. As a result, the relatively cheaper cost was important, as well as the quality of education. Is that a factor in the Gulf States?

Mr Horne—In general terms, the depreciation of the Australian dollar has helped our education exports; there is no doubt about that. I suspect in the Gulf States the really important thing would be to convince the customer that he was getting the same quality as in the UK and the US. This market may not be quite as price sensitive as some of our other markets.

Mr NUGENT—That was the point I was getting at. What you are saying then is that our education institutions need to be more proactive in this market and that we have to convince Middle Eastern students to come here on grounds of quality, rather than anything else?

Mr Horne—I think we certainly would need to sell on those grounds. When we say they need to be more proactive, we must remember that they do have to make a judgment as to where to put their marketing effort. I believe that if they put more in the Gulf States there would be some returns, but you have to make a judgment as to where the biggest returns are. They may well be right in thinking that they can get bigger returns in other emerging markets like Europe. It is a difficult call and I do not want too readily to say that our exporters are getting it wrong. Proportionately we have more overseas students in tertiary education in Australia than any other

OECD country except Switzerland or Luxembourg—and they are cheats in this respect! Our exporters know what they are doing.

Mr NUGENT—How is the University of Wollongong thing actually going?

Mr Horne—I am afraid I have not got much more information. Before this hearing we did ask Wollongong about that, but we were not able to obtain in time any more information, other than that they started up late in 1999. However, I can make some inquiries about that.

Mr NUGENT—Thank you.

CHAIR—Are visas a problem?

Mr Horne—Some of the Middle Eastern countries are gazetted; others are not. But I do not believe visas are a problem. The numbers are very small. There are markets where visas are a significant problem—India and Pakistan would be the main ones. But, even where they are not gazetted, I do not think that rejection rates in the Middle East would be very high.

Mrs CROSIO—You have answered one of the questions I was concerned about on how Wollongong is going. As you said, you have not been able to follow it up.

Mr Horne—Yes.

Mrs CROSIO—Doesn't it seem a long time between being granted a licence in 1993 to actually setting up campus in 1999? Or is that the usual time scale?

Mr Horne—My information is that they began discussions in 1995. They got their licence in 1999—it is a two-year licence to operate in UAE. I suspect that things do take time in the Gulf and perhaps that is one of the things that has been holding our exporters back a bit. You have to take quite a long-term view of this market to make headway.

Mrs CROSIO—We understand from evidence submitted to us that a number of Australian universities are making inquiries about having some medical students or setting up medical studies. What is the department doing about that? Are we helping them by providing information, agents and set-up points?

Mr Horne—It is not something on which the universities have particularly sought the help of Australia Education International.

Mrs CROSIO—Is it that they do not seek help from the department or is it that the department does not go out and provide them with the information and expertise that it has to offer? Is your department selling itself enough?

Mr Horne—Yes, we are. It is fair to say that our service, through Australia Education International, is largely focused on the Asian markets, where more than 80 per cent of students come from, and on Europe, which is the biggest of the non-Asian markets.

Mrs CROSIO—Why have we specifically then always excluded the Middle East?

Mr Horne—We have not specifically excluded them. We have had an officer in Dubai until recently.

Mrs CROSIO—Why did we close then? Why did we take the officer out of there?

Mr Horne—The officer resigned. At the moment we are not refilling that position because we hope shortly to consult the industry about their priorities for emerging markets generally. There are a number of such markets and they would include southern and eastern Africa, South America and so on. In other words, we would say to the industry, 'Look, we have limited resources and we have a major commitment to certain markets in Asia and Europe. If we were able to expand our operations a bit in these other countries, which would be your leading priorities?'

Mrs CROSIO—I have to ask you, Mr Horne, but would we have done that if the officer had not resigned?

Mr Horne—The officer's resignation has not actually got anything to do with our review of the deployment of AEI's resources. That has been going on for some time. Had the officer not resigned, we would certainly have included that position within the review. We do not just carry on positions forever if we are not having any success in the market.

Mr NUGENT—Was he reading the writing on the wall? I suppose that is a frivolous question!

Mr Horne—In a sense it is not for us to write on walls or see writing. If individual Australian institutions want to go out to the Gulf and do business, we are all for that. I would say also that they are entitled to seek help from Austrade in positions where DETYA is not represented, and we do collaborate with Austrade with precisely that in view.

CHAIR—I want to go back to the 360 students. Do we get any feedback or any analysis of their perception of the standards of Australian education or a satisfaction rating from them, whether they be in Australia or in campuses off shore?

Mr Horne—I am not aware that we have any specifically for the Gulf States, but in general terms we do follow up satisfaction with students, notably through alumni associations which in many countries are very thriving operations. In general the satisfaction rate is very high. I think that is why the industry has been able to bounce back from the Asian downturn and overseas student numbers are again at record levels in 1999 and this year.

CHAIR—Any further questions? If not, could I thank you very much indeed for being here with us today. If there are any matters or additional information we would like to follow up, I

am sure the secretary will contact you. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact. Thank you, Mr Horne.

Mr Horne—Thank you, Mr Chairman.

[10.55 a.m.]

CARLSON, Mr Anthony Garth, Maritime Division, Department of Transport and Regional Services

SCHRODER, Mr Matthew James, Assistant Director, Middle East, International Aviation, Department of Transport and Regional Services

WHEELENS, Mr Tony, Assistant Secretary, International Branch, Aviation Division, Department of Transport and Regional Services

CHAIR—On behalf of the subcommittee, may I welcome from the Department of Transport and Regional Services, Mr Tony Wheelens, Mr Tony Carlson and Mr Matthew Schroder. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request.

Although the committee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standings as proceedings of the House itself. I invite you to make a short opening statement if you wish before we proceed to questions.

Mr Wheelens—Thank you. I will commence and address the aviation issues and my colleague Mr Carlson will talk of the maritime aspects. The aviation relationships between Australia and countries in the Middle East are a work in progress. We have a number of formal relationships. There are currently six of those. Traffic levels between Australia and the region are relatively small comparative to our other major trading partners. We do not believe that the availability of airline services is an impediment to the growth in passengers and freight. Currently in the bilateral treaty relations we have with countries in the region there is the ability to operate more than a million seats in both directions each week. Airlines from the region are currently operating about 350,000 seats of which about 225,000 are occupied.

There are no dedicated freight services between Australia and the region although freight is growing particularly strongly, but by our global standards it is relatively small. Airfreight is valued at about $230 million or $240 million annually, although that is growing at about 20 per cent. All of that freight travels in the bellyhole of passenger aircraft. That is not an unusual experience for us as 90 per cent of airfreight into and out of Australia travels on passenger aircraft.

The Middle Eastern airlines do provide an important role for us in promoting and developing competition in our European markets and in markets elsewhere in the region. But if I were to summarise it, Mr Chairman, I would say that it is in a relatively healthy position but, as I said, it is a work in progress. It has some maturing to do, but it is focused and is headed in the right direction. In the last decade passenger levels have grown from about 7,000 a week out of the region to currently about 18,000 each way each week. It is modest growth, but certainly trending in the right direction.

Mrs CROSIO—Did you say 18,000 each way each week?

Mr Wheelens—That is right.

Mrs CROSIO—Thank you.

Mr Carlson—On the maritime side it is a reasonably simple story. The shipping services are provided on a commercial basis. The nationality of the ship operator or owner is not an issue. However, there are international regulatory standards that anybody moving Australian trade between the Middle East and Australia must follow. Those are carried out by the Australian Maritime Safety Authority under the port-state control regulations.

We are not aware of any significant problems concerning shipping services between here and the Middle East. There are three broad categories of services. There are the bulk cargoes, which are shipped using charter basis; live animals, which are mostly also on a charter basis; and container shipping. However, there are no direct services between here and the Middle East using container shipping. Most of the cargoes go via Singapore. Whilst not having direct services could be seen as an impediment, the frequencies offered via transshipment at Singapore are a lot greater than if there were direct services. The container services are also provided by conference and non-conference ship operators. Generally, there is at least one sailing per week between Australia and the Middle East.

CHAIR—I want to start off with the aviation market. You quoted a figure of 18,000 backwards and forwards each week. Are those numbers specifically on the Middle East carriers or is that the total traffic?

Mr Wheelens—That is the total traffic. I would say about 33 per cent of the total traffic is carried by ASEAN or North Asian carriers. Again, as is the nature of services between Australia and anywhere west of ASEAN, we have quite strong participation by the ASEAN carriers.

CHAIR—Do you do a breakdown as to whether it is business traffic or tourist traffic?

Mr Wheelens—It is possible to extract that. We would pull that down from the immigration cards which show purpose of journey, so it is possible to do that.

CHAIR—Indications are that in areas such as the Gold Coast in my home state the number of Middle Eastern visitors is picking up quite appreciably. Some newspapers have quoted examples of private charters coming in. Would those figures from the private charters be included in the general traffic figures?

Mr Wheelens—No, they would not. But in the totality of it that would be a small number. The charter traffic would be very small.

CHAIR—But apparently very high spenders.

Mr Wheelens—Absolutely.

CHAIR—Qantas has really been quite critical about the number of services that are available. In your opinion has this number really settled down or are we likely to see people like Emirates picking up rights to Brisbane and Perth? I understand from your submission that there are a number of other carriers such as Kuwaiti and a few others who have rights. Are there any indications at all that they may be picking up some of those rights? If so, are we going to be subjected to a veritable flood of seats?

Mr Wheelens—My best guess is that we will not be. I think that there is a commercial reality that underpins the level of services. Whilst six countries do have the opportunity to operate services to and from Australia, we currently only have three carriers—Gulf Air, Emirates and Egyptair—operating in the Australia- Middle East region market.

It is instructive to note that the Lebanon and Israel, which are the two dominant markets, do not have direct services by their respective national carriers. Both choose to operate at collection distribution points off shore. I think what we are seeing is the market sorting itself out. Emirates is about to commence services to Brisbane and Perth, which we have encouraged in the deal that we did. It is true that Qantas has been critical. I think Qantas's criticism is directed mainly at the question of the ability of those airlines to pick up traffic in Europe rather than to promote and develop the region. I think they are two quite separate questions.

Qantas took a commercial decision in 1990 to withdraw from the region. It is not, I believe, a natural hub for them. The decision that the government was then faced with was a fairly simple one about whether we provide direct air links to and from the region and whether there is perhaps a price to pay at the side in terms of access to the European markets. That is not all downside either; it does provide a competitive presence in the European markets that we do not discourage.

Senator GIBBS—Could I just follow on from that? I also come from Queensland, as does the chair. What are the other flights that are coming into Brisbane shortly from the Middle East?

Mr Wheelens—Emirates will be operating into Brisbane shortly.

Senator GIBBS—Where will they be coming from?

Mr Wheelens—They will be coming from Dubai.

Senator GIBBS—Bearing in mind that charters are coming over, obviously we need more connections both ways. You said that a couple of airlines are going to come in in the future. Do we have a problem with our airlines operating here?

Mr Wheelens—With the Australian carriers?

Senator GIBBS—Yes. Are they complaining about this, or is there resistance for the Australian carriers to actually open up markets overseas where they can come directly in?

Mr Wheelens—The nature of these agreements does provide opportunities for both Australian carriers and foreign carriers to operate services between the two countries. We have six bilateral treaties in the region that provide equal opportunity and equal access for Australian

carriers to operate into the region and for the national carriers of those six countries to operate into Australia.

Senator GIBBS—Are our airlines taking advantage of this?

Mr Wheelens—No, they are not. They have taken a commercial decision not to enter the market. The obligation of government is to provide the opportunity. We cannot force carriers under duress to serve markets, but our task is to provide the opportunity for them to enter those markets should they wish to do so.

Senator GIBBS—That is interesting. Bearing in mind that they do not wish to take advantage of this, are there restrictions on overseas airlines entering our country? Obviously, if they have people who want to come here, we would like to go there also. Are there restrictions on the overseas airlines entering the market when ours are resisting?

Mr Wheelens—We try not to have that occur, and we are very mindful of the need to provide access to Australian airports. Most of our treaties do reflect that. The fact that Emirates has the opportunity to operate to Perth, Brisbane, Sydney and Melbourne and, without restriction, to all of the regional international gateways in Australia, is a reflection of that policy.

Senator GIBBS—Good. Thank you.

Mrs CROSIO—I would like to continue the question that Senator Gibbs just asked there and refer to the information that you have provided in your submission. With the entry of Emirates and Egyptair into our market, why did Middle East Airlines, the Lebanon's carrier, pull out? Was there any reason?

Mr Wheelens—It pulled out for commercial reasons. It had the opportunity and it still has the opportunity to serve the Australian market, but it withdrew. I think the Lebanon produces fewer than 500 passengers in each direction each week. If you boil that down to how many aircraft that would take, if all of the traffic travelled on Middle East Airlines, there is enough demand there for one and a bit aircraft. As I said before, the third country airlines, particularly within ASEAN, are very strong competitors in that market. If one-third of the traffic goes to Singapore Airlines, or to Malaysia Airlines or to Thai, you can see at the end of it that there is very little left for Middle East Airlines to make a basic commercial operation on. It then depends largely on their ability to attract business from third countries as to whether they can be profitable or not and, finally, whether within their own corporate structure they have something better to do with the aircraft.

Mrs CROSIO—They probably do not have the hub as the United Arab Emirates do with Dubai, where they all come in and seem to gather together like cattle! Page 1 of your submission to us talks about liberalising all cargo operations—in the second paragraph you talk about air services and Middle Eastern markets as follows:

As well, liberalised all cargo arrangements are negotiated wherever possible.

How do you do that?

Mr Wheelens—Within the treaty negotiations we deal with passenger operations and cargo operations. We have 57 international treaties at the moment and in 22 of those—

Mrs CROSIO—Those 57 international treaties are dealing strictly with the sea and the air?

Mr Wheelens—Aviation specifically. That represents our global presence in aviation. We have treaties that cover all continents in one form or another.

Mrs CROSIO—Before you answer the first question, you have just created another question in my mind. When you put the treaties together like that, how do you enforce them?

Mr Wheelens—They are enforceable in international law. They have all of the benefits that come with international treaties, so Australia and certainly all of our trading partners honour their treaty obligations in this area. That is not a problem.

Mrs CROSIO—So your arrangement is negotiated?

Mr Wheelens—Of those 57, 22 of them have open arrangements for freight. In one form or another—it is not absolutely clean cut—we have at least open unrestricted capacity between Australia and our bilateral partner. In a number of cases we have no restriction on where the aircraft can go. So we are progressively liberalising airfreight. Each time we have a negotiation we press the issue of totally deregulating airfreight capacity. We have been quite successful in doing that to this point.

Mrs CROSIO—Can I also take you to another matter that concerns me. On page 10 of your submission under 'Social and cultural linkages', you talk about what is happening with some of our illegal immigrants. You say:

…These arrangements were not developed in the expectation that Christmas Island, in particular, would be coping with immigration, customs and quarantine pressures…There may be a case for a rigorous risk analysis posed by the current immigration, customs and quarantine arrangements with a view to securing what appears to be an increasingly obvious "weak link" in the chain.

If you feel you cannot talk about this publicly, would you like to make a submission in camera? Or can you talk about it?

Mr Wheelens—I am afraid I cannot even talk about it privately. I am not the expert on it. I am afraid my colleague, who will deal with this issue, has not made it to the committee at this point.

Mrs CROSIO—I ask through you, Mr Chairman, whether it would be possible for him to elaborate a little bit further as to what is meant by that particular paragraph—even if it has to stay in camera?

Mr Wheelens—I will raise it with him. In fact it might be useful—that reference is probably a bit cryptic—if we could flesh that out for you a little further.

Mrs CROSIO—Thank you, I would appreciate that.

Mr NUGENT—Why do we need international air treaties? We do not have them for shipping. Providing ships meet certain safety standards and there is the commercial imperative, as I understand it you can basically go where you want to. Why would we not do the same thing with airlines?

Mr Wheelens—That is a very interesting question and a lot of people are asking that question at the moment. The international legal regime that looks after aviation is, to put it in a nutshell, a product of this century. The regulation of international shipping grew up over a couple of thousand years by practice and whatever. Aviation is a creature of this century and it is organised on a bilateral treaty system. Globally there are 4,000 treaties registered with the International Civil Aviation Organisation and we suspect there are another 4,000 that are not registered, so there are about 8,000 intergovernmental treaties that lock the network together. Those of us who are trying to give it a nudge to unlock it are finding it very difficult to do. We would get rid of it if we could.

Mr NUGENT—Thank you. I am not clear in my mind about some of these numbers that you have been bandying around. You said there were 18,000 places in and out per week. Are those people exclusively going to the Middle East or coming from the Middle East, or do those include people who might be travelling on, say, Emirates and who would stop in the Middle East, obviously at Dubai, but would then go on to some place in Europe? In other words, is that solely Middle Eastern traffic or is that an amalgam of Middle Eastern and onward traffic to other destinations?

Mr Wheelens—We would regard it as regional traffic. It is what we call the origin and destination traffic. It measures the Australian and regional component of it. It does not measure the through traffic.

Mr NUGENT—My personal experience—and this is an anecdotal statement obviously—is that it is very difficult to get seats on aeroplanes going through the Middle East to Europe for large parts of the year. Yet, what you were saying earlier would suggest that the capacity is not being utilised anywhere near what it could be. Can you perhaps flesh that out as to why that would be, other than the phrase, 'commercial judgments'?

Mr Wheelens—It is actually a bit hard to go past the commercial judgment component of it. The practice of the government has been to ensure that there is sufficient capacity negotiated between the governments to do two things: firstly, to meet the immediate requirements of airlines; and, secondly, to enable them certainty in investment and product development. Our practice is to negotiate capacity as far in front of demand as we possibly can so that the nexus between the available capacity and price is potentially broken so that airlines have the opportunity to make investment decisions in the equipment, staff and promotion that they need to put into place. We have negotiated over a million seats a week, of which about 350,000 are being taken up.

Mr NUGENT—So you negotiate in seats rather than flights?

Mr Wheelens—I am sorry, that is an annual figure.

Mr NUGENT—But you negotiate in seats rather than flights?

Mr Wheelens—It varies from treaty to treaty. Our preference is to negotiate in seats because that gives the airlines the greatest degree of flexibility in the type of aircraft that they use. Some of our partners do require it to be specified as frequency. It is six of one and half a dozen of the other as to which vehicle is used to regulate the capacity.

Mr NUGENT—Why is it so hard to get seats on aeroplanes?

Mr Wheelens—It comes back to the commercial judgment that the airline takes. Airlines will try to achieve load factors that are commensurate with their profit targets. Nobody is comfortable with operating empty aeroplanes. It is no more complex than that. It is a product of the demand and the yield that the airline can get from the product. Where the third country carriers—the ASEAN carriers—have such a dominant position in terms of their commercial presence, it is actually quite difficult to create the yield and the mass that is necessary to give you a lot of frequencies.

CHAIR—Just on that point, can I be quite outrageous and put to you a proposition that the advent of airline alliances has, in fact, wrapped up so much of this traditional market that there is maximum utilisation of seats and maximum utilisation of price? In fact, what we have coming out of the Middle East is probably not a bad safety valve for Australia.

Mr Wheelens—There is certainly an element of that, and it is certainly something that we have had at the front of our mind in positioning carriers like Emirates, for example, who, for the time being at least, are outside of the major alliances. They do present a competitive presence, not only in the regional market but also in others, that helps to keep a competitive element there.

Senator GIBBS—Can I follow on there? When airlines make these commercial judgments and decisions, how do they do it? How can our carriers make such decisions when they do not travel to these places? Do they bother to ask any of us in Australia if we would actually like to go to the Middle East? I am sure a lot of people would. I would. How do they make these decisions? Maybe they are so entrenched with doing what they are doing.

Mr Wheelens—I would say, in their defence, that they do have very sophisticated product management programs and yield management programs that would identify fairly accurately whether they could be profitable in those markets.

Senator GIBBS—How do they do that? No-one has ever asked me if I would like to go to the Middle East. I fly on Qantas and Ansett all the time, but they have never asked me, 'By the way, would you like to go to the Middle East if we opened up a flight there?' How do they go about this? Do they actually ask people if they would use a particular route or go to a particular country, if a flight were available?

Mr Wheelens—I think there are very sophisticated systems within their organisations that address those sorts of questions. I think they are giving evidence next aren't they? Are they following me?

Mr NUGENT—Qantas are next, so perhaps you could ask them.

Senator GIBBS—I will, but I just thought you might know.

Mr Wheelens—No, other than to say again that within those airlines there are very sophisticated systems in place. It is also relevant that airlines incur their costs in very different ways. The way that Qantas incurs its costs may be very different from the way that Emirates, Gulf Air or somebody else does. It is quite a complex question.

Senator GIBBS—Competition is good!

CHAIR—In terms of the air freight, is it fairly constant all year or is there any sense of seasonality about it?

Mr Wheelens—I cannot answer that question. I suspect there would be a degree of seasonality in it, particularly with the seafood component of it.

CHAIR—But the provision is there for flexibility if we hit a few peaks. We are not going back to the bad old days of trans-shipping via Singapore and leaving it on the deck at Singapore airport for four days until somebody bothers to pick it up?

Mr Wheelens—No, I hope not. One of the interesting features of Emirates' impending services out of Brisbane will be to see how the live seafood exporters in Queensland might be able to exploit that.

CHAIR—Do you facilitate any sort of cooperation between people like the seafood exporters and the airlines? Do you actually get involved in any trade promotion? If we have a trade group going to the Middle East, would the department be part of that group to extol the virtues of the linkages with Australia?

Mr Wheelens—The department is very active in trade facilitation. I will ask Mr Carlson to address that.

Mr Carlson—One of the other hats I wear is the logistics side of our portfolio. As part of the Supermarket to Asia initiative—the Prime Minister's initiative—our department, in cooperation with the state governments, facilitated the establishment of freight councils in all the states and territories. Those two councils consist of an air freight council and a sea freight council, in most instances. Those councils have actual industry people involved in the transportation of perishable goods and they are actively involved in making sure that the product that leaves Australia is in exactly the condition they need it when it arrives. They are actively pursuing overseas destinations and people involved there about what they can to make sure their product is not left at airport terminals and tarmacs for a given period of time.

We have also just recently been part of what industries have announced under the government's action agenda program. We have the freight transport logistics action agenda just commencing and we will be developing that over the next 12 months. One of the issues we are looking at there is expanding the role of these freight councils to ensure that issues such as airfreight capacity and sea freight capacity are available to our exporters and that anybody here in Australia who uses imports as a major part of their production gets the best deal they can.

CHAIR—Can I take you back to your opening comments regarding shipping links? Broadly, I think you said there are no real problems in terms of links with Australia, even though there is not much in the way of direct shipping. Where is most of the freight trans-shipped—Singapore?

Mr Carlson—Yes, Singapore. The problem with trans-shipment statistics is that it is very hard to gain where the trans-shipment points occur because the statistic collection series are not good throughout the whole world. When it is direct services it is very easy to pinpoint origin and destination numbers, but where there is a trans-shipment involved, it is a lot harder to determine. There are numerous trans-shipment points around the world now. Singapore and Hong Kong are the obvious ones but there is also some now in the Mediterranean and we suspect that some of the eastern Mediterranean coast and the Middle East is receiving some of their cargoes from and to Australia via La Spezia for example, in the Mediterranean.

CHAIR—We have had no complaints, to your knowledge, of things fouling up?

Mr Carlson—No. one of the issues with trans-shipment via Singapore is that people use it because they are taking advantage of the number of frequencies offered on the major east-west routes. That also means to some extent they are captured by the supply and demand on those routes, whereas with direct services you obviously know what your services are. However, it is a lot more reliable in terms of the frequency you get and the price at this stage, but it makes the matter a lot more complex.

CHAIR—Having seen the Singapore operation, I would imagine they probably do the switch in about eight hours flat I suppose.

Mr Carlson—It all depends on what the next major ship departure is. It is true that Australian exporters were reluctant to use trans-shipment at, say, the beginning of the 1990s, but now they are a lot more willing to use it because they realise the reliability is there.

Mr NUGENT—A couple of years ago I was in Pakistan and they were building a new refrigerated container terminal somewhere south of Karachi. That really prompts a question in my mind: you say there are no particular problems and there are various bodies and structures to facilitate the operation and so on, but generally in the Middle East are there adequate facilities in most of the places that shipping needs to go?

Mr Carlson—At the current time there do not seem to be any problems. There is an issue in world shipping at the moment about the size of vessels. The vessels are increasing in size to what they are starting to call ‘super container ships’. There are very few ports around the world that can handle these super container ships. They are the ones that will be using these east-west services, the major global links between Europe, North Asia and America. It will cost the port authorities—whoever owns the port and is responsible for its infrastructure—a lot of money to upgrade their facilities to take these very large ships. So there is a question about future capacity for very large vessels. However, the more that issue becomes important, the more attractive direct services would become, because there are new buildings going on now. There is no mention of shortages of supply for those types of vessels that could be turned from an east-west service straight to a direct service if required. The thing to remember is that shipping, the asset, is very mobile and it is a very competitive industry.

Mr NUGENT—We would have the volume of business to justify using direct shipping with those super ships?

Mr Carlson—No, it is unlikely Australia would see one of these super ships, just the trade.

Mr NUGENT—One of the interesting things about this particular container terminal I saw being built a couple of years ago in Pakistan was that you could say that, by putting a refrigeration facility on the dock, which they had not basically had before, the country was being opened to refrigerated food and all the rest of it. But in fact the next stage was the roads and there were not the refrigerated lorries to distribute the food. When you got a few hundred miles up the road, there were no refrigerated stores to take it, so it was not really as easy as all that. Therefore, infrastructure is just as important in terms of the shipping growth, is it not? How is the infrastructure, in terms of roads and storage generally, in the Middle East?

Mr Carlson—I cannot say for sure exactly how good it would be. We have done a lot more work in the Asia region rather than the Middle East, so I would have to get back to you on that.

Mr NUGENT—If you could take that on notice I would be grateful.

CHAIR—Any further questions? No. Thank you very much indeed for your attendance here today. If there are any matters on which we might need additional information the secretary will contact you. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact.

Mr Wheelens—Can I correct, for the record, some figures that I have just put in? I was a bit suspicious of them when I was talking about them. I have just double-checked them. The average each way, each week figure for the region is not 18,000, it is 2,500. It grew in the last decade from around 1,000 to the current level of 2,500. My internal brief has got it wrong, but the data that is in the submission is actually correct.

Mrs CROSIO—So I should not feel bad about thinking that was rather surprising.

Mr Wheelens—No, that is quite right. Your instincts were good.

CHAIR—I thought it was quite tremendous actually.

Mr Wheelens—I would be very pleased if they were that strong.

CHAIR—Thank you very much.

[11.38 a.m.]

CALLAGHAN, Mr David, Manager, Government Affairs, Qantas Airways Ltd

KERR, Mr John, General Manager, Government and Regulatory Affairs, Qantas Airways Ltd

CHAIR—On behalf of the subcommittee I welcome Qantas Airways Ltd, Mr John Kerr and Mr David Callaghan. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request.

Although the committee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement if you wish before we proceed to questions.

Mr Kerr—Thank you, Mr Chairman. Firstly, we welcome the opportunity to appear before the committee and will naturally take questions from you. I think it would help if we provided a short update on our submission, which was dated April, on the state of the market and developments since that time.

The market has continued to grow during the current year, although it is probably too early to revise in any meaningful way the data we outlined in our submission. Whilst we can speak to that, there is no new accumulated data that we would provide. Market confidence is demonstrated by Emirates starting four new services weekly between Sydney and Dubai from late March, which complement its daily Melbourne service. Gulf Air is planning to double its frequencies to six per week between Bahrain-Abu Dhabi, and Sydney-Melbourne from the beginning of next month.

While superficially suggesting strong growth in the Australia-Middle East market, we do note and draw your attention to the fact that those services are intended primarily to carry traffic between the prime Australian markets and UK-Europe. That is not a new phenomenon. It has been a travel pattern to and from Australia for many years, but the growth that the Middle Eastern carriers are putting into the market does make more difficult any prospect of Qantas operating into that market. By extension it also makes more difficult Qantas's ability to grow in those affected European markets.

Also, the Lebanese carrier, Middle East Airlines is re-establishing in the Australian market after a couple of years absence, via a new code share arrangement with Malaysia Airlines. To our knowledge it will not be putting its own aircraft on the route. That presence is expected to facilitate the carriage of Australia-Lebanon traffic. It is a little different from some of the other Middle Eastern carriers. Lebanon remains the largest individual Middle Eastern market for us. The fragmented nature of the Middle Eastern market, which we did draw to your attention in our written submission, does continue to give us pause in again operating direct services into the Middle East.

We also mentioned in our submission the strong commercial links that we maintain with a range of Middle Eastern carriers through preferential interline pricing arrangements and so on, to facilitate the feed of passengers into our South-East Asian hubs and principally Singapore. Encouragingly strong growth is also being experienced through our offline arrangements with other carriers, Turkish Airlines, Saudia, Kuwait Air, and we also maintain strong links to El Al, which includes mutual passenger participation in frequent flier schemes.

We also maintain an amicable commercial relationship with Emirates, at least as far as the Middle East market is concerned. In recognition of the regional economic importance of Dubai, we have moved our Middle East office there in lieu of our previous location in Bahrain. We have maintained commercial relations with Gulf Air and have a long established interline arrangement with Egyptair and also Royal Jordanian.

Arrangements of those sorts continue in our estimate to be the only feasible means of serving the Middle East market for Qantas. I would just conclude therefore by saying that an early Qantas return to direct services is regrettably still not on the planning horizon.

CHAIR—I think in your submission you said you had about 19 per cent of the market.

Mr Kerr—Yes, that is about right.

CHAIR—That figure is still a constant.

Mr Kerr—Yes, that has not changed in any marked way.

CHAIR—You did have a code sharing arrangement with Emirates, now that has been cancelled. Why was that?

Mr Kerr—For commercial reasons. There were a couple of things. The cancellation was around the time Emirates was expanding its operations. It was also from Qantas's point of view not a code share arrangement that had actually generated the growth that we had anticipated. Other things being equal, we just felt that we would look at alternative ways of serving that market. It was for commercial reasons. It operated via Singapore as I recall and there were no fifth freedom rights available between Singapore and Dubai. In that circumstance we just felt that commercially it was not a good deal for us.

CHAIR—You also mentioned moving your office to Dubai rather than Bahrain. Do we read anything into that or is it just that Dubai is the centre of the action?

Mr Kerr—It was the latter, that Dubai is really the growing commercial hub of the region and it was felt that we were better placed there than in Bahrain.

Mr Callaghan—Also, a secondary reason is that we have gone into a joint office arrangement in Dubai with British Airways, as we have done in various other parts of the network. This gives us a better commercial presence to be able to build on the strengths that British Airways already has in Dubai as well.

CHAIR—Have you given away major promotion in the Middle East for Qantas and the Australian services or are you still involved—either by yourselves or with BA—with some of the Australian Tourist Commission promotion that is going on there?

Mr Callaghan—I cannot answer that. I presume that seeing it is offline it would not be high on our priority list of putting direct funds in. But we do maintain staff in the area who have liaison with the airlines and travel agencies in the area to keep the Qantas flag flying, so to speak, but it would not be a major effort.

Mr NUGENT—Can I ask a question that is in a sense fairly general, but I think also applies to this particular market. I do not operate in your industry and what may be blindingly obvious to you is not blindingly obvious to me. We have heard the phrase from you and from previous witnesses about commercial viability of routes. Could you give us some background on what sort of factors influence how you go about deciding on commercial viability? I suppose what I find difficult to comprehend is what you said earlier in relation to a lot of the traffic through the Middle East being actually on-traffic to Europe. I often find it difficult to get on flights to Europe or the Middle East with you and with other carriers—probably more with you than some of the others. As we are doing parliamentary travel, we tend to go to you first.

So for the average traveller, a fairly frequent traveller, it is hard to understand how come it is not viable to put on more flights when it is so difficult to get on flights, especially as we have seen over the last few years people like Emirates come in from nothing and obviously establish a significant operation. You are talking in terms of, 'Well, we don't really think we're going to do much in the foreseeable future in terms of establishing services there.' I live in Melbourne, so apart from the fact that if I travel I might have to go through Sydney all too often, nevertheless there are other airlines that will take me to different parts of the world directly out of Melbourne. If you do not offer me something like that I might go somewhere else. How do you know that I am going somewhere else? How do you judge the size of the market and things of that sort? I am just trying to get a feel for how you go about some of that decision making. I will reserve judgment on whether you are right or wrong until later.

Mr Kerr—Thank you for the question. There are about 20 questions in one there. Let us see if we can at least address some of the points to your satisfaction. The first thing is that clearly we do a lot of analysis of markets and that is an ongoing factor. It is probably true to say that in these days of private sector ownership of Qantas there is a great pressure on the company to make sure that its assets are employed to maximum advantage, so there is that sort of in-built tension almost to make sure that we do have things under constant review, and we do.

Probably in terms of a new route, the planning would start six to 12 months out. It takes no little effort to actually move into a new operation. If it is an expanded amount of capacity on an already well established route, then the lead times are a little shorter but not too much shorter than that. We certainly would be planning at least a season ahead in terms of those sorts of issues.

The statistics that are available to the company are good. We do draw on government provided statistics. The ABS maintains excellent data series which in general terms we use. A lot of that is drawn from immigration cards and I am sure you are familiar with all that. As I said, we still rely on those data sets. They are very good because they enable us to determine the

true origin and destination of traffic, rather than just rely on what we know of what airlines have carried without knowing where the passengers originated or are destined for. We also obviously have a significant range of our own commercial information that we draw on.

The other issue in a general sense which is quite important is fleet availability and aircraft availability. An important part of any commercial planning process is to actually be able to work out your resource availability and how that will be affected, because in this day and age we do not have aircraft sitting around that are underutilised, for the reasons that we have already talked about.

Mr NUGENT—We have noticed that when aircraft konk out!

Mr Kerr—You will have seen reports in recent times that Qantas is assessing new fleet aircraft and acquisition options. That is quite a lively issue. In terms of the traffic itself, we obviously take seat factors on existing services, but more importantly perhaps than seat factors is the yield and the yield mix. What sort of revenue per seat kilometre travelled basically can we get off particular routes? That is determined by the mix of passengers—whether they are business passengers or leisure passengers and so on. Also, yields are not stable across the network, they vary from route to route quite significantly. So those are the sort of basic building blocks in terms of commercial information.

You made the comment that you see our competitors expanding in markets that Qantas says that it cannot expand into or cannot make a quid. There are a whole host of factors that do affect that. The first one that we normally draw attention to is our geography. A lot of the carriers that we see operating into Australia out of markets—and the Middle East is a very good example—have essentially the opportunity to act as a hub from their home port whereas, because we are at the end of the line, we do not have the opportunity to generate so much traffic into a consolidation point and then benefit commercially from doing that. That is a very significant factor for a lot of our competitors. Our approach to that has been over the years to develop off shore hubs so that we can at least put ourselves in a position that approximates some of those carriers, but even then it is difficult to do because we cannot operate the network from those points.

Mr NUGENT—But you hub out of Singapore but not the Middle East, for example.

Mr Kerr—That is right. You have then got to come back to the market and say that the Australian market operating UK-Europe will only tolerate one stop. For us, by choice, that is our Singapore or Bangkok hubs out of preference because there are those sorts of benefits and there is also the range of aircraft and the distance capability of aircraft and all those sorts of things. As you would know, we used to do to tech stops in Bahrain but we do not need to do that with new generation aircraft.

The markets are also quite cyclical and quite seasonal. That is not true in every market, but that is certainly a factor for us. Therefore, in terms of assessing a route's potential, we really have to look at the year round performance and not just what it might just yield for us in a high season or a couple of months of the year. There are some routes where that is a major factor. That is a major factor to Latin America, for instance, but notwithstanding that, we operate to

Buenos Aires. Those are some of the factors. I probably have not answered all of your questions.

Mr NUGENT—Would your operating costs be generally higher than say some of the Asian or Middle Eastern airlines?

Mr Kerr—In general terms, yes, but not without exception. I am sure you would be aware that Qantas over the past several years has put a lot of effort into cost reduction. Some of those differences are not as apparent as they were but with a number of our major competitors the answer is yes and that is particularly true in the labour cost area. Other costs like fuel and so on, all airlines face those pretty much on a common basis.

Mr NUGENT—I hear your analogy about Emirates and ourselves. We are at the end of the line and Emirates come up in the Middle East and so on, so in a direct comparison that seems valid certainly. But if you look at Singapore Airlines, say, over the last 15 or 20 years, they hub out of Singapore the same as we do and yet they seem to have grown a very significant network in other parts of the world as well. Why can we not do the same sort of thing?

Mr Kerr—We just do not have the capability of replicating what they would do in Singapore. Leaving aside the regulatory issues and whether we would actually be able to, we cannot operate out of Singapore as if it were a home base, so there are certainly cost advantages for them in that. Nor could we operate with the volume and variety of services that they can operate, simply again because of their geographical location. They are much closer to a much larger range of origin and destination markets.

Mr NUGENT—So we are saying that for airlines to grow and to be profitable, home based location close to major markets is the key to success and therefore we are locked out forever?

Mr Kerr—No, I would not say that, but I am saying that it is a very important factor. To refer again to the regulatory environment: as it liberalises there is scope for a carrier like Qantas to make better use of off shore hubs, but that again is a case-by-case scenario.

Mr NUGENT—What difference has **one**world made, if any?

Mr Kerr—**One**world is a marketing alliance, so it certainly is of benefit to the carriers that are involved and probably the frequent flier links that an alliance like that provide are of significant benefit to a carrier like Qantas.

CHAIR—Can I just break in on that? If I wanted to go to Dubai and then on to London, on **one**world I would not have any troubles. I would fly to Hong Kong, pick up Cathay, into Dubai and then British Airways out to London.

Mr Callaghan—That is right, you could do that.

CHAIR—You would not get the whole Middle East covered though, would you?

Mr Kerr—No, we would not. In fact, that is one of the issues in the Middle East market, that it is so regionally diverse and fragmented and each of the markets in themselves are relatively small.

Mr NUGENT—I was just trying to get a feel. If Qantas on its own has got these problems going into the Middle East, I just wondered whether the **one**world was actually going to significantly change that. But what your question has elicited is that it is really not going to significantly change that, is it? So if I want to be a Qantas customer and I want to go to different locations in the Middle East, even with your **one**world connections, you are going to have difficulty servicing me.

Mr Kerr—As the chairman says, there are a couple of **one**world carriers that operate into the Middle East, but not all of them.

Mr Callaghan—But Qantas also maintains a raft of commercial links with airlines, other than **one**world members, which do operate into the Middle East—the likes of Turkish Airlines, Saudia and Kuwaiti Airlines et cetera, all of whom we have interline arrangements with which allow for preferential end-to-end pricing over our hubs such as Singapore and enable us to keep a foothold in the market. That is how we maintain that market share that the chairman alluded to earlier.

Mr NUGENT—When you come to those arrangements, how discriminatory or discerning are you in terms of looking at issues like the airline's safety, as opposed to just the flight scheduling and the costing?

Mr Kerr—This is in terms of membership of the alliance?

Mr NUGENT—Not just the **one**world, but—

Mr Kerr—Who we enter into commercial arrangements with?

Mr NUGENT—You were mentioning Turkish Airlines. I am not having a go at Turkish Airlines—I do not recall flying on them for a long time, so I have no view on Turkish Airlines. But you mentioned a number of airlines that you have arrangements with and you say there is preferential pricing and so on. Do you just look at the pricing, the scheduling and the locations, or do you look at the broader thing about maintenance of safety issues?

Mr Kerr—No, we do look at the broader things, but it certainly depends on the nature of the relationship. If it was a code share relationship, for instance, and we were putting our passengers on to another airline as Qantas passengers, then those issues would probably be bigger in our mind than if it was a straight out interline arrangement. An interline arrangement is just a fair commercial arrangement about fares and the whole international aviation system works on that basis. Taking the question as a bigger, broader question, all those issues about safety and related factors, brand and so on are all part of any commercial decision that we would make to cooperate with another airline.

Mr NUGENT—Is the Middle East a particularly difficult area to operate in from an airline point of view in terms of maintenance of standards?

Mr Callaghan—I would say not. Airlines like Emirates and Gulf Air have very high maintenance standards and are very much based on the expatriates posted to the area who have a wide degree of expertise. We have no problems with that sort of thing.

Mr NUGENT—I will give somebody else a chance.

CHAIR—Qantas last night, according to the news wires, first flew the silk route over Tibet.

Mr Callaghan—That is correct.

CHAIR—According to the news wires you saved another 30 minutes. What is the difference in flying time on a Qantas service to London compared to, say, an Emirates or a Gulf Air service to London? Is there a significant difference?

Mr Callaghan—The flight time on routes through to London varies at times of year and depends on wind conditions, et cetera. Qantas maintains a range of different routes that we select, depending on what gives us the optimum performance at any one time of year. We have flight paths over Iran, we have flight paths over Russia and the new Lima 888 arrangement, which goes through Tibet and over China, which Qantas pioneered on the weekend, just gives us another option to look at, depending on what the weather conditions are at the particular time of year. Where we rate compared to an Emirates flight going through Dubai, it would not be too much different, except that we do go directly from Singapore through to Europe, whereas they have to stop over at Dubai on the way through, or Gulf has to stop at Bahrain. That would add probably a couple of hours to the end to end flying time compared to a Qantas service which only stops once between here and Europe.

Mr NUGENT—For a Melbourne person it usually stops twice.

Mr Callaghan—It does. It goes to Singapore and then to Dubai.

Mr NUGENT—It is three times—Sydney.

Mr Callaghan—Are you talking about Qantas or Emirates?

Mr NUGENT—Emirates.

Mr Callaghan—Yes, Emirates.

Mr NUGENT—With Qantas you cannot go direct from Melbourne.

Mr Callaghan—No, we stop in Singapore.

Mr NUGENT—You stop in Sydney as well.

Mr Callaghan—No. Every day we go Melbourne, Singapore, London direct—one stop every day.

Mr NUGENT—I withdraw the inference.

Mr Kerr—I think from the passenger's point of view, it is clearly the connecting time on the ground that is the real issue about travelling time rather than the time spent in the air which is probably marginal.

CHAIR—Mr Hollis is an expert on this.

Mr HOLLIS—Yes. Given the large population in Australia of Lebanese descent, one would imagine that there is a lot of traffic between Australia and Lebanon. Have you any information, or can you hazard a guess as to how these people would mostly travel and what line they would travel on? Lebanese Air pulled out of here a few years back, didn't they?

Mr Callaghan—They did, I think, in 1998 having had only a fairly small presence here. They have now re-established, or are about to re-establish, their presence by a code share on Malaysian Airlines. A great deal of that traffic already goes on Qantas up to Singapore and then gets picked up by Middle East Airlines from there, but also Emirates over Dubai, Egyptair over Cairo, Gulf Air over Bahrain. There are various choices that they have got. Even though it is the largest single market, it is not particularly large; it does not have the bulk in its own right that would warrant our commercially putting an operation in there.

You rightly allude to the sort of traffic that is going, because there is a large Lebanese community in Australia. A lot of it is what we would categorise as VFR traffic—visiting friends and relatives—which tends to be very price conscious and therefore very low yield and does not give us the mix that Mr Kerr was referring to earlier that we would want to hope for in starting a service in its own right.

CHAIR—Last week in the hearings Austrade were very upbeat about the potential for the Middle East market, particularly in terms of tourism. I think they cited 20,000 visas being issued. It was a big number anyway. I have two questions. Can you give us any indication of the breakdown at the moment on what might be business traffic out of the Middle East to Australia and what might be tourist traffic? Secondly, despite some of the things you have said, in the long-term sense have you got much feel for the potential of that Middle Eastern market, particularly in terms of tourism?

Mr Callaghan—Our colleagues from the Department of Transport and Regional Services actually provided a table in their written submission to the committee which indicated by journey purpose the break-up of Middle East traffic to Australia. The version I have got is not in colour. It is hard to read the key but it would appear that the holiday and visiting relatives traffic is about 75 per cent, business is probably eight per cent, but I would have to look at the coloured version to be able to—

CHAIR—That is fine, we will check that out. In terms of the long-term potential for tourism growth, despite the fact that you might not be operating services, do you share that optimism that Austrade has?

Mr Kerr—In general terms yes, we do see a growing tourism market there. We do not anticipate it being something which is going to take off overnight though.

CHAIR—I thank you very much indeed for being here with us today. If there are any matters on which we might need additional information the secretary will write to you. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact. Thank you.

Resolved (on motion by **Mr Nugent**, seconded by **Senator Gibbs**):

That the subcommittee authorises the publication of the evidence given before it at the public hearing this day.

Committee adjourned at 12.09 p.m.